

THE BUDGET
OF THE
UNITED STATES GOVERNMENT

FOR THE FISCAL YEAR
ENDING JUNE 30

1947

CORPORATION SUPPLEMENT



WASHINGTON, D. C.

1946

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LETTER OF TRANSMITTAL

To the Congress of the United States:

In this document, for the first time, I am transmitting for congressional consideration the budget programs of all wholly owned Government corporations. The submission of these programs is a long-delayed forward step toward rounding out the Executive budget established by the Budget and Accounting Act of 1921.

The budget programs of the Government corporations are an integral part of the Federal Budget. They will be included hereafter in the Budget transmitted to the Congress in January. The present document is not a separate budget but a supplement to the Budget transmitted last January, necessary this year because the Government Corporation Control Act of 1945 became law too late for inclusion of these statements in the regular Budget.

The information contained in these budgets will provide a better opportunity than we have ever had before to present the interrelationships between the activities of corporations and those of other Government agencies. Thus, both the executive and legislative branches will be able to review the Federal program as a whole. Such a review means better appraisal of individual programs and better integration of the activities of each agency into the changing pattern of the Federal Government.

Corporations are used to carry out a broad range of Government programs largely of a revenue-producing type. They make loans and guarantee loans of private institutions to businessmen, farmers, home owners, foreign governments, and other borrowers. They insure private individuals against loss from crop failure, price declines, war damage, and other hazards. They have constructed and are now managing many vital war plants throughout the country as well as navigation and flood control projects, electric power plants, and other enterprises in the Tennessee Valley. They operate railroads, a steamship service, barge lines, and terminals. They purchase, stockpile, and sell commodities in domestic and foreign markets. They administer many of the wartime subsidy programs, either through direct payments or through purchase and sale operations at a loss.

Each corporation is a unit, but each is a part of a broader Federal program. Hence appraisal of individual corporations should be based upon their contribution to achievement of these broader programs.

In the main, Government corporations operate in the borderland area where the general welfare requires action but the risks of loss are too great or the prospective return too small to attract adequate private capital. They supplement or assist private business rather than supplant it. Some corporations operate at a loss because of marginal operations designed to provide public services below cost, and this must be taken into account in interpreting their financial statements.

The chief source of loss by Government corporations during the war years has been the payment of production, transportation, and food subsidies authorized by the Congress. Several of these wartime subsidies have now been eliminated. Others, however, have had to be increased. Much as I regret the necessity, continuance of these programs is essential to hold the line against the forces of inflation. I have said before, and I repeat here, they will be reduced and discontinued promptly as soon as the inflationary pressure slackens. I hope and expect this will occur by the end of the fiscal year 1947.

Legislation is now pending which would provide premium payment subsidies from corporation funds to finance expansion in the supply of building materials and which would establish other aids urgently required for the veterans' emergency housing program. Enactment of the full program which I have requested is essential to provide an adequate supply of housing for our returning veterans. I also urge prompt consideration and enactment by the House of Representatives of the legislation approved by the Senate designed to raise the long-run housing level of the Nation.

Almost all of the corporations whose budget programs I am transmitting were organized to meet specific depression or war emergencies. Many have finished their jobs and are well on the road to liquidation. Others, however, will probably continue as more or less permanent Federal agencies, with major functions changing from time to time. The Reconstruction Finance Corporation, for example, has proved so useful during the depression and the war that it has become one of the major instrumentalities for conducting the postwar business activities of the Federal Government. I recommend, therefore, that its statutory authority be extended beyond the present expiration date of January 22, 1947.

Under the Government Corporation Control Act, all wholly owned corporations organized or acquired in the future must be federally chartered, and the 18 corporations not federally chartered must

either cease activities (except for liquidation), or be reincorporated by act of Congress before June 30, 1948. Moreover, in any case where the activities of a corporation are more nearly analogous to nonbusiness services of the Federal Government, or where for other reasons it would be more practicable to handle its budgets like that of a regular Government agency, the Director of the Bureau of the Budget, with the approval of the President, is authorized to recommend such action to the Congress.

As part of the investigations necessary to carry out these provisions of law, I am requesting the Director of the Bureau of the Budget to reexamine and redefine the role of Government corporations. The findings of these studies will be useful not only in effectuating the specific provisions of the act, but also in determining the basic principles to be followed in reviewing the existing charters of federally chartered corporations as they come up for renewal. Thus, through successive steps, we shall continue to move forward in developing a more consistent and integrated organizational pattern for the business-type activities of the Federal Government.

In our business operations, the Federal Government, like private business, needs greater flexibility than the customary type of appropriation budget ordinarily permits. Some Government corporations are committed by statute to support prices, furnish electric power, pay insurance claims or meet other demands which may experience wide and unexpected variations because of circumstances beyond their control. Other corporations supply credit or other services to clients who often cannot forecast their own needs in advance, or who will request Government services only if and when the same services cannot be obtained from private institutions. These difficulties can be overcome by the use of business-type budgets.

The budget programs submitted place primary emphasis upon the types of programs specifically authorized by law or by the charter of each corporation. Many corporations have very broad grants of authority. Through their budgets, they apprise the Executive and the Congress of the manner in which they plan to use their available resources, and the funds they expect to devote to each type of program within the limits set by their authority.

In developing budgetary controls applicable to the corporations, the wisest course appears to be to progress carefully, through experiment and evolution. I recommend that the Congress approve the types of programs set forth in the budgets transmitted herewith, and, in addi-

tion, provide general authority for actions necessary to meet unforeseen emergencies or contingencies arising subsequent to approval of the budget. In such emergency situations, I suggest that corporations be permitted to initiate new programs, even though these are not specifically included in the Budget approved by the Congress, provided such programs are within their existing authority. Such new programs will be initiated, however, only after approval by the President and the new programs will be promptly transmitted to the Congress. No program will be undertaken prior to congressional approval if it requires increased borrowing authority. Enactment of these provisions is essential to preserve the flexibility required to meet changing business conditions while maintaining the necessary control of corporate activities.

The accompanying document consists of a summary narrative and supporting tables, followed by detailed presentations of the budgets of all wholly owned Government corporations and certain related noncorporate housing activities. Each budget contains narrative material together with financial statements.

These budgets have been prepared on the basis of existing accounting records. One byproduct of the budgetary and auditing requirements of the act which we hope to realize is an improvement in these records, with a corresponding improvement in future budgets. The present budgets provide more information on the current and future programs of Government corporations than has ever been previously reported.

The summary statements reveal that the level of operations for corporations as a group will decline during the fiscal year 1947 because of the continued liquidation of wartime programs. Commodity purchases of 3.1 billion dollars will amount to less than half the 1945 levels. Funds received from the sale of fixed assets will exceed additions to these assets. Subsidy payments of 1.8 billion dollars will be somewhat lower than in 1946. On the other hand, lending activity will jump from 2.5 to 4.4 billion dollars, as both domestic and foreign borrowers make use of the Government's financial facilities.

Total assets by the close of the fiscal year 1947 will be 16.1 billion dollars, a decline of over 300 million dollars during the fiscal year. Book value of plant and equipment will be 6.8 billion dollars. Outstanding loans will amount to 6 billion dollars. Inventories of 1.3 billion dollars include 470 million dollars in metals and minerals declared surplus and available for transfer to stock pile.

For the group as a whole, a total net loss of 4 billion dollars is anticipated in the fiscal year 1947. Subsidy payments and losses on sales of surplus property, war housing, and other assets account for an estimated loss of 3.4 billion dollars. Expenditures from appropriations to convert temporary war housing and losses realized on programs for agricultural price support and for procurement of strategic supplies and materials are responsible for the remaining loss. Expanded lending operations, power operations, and many other activities will show profits.

The programs of individual corporations fall into five major groups, which are discussed briefly in the following paragraphs.

The Reconstruction Finance Corporation and its subsidiaries expect to liquidate a substantial part of the plant and equipment constructed during the war. Outstanding loans to businesses and to finance the program of the Rural Electrification Administration, however, will expand rapidly.

Under the existing program of the National Housing Agency and its constituents, well over one-half of the expenditures during the fiscal year 1947 will be devoted to completion of the program for provision of 200,000 temporary housing units for veterans, financed from appropriated funds. War-deferred low rent housing projects will be resumed. Insurance of loans to finance construction of new housing and repairs to existing homes will double the 1946 volume. Liquidation of wartime public housing and of the prewar loans of the Home Owners' Loan Corporation will progress rapidly.

Price support operations and subsidy payments of the Commodity Credit Corporation will again involve large expenditures, but inventories will continue to decline from the high wartime levels. Under existing legislation, the Federal Farm Mortgage Corporation will cease making new loans. Most of the other wholly owned corporations supervised by the Secretary of Agriculture expect a further decline in the volume of their financing activities.

With its broadened lending authority, the Export-Import Bank anticipates disbursements possibly as high as 2 billion dollars on loans to finance purchase of American commodities and to provide the necessary minimum credit for postwar reconstruction abroad. The five corporations created by the Office of Inter-American Affairs by the close of the fiscal year will either be liquidated, in liquidation, or nearing completion of cooperative international programs.

The principal corporations engaged in the regional development of resources and transportation facilities, the Tennessee Valley Authority, the Panama Railroad Company, and the Inland Waterways Corporation, are all planning to make substantial expenditures on plant and equipment to meet peacetime demands.

Net new borrowing of the 34 corporations will amount to 2.8 billion dollars over and above retirement of debt. Outstanding obligations, almost entirely held by the Treasury Department, will amount to 15.8 billion dollars on June 30, 1947. New capital investments of 300 million dollars through purchase of Export-Import Bank stock, previously authorized, will provide additional funds. On the other hand, the budgets of eight corporations and three noncorporate housing programs provide for return of funds to the Treasury and payment of dividends totalling 122 million dollars.

By June 30, 1947, the Federal Government will have a total investment of 6.1 billion dollars in the capital stock and paid-in surplus of these corporations. This capital investment will be impaired to the extent of 9.8 billion dollars from cumulative deficits arising almost entirely from the heavy volume of subsidies and other loss-creating activities during the war period.

In this Budget I am recommending that the Congress appropriate 921 million dollars to restore the capital impairment of the Commodity Credit Corporation, as of June 30, 1945. This impairment has already been reflected in the public debt. Additional prospective impairment arising from losses in the fiscal years 1946 and 1947 will require appropriations in subsequent years. The remaining capital impairment for Government corporations is largely confined to the Reconstruction Finance Corporation and certain of its subsidiaries. Until the amount can be more accurately determined, I am not recommending any action by the Congress.

Neither continuance nor restoration of capital impairment alters the budgetary deficits or surpluses of the Federal Government. With minor exceptions, the financing of Government corporations is already handled by the Secretary of the Treasury, and net expenditures and receipts of corporations for the past 3 years have been included in the Budget total of expenditures. Consequently, appropriations to restore impairment involve merely transfers of funds between Government agencies. They do not affect the Treasury's borrowing requirements or the total public debt.

I also recommend a reduction of 1 billion dollars in the borrowing authority of the Federal Farm Mortgage Corporation. With the substantial liquidation of its depression loans and the broadened lending authority of the Federal land banks, the Corporation's borrowing authority is now far in excess of its foreseeable needs.

HARRY S. TRUMAN.

May 2, 1946.

PART I

SUMMARY NARRATIVE AND
FINANCIAL STATEMENTS

Summary narrative
Summary statements and tables

SUMMARY NARRATIVE

The Government Corporation Control Act of 1945 (Public Law 248, 79th Cong.) became law on December 6, 1945. Although the law requires the inclusion of corporation budgets as part of the annual Budget transmitted in January, postponement of the first year's budgets was necessary to permit more thorough preparation and review. These budgets have now been presented to the Congress by the President.

This Corporation Supplement presents, for the first time, the business-type budgets of all wholly owned Government corporations, as well as those of four related noncorporate operations supervised by the Federal Public Housing Authority.

GENERAL SUMMARY

In the past, the only over-all summary of corporation activities in the Budget was a table showing net transactions of corporations, credit agencies, and miscellaneous organizations in checking accounts carried with the Treasurer of the United States. For the past 3 years these transactions, excluding net debt redemptions, have been brought into the budgetary total of expenditures.

The estimate of total Federal expenditures for the fiscal year 1947, presented in January 1946, as usual, made provision for net expenditures of corporations and credit agencies. Revisions of the 1947 Budget estimates will be published in the Budget Review, appearing in August. These will reflect revisions of the estimated receipts and expenditures of Government corporations.

The business-type budgets appearing in this supplement combine narrative analyses with financial statements of the following types:

- (1) Comparative statements of sources and application of funds.
- (2) Comparative statements of income and expenses.
- (3) Comparative statements of financial condition.

In this introductory section, the three major statements contained in the corporation budgets are summarized. Exhibits A, B, and C give consolidated totals for all wholly owned Government corporations and related noncorporate activities. Exhibits A-1 to A-5, B-1 to B-5, and C-1 to C-5 give consolidated totals for five major groups of corporations discussed on later pages. These summary statements not only provide a comprehensive picture of the financial position and operations of Government corporations, but also permit a more effective and accurate integration of corporation programs into the total Federal Budget.

Sources and application of funds.—Most corporation programs involve a considerable turn-over of funds. Aside from subsidy programs, receipts usually partly or wholly offset expenditures. Often they exceed expenditures. From the standpoint of their impact on the Treasury over the fiscal year as a whole, only the net expenditures or receipts are significant. To appraise the programs themselves, however, information on gross expenditures and receipts is essential.

Accordingly, the primary statement in the business-type budget is the statement of sources and application

of funds. This has been adapted from similar statements used by private corporations, revised to serve the special needs of Government budgeting by inclusion of gross payments and receipts instead of net figures.

SOURCES AND APPLICATION OF FUNDS

BY FISCAL YEARS

(In millions)

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans.....	\$2,329	\$2,544	\$4,411
To purchase investments.....	100	89	38
To purchase commodities.....	7,059	4,737	3,099
To pay operating expenses.....	433	552	525
To pay subsidies and contributions.....	1,484	1,962	1,817
To add to fixed assets.....	750	538	431
To retire outstanding obligations.....	6,747	5,631	4,106
To return capital and pay dividends.....	54	131	122
To make other payments.....	53	93	131
To increase (or decrease*) working capital.....	*225	339	67
Total.....	18,784	16,617	14,748
FUNDS PROVIDED			
By repayment of loans.....	3,064	2,838	2,223
By sales of investments.....	343	183	82
By sales of commodities.....	7,068	5,597	3,046
By operating income.....	400	470	391
By sales of fixed assets.....	99	379	587
By borrowing.....	6,802	5,604	6,868
By new capital and paid-in surplus.....	51	730	300
By appropriations.....	285	679	1,230
By other receipts.....	72	137	18
Total.....	18,784	16,617	14,748

*Deduct.

Important shifts in payments and receipts are forecast in the fiscal year 1947. Loan disbursements of 4,411 million dollars will be almost double repayments of principal on outstanding loans, whereas in 1945 and 1946 repayments exceeded new loans made. Commodity purchases of 3,099 million dollars will slightly exceed sales, in contrast to the large excess of sales in both 1945 and 1946. Additions to fixed assets of 431 million dollars for the first time will fall short of funds received by sales of such assets. Cash subsidy payments of 1,817 million dollars will be only 145 million dollars less than in the current fiscal year, and 333 million dollars more than in 1945.

The changing scope and character of the programs are also reflected in the shifting provisions for meeting their financial requirements. Total borrowing requirements will rise to 6,868 million dollars. Net new borrowing will amount to 2,762 million dollars over and above retirement of outstanding obligations. Another 1,230 million dollars will be provided from appropriations, largely appropriations to restore impairment of capital. New capital funds invested will amount to 300 million dollars, compared to 122 million dollars returned to the general and special accounts through retirement of capital stock, payment of dividends, and return of appropriated funds.

Income and expenses.—The great majority of corporation programs involve income-producing outlays. Hence, the ultimate drain on the Treasury cannot be determined by the gross or net expenditures of any single year. Subsidy programs again are the chief exceptions.

The income and expense statements included in the business-type budgets provide estimates of the net gain or loss to the Federal Government from current activities.

The profit or loss shown by a Government corporation, however, is often not a satisfactory yardstick, since the primary purpose of Government activities, both corporate and noncorporate, is to provide needed public services, rather than to show a profit. Where losses occur, they usually reflect either subsidy operations authorized by the Congress, or other operations designed to provide public services below cost.

INCOME AND EXPENSES

BY FISCAL YEARS

[In millions]

	1945, actual	1946, estimated	1947, estimated
INCOME			
Sales of commodities and supplies.....	\$7,656	\$5,523	\$2,929
Sales of services.....	52	44	49
Rentals.....	134	*13	276
Interest and dividends.....	180	141	180
Insurance premiums.....	6	15	38
Other income.....	36	29	92
Total income.....	8,064	5,740	3,564
EXPENSES			
Cost of commodities and supplies sold.....	7,241	5,643	3,289
Direct operating expenses.....	466	176	159
Interest expenses.....	131	122	153
Administrative expenses.....	75	83	81
Subsidies and contributions.....	1,589	2,016	1,857
Reutilization cost of housing.....			413
Insurance losses and claims.....	1	24	89
Losses and charge-offs.....	45	766	1,515
Other expenses.....	45	90	154
Total expenses.....	9,592	8,938	7,710
Net loss* before adjustments.....	*1,527	*3,198	*4,147
Adjustments.....	81	23	124
Net loss* carried to surplus.....	*1,608	*3,175	*4,023

*Deduct.

For the fiscal year 1947 the net loss for all Government corporations carried to surplus is now estimated at 4,023 million dollars, or 848 million dollars more than in the current fiscal year. Subsidies and losses account for 3,372 million dollars, or the great bulk of this net loss. Reutilization costs of converting temporary war housing, covered by appropriations, represents an additional 413 million dollars.

Subsidies and contributions will decline by 159 million dollars to 1,857 million dollars, including 40 million dollars in losses on sales. Losses and charge-offs, however, will increase by 750 million dollars to 1,515 million dollars. This increase represents predominantly higher losses on sales of surplus property, public housing projects, and assets acquired by wartime preclusive buying operations.

Sales of commodities and supplies in the fiscal year 1947 will fall sharply to 2,929 million dollars. Cost of goods sold will amount to 3,289 million dollars. The deficit of 360 million dollars reflects realization of losses on programs for agricultural price support and for procurement of strategic supplies and materials.

Rentals received from public housing projects and defense plants, as well as income from sales of electric power, will substantially exceed direct operating expenses of these programs. Interest and dividends, as the result of the expanded lending program will rise by 39 million dollars to 180 million dollars, or more than the interest expense of 153 million dollars required to finance the lending and all other corporation programs. On the other

hand, insurance premiums of 38 million dollars will fall short of losses and claims of 89 million, because of the payment of 60 million dollars in Philippine war damage claims estimated under legislation at the time the budget was prepared. Administrative expenses of 81 million dollars will be slightly lower than in 1946.

Financial condition.—Because of the size and scope of their operations Government corporations require a substantial volume of assets for the conduct of their normal activities. At the close of the fiscal year 1945, the book value of the assets of all wholly owned Government corporations and related noncorporate activities amounted to 19,397 million dollars.

FINANCIAL CONDITION

[In millions]

	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS			
Loans receivable.....	\$3,871	\$3,792	\$5,985
Land, structures, and equipment.....	9,253	8,832	5,806
Commodities, supplies, and materials.....	2,368	1,473	1,280
Investments.....	861	775	729
Cash.....	350	283	285
Appropriated funds.....	243	454	212
Advances and accounts receivable.....	2,073	650	561
Other assets.....	376	180	160
Total.....	19,397	16,448	16,119
LIABILITIES AND CAPITAL			
Bonds, debentures, and notes payable.....	13,099	13,072	15,834
Deferred and undistributed credits.....	2,416	2,373	2,181
Other liabilities.....	2,157	1,618	1,597
Total liabilities.....	17,672	17,064	19,612
Paid-in capital.....	4,985	4,703	6,103
Earned surplus (or deficit)*.....	*2,600	*5,770	*9,806
Unexpended appropriations.....	240	451	209
Total.....	19,397	16,448	16,119

*Deduct.

By June 30, 1947, aggregate assets of Government corporations will have declined to 16,119 million dollars. Book value of land, structures, and equipment will fall to 6,806 million dollars; the decline of 2,026 million dollars during the fiscal year 1947 reflects almost entirely disposal of defense plants and housing projects. The rapid liquidation of inventories of commodities, supplies, and materials occurring during the fiscal year 1946 will continue at a slower pace in 1947, with book value at the year-end of 1,280 million dollars. Investments will decline to 729 million dollars, including mainly 368 million dollars in United States Government obligations, 168 million dollars in preferred stocks and debentures of commercial banks, and 123 million dollars in capital stock of the Federal home loan banks.

These changes are part of the general liquidation of wartime corporation functions which will progress rapidly throughout the fiscal year 1947. On the other hand, despite further repayment of war and prewar loans, the outstanding volume of loans of all major types is expected to rise sharply from 3,792 million dollars to 5,985 million dollars, as both domestic and foreign borrowers make use of the Government's financial facilities.

As the result of the increased borrowing requirements, outstanding bonds, notes, and debentures of these corporations will rise to 15,834 million dollars by June 30, 1947. With the exception of 778 million dollars owed to private agencies, all of these obligations will be held by the Secretary of the Treasury and thus will be indirectly reflected in the public debt.

By June 30, 1946, on the basis of current legislation, the Federal Government will have a total investment of 4,703 million dollars in capital stock and paid-in surplus of wholly owned Government corporations. Because of the heavy volume of subsidies and other loss-creating activities during the war period financed from corporate funds, a balance sheet deficit of 5,770 million dollars will exist. The losses forecast will increase this deficit to 9,806 million dollars by the close of the fiscal year 1947.

MAJOR CORPORATION PROGRAMS

The wide variety of business activities in which the Federal Government is engaged has caused the development of corporations to serve a correspondingly wide variety of Government functions. Their operations are largely concentrated, however, in five major areas.

1. *Corporations engaged in aids to industry (exhibits A-1, B-1, and C-1).*—Direct participation in and aids to industry are now centered largely in the Reconstruction Finance Corporation under the general supervision of the Federal Loan Administrator. Pursuant to Public Law 109 (79th Cong.), five of the Corporation's subsidiaries—the Defense Plant Corporation, Metals Reserve Company, Rubber Reserve Company, Defense Supplies Corporation, and Disaster Loan Corporation—were dissolved on June 30, 1945, and their functions transferred to the parent Corporation. Another subsidiary, War Assets Corporation (formerly Petroleum Reserves Corporation), which for a brief period carried on surplus-property functions, is now in process of dissolution, with its functions transferred to War Assets Administration. The five remaining active subsidiaries are Federal National Mortgage Association, The RFC Mortgage Company, Rubber Development Corporation, U. S. Commercial Company and War Damage Corporation. Since January 28, 1946, certain functions of the Smaller War Plants Corporation, including the lending functions, as well as related assets and liabilities, have also been administered by the Reconstruction Finance Corporation.

In their wartime business operations the Reconstruction Finance Corporation and its subsidiaries engaged primarily in construction and operation of war plants, procurement of essential war materials at home and abroad, and provision of insurance against war damages. Lending activities were shifted predominantly to the needs of national defense. In addition, for reasons of administrative convenience, the Corporation's funds and staff were extensively employed in the wartime subsidy program.

Liquidation of these wartime activities has progressed rapidly since VJ-day. It will accelerate in the fiscal year 1947. Plant and equipment of the Corporation and its subsidiaries valued at 6,577 million dollars on June 30, 1945, will decline—mostly through liquidation—by more than 2,000 million dollars in the 2 years ending June 30, 1947. At the end of the fiscal year 1947, the book value of plant and equipment will amount to 4,763 million dollars before depreciation reserves of 198 million dollars. Of this gross book value, an estimated 3,266 million dollars will have been declared surplus under the defense plants program. The remainder will consist mainly of synthetic rubber plants, plants not released by the sponsoring agencies and plants operated by private businesses under unexpired lease agreements.

Purchases of commodities in the fiscal year 1947 will be cut to 1,620 million dollars, or less than 40 percent of the 1945 level. More than 500 million dollars of this represents foreign trade transactions of the U. S. Com-

mercial Company with occupied countries pursuant to the program of the State Department under agreements now being arranged with the War Department. As the result of this program and the rise in stocks of natural rubber, inventories of commodities, supplies, and materials will increase slightly to 955 million dollars on June 30, 1947. About half of this inventory, however, will represent metals and minerals declared surplus and available for transfer to the permanent stock pile to the extent not required to meet civilian needs. Pending legislation would permit reimbursement for the value of materials actually transferred to the stock pile, by cancellation of a corresponding volume of the Corporation's notes by the Secretary of the Treasury.

Advances to contractors and agents, which at the close of fiscal year 1945 were 694 million dollars, will be down to 55 million dollars on June 30, 1947.

Subsidy programs for petroleum, butter, and many minor items have already been drastically reduced or eliminated. Other subsidies paid from the Corporation's funds, however, notably those for flour and livestock, have had to be increased. The payments of 1,117 million dollars estimated in the fiscal year 1947 under pending legislation are only 73 million dollars less than in the current fiscal year, and 276 million more than in the fiscal year 1945.

Meanwhile, the business-lending programs of the Corporation and its subsidiaries are expanding rapidly. The transfer of the wartime lending functions of Smaller War Plants Corporation has focused Government leadership in the business-lending field in the Reconstruction Finance Corporation. Outstanding loans to aid industry (excluding national defense loans), it is estimated, will almost double from 344 million dollars on June 30, 1945, to 658 million dollars on June 30, 1947, with an even sharper rise in undisbursed commitments. Participation loans, which involve chiefly disbursements by private banks guaranteed by the Corporation, are increasing even faster, as the result of the broadening acceptance of the blanket participation plan for automatic loan guarantees.

Outstanding loans to finance the expanding program of the Rural Electrification Administration and other Government agencies will rise from 404 million dollars to 672 million dollars in the 2-year period. Rapid repayments on national defense loans and on the wartime collateral loan to the United Kingdom will continue.

All insurance policies issued by the War Damage Corporation are expected to expire during the fiscal year 1947. The budget provides for payment of 70 million dollars in Philippine damage claims (with corresponding losses to the Corporation) during the fiscal years 1946 and 1947. Approval of pending legislation would remove the responsibility for these claims from the Corporation and permit reasonably prompt liquidation.

Despite the increased profits anticipated from the expanded lending program, the heavy losses on liquidation of war assets and the continuing high levels of subsidy payments will create a consolidated net loss of 2,582 million dollars for the Reconstruction Finance Corporation and its subsidiaries in the fiscal year 1947. Moreover, in spite of the funds provided from realization of other assets, additional Treasury financing of 1,363 million dollars will be required. This is likewise attributable largely to subsidy payments.

According to present estimates the cumulative capital impairment of the Corporation and its subsidiaries will amount to 3,715 million dollars on June 30, 1946. This will increase to an estimated 6,296 million dollars by June 30, 1947. These estimates, however, will necessarily

be incomplete and inaccurate until current negotiations determine the reimbursement due from other Government agencies on the defense plant construction and operations program. Accordingly, recommendations for action to restore the impairment have been deferred until these negotiations are completed and until the results of the General Accounting Office audits required by Public Law 248 are available.

2. *Corporations engaged in aids to housing (exhibits A-2, B-2, and C-2).*—The bulk of Federal aid to housing is provided either by Government corporations or by programs financed from appropriations, but for which business-type budgets are required by Public Law 248. Accordingly, by agreement with the congressional committees concerned, all the budgets of the National Housing Agency and its constituent units are transmitted in this Supplement to facilitate their joint review. These include the customary-type budgets for the Office of the Administrator and Expediter, the Federal Housing Administration, and the Administrative Department and the Federal Home Loan Bank System of the Federal Home Loan Bank Administration.

The Administrator, in his capacity as Housing Expediter, has power to issue directives to other agencies participating in activities essential to the success of the veterans' emergency housing program. For the fiscal year 1947, the costs of the activities of these other agencies arising from the housing program will be included in the budgets submitted for these agencies.

The budgets of the National Housing Agency and its constituents, herewith submitted, as well as those of the cooperating agencies, are based on programs authorized by legislation approved through March 28, 1946. They make no provision for the substantial expenditures which would be required by passage of additional legislation now pending before the Congress, both to provide for emergency needs of returning veterans and to improve the long-run housing conditions of the Nation. Amendments to provide for these expenditures will be submitted as soon as the necessary legislation is approved.

Under the proposed emergency program, if enacted, the Reconstruction Finance Corporation will have particularly large increases in outlays to finance premium payment subsidies for expansion in the supply of building materials, to guarantee the market for prefabricated housing and new-type materials, to provide direct loans to building materials producers and contractors and to purchase insured mortgages through The RFC Mortgage Company and Federal National Mortgage Association. Under the longer range program increases would be authorized in aids to both private and public housing by all the major constituents of the National Housing Agency, but these would call for smaller annual outlays.

In terms of funds applied (excluding debt retirement), well over half of the program now budgeted for the National Housing Agency for the fiscal year 1947 will be devoted to the completion of the program for provision of 200,000 temporary housing units for veterans through relocation and conversion of surplus barracks and temporary war housing. Of the total appropriations authorized for this purpose (excluding administrative expenses allocated to other phases of the housing program), an estimated 105 million dollars will be spent in the fiscal year 1946, and 331 million dollars in 1947.

Except for net income from project rentals, amounting to 11 million dollars in the fiscal year 1947, no recovery is anticipated from these expenditures for reuse of temporary housing. Moreover, of the total net loss of 520 million dollars from all housing programs, corporate and non-

corporate, reutilization costs of housing transferred to the veterans' housing program account for 413 million dollars. These are aftermath-of-war costs necessary to aid returning veterans handicapped by the acute housing shortage. Wherever possible, the regular continuing programs of the housing agencies will also be geared to provide a maximum volume of veterans' housing.

The corporate program of the Federal Public Housing Authority, measured in terms of total assets, will show a further expansion from 550 million dollars to 594 million dollars during the 2-year period ending on June 30, 1947. This program is designed primarily to provide decent housing for low-income families. During the fiscal years 1946 and 1947, construction of war-deferred projects and transfer of permanent war housing, subject to congressional approval, will add a total of 37,300 low-rent units. Although these operations will involve some new Federal financing of local housing authorities, this will be offset in part by refinancing of existing obligations with private funds. Primarily because of the increased number of units requiring rental subsidies, the annual appropriation for contributions to local housing authorities will rise to 15 million dollars in the fiscal year 1947. Cash resources are expected to permit retirement of 20 million dollars of obligations held by the Treasury.

The remaining programs administered by the Federal Public Housing Authority are continuing liquidation. Total investments in public war housing will decline from 1,708 million dollars on June 30, 1945, to 1,305 million dollars on June 30, 1947, reflecting primarily disposal of permanent projects constructed under the Lanham Act. Temporary war housing, wherever available, will be transferred for reuse under the veterans' housing program. These disposition activities will involve estimated losses of 131 million dollars in the fiscal year 1947, which will overbalance the net operating income of 25 million dollars anticipated from active projects. Similarly, rapid liquidation will continue for the homes conversion program and the Farm Security Administration program. These three programs, in total, will return 52 million dollars in appropriated funds to the Treasury during the fiscal year 1946, and 65 million dollars in 1947.

The Defense Homes Corporation hopes to dispose of all properties held during the fiscal years 1946 and 1947, repaying outstanding obligations to the Reconstruction Finance Corporation. Cash resources and liquidation of loans, it is expected, will subsequently permit return of the entire capital investment of 10 million dollars to the Treasury.

Even without the resumption of title VI (war housing) loan guarantees, proposed by pending legislation, the Federal Housing Administration will insure an estimated 850,000 loans for renovation and repair of existing housing under title I and 210,000 loans to build new homes under title II. This is roughly double the total insurance volume in the fiscal year 1946. Premium receipts and cash recoveries again are expected to exceed claims paid and administrative expenses.

The rapid pace of liquidation of the Home Owners' Loan Corporation is continuing, with outstanding loan balances declining from 952 million dollars to an estimated 589 million dollars in the 2-year period ending June 30, 1947. Profits on operations during the same 2-year period will reduce the capital impairment from 106 million dollars to 64 million dollars. In view of the very favorable trend indicated, no recommendation is submitted for restoration of this impairment.

Of the other agencies supervised by the Federal Home Loan Bank Administration, the Federal Savings and Loan

Insurance Corporation is expected to show further expansion in assets and reserves. The Federal home loan banks (mixed-ownership corporations) will repay a minor amount of capital to the Reconstruction Finance Corporation. The United States Housing Corporation has already completed liquidation, and its formal dissolution will be effected shortly.

3. *Corporations engaged in aids to agriculture (exhibits A-3, B-3, and C-3).*—Seven wholly owned corporations or groups of corporations and two groups of mixed-ownership corporations are integral parts of the Federal program of assistance to farmers. In addition, as already mentioned, the Reconstruction Finance Corporation indirectly participates through payments of subsidies on meat and flour and through financing the loans made by the Rural Electrification Administration and the Farm Security Administration. The Farmers' Home Corporation, listed in Public Law 248, is inactive.

Measured in terms of assets, as well as funds applied, the Federal farm program financed by the wholly owned corporations supervised by the Secretary of Agriculture will decline sharply from the wartime levels prevailing in the fiscal year 1945. The chief exceptions are the Federal Crop Insurance Corporation and the Federal intermediate credit banks.

Under existing law, the Federal Farm Mortgage Corporation will cease making new loans on June 30, 1946. A large share of its outstanding loans will also be transferred to the Federal land banks or repaid during the fiscal years 1946 and 1947. Outstanding investments of the production credit corporations in stock of production credit associations will continue to fall. Loan disbursements of the Regional Agricultural Credit Corporation will decline to a very low level. The Federal Surplus Commodities Corporation plans to complete its liquidation during the fiscal year 1947.

The price-support operations and subsidy payments of the Commodity Credit Corporation will continue to involve large expenditures. The subsidy program is expected to amount to 819 million dollars in the fiscal year 1946 and 725 million dollars in 1947. This does not include payments by the Reconstruction Finance Corporation of 926 million dollars for meat, butter, and flour subsidies in 1946, and 1,000 million dollars for meat and flour subsidies in 1947.

Because of the world shortage of food and high domestic demand, prices of most agricultural commodities have been pressing against ceilings. Accordingly, price-support activities are currently involving substantial losses only in the case of a few commodities, mainly wool, eggs, poultry, and potatoes. If agricultural prices remain at high levels during 1947, price-support loans and purchases taken together will remain at about the same level as in 1946. Inventory liquidation in 1946 will bring net receipts of 638 million dollars, but such receipts will decline to 200 million dollars in 1947.

An appropriation of 921 million dollars is recommended to restore the capital impairment of the Commodity Credit Corporation on June 30, 1945. Estimated net losses of 891 million dollars in the fiscal year 1946 and 967 million dollars in 1947 arising primarily from the subsidy program, however, will cause corresponding further impairment and corresponding need for restoration of capital. On the other hand, the Federal Farm Mortgage Corporation, the Federal Surplus Commodities Corporation, and the production credit corporations expect to return capital funds to the Treasury amounting to 57 million dollars in the fiscal year 1946 and 48 million dollars in 1947. During 1946, the Federal land

banks (mixed-ownership corporations) also are returning 111 million dollars in Government-owned capital stock and paid-in surplus.

4. *Corporations engaged in aids to international relations and trade (exhibits A-4, B-4, and C-4).*—During the war years the operations of the Export-Import Bank were limited primarily to loans to Latin American countries designed to develop their resources and to augment their production of essential war materials. In addition, five wholly owned corporations were formed by the Office of Inter-American Affairs to promote activities directly or indirectly aiding the broader participation of Latin American countries in the war effort. Meanwhile, the U. S. Commercial Company and the Rubber Development Corporation were established to engage in procurement and trading activities abroad. Since they are now subsidiaries of the Reconstruction Finance Corporation, their operations have already been discussed.

With the increased financial resources provided by the legislation enacted early in the fiscal year 1946, the Export-Import Bank has become the major financial agency of the United States Government in the international field. It also has acquired an important role in the broader program for expanding international trade.

The budget program of the Bank provides for loan disbursements of 2,000 million dollars, based in part upon commitments already authorized or pending, and in part upon additional authorizations anticipated. If commitments now contemplated do not materialize, or if shortages of goods delay purchases by borrowers, this estimate may prove too high. In any event loan disbursements will be much larger than the 34 million dollars actually paid out in the fiscal year 1945. The bulk of disbursements contemplated will be made to finance the purchase of American commodities, requisitioned but not contracted for under lend-lease agreements prior to VJ-day, and to provide the bare minimum of credit necessary for reconstruction of liberated and war-devastated countries. Because of the long terms on which most of these loans are written, repayments by borrowers in the fiscal year 1947 are expected to amount to only 60 million dollars. Net income will rise from 8 million dollars in the fiscal year 1945 to 40 million dollars in the fiscal year 1947.

As the International Bank for Reconstruction and Development comes into full operation, it will take over the major responsibility for many types of international financing. Nevertheless, the Export-Import Bank will continue to play an important role in international financing, with particular emphasis upon participation with private lenders in loans which promote American exports and imports. Accordingly, as indicated in the President's Message to the Congress on March 1, 1946, both the lending and the borrowing authority of the Bank will probably require a further increase sometime during the fiscal year 1947. The additional requirements of the Bank are now being considered by the National Advisory Council on International Monetary and Financial Problems. As they become more definite, specific recommendations may be submitted to the Congress.

By contrast, the programs of the five corporations created by the Office of Inter-American Affairs and financed by grants from appropriated funds have been declining since VJ-day. One of the five, the Inter-American Navigation Corporation, will complete its liquidation in February 1947. Two others, the Institute of Inter-American Transportation and Prencinradio, Inc., during the fiscal year 1947, will begin the 3-year dissolution period required by the Delaware law under which

they are incorporated. The two active corporations remaining, the Institute of Inter-American Affairs and the Inter-American Educational Foundation, Inc., have agreements for continuance of cooperative programs with certain Latin-American countries which run into the fiscal year 1949.

The three corporations in liquidation will return a modest amount of capital to the Treasury during the fiscal years 1946 and 1947.

5. *Corporations engaged in aids to regional development (exhibits A-5, B-5, and C-5).*—The remaining corporation programs largely emphasize development of resources and transportation facilities of particular regions in the United States and its Territories and possessions.

The Tennessee Valley Authority has by far the broadest program of this type. Its program for promoting the unified development of the Valley includes construction and operation of navigation, flood control, and power facilities, fertilizer production and research, and other development activities in cooperation with other Federal, State, and local agencies. By June 30, 1947, the value of its fixed assets after reserve for depreciation will total 759 million dollars. More than half of this is devoted to the power program.

Certain programs of the Authority are financed by appropriations, others from corporate funds. The 1947 Budget calls for a new appropriation of 37 million dollars, compared to less than 10 million dollars in 1946. In addition, net corporate proceeds of 29 million dollars, derived predominantly from power operations, will be available in 1947. More than half of these total funds will be applied to the construction program. About 11 million dollars will be applied to defray common expenses allocated to navigation and flood control, and gross expenses of direct operations of navigation, flood control, fertilizer, and munitions research, and resource development activities. Expansion in working capital amounting to 13 million dollars is also expected, largely from corporate funds.

Net income from power operations, after all charges, is expected to rise from 13 million dollars in the current fiscal year to 16 million dollars in the fiscal year 1947. These profits will more than offset the net expense entailed in other operations.

Pursuant to section 26 of the Tennessee Valley Authority Act, surplus proceeds of over 12 million dollars for the fiscal year 1945, not required for operation of dams or reservoirs or conduct of power or fertilizer business, were paid into the general fund of the Treasury in 1946. Similar excess proceeds of 7 million dollars in 1946 and 10 million dollars in 1947 are indicated by the estimated budget programs; determination of the amounts of these proceeds to be paid into the Treasury will be made by the board of directors in the fiscal years 1947 and 1948, respectively. The Authority also plans during 1947 to complete retirement of those of its bonds held by the Reconstruction Finance Corporation.

The Panama Railroad Company is of less significance as a railroad than as a general service agency for United States establishments in the Canal Zone. Its operations extend to commissaries, telephone services, hotels, a dairy, dock facilities, and a steamship line connecting the Canal Zone with the United States east coast. These operations are far more lucrative in the aggregate than the railway operations, though the latter continue important for cross-Isthmus transportation. The Company during the war years has operated as an integral part of the zone's defenses and military service functions. The decline of military activity will adversely affect many aspects of its business. Despite the reestablishment of its steamship service and the resumption of tourist traffic, net income will fall to less than a third of the 1945 level. The financial position of the Company is excellent. Even the expenditure of some 6 million dollars in rehabilitating its steamers will leave it with substantial cash reserves. Dividends totaling 5 million dollars will be paid to the Treasury in the fiscal years 1946 and 1947.

The Inland Waterways Corporation grew out of the demonstrated needs for an increase of domestic transportation facilities during and following World War I. In World War II its operations helped to relieve congested railway facilities. The Corporation today operates an obsolete fleet of barges and towboats at heavy cost in the Mississippi, Illinois, lower Missouri, and Warrior River Valleys. It offers a common carrier service of some value to communities along these rivers, but it encounters great difficulty in securing traffic in the face of sharp competition. Unless equipment and operating methods are modernized, the usefulness of the service will gradually disappear and its deficits increase. The Corporation proposes, therefore, to expend some 3 million dollars for new equipment in the fiscal years 1946 and 1947 to be financed by sales of Government securities from its portfolio. This would be a mere beginning in the rehabilitation required to restore the carrier to an economical operating position.

Of the remaining minor activities, Cargoes Incorporated has been dissolved and its unexpended funds transferred to the Reconstruction Finance Corporation. The United States Spruce Production Corporation is expected to complete liquidation during the fiscal year 1947 and to pay off the balance of its funds to the Treasury. Legislation to divest the Federal Government of its small proprietary interest in the Tennessee Valley Associated Cooperatives, Inc., is now under study. Federal Prison Industries, Inc., in its 1947 budget program, contemplates dividend payments to the Treasury of 6 million dollars, in addition to the 5 million dollars paid in 1946. The Warrior River Terminal Company, a subsidiary of the Inland Waterways Corporation, expects to recoup most of its wartime losses in tonnage and revenues. The Virgin Islands Company is continuing on the same modest scale of operations as in earlier years.

EXHIBIT A
WHOLLY OWNED GOVERNMENT CORPORATIONS
CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS
[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans:			
To aid agriculture.....	\$1,504,594,176	\$1,096,017,572	\$1,635,220,116
To aid industry.....	131,361,921	386,387,015	237,244,000
To other Federal agencies.....	118,905,000	205,575,000	352,500,000
To local governments and public bodies.....	1,863,604	23,929,000	57,125,000
To aid home owners.....	36,846,338	29,695,688	124,882,000
To aid financial institutions.....		3,273,822	
To contractors and producers, including advances.....	343,032,637	127,200,984	15,000
Other loans, including national defense and Export-Import Bank loans.....	192,369,004	672,420,009	2,004,200,000
	\$2,328,972,679	\$2,544,499,090	\$4,411,186,116
To purchase commodities and supplies (stock-piling and procurement programs):			
Critical and strategic supplies.....	3,222,660,590	1,251,133,477	157,527,404
Strategic metals and minerals.....	375,569,585	646,674,900	345,928,925
Rubber.....	596,544,357	553,691,063	579,268,880
Food and agricultural products.....	2,795,709,393	2,109,964,528	1,403,676,500
Other.....		108,600,000	537,000,000
	6,990,483,925	4,670,063,968	3,023,401,709
To cost of sales (trading and manufacturing activities).....	68,898,133	67,233,623	75,902,412
To pay direct subsidies and contributions:			
Food and agricultural subsidies.....	1,259,534,421	1,690,051,898	1,685,000,000
Other subsidies.....	215,574,965	263,546,995	117,477,295
Annual contributions to local housing authorities.....	8,721,220	8,041,754	15,000,000
	1,483,830,606	1,961,640,647	1,817,477,295
To make direct payments on agricultural commodity exports.....	993,084	260,628	30,000,000
To purchase and improve fixed assets.....	750,115,851	538,088,278	431,216,080
To acquire and rehabilitate security on defaulted loans.....	11,163,820	2,365,194	1,917,909
To purchase investments:			
U. S. Government securities.....	99,330,902	87,138,627	35,052,000
Preferred stock and debentures of banks and trust companies.....	269,130	2,000,000	2,000,000
	99,600,032	89,138,627	38,052,000
To repay borrowings:			
To U. S. Treasury.....	4,545,558,000	4,439,673,697	2,720,000,000
To the public.....	2,201,319,094	1,191,698,579	1,386,112,000
	6,746,877,094	5,631,372,276	4,106,112,000
To distribute proceeds from surplus property sold by Reconstruction Finance Corporation as disposal agency.....			
	40,116,093	62,413,903	-----
To return funds and pay dividends to U. S. Treasury:			
Panama Railroad Company: Dividends.....	2,800,000	2,100,000	3,000,000
Federal Prison Industries, Inc: Dividends.....		4,774,707	6,225,293
United States Spruce Production Corporation: Return of capital and surplus.....	50,000		297,518
Federal Surplus Commodities Corporation: Distribution of surplus.....	349,494		2,632,519
Federal Farm Mortgage Corporation: Repayment of paid-in capital.....		50,000,000	40,000,000
Production Credit Corporation: Repayment of paid-in capital.....	6,700,000	7,050,000	5,300,000
Regional Agricultural Credit Corporation: Repayment of paid-in capital.....	44,400,000		
Tennessee Valley Authority: Return of surplus proceeds.....		12,597,744	
Inter-American Navigation Corporation: Return of Government funds.....		175,000	
Institute of Inter-American Transportation: Return of Government funds.....		487,390	
Prencriatio, Inc.: Deposits to miscellaneous receipts.....		975,000	88,125
Public war housing program: Deposits to miscellaneous receipts.....		50,000,000	55,365,421
Homes conversion program: Deposits to miscellaneous receipts.....			7,233,817
Farm Security Administration program: Deposits to miscellaneous receipts.....		2,387,346	2,053,900
	54,299,494	130,547,187	122,196,593
To operating expenses: ²			
Direct operating expenses.....	233,922,654	276,710,973	229,196,526
Administrative expenses.....	62,918,289	77,747,963	80,739,582
Interest expense.....	124,718,160	132,849,406	153,620,704
Miscellaneous charges and expenses.....	10,957,052	64,553,825	61,395,485
	432,516,155	551,862,167	524,852,297
To claims, indemnities, postwar and other losses:			
War damage claims.....	26,922	10,039,600	60,000,000
Crop insurance indemnities.....	492,552	13,823,950	29,197,440
Savings and loan insurance claims and rehabilitation of insured institutions.....	124,662	4,146,000	7,853,600
Other losses.....	56,818	34,000	2,020,000
	700,954	28,043,550	99,070,440
To increase (or decrease*) working capital.....	*224,551,866	339,023,101	66,658,326
Total funds applied.....	18,784,016,054	16,616,552,239	14,748,043,177

¹ Excludes the public war housing program and the Farm Security Administration program of the Federal Public Housing Authority for which the information was not available in the manner required for the preparation of a statement of sources and application of funds for the fiscal year 1945.

² Excludes expenses which do not require funds during the current year (see exhibit B).

EXHIBIT A—Continued

WHOLLY OWNED GOVERNMENT CORPORATIONS—Continued
 CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS—Continued
 [Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
FUNDS PROVIDED			
By principal collections on loans:			
To aid agriculture.....	\$1,480,129,418	\$1,434,421,083	\$1,514,198,624
To aid industry.....	277,753,249	196,846,022	99,811,000
To other Federal agencies.....	179,863,551	104,060,346	124,734,140
To local governments and public bodies.....	26,988,997	21,425,002	36,224,000
To aid home owners.....	424,710,867	246,757,874	250,831,174
To aid financial institutions.....	9,914,328	28,917,615	1,364,200
To Great Britain and Northern Ireland.....	35,224,769	34,974,284	37,000,000
To contractors and producers, including advances.....	356,791,793	452,117,050	31,641,762
Other loans, including national defense and Export-Import Bank loans.....	272,929,060	318,729,436	127,525,176
	\$3,064,306,032	\$2,838,248,712	\$2,223,330,076
By sale of commodities and supplies (stock-piling and procurement program):			
Critical and strategic supplies.....	3,332,408,835	1,715,145,669	262,116,421
Strategic metals and minerals.....	478,861,730	480,458,545	290,578,687
Rubber.....	584,921,714	523,437,902	537,575,240
Food and agricultural products.....	3,089,104,800	2,726,282,247	1,416,003,100
Other.....		68,280,000	454,826,000
	7,585,297,079	5,513,604,363	2,961,099,448
By sale of commodities (trading and manufacturing activities).....	82,411,708	83,653,133	85,060,787
By sale of fixed assets.....	98,749,643	378,621,192	587,478,653
By sale of surplus property by Reconstruction Finance Corporation as disposal agency.....	40,591,708	118,127,060	
By sale of security acquired on defaulted loans.....	20,343,027	14,948,823	6,086,198
By sale or collection of investments:			
U. S. Government securities.....	85,046,552	101,401,273	35,144,477
Other investments.....	258,449,320	81,432,566	47,315,000
	343,495,872	182,833,839	82,459,477
By financing with U. S. Treasury:			
Borrowings.....	5,822,000,000	4,483,739,463	6,868,446,500
Capital and surplus subscriptions:			
Smaller War Plants Corporation.....	50,000,000		
Federal Crop Insurance Corporation.....		30,000,000	
Regional Agricultural Credit Corporation.....	500,000	542,073	419,000
Export-Import Bank of Washington, D. C.....		699,000,000	300,000,000
	5,872,500,000	5,213,281,536	7,168,865,500
By borrowings from private lending agencies.....	979,796,162	1,120,235,000	
By operating income:			
Sale of services.....	92,797,424	169,277,068	191,997,587
Interest and dividends.....	177,490,640	138,766,347	178,910,526
Miscellaneous sources and other income.....	129,520,164	161,620,889	20,416,601
	399,808,228	469,664,304	391,324,714
By appropriations (net expenditures):			
Commodity Credit Corporation.....	256,764,881	500,000,000	921,456,561
Federal Public Housing Authority:			
Public war housing program.....		63,287,389	*69,192,956
Homes conversion program.....	19,894,919	*6,517,406	*1,213,854
Veterans' housing program.....		104,817,100	327,897,900
Housing corporate program.....	8,721,220	8,041,754	15,000,000
Farm Security Administration program.....		*297,897	*173,224
Tennessee Valley Authority.....		9,648,900	36,572,000
	285,381,020	678,978,940	1,230,346,427
By grants and contributions.....	11,335,635	4,355,337	11,991,897
Total funds provided.....	18,784,016,054	16,616,552,239	14,748,043,177

*Deduct.

EXHIBIT B
WHOLLY OWNED GOVERNMENT CORPORATIONS
CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Income:			
Sales of commodities and supplies:			
Agricultural commodities:			
Price support program	\$1,284,268,333	\$1,845,869,632	\$955,364,537
Purchase and supply program	1,805,416,130	884,114,890	490,581,000
Strategic supplies and materials:			
Critical and strategic supplies	3,322,897,564	1,733,369,360	222,390,254
Strategic metals and minerals	578,861,730	480,458,545	290,578,687
Rubber	582,693,462	477,722,941	494,379,640
Commodities from and to occupied countries			
Goods manufactured, commissary stores, and other supplies	82,178,759	80,348,507	55,267,350
	\$7,656,316,008	\$5,523,163,875	\$2,928,561,468
Sales of services:			
Electric power	36,733,937	30,649,000	31,575,000
Rail, ship, and barge transportation	15,359,711	13,461,614	17,316,150
	52,093,698	44,110,614	48,891,150
Rents:			
Public housing projects	130,265,669	109,805,792	104,435,640
Defense plants and equipment	2,803,268	*123,477,353	171,550,000
Other rental income	1,310,027	340,313	352,500
	134,378,964	*13,331,248	276,338,140
Interest and dividends:			
On loans	167,115,752	121,244,768	167,217,211
On investments	12,697,365	19,870,274	12,507,021
	179,813,117	141,115,042	179,724,232
Insurance premiums:			
Crop insurance	22,693	9,553,720	32,441,600
Savings and loan insurance	5,087,324	5,510,000	5,770,000
War damage insurance	855,290	112,853	-----
	5,965,307	15,176,573	38,211,600
Miscellaneous income	36,877,725	29,380,463	91,817,931
Total income	8,064,444,819	5,739,615,319	3,663,544,521
Expenses:			
Cost of commodities and supplies sold:			
Agricultural commodities:			
Price support program	1,189,605,733	1,875,262,773	1,145,508,537
Purchase and supply program	1,806,915,885	874,586,248	490,431,000
Strategic supplies and materials:			
Critical and strategic supplies	2,981,650,835	1,794,038,409	298,105,696
Strategic metals and minerals	626,209,440	473,915,048	350,379,651
Rubber	565,504,400	627,837,278	535,774,721
Commodities from and to occupied countries			
Goods manufactured, commissary stores, and other supplies	70,988,378	76,242,684	48,459,375
	7,240,874,671	5,643,212,440	3,288,658,980
Direct operating expenses:			
Public housing projects, directly operated	69,830,685	75,776,176	58,925,816
Defense plants and procurement programs	359,366,510	63,653,621	62,021,331
Electric power and transportation	36,525,350	35,950,285	37,860,188
	465,722,545	175,279,982	158,807,335
Interest expenses	131,176,485	121,804,307	153,419,656
Administrative expenses	75,023,414	83,050,782	81,374,582
Contract termination expenses	2,732,591	31,700,552	66,096,243
Miscellaneous expenses	41,910,095	58,545,410	87,687,984
Subsidies and contributions:			
Food	1,365,714,742	1,745,551,898	1,725,000,000
Housing	8,721,220	8,041,754	15,000,000
Other	214,809,055	262,370,043	117,077,295
	1,589,245,017	2,015,963,695	1,857,077,295
Reutilization cost of housing transferred under veterans' housing program		19,826,700	412,889,300
Insurance losses and claims:			
Crop insurance	492,552	13,823,950	29,197,440
War damage insurance	26,922	10,039,600	60,000,000
	519,474	23,863,550	89,197,440
Losses and charge-offs:			
Loss on sale and transfer of public housing projects	133,347	111,609,200	143,072,333
Loss on preclusive operations	7,111,425	770,600	128,567,850
Loss on sale of other property	3,792,655	451,215,863	1,137,153,178
Loss on acquired security	16,036,810	2,970,648	1,489,243
Loans and other receivables charged off	10,049,056	39,857,239	31,899,638
Inventories charged off	7,500,925	158,278,048	72,678,136
	44,684,278	764,701,598	1,514,857,375
Total expenses	9,591,888,570	8,937,948,016	7,710,306,193
Net income (or loss)* before adjustments of valuation reserves	*1,527,443,751	*3,198,332,697	*4,146,821,672

*Deduct.

EXHIBIT B—Continued
 WHOLLY OWNED GOVERNMENT CORPORATIONS—Continued
 CONSOLIDATED STATEMENT OF INCOME AND EXPENSES—Continued
 [Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Adjustments of valuation reserves:			
Reserve for losses on loans and other receivables	\$4,448,269	\$27,647,465	\$5,948,004
Reserve for losses on commodities owned	19,286,240	*5,817,930	*10,000,000
Reserve for losses on other assets	*104,671,203	202,164	124,794,219
Total adjustments of valuation reserves	*\$80,936,694	\$22,031,099	\$120,742,223
Net loss* for the year	*1,608,380,445	*3,176,300,998	*4,026,079,449
Less: Net loss* applicable to servicing assets and liabilities of Smaller War Plants Corporation (transferred to "other liabilities")		*1,357,343	*2,902,608
Net loss* carried to surplus	*1,608,380,445	*3,174,943,655	*4,023,176,841

ANALYSIS OF UNRESERVED SURPLUS OR DEFICIT

Balance at beginning of year	*\$1,240,267,846	*\$2,949,592,916	*\$6,124,858,324
Net income (or loss*) for the year (above)	*1,608,380,445	*3,174,943,656	*4,023,176,841
Deficit of Smaller War Plants Corporation at time of merger with Reconstruction Finance Corporation (transferred to "other liabilities")		24,272,059	
Additional amortization of electric plant acquisition adjustment account—Tennessee Valley Authority	*1,000,000		
Adjustments of surplus reserves:			
Reserve for self-insurance	*\$2,007,343	\$732,617	*\$15,600
Reserve for contingencies	*95,137,282	*5,853,978	*6,096,669
Dividends paid to U. S. Treasury	*97,144,625	*5,121,361	*6,112,269
	*2,800,000	*19,472,451	*12,030,330
Balance at end of year	*2,949,592,916	*6,124,858,324	*10,166,177,764

*Deduct.

EXHIBIT C
WHOLLY OWNED GOVERNMENT CORPORATIONS
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual ¹	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Loans receivable:				
Loans to aid home owners.....	\$1,671,736,860	\$1,312,856,221	\$1,101,680,270	\$1,001,617,296
Loans to aid agriculture.....	1,185,509,248	1,002,582,624	579,878,621	657,107,671
Loans to aid industry.....	504,900,440	343,982,658	502,263,925	658,021,925
Loans to foreign governments.....	449,970,458	406,975,133	907,000,849	2,810,000,849
Loans to local governments and public bodies.....	156,792,251	132,488,372	127,521,356	148,366,356
Loans to aid financial institutions.....	84,905,240	73,024,019	47,733,679	47,569,479
Loans to other Federal agencies.....	410,591,995	347,572,393	446,757,647	672,280,407
National defense loans.....	441,250,245	337,043,467	130,225,043	56,522,809
Less: Reserve for losses.....	*104,489,961	*85,485,672	*71,431,605	*66,878,399
Net loans receivable.....	4,800,575,779	3,871,039,215	3,791,659,183	5,984,608,393
Land, structures, and equipment:				
Defense plants, equipment, and facilities.....	6,123,649,171	6,763,489,249	5,599,400,000	4,036,900,000
Rubber plants and equipment.....	10,876,544	10,319,729	672,485,928	679,958,928
Public-housing projects.....	257,625,946	1,834,410,673	1,825,197,317	1,398,605,052
Dams for power, navigation, and flood control.....	433,489,561	606,602,535	627,152,535	635,032,535
Electric generating plants and equipment.....	110,667,095	128,273,275	133,563,275	141,063,275
Leasehold improvements on housing projects.....	83,720,873	90,270,415	81,539,475	63,943,315
Steamships, barges, docks, piers, and appurtenances.....	40,783,626	40,778,632	41,540,000	44,274,000
Railroads and appurtenances.....	18,987,101	18,951,185	18,956,218	18,956,218
Manufacturing plants and equipment.....	15,822,779	17,473,264	20,148,184	27,919,184
Other plants and equipment.....	85,785,215	86,313,230	94,453,759	85,804,350
Construction in progress.....	188,243,972	29,790,028	30,690,283	41,630,283
Less: Reserve for depreciation and amortization.....	*111,841,570	*373,420,008	*312,648,190	*367,736,261
Net, land, structures, and equipment.....	7,287,710,316	9,253,252,207	8,831,878,784	6,806,437,879
Commodities, supplies, and materials:				
Agricultural commodities held for sale.....	1,384,101,568	1,190,321,388	552,051,100	355,629,938
Strategic metals and minerals.....	599,270,999	396,052,942	478,290,151	141,920,863
Metals and minerals declared surplus for permanent stock pile.....			123,290,152	470,147,026
Critical and strategic supplies.....	430,161,691	627,134,000	111,649,299	150,000
Rubber, guayule, etc.....	87,622,174	118,662,131	144,515,916	179,665,949
Other commodities held for sale.....	10,715,023	7,677,269	10,580,811	9,148,811
Materials and supplies held for use.....	69,941,439	62,372,498	92,716,011	170,564,236
Less: Reserve for valuation.....	*53,468,310	*34,182,070	*40,000,000	*50,000,000
Net, commodities, supplies, and materials.....	2,528,944,584	2,368,238,158	1,473,093,443	1,280,223,823
Cash.....	487,437,558	350,394,979	283,421,174	386,307,775
Appropriated funds.....	69,878,405	243,177,943	453,990,972	211,733,364
Investments:				
U. S. Government securities.....	358,290,680	383,509,041	372,383,469	367,620,330
Preferred stocks and debentures of banks and trust companies.....	316,397,987	261,171,161	200,844,265	168,194,265
Stocks and bonds of agricultural organizations.....	236,249,943	55,847,685	47,904,215	42,069,815
Stocks of savings and loan associations.....	46,529,250	26,232,950	15,233,000	14,333,000
Capital stock of Federal home loan banks.....	124,741,000	124,509,900	126,651,200	122,651,200
Other investments.....	5,689,662	10,135,542	12,135,912	13,740,912
Less: Reserve for losses.....	*290,500	*147,200	*134,400	*34,000
Net investments.....	1,087,608,022	861,259,079	775,017,661	728,575,522
Accounts and notes receivable.....	1,063,839,724	1,262,387,585	425,389,066	341,717,289
Accrued assets.....	67,865,685	49,179,482	52,783,085	81,387,311
Advances to contractors and agents.....	642,507,201	761,965,157	180,524,865	137,685,545
Acquired security and collateral.....	81,364,326	42,537,144	32,309,100	36,103,425
Less: Reserve for losses.....	*3,238,793	*1,483,408	*1,293,982	*1,712,163
Net acquired security and collateral.....	78,125,533	41,053,736	31,015,118	34,391,262
Deferred charges.....	3,585,741	3,293,424	2,798,723	2,599,847
Deferred and undistributed debits.....	200,965,149	205,443,111	49,917,036	34,379,129
Other assets:				
Loans guaranteed.....	79,716,226	79,180,902	79,180,902	79,180,902
Other assets (net).....	382,513,429	46,929,334	16,847,985	9,889,597
Total other assets.....	462,229,655	126,110,236	96,028,887	89,070,499
Total assets.....	16,650,173,352	19,396,794,312	16,447,517,999	16,119,117,638

¹Deduct.

¹ Excludes the public war housing program and the Farm Security Administration program of the Federal Public Housing Authority for which the information was not available in the manner required for the preparation of a statement of financial condition as of June 30, 1944.

EXHIBIT C—Continued
WHOLLY OWNED GOVERNMENT CORPORATIONS—Continued

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION—Continued

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual ¹	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
LIABILITIES				
Bonds, debentures, and notes payable:				
Held by U. S. Treasury	\$10,935,173,024	\$12,176,531,324	\$12,215,767,390	\$15,055,976,390
Held by other Government agencies	209,302	209,302	209,302	209,302
Held by public	2,108,650,377	922,374,579	855,741,000	777,594,000
Total bonds, debentures, and notes payable	13,044,032,703	13,099,115,205	13,071,717,692	15,833,779,692
Accounts payable	580,052,075	1,470,968,934	475,627,439	465,113,799
Accrued liabilities:				
Accrued interest payable	48,946,958	50,867,011	59,053,463	69,440,601
Other accrued liabilities	22,284,798	21,895,559	12,338,396	15,609,826
Total accrued liabilities	71,231,756	72,762,570	71,391,859	85,050,427
Trust and deposit liabilities	1,379,283,754	423,355,246	273,309,788	146,931,612
Deferred and undistributed credits:				
Defense plants program	1,609,430,736	2,007,914,816	2,060,400,000	1,886,700,000
Other deferred and undistributed credits	413,784,542	468,086,030	312,923,785	294,498,591
Total deferred and undistributed credits	2,023,215,278	2,476,000,846	2,373,323,785	2,181,198,591
Other liabilities:				
Liability on loans guaranteed	170,809,151	165,216,163	99,180,904	204,180,904
Other liabilities	22,958,319	24,652,171	199,102,347	196,229,201
Total other liabilities	193,767,470	189,868,334	298,283,251	400,410,105
Reserve for post war price support of agriculture			500,000,000	500,000,000
Total liabilities	17,291,583,036	17,672,071,135	17,063,653,814	19,612,484,226
CAPITAL				
Paid-in capital:				
Capital stock	1,166,201,030	1,165,101,030	1,637,051,030	1,891,651,030
Paid-in surplus:				
Expended appropriations	748,474,348	2,403,128,545	2,675,767,231	3,116,680,192
Appropriations for restoration of capital	143,950,524	400,715,405	400,715,405	1,322,171,966
Property transferred from other Government agencies	151,422,977	218,188,255	219,617,255	218,665,855
Grants in aid from other Government agencies	77,035,879	79,958,912	80,199,037	80,199,037
Other paid-in surplus	38,072,672	38,968,174	39,551,142	39,990,142
Less: Amount returned to U. S. Treasury	*4,254,498	*221,266,698	*349,655,451	*565,878,567
Net paid-in surplus	1,154,701,902	2,919,672,593	3,066,194,619	4,211,828,625
Total paid-in capital	2,320,902,932	4,084,773,623	4,703,245,649	6,103,479,655
Earned surplus (or deficit)*:				
Reserve for contingencies	260,727,372	345,864,654	351,718,632	357,815,301
Reserve for self-insurance	1,488,841	3,496,184	2,763,567	2,779,167
Unreserved surplus (or deficit)*	*1,284,409,877	*2,949,592,916	*6,124,858,324	*10,166,177,764
Net earned surplus (or deficit)*	*1,032,193,664	*2,600,232,078	*5,770,376,125	*9,805,553,296
Total capital (or deficit)*	1,288,709,268	1,484,541,545	*1,067,130,476	*3,702,103,641
UNEXPENDED APPROPRIATIONS				
Unexpended appropriations	69,881,048	240,181,632	450,994,661	208,737,053
Total liabilities, capital, and unexpended appropriations	18,650,173,352	19,396,794,312	16,447,517,999	16,119,117,838

*Deduct.

¹ Excludes the public war housing program and the Farm Security Administration program of the Federal Public Housing Authority for which the information was not available in the manner required for the preparation of a statement of financial condition as of June 30, 1944.

EXHIBIT A-1

CORPORATIONS ENGAGED IN AIDS TO INDUSTRY

(Reconstruction Finance Corporation, Federal National Mortgage Association, Rubber Development Corporation, The RFC Mortgage Company, U. S. Commercial Company, War Damage Corporation, and Smaller War Plants Corporation)

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans:			
To aid industry.....	\$131,361,921	\$386,387,015	\$237,244,000
To other Federal agencies.....	121,770,000	205,933,000	352,500,000
To local governments and public bodies.....	1,863,604	23,929,000	57,125,000
To aid home owners.....	35,487,777	18,458,452	53,020,000
To aid financial institutions.....		3,273,822	
To contractors and producers, including advances.....	343,032,637	127,200,984	15,000
Other loans, including national defense.....	158,672,358	92,404,367	4,200,000
Cost of acquiring and improving security on defaulted loans.....	6,831,274	153,762	220,000
	\$798,019,571	\$857,740,402	\$704,324,000
To purchase commodities and supplies (stock-piling and procurement programs):			
Critical and strategic supplies.....	3,222,660,590	1,251,133,477	157,527,404
Strategic metals and minerals.....	375,569,585	646,674,900	345,928,925
Rubber.....	596,544,357	553,691,063	579,268,880
Other.....		108,600,000	537,000,000
	4,194,774,532	2,560,099,440	1,619,725,209
To cost of sales (trading activities).....	10,382,859	20,512,718	300,000
To purchase and improvement of fixed assets.....	667,831,992	320,642,246	45,880,000
To purchase investments:			
Preferred stock and debentures of banks and trust companies.....	269,130	2,000,000	2,000,000
U. S. Government securities.....	4,011,400		
	4,280,530	2,000,000	2,000,000
To retire notes payable to U. S. Treasury.....	955,540,000	390,391,697	
To pay subsidies:			
Food.....	626,157,701	926,444,098	1,000,000,000
Other.....	215,574,985	263,546,985	117,477,295
	841,732,686	1,189,991,093	1,117,477,295
To distribute proceeds from surplus property sold by Reconstruction Finance Corporation as disposal agency.....	40,116,093	62,413,903	
To operating expenses:¹			
Direct operating expenses.....	163,537,827	153,024,233	110,223,410
Administrative expenses.....	31,120,518	35,623,459	36,918,000
Interest expense.....	87,024,914	99,145,680	117,785,138
Miscellaneous charges and expenses.....	7,079,705	63,184,751	60,258,854
	288,762,964	350,978,123	325,185,402
To pay war damage insurance claims.....	26,922	10,039,600	60,000,000
To increase (or decrease*) working capital.....	*197,194,542	383,056,361	7,063,152
Total funds applied.....	7,605,273,587	6,147,865,853	3,881,955,058
FUNDS PROVIDED			
By principal collections on loans:			
To aid industry.....	277,753,249	196,846,022	99,811,000
To other Federal agencies.....	186,082,727	128,189,346	162,100,000
To local governments and public bodies.....	26,988,997	21,425,002	36,224,000
To aid agriculture.....	121,530	24,405	24,000
To aid home owners.....	130,463,875	30,208,720	10,982,000
To aid financial institutions.....	9,914,328	28,917,615	1,364,200
To Great Britain and Northern Ireland.....	35,224,769	34,974,284	37,000,000
To contractors and producers.....	356,357,793	452,117,050	31,641,762
Other loans, including national defense.....	231,440,440	266,136,236	67,289,746
	1,254,347,708	1,158,838,680	446,436,708
By sale of commodities and supplies (stock-piling and procurement program):			
Critical and strategic supplies.....	3,332,408,835	1,715,145,669	262,116,421
Strategic metals and minerals.....	578,861,730	480,458,545	290,578,687
Rubber.....	584,921,714	523,437,902	537,575,240
Other.....		68,280,000	454,826,000
	4,496,192,279	2,787,322,116	1,545,096,348
By sale of commodities (trading activities).....	11,572,032	16,335,058	50,000
By sale of fixed assets.....	84,207,948	312,942,893	403,700,608
By sale of security acquired on defaulted loans.....	12,559,406	11,073,844	3,933,400
By sale or collection of investments:			
Preferred stock and debentures of banks and trust companies.....	55,495,956	62,326,896	34,650,000
U. S. Government securities.....	728,600	27,096,800	
Securities of other Government agencies.....	2,829,590	177,162,200	3,030,000
	58,553,606	206,585,896	37,680,000
By financing with U. S. Treasury:			
Borrowings.....	1,383,000,000	1,261,439,463	1,363,481,500
Sale of capital stock.....	50,000,000		
	1,433,000,000	1,261,439,463	1,363,481,500
By sale of surplus property as disposal agency.....	40,591,708	118,127,060	
By operating income:			
Interest and dividends.....	86,240,606	55,591,958	62,510,749
Miscellaneous income.....	128,006,294	159,607,615	19,065,745
	214,246,900	215,199,573	81,576,494
Total funds provided.....	7,605,273,587	6,147,865,583	3,881,955,058

*1)Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B-1).

EXHIBIT B-1

CORPORATIONS ENGAGED IN AIDS TO INDUSTRY

(Reconstruction Finance Corporation, Federal National Mortgage Association, Rubber Development Corporation, The RFC Mortgage Company, U. S. Commercial Company, War Damage Corporation, and Smaller War Plants Corporation)

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Income:			
Sale of commodities and supplies:			
Critical and strategic supplies.....	\$3,322,897,564	\$1,733,369,360	\$222,390,254
Strategic metals and minerals.....	578,861,730	480,458,545	290,578,887
Rubber.....	582,693,462	477,722,941	494,379,640
Commodities from occupied countries.....		21,280,000	420,000,000
Other commodities and supplies.....	11,572,032	16,336,038	50,000
	\$4,496,024,788	\$2,729,166,904	\$1,427,398,581
Rental income on defense plants and equipment.....	2,803,268	*123,477,353	171,650,000
Interest and dividends:			
Loans.....	84,134,501	43,245,796	68,384,834
Investments.....	2,480,393	12,995,056	4,943,631
	86,614,894	56,240,852	63,328,465
War damage insurance premiums.....	855,290	112,853	
Miscellaneous income.....	28,601,261	23,849,281	89,769,072
Total income.....	4,614,799,501	2,685,892,537	1,752,046,118
Expenses:			
Cost of commodities and supplies sold:			
Critical and strategic supplies.....	2,981,650,835	1,794,088,409	268,105,696
Strategic metals and minerals.....	626,206,440	473,915,045	350,379,651
Rubber.....	565,504,400	527,837,273	535,774,721
Commodities from occupied countries.....		21,280,000	420,000,000
Other commodities and supplies.....	10,382,859	20,512,718	300,000
	4,183,747,534	2,837,633,453	1,604,560,068
Operating expenses of defense programs.....	133,560,047	189,053,762	62,921,331
Loss on preclusive operations.....	7,111,425	770,600	128,567,850
Inventories charged off.....	7,560,925	158,278,048	72,675,136
Contract termination expense.....	2,674,074	28,111,123	61,550,000
Loss on property sold as surplus.....	626,435	448,215,863	1,136,153,178
Depreciation on plant and equipment.....	2,984,599	1,900,024	
Adjustment of prior years' depreciation, rubber program.....	225,806,463	*125,500,241	
	228,791,062	*124,500,217	
Subsidies:			
Food.....	626,157,701	926,444,068	1,000,000,000
Other.....	214,809,055	262,370,043	117,077,295
	840,966,756	1,188,814,141	1,117,077,295
War damage insurance:			
Agents' fees and commissions.....	95,800	42,489	20,000,270
Loss claims paid.....	26,922	10,039,600	60,000,000
	122,722	10,082,089	80,000,270
Interest on notes payable to U. S. Treasury.....	93,483,239	88,100,581	117,785,138
Administrative expenses.....	38,650,708	40,941,730	37,553,000
Loans receivable charged off.....	7,340,662	38,598,259	30,502,813
Miscellaneous expenses.....		6,862,405	14,495,640
Total expenses.....	5,644,536,589	4,910,961,837	4,463,031,619
Net loss* before adjustment of valuation reserves.....	*929,736,888	*2,225,069,300	*2,710,985,501
Adjustments of valuation reserves:			
Reserve for losses on loans and other receivables.....	*17,235,796	14,285,191	1,400,000
Reserve for losses on other assets.....	*125,112,000		125,112,000
Total adjustments of valuation reserves.....	*142,347,796	14,285,191	126,512,000
Net loss* for the year.....	*1,072,083,884	*2,210,784,109	*2,584,473,501
Less: Net loss* applicable to servicing assets and liabilities of Smaller War Plants Corporation.....		*1,357,343	*2,902,608
Net loss* carried to surplus.....	*1,072,083,884	*2,209,426,766	*2,681,670,893

*Deduct.

EXHIBIT B-1—Continued

CORPORATIONS ENGAGED IN AIDS TO INDUSTRY—Continued

(Reconstruction Finance Corporation, Federal National Mortgage Association, Rubber Development Corporation, The RFC Mortgage Company, U. S. Commercial Company, War Damage Corporation, and Smaller War Plants Corporation)—Continued

ANALYSIS OF UNRESERVED SURPLUS OR DEFICIT

	1945, actual	1946, estimated	1947, estimated
Balance at beginning of year:			
Deficit* from war activities.....	*\$86,499,969	*\$2,126,413,631	*\$4,325,912,133
Earned surplus from lending activities.....	397,524,879	466,999,362	483,440,013
	*\$582,975,090	*\$1,659,419,269	*\$3,842,472,120
Net loss* for the year (above).....	*1,072,083,884	*2,209,426,766	*2,581,570,893
Deficit of Smaller War Plants Corporation at time of merger (transferred to "Other liabilities").....		24,272,059	
Adjustments of surplus reserves:			
Reserve for self-insurance.....	*1,962,945	204,493	
Reserve for contingencies.....	*2,397,350	1,897,363	
	*4,360,295	2,101,856	
Balance at end of year:			
Deficit* from war activities.....	*2,126,418,631	*4,325,912,133	*6,934,021,186
Earned surplus from lending activities.....	466,999,362	483,440,013	509,978,173
	*1,659,419,269	*3,842,472,120	*6,424,043,013

*Deduct.

EXHIBIT C-1

CORPORATIONS ENGAGED IN AIDS TO INDUSTRY

(Reconstruction Finance Corporation, Federal National Mortgage Association, Rubber Development Corporation, The RFC Mortgage Company, U. S. Commercial Company, War Damage Corporation, and Smaller War Plants Corporation)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Loans receivable:				
Loans to aid industry.....	\$504,909,440	\$343,982,658	\$502,263,925	\$658,021,925
Loans to other Federal agencies.....	468,449,481	404,136,753	481,880,407	672,280,407
Loans to local governments and public bodies.....	153,133,675	129,128,496	126,665,832	147,566,832
Loans to aid agriculture.....	399,409	277,878	253,474	229,474
Loans to aid home owners.....	140,745,907	51,030,189	30,304,059	45,702,059
Loans to aid financial institutions.....	84,305,240	73,024,019	47,733,679	47,569,479
Loan to Great Britain and Northern Ireland.....	307,112,239	271,887,470	241,913,186	204,913,186
National defense loans.....	441,250,248	337,029,109	150,195,043	56,492,809
Less: Reserve for losses.....		*1,097,065		
Net loans receivable.....	2,100,305,639	1,609,399,507	1,581,209,635	1,832,776,201
Plant and equipment:				
Defense plants.....	6,123,649,171	6,763,489,249	6,599,400,000	4,036,900,000
Rubber program.....	10,876,544	10,319,729	672,485,928	679,985,928
Other plant and equipment.....	26,064,785	35,402,159	53,909,124	46,213,386
Less: Reserve for depreciation and amortization.....	*1,716,553	*232,425,594	*154,245,674	*197,827,987
Net plant and equipment.....	6,158,873,948	6,576,785,543	6,171,549,378	4,565,271,327
Commodities, supplies, and materials:				
Metals and minerals declared surplus for permanent stock pile.....			123,290,152	470,147,026
Critical and strategic supplies.....			111,649,299	150,000
Strategic metals and minerals.....	430,161,691	627,134,000		
Rubber, guayule, etc.....	599,270,999	396,052,942	478,290,154	144,920,863
Other materials and supplies.....	87,622,174	118,662,131	144,515,916	179,665,949
	58,473,476	50,815,303	81,318,109	159,997,334
Total commodities, supplies, and materials.....	1,175,528,340	1,192,694,378	939,063,630	954,881,172
Investments:				
Preferred stocks and debentures of banks and trust companies.....	316,397,987	261,171,161	200,844,265	168,194,265
U. S. Government securities.....	71,769,200	75,052,000	47,955,200	47,955,200
Tennessee Valley Authority bonds.....	6,300,000	4,300,000	2,000,000	
Federal Housing Administration debentures.....	1,590,300	6,035,150	8,036,550	9,641,550
Other investments.....	4,099,362	4,100,392	4,099,362	4,099,362
Total investments.....	400,156,849	350,658,763	262,935,377	229,890,377
Proprietary interests in other Government corporations:				
Capital stock of Federal home loan banks.....	124,741,000	124,509,900	123,651,200	122,651,200
Preferred stock of Export-Import Bank of Washington.....	174,000,000	174,000,000		
Total proprietary interests in other Government corporations.....	298,741,009	298,509,900	123,651,200	122,651,200
Cash.....	171,814,907	158,583,117	46,047,728	46,911,263
Advances to contractors and agents.....	406,001,224	694,401,870	97,110,378	54,593,511
Accounts and notes receivable.....	398,321,709	673,809,927	90,047,645	96,771,254
Accrued assets.....	34,542,407	26,215,927	33,906,456	49,472,654
Acquired security on defaulted loans.....	35,172,805	33,015,553	25,884,873	25,192,973
Deferred and undistributed debits.....	200,309,311	201,546,164	47,730,716	32,192,809
Other assets.....	193,418,829	46,356,550	16,283,398	9,326,260
Total assets.....	11,573,186,968	11,861,977,137	9,435,609,814	8,019,871,001
LIABILITIES				
Notes payable to U. S. Treasury.....	8,592,487,124	9,019,947,124	9,890,994,800	11,254,476,390
Accounts payable.....	347,708,560	1,005,415,764	120,397,061	185,664,762
Accrued interest payable.....	41,439,314	45,726,226	56,398,337	64,783,808
Trust and deposit liabilities.....	571,444,437	366,786,892	198,362,592	115,090,518
Deferred and undistributed credits.....	1,979,766,388	2,404,323,514	2,360,116,317	2,174,468,407
Other liabilities.....	22,775,863	24,296,218	198,913,926	196,031,318
Total liabilities.....	11,555,621,686	12,866,495,739	12,826,183,123	13,991,115,203
CAPITAL				
Paid-in capital: Capital stock: Owned by U. S. Government.....	475,000,000	525,000,000	325,000,000	325,000,000
Surplus or deficit:*				
Reserva for self-insurance.....	592,753	2,465,698	2,261,205	2,261,205
Reserve for contingencies.....	125,037,619	127,434,969	125,537,606	125,537,606
Deficit* from war activities.....	*980,499,969	*2,126,418,631	*4,325,912,133	*6,934,021,186
Earned surplus from lending activities.....	397,524,879	466,999,362	483,440,013	509,978,173
Net deficit*.....	*457,434,718	*1,529,518,602	*3,714,673,309	*6,296,244,202
Net capital.....	17,565,282	*1,004,518,602	*3,389,673,309	*5,971,244,202

*Deduct.

EXHIBIT A-2

CORPORATIONS ENGAGED IN AIDS TO HOUSING

(Federal Savings and Loan Insurance Corporation, Home Owners' Loan Corporation, Defense Homes Corporation, and Federal Public Housing Authority, including public housing projects financed from appropriated funds)

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
FUNDS APPLIED			
To construct and develop public housing projects.....	\$38,642,395	\$185,380,572	\$336,421,914
To make loans: To local housing authorities.....	1,358,561	11,237,236	71,862,000
To pay annual contributions to local housing authorities.....	8,721,220	8,041,754	15,000,000
To pay savings and loan insurance claims and contributions to insured institutions.....	124,662	4,146,000	7,853,000
To operating expenses: ²			
Direct operating expenses.....	\$19,164,701	\$59,434,603	\$46,220,990
Disposition expenses of war housing projects.....	49,475	6,673,200	26,692,800
Maintenance of acquired security.....	956,104	117,000	55,000
Cost of commodities sold.....	450,620	322,000	-----
Interest expense.....	20,164,133	15,089,807	12,514,257
Nonadministrative expenses.....	96,000	154,400	118,000
Administrative expenses.....	11,305,106	19,556,558	23,350,749
Miscellaneous expenses.....	171,322	144,149	42,500
	52,387,461	101,491,717	108,994,296
To rehabilitate acquired properties.....	1,753,044	1,482,000	1,355,000
To purchase investments:			
U. S. Government securities.....	13,300,693	8,136,000	9,777,000
To retire bonds and notes payable:			
Held by U. S. Treasury.....	339,018,000	247,982,000	200,000,000
Held by Reconstruction Finance Corporation.....	3,379,474	21,829,000	35,093,360
Held by public.....	803,045,975	9,000,000	1,000,000
	1,145,443,449	278,811,000	236,093,360
To return Government funds: General fund receipts deposited into U. S. Treasury.....	-----	52,387,346	64,653,138
To increase (or decrease*) working capital.....	*61,263,328	*28,880,322	7,046,963
Total funds applied.....	1,210,468,157	622,233,303	859,056,671
FUNDS PROVIDED			
By sale of public housing projects.....	1,415,223	56,756,559	181,132,063
By principal collections on loans.....	294,246,992	216,649,154	239,849,174
By operating income:			
Income from public housing projects.....	34,781,275	109,617,421	104,225,337
Interest income.....	61,770,365	51,928,936	43,778,020
Insurance premiums and admission fees.....	6,087,324	5,510,000	5,770,000
Sale of commodities.....	893,445	564,000	-----
Other income.....	886,841	662,293	671,211
	103,419,250	168,182,650	154,444,568
By sale of acquired security.....	2,015,741	1,556,000	1,550,000
By sale of investments:			
U. S. Government securities.....	4,163,712	1,500,000	5,863,000
Shares of saving and loan associations.....	20,296,100	8,000,000	3,900,000
	24,459,812	9,500,000	9,763,000
By borrowings:			
From U. S. Treasury.....	754,000,000	-----	-----
From Reconstruction Finance Corporation.....	2,295,000	368,000	-----
	756,295,000	368,000	-----
By appropriations (net):			
Expenditures from appropriation.....	40,685,969	243,639,691	423,769,719
Less: Appropriation receipts and reimbursements.....	11,969,830	74,308,751	151,481,853
	28,616,139	169,330,940	272,317,866
Total funds provided.....	1,210,468,157	622,233,303	859,056,671

*Deduct.

¹ Excludes the public war housing program and the Farm Security Administration program of the Federal Public Housing Authority for which the information was not available in the manner required for the preparation of a statement of sources and application of funds for the fiscal year 1945.

² Excludes expenses which do not require funds during current year (see exhibit B-2).

EXHIBIT B-2

CORPORATIONS ENGAGED IN AIDS TO HOUSING

(Federal Savings and Loan Insurance Corporation, Home Owners' Loan Corporation, Defense Homes Corporation, and Federal Public Housing Authority, including public housing projects financed from appropriated funds)

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Income:			
Income from public housing projects:			
Directly operated.....	\$90,749,189	\$85,553,796	\$70,477,750
Leased (net).....	39,516,480	24,251,996	33,957,890
	\$130,265,669	\$109,805,792	\$104,435,640
Savings and loan insurance premiums and admission fees.....	5,087,324	5,510,000	5,770,000
Rents on acquired security.....	938,446	114,000	50,000
Sales of commodities and services.....	893,445	564,000	-----
Interest and dividends:			
Interest on loans.....	57,140,319	47,343,011	39,245,375
Interest and dividends on investments.....	4,832,402	4,585,925	4,532,645
Profits on investments sold.....	61,972,721	51,928,936	43,778,020
Miscellaneous income.....	265,978	661,287	670,749
	844,936	-----	-----
Total income.....	200,268,519	168,584,015	154,704,409
Expenses:			
Operating expenses of public housing projects: Directly operated.....	54,555,729	60,700,666	46,831,351
Depreciation and amortization:			
Housing projects.....	15,274,956	15,075,510	12,094,435
Office building and equipment.....	83,245	58,600	71,000
	15,358,201	15,134,110	12,165,435
Maintenance and operation of acquired property.....	956,104	117,000	55,000
Cost of sales of commodities and services.....	480,620	322,000	118,000
Administrative expenses.....	17,386,349	19,556,558	23,350,749
Nonadministrative expenses.....	96,000	154,400	-----
Interest expense.....	20,164,133	15,089,807	12,514,257
Loans receivable charged off.....	37,628	11,000	10,000
Losses on acquired security.....	15,258,129	2,640,300	1,427,540
Losses on sale of public housing projects.....	133,347	23,409,200	101,143,733
Losses on leaseholds canceled.....	58,517	3,589,429	5,146,243
Annual contributions.....	8,721,220	8,041,754	15,000,000
Cost of war housing reused for veterans' housing program.....	-----	88,200,000	41,928,600
Reutilization cost of housing transferred.....	-----	19,825,700	412,889,300
Miscellaneous expenses.....	64,999	139,965	15,000
Total expenses.....	133,270,876	256,931,889	672,595,238
Net profit (or loss*) before adjustment of valuation reserves.....	66,997,643	*88,347,874	*517,890,829
Adjustments of valuation reserves:			
Reserve for losses on loans.....	13,440,515	170,904	*1,145,000
Reserve for losses on accounts receivable.....	*21,989	*9,780	*10,000
Reserve for losses on acquired security.....	86,319	*330,450	*665,000
Total adjustments of valuation reserves.....	13,504,845	*169,356	*1,720,000
Net income (or loss*) for the year.....	80,502,488	*88,517,230	*519,610,829

ANALYSIS OF UNRESERVED SURPLUS OR DEFICIT

Balance at beginning of year.....	*\$120,723,073	*\$49,358,918	*\$145,491,493
Net income (or loss*) for the year (above).....	80,502,488	*88,517,230	*519,610,829
Adjustments of surplus reserves:			
Reserves for self-insurance.....	\$7,140	\$517,129	*\$600
Reserves for contingencies.....	*9,145,473	*8,132,474	*8,041,469
	*9,138,333	*7,615,345	*8,042,069
Balance at end of year.....	*\$49,358,918	*\$145,491,493	*\$73,144,391

*Deduct.

EXHIBIT C-2
CORPORATIONS ENGAGED IN AIDS TO HOUSING

(Federal Savings and Loan Insurance Corporation, Home Owners' Loan Corporation, Defense Homes Corporation, and Federal Public Housing Authority, including public housing projects financed from appropriated funds)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual ¹	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Loans receivable:				
Mortgage loans.....	\$1,222,645,526	\$973,766,088	\$766,079,689	\$613,296,123
Loans to local housing authorities.....	308,346,427	288,059,944	305,296,492	342,619,084
Less: Reserve for losses.....	*26,431,419	*14,990,804	*14,820,000	*15,965,000
Net loans receivable.....	1,504,559,534	1,246,835,128	1,056,556,181	939,950,207
Land, buildings, and equipment:				
Public housing projects.....	257,525,946	1,834,410,673	1,825,197,317	1,398,605,052
Leasehold improvements.....	83,720,873	90,270,415	81,539,475	63,943,315
Office building, furniture, and equipment.....	4,790,630	4,428,202	4,057,454	4,004,454
Less: Reserve for depreciation.....	*11,557,141	*26,005,133	*35,882,900	*36,804,323
Net, land, buildings, and equipment.....	334,489,308	1,903,104,157	1,874,911,346	1,429,748,498
Investments:				
U. S. Government securities.....	168,955,686	178,358,845	184,903,582	189,907,120
Stocks of savings and loan associations.....	46,529,250	26,232,950	18,233,000	14,333,000
Total investments.....	215,484,936	204,591,795	203,236,582	203,240,120
Caab:	145,380,177	74,326,384	46,585,692	39,182,781
Appropriated funds:	20,747,701	213,948,069	444,122,988	182,406,622
Accounts receivable:	6,142,778	13,208,235	10,415,129	23,688,677
Accrued interest receivable:	7,113,091	7,003,830	7,101,787	6,322,160
Advances to contractors and agents:	88,156	3,695,145	3,349,544	3,028,444
Materials and supplies inventory:	61,488	530,378	420,000	380,000
Acquired security and collateral:				
Residential property.....	36,063,492	4,611,883	1,136,000	391,000
Subrogated accounts in savings and loan associations, less reserve for losses.....	2,467,719	1,583,529	3,554,000	8,610,000
Total acquired security and collateral.....	38,531,211	6,165,412	4,690,000	9,010,000
Deferred and undistributed debits:	788,273	4,349,137	3,184,915	3,005,035
Total assets:	2,273,353,653	3,677,757,670	3,654,664,144	2,839,962,544
LIABILITIES				
Bonds and notes payable:				
Held by public.....	819,303,675	16,267,700	7,258,000	6,258,000
Held by U. S. Treasury.....	978,000,000	1,392,982,000	1,145,000,000	945,000,000
Held by Reconstruction Finance Corporation.....	57,648,834	56,564,360	36,093,360	.....
Total bonds and notes payable.....	1,854,952,509	1,465,804,060	1,187,351,360	951,258,000
Accounts payable:	19,979,984	16,183,916	15,639,473	15,468,000
Accrued liabilities:	3,781,692	1,814,131	1,272,000	819,500
Trust and deposit liabilities:	25,942,288	26,711,643	23,992,279	21,550,779
Deferred and undistributed credits:	4,103,244	4,316,807	4,790,636	5,413,736
Total liabilities:	1,908,759,717	1,814,840,557	1,233,045,748	994,610,015
CAPITAL				
Paid-in capital:				
Capital stock.....	211,000,000	211,000,000	211,000,000	211,000,000
Property transferred from other Federal agencies.....	114,830,708	180,464,638	180,464,638	178,061,238
Expended appropriations (net).....	125,361,284	1,543,204,698	1,660,148,192	1,867,812,920
Total paid-in capital.....	451,191,992	1,934,669,236	2,051,612,830	2,256,874,158
Earned surplus (or deficit)*:				
Reserve for contingencies.....	56,739,635	65,885,108	74,017,582	82,059,051
Reserve for self-insurance.....	777,069	769,929	252,800	253,400
Unreserved surplus (or deficit*).....	*164,865,104	*49,358,918	*145,491,493	*673,144,391
Total earned surplus (or deficit*).....	*107,348,400	17,296,119	*71,221,111	*690,831,940
Total capital:	343,843,692	1,951,965,355	1,980,391,719	1,666,042,218
UNEXPENDED APPROPRIATIONS				
Unexpended appropriations:	20,780,344	210,951,758	441,126,677	179,410,311
Total liabilities, capital, and unexpended appropriations:	2,273,353,653	3,677,757,670	3,654,664,144	2,839,962,544

*Deduct.

¹ Excludes the public war housing program and the Farm Security Administration program of the Federal Public Housing Authority for which the information was not available in the manner required for the preparation of a statement of financial condition as of June 30, 1944.

EXHIBIT A-3

CORPORATIONS ENGAGED IN AIDS TO AGRICULTURE

(Commodity Credit Corporation, Federal Crop Insurance Corporation, Federal Surplus Commodities Corporation, Federal Farm Mortgage Corporation, Federal Intermediate Credit Banks, Production Credit Corporations, and Regional Agricultural Credit Corporation)

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans: To aid agriculture.....	\$1,504,594,175	\$1,096,017,572	\$1,635,220,116
To rehabilitate security acquired on defaulted loans.....	2,579,502	729,432	342,909
To purchase commodities (stock-piling and procurement program):			
Price support program:			
Basic commodities.....	\$719,700,935	\$546,250,000	\$139,350,000
Stegall commodities.....	344,256,958	539,754,800	518,593,000
Other commodities.....	268,946,440	343,106,828	238,300,000
Carrying charges.....	91,232,526	86,127,700	29,239,000
Supply program:			
Purchases.....	1,190,643,089	450,739,500	357,210,500
Carrying charges.....	109,992,414	40,069,200	19,466,000
Foreign purchase program—purchases.....	70,937,031	103,916,500	101,518,000
	2,795,709,393	2,109,964,528	1,403,676,500
To cost of sales (other than stock-piling and procurement).....	659,736	3,431,705	29,942,437
To pay subsidies:			
Dairy production payments.....	532,253,665	496,500,000	515,000,000
Other noncrop operations.....	100,324,407	104,895,800	50,000,000
Operation on a crop-year basis.....	614,578	162,212,000	120,000,000
Adjustments to prior-year activity.....	184,070		
	633,376,720	763,607,800	685,000,000
To direct commodity export payments.....	956,084	260,628	30,000,000
To interest expense.....	19,469,200	19,786,192	16,550,809
To administrative expenses.....	18,011,923	19,402,370	16,066,494
To payments for losses, indemnities, and claims.....	492,552	13,823,950	29,197,440
To miscellaneous expenses.....	3,535,574	859,467	512,328
To purchase investments: U. S. Government securities.....	78,468,608	79,002,627	26,175,000
To purchase fixed assets.....	1,794,334	499,069	499,069
To retire outstanding obligations:			
Borrowings from U. S. Treasury.....	3,251,000,000	3,801,300,000	2,520,000,000
Disaster Loan Corporation.....	839,702		
Private lending agencies.....	1,398,273,119	1,182,698,579	1,385,112,000
	4,650,112,821	4,983,998,579	3,905,112,000
To return Government funds:			
Repayment of paid-in capital.....	51,100,000	57,050,000	45,300,000
Payments to general fund.....	349,494		2,632,519
	51,449,494	57,050,000	47,932,519
To increase (or decrease*) working capital.....	29,378,924	13,676,192	*48,152,434
Total funds applied.....	9,790,526,040	9,162,110,111	7,778,775,187
FUNDS PROVIDED			
By collections of principal of loans.....	1,480,007,888	1,434,396,678	1,514,174,624
By sale of security acquired on defaulted loans.....	5,767,880	2,318,979	602,798
By sales of commodities (stock-piling and procurement program):			
Price support program:			
Basic commodities.....	728,733,448	1,223,784,334	308,417,000
Stegall commodities.....	326,837,175	358,785,782	386,198,500
Other commodities.....	228,698,009	259,597,241	230,806,600
Supply program.....	1,730,120,929	737,204,819	383,731,500
Foreign purchase program.....	74,715,239	146,910,071	166,849,500
	3,089,104,800	2,726,282,247	1,416,003,100
By sales (other than from stock-piling and procurement program).....	579,663	3,702,275	29,942,437
By crop insurance premiums.....	80,576	9,553,720	32,441,600
By interest income.....	28,610,487	25,575,819	25,301,922
By other income.....	478,244	1,249,553	579,145
By sale of investments:			
U. S. Government securities.....	76,854,060	71,551,770	25,654,000
Other investments.....	180,328,214	7,943,470	5,735,000
	257,182,274	79,495,240	31,389,000
By sale of fixed property.....	6,972,145	6,458,997	1,600,000
By borrowings:			
From U. S. Treasury.....	3,685,000,000	3,222,300,000	2,500,000,000
From Disaster Loan Corporation.....	570,000		
From the public.....	979,796,102	1,120,235,000	1,304,965,000
	4,665,366,102	4,342,535,000	3,804,965,000
By capital and surplus subscriptions.....	500,000	30,642,073	419,000
By appropriations:			
For restoration of capital.....	256,764,881		921,456,561
For postwar price support of agriculture.....		500,000,000	
By subsidies from Defense Supplies Corporation.....	111,100		
Total funds provided.....	9,790,526,040	9,162,110,111	7,778,775,187

*Deduct.

EXHIBIT B-3

CORPORATIONS ENGAGED IN AIDS TO AGRICULTURE

(Commodity Credit Corporation, Federal Crop Insurance Corporation, Federal Surplus Commodities Corporation, Federal Farm Mortgage Corporation, Federal Intermediate Credit Banks, Production Credit Corporations, and Regional Agricultural Credit Corporation)

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Income:			
Sale of commodities:			
Price support program.....	\$1,284,268,333	\$1,845,869,632	\$955,364,637
Supply program.....	1,730,700,891	737,204,819	383,731,500
Foreign purchase program.....	74,715,239	146,910,071	106,849,500
	\$3,069,684,463	\$2,729,984,522	\$1,445,945,537
Interest and dividends:			
Loans.....	23,566,207	22,716,199	22,497,542
Investments.....	5,050,113	2,818,921	2,800,570
	28,616,320	25,535,120	25,297,912
Crop insurance premiums.....	22,693	9,553,720	32,441,600
Loan and other fees.....	169,346	117,127	24,700
Profit on sale of investments.....	5,470,100	3,035,673	316,000
Miscellaneous income.....	77,491	1,138,852	656,110
Total income.....	3,124,040,413	2,769,365,014	1,504,581,859
Expenses:			
Cost of commodities sold:			
Price support program.....	1,189,605,733	1,875,262,773	1,145,508,537
Supply program.....	1,733,002,479	737,117,177	383,581,500
Foreign purchase program.....	73,913,406	137,469,071	106,849,600
	2,996,521,618	2,749,849,021	1,635,939,637
Interest expense.....	19,469,200	19,786,192	16,549,761
Administrative expenses.....	16,505,615	19,386,917	16,666,494
Other operating expenses.....	3,331,432	709,573	652,793
Crop insurance losses.....	492,552	13,823,950	29,197,440
Depreciation on fixed assets.....	3,650,828	*6,080,000	*1,040,000
Subsidies:			
Direct payments.....	633,376,720	763,607,800	655,000,000
Loss on sales.....	106,180,321	55,500,000	40,000,000
	739,557,041	819,107,800	725,000,000
Commodity export losses.....	3,944,691	30,260,628	30,000,000
Loans and other receivables charged off.....	2,669,679	1,247,960	1,236,825
Investments charged off.....	125,764	-----	99,400
Loss on sale of fixed assets.....	3,266,250	3,000,000	1,000,000
Loss on acquired security.....	778,681	330,348	61,703
Miscellaneous expenses and losses.....	609,134	-----	-----
Total expenses.....	3,790,622,385	3,651,422,409	2,455,363,953
Net loss* before adjustments of valuation reserves.....	*666,881,972	*882,057,395	*950,782,094
Adjustments of valuation reserves:			
Reserve for losses on loans.....	8,660,839	13,039,078	5,698,206
Reserve for losses on accounts receivable.....	*394,698	415,652	5,398
Reserve for losses on commodities owned.....	19,286,240	*5,817,930	*10,000,000
Reserve for valuation of acquired security.....	1,669,066	519,906	146,819
Reserve for valuation of investments.....	143,300	12,800	100,400
Reserve for valuation of other assets.....	18,542,112	*62	-----
Total adjustments of valuation reserves.....	47,906,859	8,169,444	*4,049,177
Net loss* for the year.....	*618,975,113	*873,887,951	*954,831,271

ANALYSIS OF UNRESERVED SURPLUS OR DEFICIT

Balance at beginning of year.....	*\$508,869,212	*\$1,271,640,632	*\$2,145,843,483
Add: Net loss* for the year (above).....	*618,975,113	*873,887,951	*954,831,271
	*1,187,844,325	*2,145,528,483	*3,100,674,754
Deduct:			
Transfer to reserve for contingencies.....	\$83,796,207	\$315,000	\$286,000
Payment of dividends to U. S. Treasury.....	-----	315,000	2,632,519
	83,796,207	-----	2,917,519
Balance at end of year.....	*1,271,640,632	*2,145,843,483	*3,103,692,273

*Deduct.

EXHIBIT C-3

CORPORATIONS ENGAGED IN AIDS TO AGRICULTURE

(Commodity Credit Corporation, Federal Crop Insurance Corporation, Federal Surplus Commodities Corporation, Federal Farm Mortgage Corporation, Federal Intermediate Credit Banks, Production Credit Corporations, and Regional Agricultural Credit Corporation)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Loans receivable:				
Price support loans.....	\$437,638,957	\$314,279,220	\$61,515,000	\$177,249,000
Crop, livestock, and commodity loans.....	341,653,206	325,399,748	335,408,477	367,490,141
Farm mortgage loans.....	395,817,676	326,625,778	173,387,142	102,884,528
To Secretary of Agriculture for agricultural conservation purposes.....	10,000,000	36,000,000	9,314,528	9,314,528
Less: Reserve for losses.....	*78,055,050	*69,394,211	*56,355,133	*50,656,927
Net loans receivable.....	1,107,054,789	932,910,535	523,270,014	666,221,270
Commodities inventory:				
Price support program.....	675,375,522	885,003,840	526,394,600	342,209,938
Supply and purchase programs.....	708,726,046	305,517,548	25,656,500	13,420,000
Less: Reserve for valuation.....	*53,468,310	*34,182,070	*40,000,000	*50,000,000
Net commodities inventory.....	1,330,633,258	1,156,339,318	512,051,100	305,629,938
Investments:				
U. S. Government securities.....	94,037,907	101,070,270	111,556,800	112,393,800
Stocks and bonds of other agricultural organizations, less reserve for losses.....	235,969,443	55,700,485	47,769,815	42,035,515
Total investments.....	329,997,350	156,770,755	159,326,615	154,429,615
Cash.....	352,911,259	77,624,629	94,163,654	122,378,899
Accounts and notes receivable.....	621,749,476	546,900,353	303,774,494	205,065,685
Accrued assets.....	28,437,954	16,346,413	8,407,007	14,277,779
Advances on purchases of commodities.....	136,347,811	63,800,634	80,000,000	80,000,000
Land, structures, and equipment:				
.....	29,092,034	21,628,952	12,671,568	10,690,932
Less: Reserve for depreciation.....	*12,014,742	*15,680,618	*9,632,740	*8,663,035
Net, land, structures, and equipment.....	17,077,292	5,948,334	3,038,828	2,037,897
Acquired security and collateral:				
Real estate and chattels.....	6,958,471	2,740,659	788,227	449,462
Less: Reserve for valuation.....	*2,536,954	*867,888	*347,982	*201,163
Net acquired security and collateral.....	4,421,617	1,872,771	440,245	248,299
Deferred and undistributed debits.....	3,155,728	2,331,431	1,292,337	1,297,341
Other assets.....	188,648,289	208,103	170,748	168,748
Total assets.....	4,120,434,723	2,961,053,276	1,685,935,042	1,491,755,351
LIABILITIES				
Bonds, debentures, and notes payable:				
Held by U. S. Treasury.....	1,307,913,400	1,706,829,700	1,120,000,000	1,100,000,000
Held by other Government agencies.....	208,652			
Held by public.....	1,289,346,702	906,116,879	851,483,000	771,336,000
Total bonds, debentures, and notes payable.....	2,597,468,754	2,612,946,579	1,971,483,000	1,871,336,000
Accounts payable.....	197,874,092	439,064,506	382,192,101	253,489,818
Accrued liabilities.....	21,067,981	20,229,700	9,773,780	12,597,119
Trust and deposit liabilities.....	1,057,679,161	93,429,384	44,054,917	1,889,315
Deferred and undistributed credits.....	34,685,788	1,262,729	910,826	811,448
Other liabilities:				
Liability for loans guaranteed.....	91,092,923	86,035,269	20,000,000	125,000,000
Other liabilities.....	117,031	346,358	177,535	176,997
Total other liabilities.....	91,209,954	86,381,617	20,177,535	125,176,997
Reserve for postwar price support of agriculture.....			500,000,000	500,000,000
Total liabilities.....	3,999,885,730	3,253,314,515	2,878,592,159	2,765,300,697
CAPITAL				
Paid-in capital:				
Capital stock.....	459,500,000	408,400,000	361,350,000	336,050,000
Paid-in surplus:				
Appropriations for restoration of capital.....	143,950,524	400,715,405	400,715,405	1,322,171,966
Other paid-in surplus.....	20,721,756	21,221,756	21,763,829	22,182,829
Total paid-in capital.....	624,172,280	830,337,161	803,829,234	1,680,404,795
Earned surplus (or deficit)*:				
Reserve for contingencies.....	65,245,925	149,042,132	149,357,132	149,642,132
Unreserved surplus (or deficit).....	*568,869,212	*1,271,640,532	*2,145,843,483	*3,103,592,273
Total earned surplus (or deficit).....	*634,115,137	*1,420,682,664	*2,295,200,615	*3,253,234,405
Total capital (or deficit)*.....	120,548,993	*292,261,239	*1,192,657,117	*1,273,545,346

*Deduct.

EXHIBIT A-4

CORPORATIONS ENGAGED IN AIDS TO INTERNATIONAL RELATIONS AND TRADE

(Export-Import Bank of Washington, Institute of Inter-American Affairs, Institute of Inter-American Transportation, Inter-American Educational Foundation, Inc., Inter-American Navigation Corporation, and Prencinradio, Inc.)

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans:			
Loans by Prencinradio, Inc., to radio stations.....	\$14,358	\$15,642	-----
Loans by Export-Import Bank:			
Latin America.....	31,324,528	40,000,000	} \$2,000,000,000
Lend-lease, sec. 3c.....	-----	261,000,000	
Reconstruction.....	-----	222,000,000	
Cotton.....	-----	38,000,000	
Other.....	2,357,760	19,000,000	
	\$33,696,646	\$50,015,642	\$2,000,000,000
To direct operating expenses of Inter-American corporations: ¹			
Health and sanitation.....	10,765,781	7,411,841	6,277,609
Food supply.....	2,076,370	1,186,559	989,477
Emergency rehabilitation.....	65,110	-----	-----
Transportation.....	-----	74,650	96,054
Expenses relating to cooperative programs.....	814,194	1,459,816	1,671,606
Rail program in Mexico.....	1,877,314	2,028,096	100,237
Navigation insurance, plans and other direct costs of navigation.....	15,480	25	-----
Motion-picture program.....	-----	588	-----
Radio program.....	89,519	19,697	12,702
	15,687,068	12,181,272	9,147,685
Less: Equipment purchased (included below).....	169,961	104,745	33,975
	15,517,107	12,076,527	9,113,610
To administrative expenses: ¹			
Inter-American corporations.....	740,638	1,056,750	1,386,103
Export-Import Bank.....	285,740	506,666	780,000
	1,026,278	1,563,416	2,166,103
To interest expense (Export-Import Bank).....			6,875,000
To miscellaneous expenses: ¹			46,603
	5,296	5,000	-----
To purchase equipment.....			53,097
	184,548	139,960	-----
To pay dividends (Export-Import Bank).....			-----
	5,230,000	2,610,000	-----
To retire preferred stock (Export-Import Bank).....			-----
	-----	174,000,000	-----
To return Government funds:			
Under the Reversion Act:			
By Inter-American Navigation Corporation.....	-----	175,000	-----
By Institute of Inter-American Transportation.....	-----	487,390	-----
Deposits to miscellaneous receipts:			
By Prencinradio, Inc.....	-----	975,000	88,125
	-----	1,637,390	88,125
To increase (or decrease *) working capital.....			94,681,553
	5,344,107	*8,889,804	-----
Total funds applied.....	60,993,982	763,158,131	2,113,024,091
FUNDS PROVIDED			
By principal collections on loans:			
Loans by Prencinradio, Inc.....	36,991	80,671	40,976
Loans by Export-Import Bank:			
Latin America.....	23,212,912	20,300,000	} 60,000,000
Lend-lease, sec. 3c.....	-----	-----	
Reconstruction.....	-----	-----	
Cotton.....	-----	-----	
Other.....	16,238,717	29,700,000	
	41,488,620	50,080,671	60,040,976
By interest earned:			
Export-Import Bank.....	8,316,672	9,740,773	48,000,000
Inter-American corporations.....	-----	900	918
	8,316,672	9,741,673	48,000,918 [*]
By other income.....			300
	65,390	450	-----
By sale of equipment.....			10,000
	1,209	10,000	-----
By financing with U. S. Treasury (Export-Import Bank):			
Borrowings.....	-----	-----	1,700,000,000
Sale of common stock.....	-----	699,000,000	300,000,000
	-----	699,000,000	2,000,000,000
By grants and contributions to the Inter-American corporations:			
Grants-in-aid from Office of Inter-American Affairs.....	10,939,429	4,083,192	4,540,287
Contributions from U. S. Government corporations:			
U. S. Commercial Company.....	36,131	9,742	80,127
Rubber Development Corporation.....	50,000	7,150	13,466
By contributions from other sources:			
Other American Republics.....	88,000	174,573	323,017
Inter-American Institute of Agricultural Science.....	-----	50,000	15,000
Miscellaneous.....	8,631	680	-----
	11,122,091	4,325,337	4,971,897
Total funds provided.....	60,993,982	763,158,131	2,113,024,091

* Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B-4).

EXHIBIT B-4

CORPORATIONS ENGAGED IN AIDS TO INTERNATIONAL RELATIONS AND TRADE

(Export-Import Bank of Washington, Institute of Inter-American Affairs, Institute of Inter-American Transportation, Inter-American Educational Foundation, Inc., Inter-American Navigation Corporation, and Prencinradio, Inc.)

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Income:			
Interest on loans.....	\$7,317,835	\$9,400,900	\$48,000,918
Interest on deposits with Reconstruction Finance Corporation.....	998,837	340,773	-----
Sale of produce incident to food supply program.....	346,744	397,649	150,000
Miscellaneous income.....	65,300	15,561	300
Total income.....	\$8,728,806	\$10,154,883	\$48,151,218
Expenses:			
Administrative expenses.....	1,026,278	1,563,416	2,166,103
Interest on notes payable to U. S. Treasury.....	-----	-----	6,875,000
Operating expenses of Inter-American programs:			
Health and sanitation program.....	10,758,781	7,411,841	6,277,509
Food supply program.....	2,076,370	1,186,559	989,477
Transportation program.....	1,877,314	2,102,746	196,291
Cooperative educational program.....	320,751	1,156,014	1,511,606
General and miscellaneous activities.....	422,040	239,041	162,727
Cost of produce sold.....	15,455,259	12,096,201	9,137,610
Loans receivable charged off.....	346,744	397,649	150,000
Depreciation on furniture and equipment.....	1,217	-----	-----
Miscellaneous expenses.....	1,268	1,500	2,000
	6,137	5,000	46,603
Total expenses.....	16,836,903	14,063,766	18,377,316
Net income (or loss*) before adjustment of valuation reserve.....	*8,108,097	*3,908,883	29,773,902
Adjustment of valuation reserve: Reserve for losses on loans receivable.....	-----	*142,980	-----
Net income (or loss*) for the year.....	*8,108,097	*4,051,863	29,773,90

ANALYSIS OF UNRESERVED SURPLUS OR DEFICIT

Balance at beginning of year.....	*\$12,190,012	*\$23,571,845	*\$28,493,708
Net income (or loss*) for the year (above).....	*8,108,097	*4,051,863	29,773,902
Transferred from reserve for contingencies.....	206,264	-----	-----
Additions to reserve for payment of dividends on preferred stock.....	*3,480,000	*870,000	-----
Balance at end of year.....	*23,571,845	*28,493,708	1,280,194

*Deduct.

EXHIBIT C-4

CORPORATIONS ENGAGED IN AIDS TO INTERNATIONAL RELATIONS AND TRADE

(Export-Import Bank of Washington, Institute of Inter-American Affairs, Institute of Inter-American Transportation, Inter-American Educational Foundation, Inc., Inter-American Navigation Corporation, and Prencinradio, Inc.)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Loans receivable:				
Loans made by Export-Import Bank of Washington.....	\$142,858,219	\$135,087,663	\$665,087,663	\$2,605,087,663
Loans to radio stations.....		14,358	30,000	30,000
Less: Reserve for losses.....	*3,492	*3,492	*146,472	*146,472
Net loans receivable.....	142,854,727	135,098,529	664,971,191	2,604,971,191
Cash.....	81,184,064	87,666,007	77,499,012	164,334,981
Accounts and notes receivable:				
Due from Office of Inter-American Affairs.....	24,938,429	16,614,650	12,655,287	8,115,000
Other accounts and notes receivable.....	605,389	808,876	608,650	132,275
Total accounts and notes receivable.....	25,444,818	17,423,526	13,263,937	8,247,275
Accrued interest receivable.....	2,189,321	2,183,035	3,301,350	11,251,218
Advances to agents.....	35,811	17,539		13,590
Furniture and equipment:				
Radio station equipment.....	93,042	8,177	10,000	
Furniture and other equipment.....	490,544	666,364	799,235	792,332
Less: Reserve for depreciation.....	*8,630	*9,898	*11,398	*13,398
Net furniture and equipment.....	574,956	664,643	737,837	778,934
Deferred charges: Advance payment for radio time.....	172,616	234,464	214,791	190,791
Other assets:				
Taxes paid under protest, etc.....	86,402	86,402	86,402	86,402
Loans guaranteed.....	79,716,226	79,180,902	79,180,902	79,180,902
Total other assets.....	79,802,628	79,267,304	79,267,304	79,267,304
Total assets.....	332,228,941	322,555,047	839,170,365	2,869,055,284
LIABILITIES				
Accounts payable.....	1,249,013	1,934,794	1,557,902	1,206,044
Accrued interest payable to U. S. Treasury.....				750,000
Trust and deposit liabilities.....	7,011,915	7,413,396	7,500,000	7,301,000
Notes payable to U. S. Treasury.....				1,700,000,000
Deferred credits: Discounts collected but not earned.....	119,654			
Other liabilities: Liability on loans guaranteed, etc.....	79,716,228	79,180,904	79,180,904	79,180,904
Total liabilities.....	88,096,810	88,529,094	88,238,806	1,788,437,948
CAPITAL				
Paid-in capital:				
Capital stock, common.....	1,600,000	1,600,000	700,600,000	1,000,600,000
Capital stock, preferred.....	174,000,000	174,000,000		
Paid-in surplus:				
Grants from Office of Inter-American Affairs.....	77,035,879	79,938,912	80,199,037	80,199,037
Contributions by other American Republics.....		410,428	410,428	410,428
Other donated surplus.....		1,500	1,500	1,500
Total paid-in surplus.....	77,035,879	80,350,840	80,610,965	80,610,965
Less amount returned to U. S. Government.....		*93,042	*1,785,698	*1,873,823
Net paid-in surplus.....	77,035,879	80,257,798	78,825,267	78,737,142
Net paid-in capital.....	252,635,879	255,857,798	779,425,267	1,079,337,142
Earned surplus:				
Reserve for contingencies.....	206,264			
Reserve for payment of dividends on preferred stock.....	3,480,000	1,740,000		
Unreserved surplus (or deficit)*.....	*12,190,012	*23,571,845	*28,493,708	1,280,194
Net earned surplus (or deficit)*.....	*8,503,748	*21,831,845	*28,493,708	1,280,194
Total capital.....	244,132,131	234,025,953	750,931,559	1,080,617,336

*Deduct.

EXHIBIT A-5

CORPORATIONS ENGAGED IN AIDS TO REGIONAL DEVELOPMENT

(Tennessee Valley Authority, Tennessee Valley Associated Cooperatives, Inc., Panama Railroad Company, Virgin Islands Company, Federal Prison Industries, Inc., Inland Waterways Corporation, Warrior River Terminal Company, and United States Spruce Production Corporation)

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To construction or purchase of dams, plants, and equipment.....	\$41,662,582	\$31,426,431	\$48,362,000
To retire bonds held by Reconstruction Finance Corporation.....	2,000,000	2,900,000	2,272,500
To purchase U. S. Government securities.....	3,550,201	-----	100,000
To return capital and pay dividends to U. S. Treasury:			
Tennessee Valley Authority.....	-----	\$12,597,744	-----
United States Spruce Production Corporation.....	\$50,000	-----	\$297,618
Panama Railroad Company.....	2,800,000	2,100,000	3,000,000
Federal Prison Industries, Inc.....	-----	4,774,707	6,225,293
	2,850,000	19,472,451	9,522,811
To pay claims and indemnities.....	13,220	5,600	2,005,000
To operating expenses: ¹			
Cost of commodities sold.....	57,474,918	42,967,200	45,659,975
Direct cost of services sold.....	22,598,393	31,704,123	23,117,686
Other direct operating costs.....	12,003,047	13,526,887	13,655,030
Administrative expenses.....	1,454,464	1,602,160	1,638,236
Interest expense.....	731,246	668,500	620,500
Miscellaneous expenses.....	208,753	389,458	550,200
	94,470,821	90,858,328	85,241,627
To increase (or decrease*) working capital.....	*10,817,027	*19,939,326	6,019,092
Total funds applied.....	133,729,797	124,122,884	153,623,030
FUNDS PROVIDED			
By appropriations.....	-----	9,648,000	36,672,000
By sale of U. S. Government securities.....	3,300,180	1,252,703	3,627,477
By sale of property.....	7,153,118	2,452,743	1,135,982
By principal collections on loans and advances.....	434,000	2,512,529	194,454
By grants and contributions.....	102,444	30,000	7,020,000
By operating income:			
Sale of commodities.....	69,366,568	63,050,800	55,068,350
Sale of services.....	52,848,249	44,695,927	49,560,650
Interest income.....	413,813	379,234	243,917
Other income.....	81,395	100,948	100,200
	122,740,055	108,226,909	104,973,117
Total funds provided.....	133,729,797	124,122,884	153,623,030

*Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B-4).

EXHIBIT B-5

CORPORATIONS ENGAGED IN AIDS TO REGIONAL DEVELOPMENT

(Tennessee Valley Authority, Tennessee Valley Associated Cooperatives, Inc., Panama Railroad Company, Virgin Islands Company, Federal Prison Industries, Inc., Inland Waterways Corporation, Warrior River Terminal Company, and United States Spruce Production Corporation)

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Income:			
Revenues from sale of power.....	\$36,733,987	\$30,649,000	\$31,575,000
Revenues from river transportation.....	8,165,466	6,893,514	7,621,000
Revenues from railroads, steamships, and hotel operations.....	7,194,245	6,568,100	9,695,150
Sales, commissary stores—Panama.....	39,912,899	40,422,800	30,367,350
Sales of goods manufactured:			
Fertilizers and other chemicals.....	\$11,192,330	\$3,547,000	\$11,570,000
Sugar and byproducts.....	670,535	1,050,000	1,100,000
Other manufactured goods.....	17,590,804	12,031,000	12,030,000
	29,453,669	22,628,000	24,700,000
Interest and dividends:			
Loans.....	109,386	38,862	13,742
Investments.....	334,457	340,372	230,175
	443,843	379,234	243,917
Rental of equipment.....	371,581	226,313	302,500
Miscellaneous operating revenue.....	483,205	460,018	467,200
Profit on sale of equipment.....	18	102,664	13,800
	122,758,913	108,329,643	104,985,317
Expenses:			
Power plant operating expenses.....	10,486,074	9,023,000	7,016,000
River transportation operating expenses.....	7,612,299	7,565,764	7,590,000
Railroads, steamships, and hotel operating expenses.....	8,247,654	8,658,386	12,264,236
Cost of sales, commissary stores—Panama.....	34,228,271	34,810,600	25,967,000
Cost of goods manufactured and sold:			
Fertilizers and other chemicals.....	10,577,594	9,332,000	11,309,000
Sugar and byproducts.....	554,715	750,000	800,000
Other manufactured goods.....	14,417,575	10,117,717	10,083,375
	25,549,884	20,199,717	22,192,375
Other operating expenses, chemical plant.....	1,334,508	1,537,000	1,448,000
Other operating expense, sugar plant.....	35,400	43,000	48,000
Depreciation, exclusive of that included in costs of goods manufactured and sold.....	12,165,625	13,172,423	13,215,240
Selling and other miscellaneous expense.....	270,788	196,337	234,480
Flood control, navigation, and development activities.....	6,664,038	8,626,000	9,228,000
Administrative expenses.....	1,454,464	1,602,161	1,638,236
Interest expense payable to other Government agencies.....	731,246	668,500	620,500
Contributions to pension fund.....	18,944	20,000	25,000
Maintenance of idle properties.....	11,651	11,000	11,000
Vocational training of inmates of Federal prisons.....	183,304	275,000	425,000
	108,994,150	106,408,888	101,923,067
Net income before adjustment of valuation reserves.....	13,764,763	1,920,755	3,062,850
Adjustments of valuation reserves:			
Reserve for losses on accounts receivable.....	*602	*600	*600
Reserve for losses on loans receivable.....		*110,000	
	*602	*110,600	*600
Net income for the year.....	13,764,161	1,810,155	3,062,250

ANALYSIS OF UNRESERVED SURPLUS

Balance at beginning of year.....	\$44,489,541	\$54,397,648	\$37,442,480
Net income for the year (above).....	13,764,161	1,810,155	3,062,250
Less: Additional amortization of electric plant acquisition adjustment account—Tennessee Valley Authority.....	*1,000,000		
Adjustments of surplus reserves:			
Reserve for self-insurance.....	*\$51,538	\$10,995	*\$15,000
Reserve for contingencies.....	*4,516	696,133	2,229,800
	*56,054	707,128	2,214,800
Payment of dividends to U. S. Treasury.....	*2,800,000	*19,472,451	*9,397,811
Balance at end of year.....	\$4,397,648	\$7,442,480	\$3,321,719

*Deduct.

EXHIBIT C-5

CORPORATIONS ENGAGED IN AIDS TO REGIONAL DEVELOPMENT

(Tennessee Valley Authority, Tennessee Valley Associated Cooperatives, Inc., Panama Railroad Company, Virgin Islands Company, Federal Prison Industries, Inc., Inland Waterways Corporation, Warrior River Terminal Company, and United States Spruce Production Corporation)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Dams, plants, and equipment:				
Dams for power, navigation, and flood control.....	\$433,489,564	\$606,602,535	\$627,152,535	\$635,032,535
Electric generating plants and equipment.....	110,667,095	128,273,275	133,563,275	141,063,275
Steamships, barges, docks, piers, and appurtenances.....	40,783,636	40,778,632	41,540,000	44,274,000
Railroads and appurtenances.....	18,387,101	18,951,135	18,956,218	18,956,218
Manufacturing plants and equipment.....	15,827,779	17,473,264	20,148,184	27,919,184
Other plants and equipment.....	25,345,179	24,179,676	23,066,378	24,103,248
Construction in progress.....	188,243,972	29,790,028	30,090,283	41,690,283
Less: Reserve for depreciation.....	*86,544,604	*99,238,765	*112,876,478	*124,437,618
Net dams, plant, and equipment.....	746,694,512	766,749,530	781,641,395	808,601,223
Commodities, supplies, and materials:				
Commodities held for sale.....	10,715,023	7,677,269	10,580,811	9,145,811
Materials and supplies held for use.....	11,406,475	10,996,817	10,977,902	10,186,902
Total commodities, supplies, and materials.....	22,121,498	18,674,086	21,558,713	19,332,713
Cash.....	19,548,818	23,720,652	20,125,088	13,499,861
Appropriated funds.....	49,180,704	29,229,874	9,867,984	29,326,742
Investments: U. S. Government securities.....	28,527,887	29,027,926	27,877,887	18,364,210
Accounts and notes receivable.....	12,270,943	11,135,413	7,982,054	7,944,498
Loans to municipalities and cooperative associations.....	3,658,576	3,359,876	855,524	799,524
Less: Reserve for losses.....			*110,000	*110,000
Net loans receivable.....	3,658,576	3,359,876	745,524	689,524
Accrued interest receivable.....	73,788	83,605	76,505	63,500
Advances to contractors and agents.....	64,199	49,969	50,000	50,000
Deferred charges.....	127,962	275,339	293,000	293,000
Other assets.....	359,909	308,279	307,437	308,187
Total assets.....	877,579,126	882,584,549	870,625,587	898,473,458
LIABILITIES				
Bonds and notes payable:				
Held by U. S. Treasury.....	56,772,500	56,772,500	56,772,500	56,500,000
Held by other Government agencies.....	6,509,302	4,509,302	2,209,302	209,302
Total bonds and notes payable.....	63,281,802	61,281,802	58,981,802	56,709,302
Accounts payable.....	13,330,426	8,449,823	5,934,495	9,285,175
Accrued liabilities.....	6,423,645	5,905,841	3,947,742	6,100,000
Trust and deposit liabilities.....	707,650	639,741	400,000	600,000
Deferred credits.....	4,540,204	6,097,796	7,508,006	506,600
Other liabilities and guaranties.....	65,426	9,594	10,886	20,886
Total liabilities.....	88,349,152	82,284,507	76,780,931	73,120,363
CAPITAL				
Paid-in capital:				
Capital stock.....	19,101,030	19,101,030	19,101,030	19,001,030
Assets transferred by another Government agency.....	36,592,269	37,723,617	39,152,617	40,604,617
Donated and paid-in surplus.....	17,350,916	17,334,490	17,375,385	17,395,385
Expended appropriations.....	618,858,566	638,750,291	667,749,286	684,862,528
Total paid-in capital.....	691,902,781	712,909,428	743,378,318	761,863,560
Earned surplus:				
Reserve for contingencies.....	3,497,929	3,502,446	2,806,312	576,612
Reserve for self-insurance.....	209,019	260,557	249,662	264,562
Unreserved surplus.....	44,489,541	54,397,648	37,442,480	33,321,719
Total earned surplus.....	48,196,489	58,160,650	40,498,354	34,162,793
Total capital.....	740,099,270	771,070,078	783,876,672	796,026,353
UNEXPENDED APPROPRIATIONS				
Unexpended appropriations.....	49,130,704	29,229,874	9,867,984	29,326,742
Total liabilities, capital, and unexpended appropriations.....	877,579,126	882,584,549	870,625,587	898,473,458

*Deduct.

SUPPLEMENT TO TABLE 5 OF THE 1947 BUDGET
APPROPRIATIONS AND EXPENDITURES OF GENERAL AND SPECIAL ACCOUNTS

By organization unit and appropriation title

[Fiscal years 1945, 1946, and 1947]

Organization unit and appropriation title	APPROPRIATIONS			EXPENDITURES
	Actual, 1945	Actual, 1946	Recommended, 1947	Actual, 1945
INDEPENDENT OFFICES				
Tennessee Valley Authority		\$3,648,000.00	\$36,572,000.00	\$25,806,808.14
Working fund.....				*184,269.66
Total, Tennessee Valley Authority.....		9,648,000.00	36,572,000.00	25,622,538.48
FEDERAL LOAN AGENCY				
Office of the Administrator:				
Transferred from: Emergency fund for the President, Navy.....				*395,108.57
Reconstruction Finance Corporation:				
Transferred from: Defense aid (lend-lease).....				*73,756.44
Total, Federal Loan Agency.....				*468,865.01
NATIONAL HOUSING AGENCY				
Office of the Administrator and Expediter:				
Salaries and expenses ¹				4,249,860.54
Penalty mail costs ¹				163,276.60
National defense housing.....	\$99,373,000.00	(?)		*1,130.26
Transferred from: Emergency fund for the President, national defense.....				*2.18
Working fund.....				67,546.15
Veterans' housing.....		191,900,000.00		
Total, Office of Administrator.....	99,373,000.00	191,900,000.00		4,479,649.75
Federal Home Loan Bank Administration:				
Administrative expenses.....				203.26
Home Owners' Loan Corporation:				
Transferred from:				
National defense housing (special account).....				5,283,254.16
War housing in and near District of Columbia.....		(?)		124,534.35
Emergency fund for the President, national defense.....				10.00
Operation, maintenance, etc., national defense housing.....				*429,331.44
Total, Federal Home Loan Bank Administration.....				4,978,670.33
Federal Housing Administration:				
War housing insurance fund, RFC funds (special account).....				171,281.06
Supplies, materials, etc., war housing insurance fund.....				*3,892.78
Total, Federal Housing Administration.....				167,388.30
Federal Public Housing Authority:				
Annual contributions.....	9,500,000.00	7,600,000.00	12,600,000.00	8,722,300.30
Transferred from:				
War housing in and near the District of Columbia.....				2,921,291.93
Community facilities, defense public works.....				1,117,321.70
Construction fund, U. S. Maritime Commission, act June 29, 1936, revolving fund.....				1,247,139.45
National defense housing.....				138,106,315.08
National defense housing, temporary housing.....				5,228,419.35
Defense aid (lend-lease).....				7,402,755.80
Emergency fund for the President, defense housing, temporary shelter.....				5,164,418.53
Emergency fund for the President, national defense housing.....				41,676.26
Operation, maintenance, etc., national defense housing.....				*61,929,466.49
Maintenance, operation, etc., U. S. Maritime Commission housing projects.....				592,618.82
Operating fund, U. S. Housing Act of 1937, as amended.....	9,900,000.00			
U. S. Housing Authority fund.....				*10,591.70
Administrative expenses, U. S. Housing Authority.....				*22.15
Total, Federal Public Housing Authority.....	19,400,000.00	7,600,000.00	12,600,000.00	108,604,176.88
Miscellaneous: Claims, judgments, and private relief acts.....	30,614.94			19,924.85
Total, National Housing Agency.....	118,803,614.94	199,500,000.00	12,600,000.00	118,249,710.11

*Deduct.

¹ Transferred from funds of the constituent units of the National Housing Agency.

² \$74,355,000 of the unexpended balance of this appropriation was rescinded by Public Law 301, approved Feb. 18, 1946.

³ \$3,372,000 of the unexpended balance of this appropriation was rescinded by Public Law 301, approved Feb. 18, 1946.

SUPPLEMENT TO TABLE 5 OF THE 1947 BUDGET—Continued
 APPROPRIATIONS AND EXPENDITURES OF GENERAL AND SPECIAL ACCOUNTS—Continued

By organization unit and appropriation title—Continued

[Fiscal years 1945, 1946, and 1947]

Organization unit and appropriation title	APPROPRIATIONS *			EXPENDITURES
	Actual, 1945	Actual, 1946	Recommended, 1947	Actual, 1945
DEPARTMENT OF AGRICULTURE				
Federal Crop Insurance Corporation:				
Administration of Federal Crop Insurance Act		\$7,984,900.00	\$7,880,000.00	\$577,291.12
DEPARTMENT OF STATE				
Institute of Inter-American Affairs			† 3,456,710.00	
Inter-American Educational Foundation, Inc.			† 1,083,577.00	
Total, Department of State			4,540,287.00	
TREASURY DEPARTMENT				
Office of the Secretary:				
Miscellaneous accounts:				
Restoration of capital impairment, Commodity Credit Corporation	\$256,764,881.04		921,456,561.10	256,764,881.04
Total, general and special accounts	375,568,495.98	217,132,900.00	983,048,848.10	400,745,555.74

* To liquidate contract authorization.

SUPPLEMENT TO TABLE 6 OF THE 1947 BUDGET
REAPPROPRIATIONS OF UNOBLIGATED BALANCES OF GENERAL AND SPECIAL ACCOUNTS

By organization unit and appropriation title

[Fiscal years 1945, 1946, and 1947]

Organization unit and appropriation title	REAPPROPRIATIONS		
	Actual, 1945	Estimated, 1946	Estimated, 1947
INDEPENDENT OFFICES			
Tennessee Valley Authority.....	\$38,642,875	\$12,087,740	
NATIONAL HOUSING AGENCY			
Office of the Administrator and expeditor: National defense housing, temporary housing.....	7,500,000		
Federal Public Housing Authority: Annual contributions.....	2,064,054	2,841,754	\$2,400,000
Total, National Housing Agency.....	9,564,054	2,841,754	2,400,000
DEPARTMENT OF AGRICULTURE			
Federal Crop Insurance Corporation: Administration of Federal Crop Insurance Act.....	3,350,000		
Total reappropriations.....	51,556,929	14,929,494	2,400,000

SUPPLEMENT TO TABLE 11 OF THE 1947 BUDGET
APPROPRIATIONS AND EXPENDITURES OF TRUST ACCOUNTS

By fund and appropriation title

[Fiscal years 1945, 1946, and 1947]

Fund and appropriation title	APPROPRIATIONS			EXPENDITURES
	Actual, 1945	Actual, 1946	Recommended, 1947	Actual, 1945
NATIONAL HOUSING AGENCY				
Federal Housing Administration:				
Unearned collections, title I, National Housing Act, as amended.....	\$8,000.00	\$4,000	\$12,000	\$2,476.19
Expenses on real properties acquired under insurance granted prior to July 1, 1939, title I, National Housing Act, as amended.....	6,000.00	10,000	10,000	5,101.49
Federal Public Housing Authority:				
Operation and maintenance of resettlement projects.....	1,832,104.73	1,716,000	1,628,500	1,332,099.48
Working fund.....				*127,875.00
Total, National Housing Agency.....	1,846,104.73	1,730,000	1,650,500	1,211,802.16

*Deduct.

TABLE 12
LIMITATIONS ON ADMINISTRATIVE EXPENSES OF GOVERNMENT CORPORATIONS

By organization unit and appropriation title

[Fiscal years 1945, 1946, and 1947]

Organization unit and appropriation title	LIMITATIONS		
	Actual, 1945	Actual, 1946	Recommended, 1947
INDEPENDENT OFFICES			
Export-Import Bank of Washington.....	\$340,000	\$522,700	\$780,000
Federal Deposit Insurance Corporation.....		3,308,412	4,292,000
Smaller War Plants Corporation:			
Administrative expenses.....	10,000,000	¹ 8,000,000	(²)
Nonadministrative expenses.....		1,000,000	
Total, independent offices.....	10,340,000	12,831,112	5,072,000
FEDERAL LOAN AGENCY			
Office of the Administrator: Administrative expenses ³	(120,000)	(91,000)	(118,000)
Reconstruction Finance Corporation and its subsidiaries.....		⁴ 38,500,000	37,553,000
Reconstruction Finance Corporation and The RFC Mortgage Company.....	11,500,000		
Rubber Development Corporation.....		⁵ 1,201,500	(⁶)
U. S. Commercial Company.....		⁷ 3,129,600	(⁸)
Total, Federal Loan Agency.....	11,500,000	42,831,100	37,553,000
NATIONAL HOUSING AGENCY			
Office of the Administrator and Expediter:			
Salaries and expenses ⁹	(500,000)	(400,000)	(450,000)
Penalty mail costs ⁹	(249,450)	(241,905)	(295,600)
Federal Home Loan Bank Administration:			
Administrative expenses.....	10,853,825	7,640,127	1,602,000
Federal Savings and Loan Insurance Corporation.....			532,000
Home Owners' Loan Corporation.....			5,179,000
United States Housing Corporation: Liquidation.....	98,000		
Federal Housing Administration:			
Salaries and expenses.....	10,484,635	11,250,000	17,624,000
Renovation and modernization insurance, title I, premiums: Payment of losses.....	5,000,000	2,500,000	3,000,000
Federal Public Housing Authority.....	2,772,940	2,200,000	19,845,400
Defense Homes Corporation.....		96,200	98,400
Total, National Housing Agency.....	29,209,400	23,686,327	47,880,800
DEPARTMENT OF AGRICULTURE			
Commodity Credit Corporation.....	7,208,526	6,565,000	8,760,000
Federal Surplus Commodities Corporation.....			40,000
Federal Farm Mortgage Corporation.....	8,200,000	6,450,000	4,000,000
Total, Department of Agriculture.....	15,408,526	13,015,000	12,800,000
Total, limitations on administrative expenses.....	66,457,926	92,363,539	103,305,800

¹ \$1,550,000 of this authorization was rescinded by Public Law 301, approved Feb. 18, 1946.

² The functions of the Smaller War Plants Corporation were transferred to the Reconstruction Finance Corporation and the Department of Commerce by Executive Order 9665, dated Dec. 27, 1945.

³ Transferred from funds available for administrative expenses of the constituent units.

⁴ Rescission of \$6,000,000 of this authorization has been recommended to Congress (H. Doc. 394). The amount shown excludes \$1,223,421 transferred from Smaller War Plants Corporation.

⁵ \$249,500 of this authorization was rescinded by Public Law 301, approved Feb. 18, 1946. An additional rescission of \$102,000 has been recommended to Congress (H. Doc. 394).

⁶ Included in the limitation for the Reconstruction Finance Corporation and its subsidiaries for the fiscal year 1947.

⁷ \$110,000 of this authorization was rescinded by Public Law 301, approved Feb. 18, 1946, and \$275,000 was transferred to the Commodity Credit Corporation pursuant to Executive Order 9630, dated Sept. 27, 1945.

PART II

BUDGET PROGRAMS, LANGUAGE, AND FINANCIAL STATEMENTS

[Corporations are shown under the agencies the heads of which have control over the operations of the corporations]

Export-Import Bank of Washington
Smaller War Plants Corporation
Tennessee Valley Associated Cooperatives, Inc.
Tennessee Valley Authority

Federal Loan Agency:

Office of the Administrator
Reconstruction Finance Corporation
Federal National Mortgage Association
Rubber Development Corporation
The RFC Mortgage Company
U. S. Commercial Company
War Damage Corporation
Language for RFC and Subsidiaries

National Housing Agency:

Office of the Administrator
Federal Home Loan Bank Administration:
Administrative Department, Federal Home Loan
Bank Administration
Federal Home Loan Bank System
Federal Savings and Loan Insurance Corporation
Home Owners Loan Corporation
United States Housing Corporation
Federal Housing Administration
Federal Public Housing Authority:
Public War Housing Program
Homes Conversion Program
Veterans' Housing Program
Defense Homes Corporation
Corporate Program
Farm Security Administration Program
Administrative Expenses—Federal Public Housing Authority

Department of Agriculture:

Commodity Credit Corporation
Federal Crop Insurance Corporation
Federal Surplus Commodities Corporation
Federal Farm Mortgage Corporation
Federal Intermediate Credit Banks
Production Credit Corporations
Regional Agricultural Credit Corporations

Department of Commerce:

Inland Waterways Corporation
Warrior River Terminal Company
Cargoes, Incorporated

Department of the Interior:

Virgin Islands Company

Department of Justice:

Federal Prison Industries, Inc.

Department of State:

Institute of Inter-American Affairs
Institute of Inter-American Transportation
Inter-American Educational Foundation, Inc.
Inter-American Navigation Corporation
Prencinradio, Inc.

War Department:

Panama Railroad Company
United States Spruce Production Corporation

General Provisions

Mixed-Ownership Corporations

EXPORT-IMPORT BANK OF WASHINGTON

CREATION AND PURPOSE

The Export-Import Bank of Washington was organized as a District of Columbia banking corporation pursuant to Executive Order 6851, dated February 2, 1934, and was continued as an agency of the United States by act approved January 31, 1935, as amended (15 U. S. C. 713b). The Bank was established to stimulate the international trade of the United States. The act of September 26, 1940, increased the Bank's lending authority from 200 million dollars to 700 million dollars. In a message to Congress in June 1945, the President indicated that, with the slowing down and termination of lend-lease, the Bank should be empowered to assist liberated countries during the transition from war to peace. Congress subsequently passed the Export-Import Bank Act of July 31, 1945 (12 U. S. C. 635), increasing the lending authority of the Bank from 700 million dollars to 3.5 billion dollars. The same legislation removed the prohibition on loans by the Bank and persons participating with the Bank to governments in default to the United States Government; made the Bank an independent agency; created a statutory bipartisan board of directors; and arranged its financing directly from the Treasury instead of through the Reconstruction Finance Corporation. The board of directors consists of the Secretary of State and four full-time members appointed by the President of the United States by and with the advice and consent of the Senate, one of whom is designated by the President as chairman.

FINANCIAL ORGANIZATION

Prior to the passage of the act of 1945, the Bank had an authorized capital stock of 175 million dollars, of which 1 million dollars was obtained by sale of common stock to the U. S. Treasury and 174 million dollars by sale of preferred stock to the Reconstruction Finance Corporation. In 1945 the authorized capital stock was increased to 1 billion dollars and financing through Reconstruction Finance Corporation was terminated with the repurchase of the preferred stock. The capital stock outstanding as of March 20, 1946, was 275 million dollars, all of which was held by the Secretary of the Treasury. Payment for the remainder of the authorized stock of 725 million dollars is subject to call at any time in whole or in part by the board of directors of the Bank. The Bank is authorized to issue from time to time for purchase by the Secretary of the Treasury its notes, debentures, bonds, or other obligations in an aggregate amount not to exceed 2½ times its authorized capital, and the Secretary of the Treasury is authorized and directed to make such purchases. The aggregate of outstanding loans and guarantees made by the Bank shall not exceed 3½ billion dollars at any one time. A comparative statement of the financial condition of the Bank as of June 30, 1944, 1945, 1946, and 1947 is shown immediately following the textual material (exhibit C).

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The program budget of the Bank for fiscal year 1947 is consistent with the foreign loan program of the United

States Government proposed by the President to Congress on March 1, 1946. In transmitting that program, the President indicated to the Congress that the lending authority of the Bank would need to be increased for 1947 by 1.25 billion dollars—from 3.5 billion dollars to 4.75 billion dollars. However, the estimated gross loan disbursements for 1947 are based on present lending authority. The entire proposed increase in lending authority of 1.25 billion dollars has been placed in a reserve shown on schedule C-1 as a reserve for future commitments and disbursements.

Requests of foreign governments for Export-Import Bank credits far exceeded the foreign loan program which the President has endorsed at the recommendation of the National Advisory Council on International Monetary and Financial Problems. Only a minimum of foreign lending through the Export-Import Bank was recommended on the assumption that the International Bank for Reconstruction and Development will come into substantial operation during fiscal year 1947.

The Export-Import Bank program for 1946 and 1947 is part of a broader program for expanding international trade. The extension of the Trade Agreements Act and the passage of the Bretton Woods Agreement Act are further steps already taken by the Congress towards this objective. The proposed British loan is another vital step in the development of international trade.

The Export-Import Bank was not designed to compete with private lending institutions. In fact, it is the policy of the Congress and the Bank to encourage a greater volume of private lending in foreign investments. To the extent that private funds can be drawn into investments abroad, Government funds are not necessary.

LATIN-AMERICAN CREDITS

For the fiscal years 1941 to 1946, the principal lending activities of the Bank involved the Latin American countries. The act of September 26, 1940, which increased its lending authority from 200 million dollars to 700 million dollars, enabled the Bank to make loans to develop the resources, to stabilize the economies, and to assist in the orderly marketing of products of the countries of the Western Hemisphere. Total loan disbursements for 1945 amounted to 31.3 million dollars and for 1946 are estimated at 40 million dollars.¹

These loans are for specific projects and usually run from 5 to 20 years with an interest rate of 4 percent per annum. Examples of recent loan authorizations include: 28 million dollars to Chile to finance the purchase in the United States of equipment, materials, and services required for the construction of an integrated iron and steel plant; 38 million dollars to Brazil for 14 ocean-going cargo steamers to be built in the United States; and 20 million dollars to Mexico for the purchase in the United States of equipment, materials, and services for a broad electrification program.

¹ NOTE: In the textual description a sharp distinction is drawn between "loan authorizations" and "loan disbursements". The term "loan authorization" is used to describe the original authorization by the board of directors of the Bank of the extension of a line of credit which may subsequently be drawn on by the borrower as goods are ready for shipment or must be paid for. The term "loan disbursements" is used to describe actual advances of cash to borrowers under the terms of the original loan authorizations.

Loan disbursements during fiscal year 1945 were in excess of repayments by 8.1 million dollars. In 1946, repayments are estimated at 20.3 million dollars as compared with loan disbursements amounting to 40 million dollars, the loan disbursements being 19.7 million dollars in excess.

LEND-LEASE TERMINATION CREDITS

Credits have been extended to Belgium, France, and the Netherlands in the amounts of 55, 550, and 50 million dollars, respectively, to finance the purchase of products and services for which requisitions had been filed and approved, but not contracted for, before VJ-day (Sept. 2, 1945) under the provisions of the lend-lease 3 (c) agreements with these countries. These credits are distinct from the lend-lease "pipe-line" credits which are financed from lend-lease funds and apply principally to goods and services under contract prior to VJ-day.

All of the Export-Import Bank loan authorizations of this type totaling 655 million dollars have been made during fiscal year 1946. None was made during 1945 and none is anticipated in 1947. The President in his message to Congress of June 4, 1945, on the lend-lease appropriation for the fiscal year 1946, indicated that Export-Import Bank loans should be made for these purposes.

Since these credits served to carry out previous commitments of the United States Government, their terms with respect to maturities and rate of interest were made to correspond to those of the lend-lease 3 (c) agreements, namely, repayments of principal over a period of 30 years and an interest rate of 2½ percent per annum. The credit in favor of Belgium is available until June 30, 1946, while those in favor of France and the Netherlands are available until December 31, 1946. An estimated 261 million dollars against these loan authorizations will be disbursed in 1946. Repayments will begin July 1, 1946.

RECONSTRUCTION CREDITS

These credits comprise reconstruction credits other than those described above in connection with lend-lease termination. These were also contemplated in the President's message to Congress of June 4, 1945 and in the hearings on the Export-Import Bank Act of 1945. No loan authorization nor loan disbursement was made in 1945, but an estimated 222 million dollars will be disbursed in 1946. As of March 15, 1946, an aggregate of 325 million dollars had been authorized to Denmark (20 million dollars), Netherlands (50 million dollars), Norway (50 million dollars), Finland (35 million dollars), Belgium (45 million dollars), Greece (25 million dollars), and Netherlands East Indies (100 million dollars). This type of credit extended to aid liberated and war-devastated countries will be the principal type undertaken by the Bank during 1946 and 1947.

Through its reconstruction loans, the Export-Import Bank is filling a gap in the facilities for providing dollar credits to foreign countries until such time as the International Bank for Reconstruction and Development comes into operation. When the latter institution is fully operating, it is expected to take principal responsibility for reconstruction loans. In the meantime, in order that an undue assumption of risk by the United States alone will be avoided, loans for reconstruction purposes are being made by the Export-Import Bank only in urgent cases and in such amounts as may be needed by the borrower for emergency purchases in the United States.

These credits are generally available until the middle of 1948. Advances under the credits are made against notes bearing interest at the rate of 2½ percent and maturing at the end of 1950 or in 1951. At that time the obligors will have the right to tender new notes in exchange for the original notes. The aggregate principal amount of the new notes will mature in approximately equal semiannual installments over a period varying from 15 to 25 years. Notes evidencing the earlier maturities will bear interest at 2½ percent; the mid-term maturities will bear interest at 3 percent; the later maturities will bear interest at 3½ percent. The effective rate of interest will average approximately 3 percent over the life of the loans, the exact rate depending upon the rapidity with which the credits are utilized. The provisions with respect to the rate of interest are in accordance with a recommendation of the National Advisory Council on International Monetary and Financial Problems.

COTTON LOANS

In addition to its more general reconstruction loans to foreign governments, the Export-Import Bank set up in October 1945 a credit line of 100 million dollars for the specific purpose of financing exports of raw cotton to European countries, including Belgium, Czechoslovakia, Denmark, Finland, France, Italy, Netherlands, Norway, and Poland. If fully utilized, this credit would finance the export of approximately 800 thousand bales of cotton. The maximum term of individual credits authorized by this credit is 15 months, and the rate of interest is 2½ percent per annum. American cotton shippers and their commercial banks will participate in the credits up to the time of acceptance of the relative drafts by the foreign banks involved. Cotton shippers participating in the program will designate the commercial banks which are to handle the documents and negotiate drafts under commitments made by the Export-Import Bank.

A special cotton credit of 33 million dollars has been authorized for China. It differs from the above line of credit to European countries in that it carries a maximum term of 24 months to allow for the longer time required for inland transportation and manufacture.

No credits of this type were extended during 1945. As now foreseen, disbursements are estimated at 38 million dollars for 1946.

This type of credit makes possible the shipment of sorely needed raw cotton to war-devastated countries in advance of establishment of more general lines of credit and, therefore, assists in putting foreign textile mills into production. The terms of this credit were designed to encourage the handling of shipments through private business channels.

OTHER CREDITS

The bank's future program cannot be forecast, of course, in precise terms. Both the volume and the character of its operations depend upon the extent and nature of the demands upon it for credit assistance and upon developments in the foreign financial policy of the United States Government. It is necessary, therefore, to provide for a variety of operations which do not fall into any of the above categories. The Bank plans to extend such types of credit permitted by the Export-Import Bank Act of 1945 as will assist in promoting and facilitating foreign trade.

For example, although most of the loans authorized by the Bank during the last 12 months have been

loans to foreign governments or the agencies of foreign governments to finance reconstruction programs and development projects, there have been a number of credits extended on application of United States exporters and importers for the purpose of financing specific export and import transactions. This is a type of credit which has characterized the operations of the Bank since its establishment and a type of credit which will undoubtedly greatly increase in volume during the next period. Furthermore, credits of this type will to some extent reduce the need for government-to-government credits of the sort which predominated in the operations of the Bank during the recent past. There is also a possibility that the Export-Import Bank may set up a general system of export credit and transfer guarantees.

OPERATING RESULTS

During the fiscal year 1945 programs carried on by the Bank resulted in a net income of 8.2 million dollars. For 1946 and 1947 net income is estimated at 9.2 million dollars and 40.3 million dollars, respectively. The estimated net income will increase the net earned surplus held as a reserve against future contingencies from 22.7 million dollars as of June 30, 1945, to 71.3 million dollars as of June 30, 1947 (see exhibits B and C).

FINANCIAL CONDITION

LOAN ACCOUNT

On June 30, 1945, there were loans outstanding amounting to 214.3 million dollars, as compared with loans amounting to 222.6 million dollars on June 30, 1944. Seven loans were delinquent as compared with 3 in this condition 1 year earlier. The 7 delinquent loans outstanding amounted to 2.9 million dollars of which \$322,470 consisted of matured unpaid principal. Of this latter amount \$146,473 was regarded as uncollectible and \$175,997 as collectible.

Of the total 214.3 million dollars of loans outstanding as of June 30, 1945, approximately 79.2 million dollars was advanced by private banks under agency agreements with the Bank in accordance with which the Bank stands prepared to assume the loans upon demand of the private banks.

RETIREMENT OF PREFERRED CAPITAL STOCK TO THE RECONSTRUCTION FINANCE CORPORATION

The Export-Import Bank Act of 1945 provided for financing the Bank's operations through the Treasury instead of the Reconstruction Finance Corporation. During 1946, therefore, 174 million dollars was paid to the Reconstruction Finance Corporation for its preferred capital stock plus 2.6 million dollars in dividends on that stock. Funds for this retirement were provided by the sale of capital stock to the Treasury and the dividends were paid from earned surplus.

BORROWING AUTHORITY

The present borrowing authority of the Bank is 2.5 billion dollars. It is estimated that as of June 30, 1946, no notes will have been issued to the Treasury against the Bank's borrowing authority. Estimated outstanding loans and guarantees as of June 30, 1946 totaling 744 million dollars will be financed from the issuance of 700 million dollars of its capital to the Treasury. Undisbursed commitments as of June 30, 1946, however, are estimated at

1,800 million dollars so that the Bank's lending authority will be committed to the extent of 2,500 million dollars.

Under the present borrowing authority of the Bank of 2,500 million dollars, it is estimated that as of June 30, 1947, loans outstanding will be 2,684 million dollars and undisbursed commitments 800 million dollars. The outstanding loans will be financed from the 700 million dollars stock to be outstanding at the beginning of fiscal 1947, from the issuance of the remaining 300 million dollars of capital stock and the issuance to the Treasury of notes to the value of 1,700 million dollars. The remaining borrowing authority of 800 million dollars will be required later to cover the undisbursed commitments.

Under the President's proposed increased lending program, the "reserve for future commitments and disbursements" of 1,250 million dollars will necessitate an increase of the borrowing authority from 2,500 million dollars under existing legislation to 3,750 million dollars.

ADMINISTRATIVE EXPENSES

This expense covers the staff engaged in over-all supervision of the programs carried on by the Bank. The Bank's administrative activities are of three kinds: (1) negotiation of new credit lines, which involves careful examination by the Bank of the following factors: (a) the urgency of the need of the borrower, (b) the borrower's own resources, (c) the possibility of the borrower obtaining the loan from other sources, including private capital and loans from other governments, (d) the ability of the borrower to make effective use of the funds, (e) the capacity of the borrower to repay, and (f) the effect of the loan on the United States domestic economy; (2) management of loans, which as of June 30, 1946, will reach 744 million dollars and by June 30, 1947, 2,684 million dollars, or about 12.5 times the loans outstanding as of June 30, 1945; and (3) private capital participation. The latter function is being undertaken on a much larger scale than in the past in accordance with the policy of Congress that the Bank should encourage and not compete with private capital. The Bank, of course, first exhausts the possibility of the necessary loan being handled by private capital exclusively. Failing this, the Bank attempts to secure participation in a portion of the loan without recourse on or guarantee of the Bank. When this is not possible, the Bank often arranges for cooperation of private banks whereby all or a portion of the funds are advanced by private banks but guaranteed by the Export-Import Bank. It is expected that during the coming fiscal year the Bank will carefully explore the possibility of, and if practicable will arrange for, the sale to investors of private capital of some of the securities in the Bank's portfolio. Additional staff will be needed in 1947 to arrange for the participation of private capital in these several ways.

The three major functions of the Bank, negotiation of new credit lines, management of existing loans and new loan advances, and private capital participation operations, are under the general direction and supervision of the Board of Directors.

In addition to the over-all supervision of the board of directors and the president's office, the functions of the Bank are carried out by seven groups: (1) the economic advisory group, (2) engineering advisory group, (3) the legal group, (4) the technical banking operation group, (5) treasurer's group, (6) the private capital participation group, and (7) the secretary's office, including administrative services. The operation of the Bank required 61.3

man-years in 1945 and will require 86.9 man-years in 1946, and 129.2 man-years in 1947. The major increases for 1947 are necessitated by the increased lending authority in the act of July 31, 1945, resulting in an expansion of the activities of the Bank and requiring a statutory board of directors and its assisting staff, the newly developed economic staff, the expanded legal staff, and the newly created private capital participation staff. Although the business of the Bank has expanded many times more than the proposed administrative staff, the board of directors is of the opinion that the staff will be adequate to perform the necessary functions as now foreseen under the present lending authority. At the time that the lending and borrowing authority are increased, the requirements for administrative expenses should be reexamined.

The authorizing language implementing the Bank's budget for fiscal year 1947 includes the limitation of \$780,000 for cost of administration, which compares with \$506,666 for 1946. (See exhibit B-1.)

LANGUAGE

【Export-Import Bank of Washington, administrative expenses: Not to exceed \$372,700 of the funds of the Export-Import Bank of Washington, continued as an agency of the Government by the Act of September 26, 1940 (15 U. S. C. 713b), shall be available during the fiscal year 1946 for all administrative expenses of the Bank, including personal services and rent in the District of Columbia; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as

amended (5 U. S. C. 821-833); printing and binding; lawbooks and books of reference; not to exceed \$100 for periodicals, \$200 for newspapers, and \$200 for maps; and not to exceed \$24,000 for the temporary employment of persons or organizations for special services by contract or otherwise, without regard to section 3709 of the Revised Statutes and the civil-service and classification laws: *Provided*, That all necessary expenses (including special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the bank or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That sections 102, 103, and 104 of the National War Agencies Appropriation Act, 1946, shall have no application to this appropriation.】

【Administrative expenses: For an additional amount, fiscal year 1946, for "Export-Import Bank of Washington, administrative expenses", including the objects specified under this head in the Second Deficiency Appropriation Act, 1945, \$150,000, payable from the funds of the bank.】 (Act of July 5, 1945, Public Law 132; Act of Dec. 28, 1945, Public Law 269.)

The types of programs set forth in the 1947 budget of the Export-Import Bank of Washington (12 U. S. C. 635), within the funds available to it, are approved: Provided, That not to exceed \$780,000 of such funds shall be available for its administrative expenses (as shown in its Statement of Income and Expenses) which shall be arrived at on an accrual basis, classified in a manner consistent with prior years, and shall be exclusive of interest paid, depreciation, and properly capitalized expenditures, of which amount not to exceed \$24,000 shall be available for the temporary employment of persons or organizations for special services by contract or otherwise, without regard to section 3709 of the Revised Statutes and civil-service and classification laws. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loan disbursements:			
1. Latin America.....	\$31,324,528	\$40,000,000	\$2,000,000,000
2. Lend-lease, sec. 3c.....		261,000,000	
3. Reconstruction.....		222,000,000	
4. Cotton.....		38,000,000	
5. All others.....	2,357,760	19,000,000	
	\$33,682,288	\$580,000,000	
To operating expenses:			
Administrative expenses (see schedule B-1).....	285,740	506,666	\$780,000
Interest paid on notes issued.....			6,875,000
Other operating expenses.....	5,296	5,000	
	291,036	511,666	7,655,000
To purchase equipment: Furniture and equipment.....	83	16,034	12,900
To pay dividends: Dividends paid on preferred stock.....	5,220,000	2,610,000	
To retire preferred capital stock: Paid by U. S. Treasury to Reconstruction Finance Corporation.....		174,000,000	
To increase (or decrease*) working capital (see schedule A-1).....	10,574,894	1,603,073	100,332,100
Total funds applied	49,768,301	758,740,773	2,108,000,000
FUNDS PROVIDED			
By repayments of principal of loans:			
1. Latin America.....	23,212,912	20,300,000	60,000,000
2. Lend-lease, sec. 3c.....			
3. Reconstruction.....			
4. Cotton.....		29,700,000	
5. All others.....	18,238,717		
	41,451,629	50,000,000	
By operating income:			
Interest earned on loans.....	7,317,835	9,400,000	48,000,000
Interest earned on deposits with Reconstruction Finance Corporation.....	998,837	340,773	
	8,316,672	9,740,773	48,000,000
By sale of capital stock: To U. S. Treasury.....		699,000,000	300,000,000
By borrowings—Issue of Notes to U. S. Treasury			1,700,000,000
Total funds provided	49,768,301	758,740,773	2,108,000,000

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[For the fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest earned on loans.....	\$7,524,099	\$9,400,000	\$48,000,000
Interest earned on deposits with R. F. C.....	998,837	340,773	
Total operating income.....	\$8,522,936	\$9,740,773	\$48,000,000
Operating expenses:			
Interest paid on notes issued.....			6,875,000
Administrative expenses (see Schedule B-1).....	285,740	506,666	780,000
Other operating expenses.....	5,296	5,000	
Depreciation on furniture and fixtures.....	1,268	1,500	2,000
Total operating expenses.....	292,304	513,166	7,657,000
Net operating income.....	8,230,632	9,227,607	40,343,000
Nonoperating income and expenses*:			
Loans receivable charged off.....	*1,217	*142,980	
Net income (or loss*) for the year.....	8,229,415	9,084,627	40,343,000

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$21,436,335	\$24,445,750	\$30,920,377
Add: Net income (or loss*) for the year (above).....	8,229,415	9,084,627	40,343,000
	29,665,750	33,530,377	71,263,377
Deduct: Dividends paid on preferred stock.....	5,220,000	2,610,000	
Balance at end of fiscal year.....	24,445,750	30,920,377	71,263,377

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash:				
(a) Cash on hand and in banks.....	\$231,392	\$267,324	\$250,000	\$250,000
(b) Cash with U. S. Treasurer.....	1,047,965	143,704	69,905,622	162,743,951
(c) Cash with Reconstruction Finance Corporation.....	57,350,000	69,650,000		
Total.....	58,629,357	69,461,028	70,155,622	162,993,951
Loans receivable:				
Loans receivable (see schedule C-2).....	222,574,445	214,268,565	744,268,565	2,684,268,565
Deduct: Reserve for possible losses on loans.....	*3,492	*3,492	*146,472	*146,472
Total.....	222,570,953	214,265,073	744,122,093	2,684,122,093
Accounts receivable.....				
	56,210	50,090	50,090	50,090
Accrued assets:				
Accrued interest receivable on loans.....	1,026,997	1,607,199	3,200,000	11,250,000
Accrued interest receivable from Reconstruction Finance Corporation.....	1,132,324	575,488		
Total.....	2,159,321	2,182,687	3,200,000	11,250,000
Land, structures and equipment:				
Furniture and equipment.....	27,356	27,438	43,472	56,372
Deduct: Reserve for depreciation.....	*8,630	*9,898	*11,398	*13,398
Total.....	18,726	17,540	32,074	42,974
Other assets:				
Assignments, claims—Contra.....	2	2	2	2
D. C. capital stock tax paid under protest.....	86,400	86,400	86,400	86,400
Total.....	86,402	86,402	86,402	86,402
Total assets.....	283,520,969	286,062,820	817,646,281	2,858,545,510
LIABILITIES				
Accounts payable:				
Due Government agencies.....		4,094	10,000	
Due others.....	30,573	18,676	35,000	50,229
Total.....	30,573	22,770	45,000	50,229
Accrued liabilities:				
Due United States Treasury—Interest on notes.....				750,000
Trust and deposit liabilities:				
Due Government agencies.....	8,971	11,838	15,000	18,000
Due others: Deposits held subject to refund or application.....	2,944	401,558	485,000	283,000
Total.....	11,915	413,396	500,000	301,000
Bond, debentures and notes payable:				
Due United States Treasury (see schedule C-1).....				1,700,000,000
Deferred credits:				
Discount collected but not earned.....	119,654			
Other liabilities:				
Deposits by participants in loans.....	7,000,000	7,000,000	7,000,000	7,000,000
Liability on loans through other banks.....	79,716,226	79,180,902	79,180,902	79,180,902
Assignments, claims—Contra.....	2	2	2	2
Total.....	86,716,228	86,180,904	86,180,904	86,180,904
Total liabilities.....	86,878,370	86,617,070	86,725,904	1,787,282,133
CAPITAL				
Paid in capital:				
Capital stock—Common (held by the United States Treasury).....	1,000,000	1,000,000	700,000,000	1,000,000,000
Capital stock—Preferred (held by Reconstruction Finanee Corporation).....	174,000,000	174,000,000		
Total.....	175,000,000	175,000,000	700,000,000	1,000,000,000
Earned surplus:				
Net earned surplus.....	17,956,335	22,705,750	30,920,377	71,263,377
Reserve for contingencies.....	206,264			
Reserve for payment of dividends on preferred stock.....	3,480,000	1,740,000		
Total earned surplus.....	21,642,599	24,445,750	30,920,377	71,263,377
Total capital.....	196,642,599	199,445,750	730,920,377	1,071,263,377

*Deduct.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Accrued interest receivable:			
Accrued interest on loans.....	\$580,202	\$1,502,801	\$8,050,000
Accrued interest on demand deposits with Reconstruction Finance Corporation.....	*556,837	*575,488	
Accounts receivable: Due from borrowers.....	*6,120		
Cash:			
On hand and in banks.....	35,931	*17,324	
With United States Treasury.....	*904,260	60,761,918	92,838,329
With Reconstruction Finance Corporation.....	11,700,000	*69,050,000	
Current liabilities (increase* or decrease):			
Accrued interest payable on notes.....			*750,000
Trust and deposit liabilities:			
Due Government agencies.....	*2,866	*3,162	*3,000
Deposits held subject to refund or application.....	*398,614	*83,442	202,000
Accounts payable:			
Due Government agencies.....	*4,093	*5,906	10,000
Due others.....	11,897	*16,324	*15,229
Deferred credits (increase* or decrease): Discount collected but not earned.....	119,654		
Increase in working capital.....	10,574,894	1,603,073	100,332,100

*Deduct.

SCHEDULE B-1

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Salaries and wages:			
Officers:	Man-years Amount	Man-years Amount	Man-years Amount
Directors.....	1.3 \$19,500	1.6 \$19,015	3 \$36,000
Chairman and president.....	3 24,700	1.5 22,695	1 15,000
Vice presidents.....	3 24,700	2 18,984	2 19,600
Secretary.....	1.1 4,950	1 5,390	1 5,390
Assistant secretaries.....		.3 2,450	1 9,800
Treasurer.....			1 8,750
Assistant general counsel and assistant treasurer.....			
Total.....	6.4 56,880	8.3 85,063	10 104,340
Employees:			
Directors' office.....	1 2,950	2.4 8,054	4 13,130
Chairman and president's office.....	.8 3,222	5.1 28,901	10 62,938
Technical banking operations.....	16.7 64,720	19.5 79,819	21.8 95,385
General counsel's office.....	4 15,450	8.3 40,807	14.3 64,339
Economic adviser's office.....	.6 2,382	7.2 38,470	17.3 91,281
Chief engineer's office.....	4.5 24,400	7.1 41,542	8 49,890
Treasurer's office.....	10.7 30,416	10.4 38,700	12.8 45,834
Secretary's office.....	13.6 24,586	14.6 35,987	20 48,050
Participations office.....			7 40,813
Total.....	51.9 171,356	74.6 312,310	115.2 511,660

By accounts	1945, actual	1946, estimated	1947, estimated
Salaries and wages—Continued	Man-years Amount	Man-years Amount	Man-years Amount
Employees—Continued			
Total permanent, departmental.....	58.3 \$228,236	82.9 \$397,373	125.2 \$616,000
Temporary employees on fee basis.....	3 14,979	4 24,000	4 24,000
Overtime pay.....		2,989	
Total.....	61.3 273,134	86.9 424,362	129.2 640,000
Other administrative expenses:			
Travel.....	6,900	20,000	40,000
Transportation of things.....		2,000	
Telephone and telegraph.....	3,252	9,400	11,200
Postage.....	475	600	800
Rent.....	21,496	27,000	60,500
Printing and binding.....	1,524	7,000	7,500
Other contractual services.....	164	12,804	10,000
Special and miscellaneous.....	15,186		
Supplies.....	1,139	3,500	5,000
Payments for services received:			
For audit accounts.....	5,295	5,000	5,000
Equipment.....	82	16,034	
Total other.....	31,815	103,338	140,000
Total.....	304,949	527,700	780,000
Deduct: Transfer to nonadministrative expenses.....	5,295	5,000	
Adjustment for prior years.....	13,832		
Equipment.....		16,034	
Total deductions.....	19,209	21,034	
Total administrative expenses.....	285,740	506,666	780,000

¹ Adjustments made to prior years' expenditures, denotes credits.

SCHEDULE C-1

POSITION OF CORPORATION WITH RESPECT TO BORROWING AUTHORITY

[As of June 30, 1945, 1946, and 1947]

	1945	1946	1947
Outstanding notes payable at end of year.....			\$1,700,000,000
Commitments outstanding at end of year:			
Undisbursed commitments.....	¹ \$336,332,926	² \$1,800,000,000	³ 800,000,000
Reserve for future commitments and disbursements.....			1,250,000,000
Required borrowing authority.....	336,332,926	1,800,000,000	3,750,000,000
Present borrowing authority.....			2,500,000,000
Additional borrowing authority required.....			1,250,000,000

¹ 56 undisbursed commitments in 1945.² 125 undisbursed commitments in 1946.³ 75 undisbursed commitments in 1947.

SCHEDULE C-2

STATUS OF LOANS RECEIVABLE

[As of June 30, 1944 and 1945]

	June 30, 1944		June 30, 1945	
	Number	Amount	Number	Amount
Current loans.....	64	\$22,426,749	47	\$211,390,495
Delinquent loans:				
Unmatured principal.....	3		7	2,555,600
Matured unpaid principal.....		147,696		322,470
Total.....	67	22,574,445	54	214,268,565

SCHEDULE C-3

ADMINISTRATIVE EXPENSES

(Fiscal years ending June 30, 1945, 1946, and 1947)

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service:			
Grade 16. In excess of \$9,800:			
Chairman and president.....	1.3 19,500	1.5 22,695	1 15,000
Board members.....		1.6 19,015	3 36,000
Grade 15. Range \$8,750 to \$9,800:			
Administrative assistant to chairman.....		0.5 4,900	1 9,800
Assistant to the president.....	0.2 1,600	1.4 13,879	2 18,813
Secretary.....		0.5 4,523	1 9,800
Treasurer.....		0.3 2,450	1 9,800
Chief, participations division.....			1 9,800
Assistant chief, participations division.....			0.5 7,000
Grade 14. Range \$7,175 to \$8,225:			
Administrative assistant.....			5.3 38,028
Accountant in charge.....	1 6,500	1 7,367	1 7,438
Grade 13. Range \$6,230 to \$7,070:			
Examiner.....	4.6 26,410	5.7 35,346	6 39,060
Chief accountant.....	1 5,280	1 6,230	1 6,230
Administrative assistant.....			0.2 1,246
Grade 12. Range \$5,180 to \$6,020:			
Examiner.....	4.1 19,420	4.2 23,039	4 22,295
Assistant secretary.....	1.1 4,980	1 5,390	1 5,390
Grade 11. Range \$4,300 to \$5,180:			
Assistant to the director.....		0.5 2,516	1 4,740
Principal fiscal accountant.....	0.2 760	1.4 7,741	2 8,820
Grade 10. Range \$3,970 to \$4,630:			
Junior examiner.....			2 8,400
Grade 9. Range \$3,640 to \$4,300:			
Secretary to administrative assistant.....	0.2 640	1.5 5,665	2 7,610
Personnel clerk.....	0.2 640	1 3,640	1 3,640
Librarian.....		0.3 1,120	1 3,640
Grade 8. Range \$3,310 to \$3,970:			
Junior examiner.....			0.8 2,880
Fiscal accountant.....			1 3,600
Grade 7. Range \$2,980 to \$3,640:			
Grade 6. Range \$2,630 to \$3,310:			
Grade 5. Range \$2,320 to \$2,980:			
Grade 4. Range \$2,100 to \$2,496:			
Grade 3. Range \$1,902 to \$2,298:			
Grade 2. Range \$1,704 to \$2,100:			

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—COD.	Man-years Amount	Man-years Amount	Man-years Amount
Professional service:			
Grade 8. Range \$8,750 to \$9,800:			
Vice president and general counsel.....	1 88,750	1 89,800	1 89,800
Vice president.....	1 7,500	1 9,184	1 9,800
Economic adviser.....	0.2 1,600	1 9,307	1 9,800
Economist.....		1.3 12,236	4 35,263
Chief engineer.....		1 8,938	1 9,800
Solicitor.....	1 8,000	1 8,750	1 8,750
Assistant general counsel and assistant treasurer.....	1 7,700	1.4 12,006	1 8,750
Engineer.....	1 7,000	1 8,134	1 8,750
Vice president and counsel.....	1 8,450		
Grade 7. Range \$7,175 to \$8,225:			
Counsel.....		1 7,175	2 14,350
Economist.....		0.9 6,469	2.8 20,353
Engineer.....	1.2 7,800	1 7,175	2 14,350
Grade 6. Range \$6,230 to \$7,070:			
Counsel.....	1 5,700	2.3 14,527	3 19,530
Economist.....			0.5 3,115
Engineer.....	1.3 7,280	2 12,460	2 12,460
Grade 4. Range \$4,300 to \$5,180:			
Counsel.....			0.8 3,600
Total permanent, departmental.....	58.3 228,236	82.9 397,373	125.2 616,000
Temporary employment, departmental.....	3 14,979	4 24,000	4 24,000
Overtime pay, departmental.....		2,589	
01 Personal services (net).....	61.3 273,134	86.9 424,362	129.2 640,000
OTHER EXPENSES			
02 Travel.....	8,175	20,000	40,000
03 Transportation of things.....		2,000	
04 Communication services.....	5,237	10,000	12,000
05 Rents and utility services.....	21,497	27,000	60,500
06 Printing and binding.....	790	7,000	7,500
07 Other contractual services.....	1,603	12,804	15,000
08 Supplies and materials.....	1,460	3,500	5,000
09 Equipment.....	1,028	16,034	
Total other expenses.....	39,790	98,338	140,000
Grand total expenses.....	312,924	522,700	780,000
Excess of limitation over expenses.....	+27,076		
Payable from funds of the bank.....	-340,000	-522,700	-780,000
Total estimate or appropriation.....			

SMALLER WAR PLANTS CORPORATION

CREATION AND PURPOSE

Smaller War Plants Corporation was created by act of Congress approved June 11, 1942 (50 U. S. C. 1101) and was authorized to make loans or advances to enable small business concerns to finance the construction, conversion, equipping, or expansion of plants or the acquisition of materials to be used in the manufacture of war and essential civilian supplies. The management of the Corporation was originally vested in a board of five directors appointed by the President by and with the advice and consent of the Senate. By Executive Order 9665 certain functions, including the lending functions of the Corporation, were transferred to the Reconstruction Finance Corporation, together with certain of its personnel, property, records, assets, and liabilities.

FINANCIAL ORGANIZATION

The act creating the Corporation authorized capital stock in the amount of \$150,000,000 to be subscribed for by the United States through the Secretary of the Treasury. The act approved January 25, 1942 (Public Law 678, Seventy-eighth Congress) appropriated \$150,000,000 to enable the Secretary of the Treasury to purchase this stock. The authorized capitalization was later increased to \$350,000,000 by the act approved December 8, 1944 (Public Law 474, Seventy-eighth Congress). By the act approved December 22, 1944 (Public Law 529, Seventy-eighth Congress) there was appropriated \$50,000,000 to the Treasury Department to enable the Secretary of the Treasury to purchase additional capital stock.

Developments in the Corporation during the fiscal year ended June 30, 1945, and from July 1, 1945, through January 27, 1946.—During the fiscal year 1945, Smaller War Plants Corporation made loans and advances aggregating \$116,023,000 to aid small business concerns, and collected during the period \$97,860,000 on total loans outstanding. During the first 7 months of the fiscal year 1946, total loan disbursements amounted to \$33,016,000 and receipts for the same period amounted to \$44,310,000.

Land, structures, and equipment under lease to small business increased during the fiscal year 1945 from \$9,457,000 to \$17,285,000. During the 7-month period ended January 27, 1946, land, structures, and equipment under lease declined to \$16,546,000 by reason of lease terminations subsequent to VJ-day.

The net loss of the Corporation for the fiscal year 1945 amounted to \$7,263,000 and for the first 7 months of the fiscal year 1946, \$3,912,000. (For additional financial and operating details see exhibits A, B, and C, and the supporting schedules immediately following the textual material.)

Transfer of functions to Reconstruction Finance Corporation, Department of Commerce, and War Assets Corporation.—Under the provisions of Executive Order 9665, dated December 27, 1945, the functions of Smaller War Plants Corporation indicated below were transferred to Reconstruction Finance Corporation and to the Department of Commerce as of January 28, 1946.

Functions transferred to Reconstruction Finance Corporation.—Section 41 of the act of June 11, 1942 (Public Law 603, Seventy-seventh Congress) empowered the Corporation (1) to make loans or advances on such terms and conditions and with such maturities as it may determine to enable small business concerns to finance plant construction, conversion, or expansion, or to finance the

acquisition of equipment, facilities, machinery, supplies, or materials, or to supply such concerns with capital, to be used in the manufacture of articles, equipment, supplies, or materials for war or essential civilian purposes; and such loans or advances may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; (2) to purchase or lease such land, to purchase, lease, build, or expand such plants, and to purchase or produce such equipment, facilities, machinery, materials, or supplies, as may be needed to enable the Corporation to provide small business concerns with such land, plants, equipment, facilities, machinery, materials, or supplies as such concerns may require to engage in the production of such articles, equipment, supplies, or materials; (3) to lease, sell, or otherwise dispose of to any small business concern any such land, plants, equipment, facilities, machinery, materials, or supplies; (4) to enter into contracts with the United States Government and any department, agency, or officer thereof having procurement powers obligating the Corporation to furnish articles, equipment, supplies, or materials to the Government; and (5) to arrange for the performance of such contracts by letting subcontracts to small business concerns or others for the manufacture, supply, or assembly of such articles, equipment, supplies, or materials, or parts thereof, or servicing or processing in connection therewith, or such management services as may be necessary to enable the Corporation to perform such contracts. In any case in which the Chairman of the War Production Board certifies to the Secretary of War, the Secretary of the Navy, the director of the Procurement Division of the Treasury, or to any other officer of the Government having procurement powers, that the Smaller War Plants Corporation is competent to perform any specific Government procurement contract to be let by any such officer, it shall be the duty of the officer to let such procurement contract to such Corporation upon such terms and conditions as may be specified by the Chairman of the War Production Board. Such subcontracts may be let upon such terms and conditions as the Corporation may deem appropriate in accordance with such regulations as may be prescribed under section 201 of the First War Powers Act, 1941.

Section 6 of the act of June 11, 1942: "Whenever the Smaller War Plants Corporation has completed any transaction under clause (1), (2), or (3) of subsection (f) of section 4 of this act, it shall transfer the loan, advance, plant, equipment, facilities, machinery, materials, supplies, leases, or other property resulting from such transaction to the Defense Plant Corporation, and the Defense Plant Corporation shall service and administer such loan, advance, or property, as the agent of the Smaller War Plants Corporation, remitting to the Smaller War Plants Corporation any interest, principal, or other proceeds or collections, after deducting its actual expense of service and administration."

Section 18e of the Surplus Property Act of 1944: Under this section, Smaller War Plants Corporation is authorized to purchase surplus property and resell to small business subject to regulations of Surplus Property Administration, when disposal is required to preserve and strengthen the competitive position of small business.

Section 18f of the same act: Smaller War Plants Corporation is authorized to make or guarantee loans to small business enterprises in connection with the acquisition,

conversion, and operation of plants and facilities which have been determined to be surplus property, and in cooperation with the disposal agencies to arrange for sales of surplus property to small business concerns on credit or time basis.

Contract Settlement Act of 1944: Smaller War Plants Corporation under this act is directed to assist small business concerns in connection with the securing of interim financing and the preparation of application for such interim financing and to make interim loans and guaranties.

Also transferred are personnel, property, records, assets, and liabilities of the Corporation except those transferred to the Department of Commerce.

The entire transfer of the functions, personnel, etc., of Smaller War Plants Corporation to Reconstruction Finance Corporation and the Department of Commerce was effected under the direction of the Director of the Bureau of the Budget.

The functions of the board of directors of Smaller War Plants Corporation which relate to the functions transferred to Reconstruction Finance Corporation are transferred to the board of directors of Reconstruction Finance Corporation.

Functions transferred to Department of Commerce.—All functions of the Corporation not transferred to the Reconstruction Finance Corporation were transferred to the Department of Commerce except the administration of the preferences accorded veterans by section 16 of the Surplus Property Act of 1944.

Functions transferred to War Assets Corporation.—By general amendment dated January 5, 1946, to the regulations of Surplus Property Administration, all duties assigned to the Smaller War Plants Corporation by regulations, orders, and special orders of the Surplus Property Board or the Surplus Property Administration with respect to the administration of the preferences accorded veterans by section 16 of the Surplus Property Act of 1944 were transferred to the War Assets Corporation.

Transfer of assets and liabilities of Smaller War Plants Corporation to Reconstruction Finance Corporation for servicing.—At the same time and under the same authority that certain functions of Smaller War Plants Corporation were transferred to the Reconstruction Finance Corporation the remainder of its assets (certain assets were transferred to Reconstruction Finance Corporation for servicing and administration under section 6 of the act of June 11, 1942) were transferred to Reconstruction Finance Corporation for servicing and administration as were all of its liabilities, with the exception of \$4,046,521 in cash, and unpaid obligations in the amount of \$505,167, which were transferred to the Department of Commerce. Of the \$4,046,521 in cash transferred to the Department of Commerce, \$1,765,203 represents that portion of the unexpended administrative expense appropriation to Smaller War Plants Corporation for the fiscal year 1946 that was allocated to the Department by the Bureau of the Budget. The total unexpended administrative expense appropriation for the fiscal year 1946 at the date of transfer amounted to \$4,538,624. The allocation to Reconstruction Finance Corporation was \$1,223,421. There follows a schedule showing the specific nature of the assets and liabilities that were transferred to the Department of Commerce:

Assets:	
Cash:	
Appropriation for administrative expenses, 1944.....	\$302, 772. 46
Appropriation for administrative expenses, 1945.....	1, 978, 545. 69

Assets—Continued	
Cash—Continued	
Allocated portion of appropriation for administrative expenses, 1946.....	\$1, 765, 203. 32
Total.....	4, 046, 521. 47
Liabilities:	
Accounts payable:	
Prior years unliquidated obligations.....	75, 802. 59
Fiscal year 1946 unliquidated obligations.....	429, 364. 32
Total.....	505, 166. 91

In addition to the foregoing, furniture and fixtures, paid for out of funds of Smaller War Plants Corporation appropriated to pay administrative expenses, are being allocated to the Reconstruction Finance Corporation and to the Department of Commerce by the Bureau of the Budget.

Any balance of the funds transferred to the Department of Commerce remaining after payment of all obligations for which the funds were intended is to be paid over to the Reconstruction Finance Corporation.

The attached statement of financial condition, as of January 27, 1946, exhibit C, reflects the total assets and liabilities transferred to Reconstruction Finance Corporation and to the Department of Commerce.

There is set forth in the budget submission of the Reconstruction Finance Corporation for the fiscal year 1947 a statement as to the plan of the Reconstruction Finance Corporation for servicing and administering the assets and liabilities taken over from Smaller War Plants Corporation.

[Smaller War Plants Corporation, administrative expenses: Not to exceed \$8,000,000 of the funds of the Smaller War Plants Corporation, acquired in accordance with the Act of June 11, 1942 (Public Law 603), shall be available for the administrative expenses of such Corporation necessary to enable it to carry out the functions vested in it by such Act, to carry out the provisions of section 2 of such Act, and such other functions as may be lawfully delegated to the Corporation, including the salary of the Chairman of the Board at \$12,000 and the salaries of four members of the Board at not exceeding \$9,000 each per annum; not to exceed \$10,000 for the employment of aliens; not to exceed \$250,000 for the temporary employment of persons or organizations by contract or otherwise without regard to the civil-service and classification laws for special services, including audits notwithstanding section 5 of the Act of April 6, 1914 (5 U. S. C. 55); printing and binding; reimbursement, at not to exceed 3 cents per mile, of employees for expenses incurred by them in performance of official travel in privately owned automobiles within the limits of their official stations; procurement of supplies, equipment, and services without regard to section 3709 of the Revised Statutes where the amount involved in any one case does not exceed \$300; not to exceed \$50,000 for deposit in the general fund of the Treasury for cost of penalty mail as required by section 2 of the Act of June 28, 1944 (Public Law 364); and rent in the District of Columbia: *Provided*, That, as determined by the chairman of the Board of Directors, or such officer as may be designated by the Board of Directors for the purpose, expenditures (including expenditures for services performed on a force account or contract or fee basis) necessary in acquiring, operating, maintaining, improving, or disposing of real or personal property belonging to the Corporation or in which it has an interest (except property acquired for the administrative purposes of the Corporation), including expenses of collections of pledged collateral and expenses of service and administration of its loans, advances, and property under section 6 of said Act of June 11, 1942, shall be considered as non-administrative expenses for the purposes hereof and not to exceed \$1,000,000 of the funds of the Corporation shall be available for the objects named in this proviso: *Provided further*, That no part of said \$8,000,000 shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenses shall be accounted for and audited in accordance with the Budget and Accounting Act.] (Act of July 17, 1945, Public Law 156.)

NOTE.—The functions of the Smaller War Plants Corporation were transferred to the Department of Commerce and the Reconstruction Finance Corporation by Executive Order 9665, dated Dec. 27, 1945. Public Law 301, approved February 18, 1946, rescinded \$1,550,000 of this authorization.

EXHIBIT A

COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, and for period July 1, 1945, through Jan. 27, 1946]

	1945, actual	July 1, 1945, through Jan. 27, 1946, actual
FUNDS APPLIED		
To make loans to industry.....	\$116,023,071	\$33,015,541
To acquisition and improvements of land, structures, and equipment.....	7,952,921	638,475
To operating expenses:		
Administrative expenses.....	\$8,177,903	\$3,890,740
Reconstruction Finance Corporation charges for servicing loans and leases.....	545,703	265,168
Expense relating to loans and leases absorbed by Smaller War Plants Corporation.....	14,949	16,734
Insurance expense.....	723	2,486
Cancellation of lease expense.....	2,675	-----
Other expense, warehousing, drayage, etc.....	1,479	-----
Foreclosure expense.....	3,927	2,263
Credit investigation expense.....	-----	1,161
	8,747,359	4,178,552
To nonoperating expenses: Plant clearance, leases terminated.....	-----	38,816
To increase working capital.....	18,855,351	8,957,846
Total funds applied.....	151,578,702	46,829,230
FUNDS PROVIDED		
By capital and surplus subscriptions.....	50,000,000	-----
By repayments on principal of loans.....	97,860,323	44,309,556
By sale of machinery.....	45,226	631,053
By operating income:		
Interest earned on loans and notes.....	1,262,785	677,314
Compensation earned on deferred participations in bank loans.....	65,917	77,516
Rentals on leased machinery and equipment.....	2,344,451	1,233,461
Other income.....	-----	330
	3,673,153	1,988,621
Total funds provided.....	151,578,702	46,829,230

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal year ending June 30, 1945, and for the period from July 1, 1945 through Jan. 27, 1946]

	1945, actual	July 1, 1945, through Jan. 27, 1946, actual
Operating income:		
Interest earned on loans.....	\$1,262,807	\$672,282
Interest earned on veterans notes.....		5,032
Compensation earned on deferred participation in bank loans.....	65,917	77,516
Rentals on leased machinery and equipment.....	2,344,451	1,233,461
Other income.....		329
Total operating income.....	\$3,673,175	\$1,988,620
Operating expenses:		
Administrative expenses:		
For current fiscal year.....	8,177,903	3,890,740
Plus (or minus*) prior year adjustments.....	*78,257	242,380
	8,099,646	4,133,120
Defense Plant Corporation charges for servicing loans and leases.....	545,703	265,168
Expenses relating to loans and leases absorbed by Smaller War Plants Corporations.....	14,950	8,394
Insurance expense.....	723	2,596
Cancellation of leases, expense.....	2,675	
Other expense (warehousing, drayage, etc.).....	1,479	
Foreclosure expense.....	3,927	2,263
Depreciation, machinery and equipment.....	1,617,347	970,241
Depreciation, office furniture and equipment.....	56,263	29,783
Credit investigation expense.....		1,161
Total operating expenses.....	10,342,713	5,412,726
Net operating loss.....	6,669,538	3,424,106
Nonoperating expense:		
Loss on sale of machinery and equipment.....	7,759	155,357
Machinery and equipment charged off.....	7,894	47,060
Charges to machinery and equipment reserve.....	8,967	
Loans receivable charged off.....	92,845	171,970
Plant clearance expense, leases terminated.....		38,816
Total nonoperating loss.....	117,465	413,233
Net loss before adjustments of valuation reserves.....	6,787,003	3,837,339
Adjustments of valuation reserves: Reserva for losses on loans.....	476,262	74,343
Net loss for period.....	7,263,265	3,911,682

ANALYSIS OF DEFICIT

Balance at beginning of fiscal year.....	\$12,237,199	\$20,811,453
Net loss for the year.....	7,263,265	3,911,682
Total.....	19,500,464	24,723,135
Plus surplus adjustments during the year (net).....	1,310,989	98,895
Balance at end of fiscal year.....	20,811,453	24,822,030

*Deduct.

17 months.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, and Jan. 27, 1946]

	June 30, 1944, actual	June 30, 1945, actual	Jan. 27, 1946, adjusted
ASSETS			
Cash.....	\$97,647,616	\$117,705,089	\$138,718,584
Loans receivable:			
Due from others:			
Loans to aid industry.....	21,905,654	39,975,586	28,509,671
Less: Reserve for losses.....		*1,097,065	*1,171,408
Accounts and notes receivable:			
Due from Government agencies.....	10,196,687	10,274,438	593,953
Due from others: Miscellaneous.....	207	91,956	329,961
Accrued assets:			
Interest on loans.....	116,433	204,374	262,192
Interest receivable, participations purchased.....	2,035	4,481	5,343
Interest on notes receivable from veterans.....			2,397
Land, structure, and equipment.....	9,456,652	17,284,645	16,546,032
Less: Reserve for depreciation.....		*2,230,441	*2,919,923
Total assets.....	139,325,284	182,213,033	180,876,702
LIABILITIES			
Accounts payable:			
Due others:			
Unliquidated obligations, administrative.....	383,938	701,921	75,803
Vendors.....	661,074	512,137	837,838
Trust and deposit liabilities:			
Borrowers real estate tax deposits.....	6,121	14,189	8,946
Deposits for accommodation purchases.....	59,357	11,574	3,938,896
Undistributed credits.....	433,923	1,370,524	135,036
Other liabilities:			
Insurance, fire loss suspense.....		3,027	83,454
Reserve for adjustment of profit on prime contracts.....	18,070	410,814	670,760
Total liabilities.....	1,662,463	3,024,496	5,098,732
CAPITAL			
Paid-in capital: Capital stock (United States interests).....	160,000,000	200,000,000	200,000,000
Earned surplus: Deficit.....	*12,237,199	*20,811,453	*24,822,030
Total capital and liabilities.....	139,325,284	182,213,033	180,876,702

*Deduct.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal year ending June 30, 1945, and for the period July 1, 1945 through Jan. 27, 1946]

	1945, actual	July 1, 1945 through Jan. 27, 1946, actual
Current assets (increase or decrease*):		
Cash.....	\$20,057,473	\$21,013,494
Accounts and notes receivable.....	169,495	*9,442,479
Accrued assets.....	90,386	61,077
Current liabilities (increase* or decrease):		
Accounts payable.....	*169,045	300,417
Trust and deposit liabilities:		
Borrowers real estate tax deposits.....	*8,068	5,243
Deposits for accommodation purchases.....	47,482	*3,925,021
Undistributed credits.....	*936,601	1,235,489
Insurance, fire loss suspense.....	*3,027	*30,427
Reserve for adjustment of profit on prime contracts.....	*392,744	*250,947
Increase in working capital.....	18,855,351	8,957,846

*Deduct.

SCHEDULE B-1
ADMINISTRATIVE EXPENSES

[Fiscal year ending June 30, 1945, and for the period July 1, 1945 through Jan. 27, 1946]

	1945, actual	July 1, 1945, through Jan. 27, 1946, actual
Total obligations.....	\$8,177,903	\$3,890,740
Less: Unliquidated balance.....		429,364
Liquidated obligations.....	8,177,903	3,461,376
Transferred to:		
Department of Commerce.....		1,765,203
Reconstruction Finance Corporation.....		1,223,421
Total transferred.....		2,988,624
Unobligated balance of authorization.....	1,822,097	¹ 1,550,000
Authorized—to be paid from funds of Corporation.....	10,000,000	8,000,000

¹ Rescinded.

TENNESSEE VALLEY ASSOCIATED COOPERATIVES, INC.

CREATION AND PURPOSE

The Tennessee Valley Associated Cooperatives, Inc., was incorporated January 25, 1934, under the laws of the State of Tennessee, for the purpose of receiving and administering a grant of funds made by the Federal Emergency Relief Administration to the State of Tennessee. The funds were made available to assist in organizing, fostering, and financing a chain of self-help cooperative enterprises needed to improve the economic welfare of the lower-income families in the Tennessee Valley area; to assist in the development of cooperative enterprises in the Tennessee Valley area through educational services to individuals and associations concerning the principles of cooperative enterprise; to determine which of the various types of cooperative organizations could advantageously be created and utilized in the area; and to accumulate data and evaluate the services which might be economically rendered by such organizations as well as other scientific data and information useful and valuable from an economic standpoint. The directors of the Tennessee Valley Authority served as the incorporators of TVAC and as its first board of directors, but in so doing, acted in their private capacity as individuals rather than in their official capacity as TVA directors. The present directors of TVAC have no present connection with the TVA. No act of Congress or executive order or Federal statute specifically authorized the creation of TVAC.

FINANCIAL ORGANIZATION AND HISTORY

On March 12, 1934, TVAC received an outright grant of Federal funds in the amount of \$300,000. This grant was made by Federal Emergency Relief Administration to the Governor of the State of Tennessee in the same manner as all other grants made by that agency to or for the benefit of self-help cooperative enterprises, namely, through the medium of the State Emergency Relief Administration. This grant constituted all of the funds made available to TVAC and no funds were ever advanced to it by Congressional appropriation. The incorporators recognized the nonprofit character of this proposed corporation and wanted to assure that none of its funds could inure to any private shareholder. Therefore, they caused the certificate of incorporation to provide that all of the capital stock be issued and held in the name of the United States, the voting rights of such stock being exercised by the directors. In so doing, the incorporators and the State of Tennessee created a Corporation without sanction or any intent of the Federal Government to create a Government corporation or to exercise Federal control. In fact, both the officials of FERA and TVA always considered TVAC to be entirely separate from the Federal Government. TVAC has complied with the financial reporting requirements of Budget-Treasury Regulation No. 2 issued pursuant to Executive Order 8512 of August 13, 1940, since the beginning of the fiscal year 1942. Prior to the act of February 24, 1945 (12 U. S. C. 15) the General Accounting Office had not been required to audit the financial trans-

actions of this Corporation. When the grant was received by TVAC, the directors did not consider the fund as consideration for the stock subscribed for by the incorporators. However, as a purely accounting matter, by resolution as permitted by the Tennessee statutes, the directors set up on the books of TVAC \$1,000 of the fund as capital stock and the remainder, \$299,000, as paid-in surplus.

The affairs of TVAC are managed by an Administrator pursuant to directives of the board. An agreement was made between the TVAC and the Land O' the Sky Mutual Association, Inc., a North Carolina regional or service cooperative association, providing that the Land O' the Sky Mutual Association, Inc., act as disbursing agent for TVAC. Under this agreement, funds approved by the board for projects are disbursed through Land O' the Sky Mutual Association, Inc., and the member cooperatives. When the products of the member cooperatives are sold through the Land O' the Sky Mutual Association, Inc., moneys are collected and applied against loans made by TVAC. The funds may then be used to make new loans, thereby constituting a revolving fund. However, during 1946 and 1947 no additional loans are contemplated.

DIVESTMENT OF FEDERAL CONTROL

The problem of continued Federal ownership is being studied. It is probable that legislation will be submitted separately to the Congress for the purpose of divesting the Government of any proprietary interest in the stock and assets of the corporation and empowering the directors to take such action, by amendment of the corporate charter or otherwise, as may be appropriate and necessary to insure that the funds of the Corporation will be used and administered in accordance with the purposes of the original grant.

ANALYSIS OF BUDGET PROGRAMS BY MAJOR ACTIVITIES

The authority for TVAC to carry on its activities is found in the certificate of incorporation granted by the State of Tennessee on January 25, 1934. These include both revenue-producing and nonrevenue-producing activities as described in the following paragraphs.

Revenue-producing activities.—Interest on loans to member cooperatives constitutes the primary revenue-producing activity of TVAC. The authority for making loans is vested in the board of directors of TVAC, who usually provide either for a purchase of preferred stock or for the acceptance of demand notes of member cooperatives. To qualify for eligibility borrowers must be under the cooperative laws of the State in which they are located, officers and members must be producers of said cooperative, and there must be a need for such loans to relieve distress among farmers and idle workers in the area of activity of the borrowing cooperative. Borrowing cooperatives have no ownership or control in the TVAC. Interest rates originally charged on loans made through the acceptance of demand notes was 3½ percent on construction loans and 4 percent on operating loans. Interest rates

are now governed, more or less, by local banking rates and average approximately 2 percent. The size of loans is governed by the amount of business the borrowing cooperative expects to do. This is determined by the presentation of a budget showing the needs of the cooperative in advance of the operating season. Because the program is more or less a relief program, the amount of the loans actually has been determined more by the needs of the borrowing cooperative than by appraisals of the security.

The TVAC has a lien on the fixed assets of the borrowing cooperatives and on inventories of finished goods created through the use of the loans when such inventories are not used as collateral for bank loans. Repayment is made when the products of the various member cooperatives are sold. The proceeds of repayments are returned to the TVAC and credited on the notes of the borrowing cooperatives. Insurance is carried on fixed assets and inventories by the borrowing cooperatives with a loss clause running to TVAC to protect its interest and to preserve its security. There are no fees charged or no cost to the borrower for servicing a loan.

Nonrevenue-producing activities.—The TVAC has sponsored cooperative associations in the area for the purpose of promoting cooperative enterprise among the inhabitants in their respective territories. Thus, in order to promote certain of these cooperatives, many nonrevenue-producing activities have been performed. The cumulative costs of these activities contribute to the deficit shown in exhibits B and C.

During the fiscal year 1945 TVAC has continued in its educational program. It is recognized that no one of the member cooperatives could afford the expense of such a program. The use of fertilizer in correct proportions, the best types of seed, and proper growing practices cannot be evaluated in terms of actual dollars and cents. Thus, it is felt that this educational program should continue during fiscal years 1946 and 1947.

OPERATING RESULTS

Inasmuch as the TVAC made no new loans during the fiscal year 1945, and does not propose any during the fiscal years 1946 and 1947, its loan account is decreasing due to cash repayments of principal. Likewise, the Corporation has not subscribed and does not propose to subscribe to any additional stock in cooperative associations. However, both loans and stock subscriptions will depend upon conditions confronting the cooperative associations served by the TVAC. Should there be any change in present conditions the lending activities of the corporation may be resumed.

As a result of the steady reduction in its loan account this Corporation's gross income, which in 1945 amounted

to \$6,896, is expected to decrease to \$6,361 during the fiscal year 1946 and to \$4,000 in 1947. Its chief expense is represented by services performed for it by the Land O' the Sky Mutual Association, Inc., which furnishes general administrative services. The cost of these services amounted to \$2,000 for the fiscal year 1945 and it is expected that a similar amount will be paid during each of the next 2 fiscal years. In addition the budget for the fiscal years 1946 and 1947 include the cost of the financial audit by the General Accounting Office. No experience is available as to the amount of such costs but the budget includes provision for \$500 for each year. As a result of the decrease in income and the increase in expense the net profit of the TVAC will decrease from \$4,887 in 1945 to \$3,691 in 1946 and to \$1,300 in 1947.

FINANCIAL CONDITION

The TVAC has no property except the cash and securities shown in the financial statement. The office equipment is furnished by the regional cooperative, Land O' the Sky Mutual Association, Inc.

During the fiscal year 1945, cash increased and notes receivable, representing loans to member cooperatives, decreased due to the fact that all active borrowers are making regular payments on principal and interest. Between June 30, 1945 and June 30, 1947, it is expected that loans to cooperative associations will decrease from \$234,638 to \$220,890. The preferred stock investment in cooperative associations, amounting to \$33,825, will remain unchanged during this period. In connection with the loans to cooperative associations attention is called to the difficulty of making a real appraisal of the value of such notes as long as the borrowers are making payments, but a reserve of \$110,000 for losses has been established. When such loans are written off by the TVAC the amount will be handled as grants to cooperatives and the net loss charged to surplus. During the fiscal year 1946 advances to experimental projects of \$1,982 and notes receivable of Shady Grove Cooperative, Inc., of \$7,398 will be written off as grants to cooperatives. The sum of these amounts, \$9,380, is shown on exhibit B.

On June 30, 1945, paid-in surplus amounted to \$290,486 and net worth totaled \$300,095. (See exhibit C.) As a result of the aforementioned charge-off and the establishment of reserves for losses on outstanding loans, partly offset by the estimated net profit during fiscal years 1946 and 1947, the net worth by June 30, 1947, will be reduced to \$185,706.

LANGUAGE

The types of programs set forth in the 1947 budget of the Tennessee Valley Associated Cooperatives, Inc., within the funds available to it, are approved. (Act of Dec. 8, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To operating expenses.....	\$2,009	\$2,670	\$2,700
To increase in working capital.....	11,286	6,041	5,300
Total funds applied.....	\$13,295	\$8,711	\$8,000
FUNDS PROVIDED			
By repayment of principal of loans made to cooperatives.....	6,299	2,350	4,000
By operating income, interest on loans and dividends.....	6,896	6,361	4,000
Total funds provided.....	13,295	8,711	8,000

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income: Interest on loans and dividends on stock of cooperative associations.....	\$6,896	\$6,361	\$4,000
Operating expenses:			
Administrative expenses.....	\$2,000	\$2,000	\$2,000
Audit of accounts by General Accounting Office.....		500	500
Miscellaneous expenses.....	9	170	200
Total operating expenses.....	2,009	2,670	2,700
Net profit (or loss *).....	4,887	3,691	1,300
Analysis of surplus:			
Paid-in surplus.....	299,000	299,000	299,000
Less: Impairments of capital due to—			
Grants to cooperatives, cumulative.....	8,514	8,514	17,894
Grants to cooperatives, current year.....		9,380	
	8,514	17,894	17,894
Balance at end of fiscal year.....	290,486	281,106	281,106
Earned surplus:			
Balance earned income, beginning of year.....	3,722	8,609	*97,700
Net income for the year.....	4,887	3,691	1,300
	8,609	12,300	*96,400
Less reserve for losses on loans to cooperatives.....		110,000	
Surplus (or deficit *) at end of the year.....	8,609	*97,700	*96,400

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
Assets:				
Advances to experimental projects.....	\$1,982	\$1,982		
Loans to cooperative associations.....	241,037	234,638	\$224,890	\$220,890
Preferred stock of cooperative associations.....	33,825	33,825	33,825	33,825
Total loans receivable and stock.....	276,844	270,445	258,715	254,715
Cash in banks.....	18,364	29,650	35,691	40,991
Total assets	295,208	300,095	294,406	295,706
Liabilities and reserves:				
Reserves for losses due to appraisals for loans to cooperative associations.....			110,000	110,000
Capital and surplus:				
Capital stock (no par value).....	1,000	1,000	1,000	1,000
Paid-in surplus.....	290,486	290,486	281,106	281,106
Invested capital.....	294,486	291,486	282,106	282,106
Earned surplus (or deficit*).....	3,722	8,609	*97,700	*96,400
Net worth.....	295,208	300,095	184,406	185,706
Total liabilities and net worth	295,208	300,095	294,406	295,706

*Deduct.

SCHEDULE 1

PREFERRED STOCK OF COOPERATIVES HELD BY TVAC

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
Mountain Valley Cooperative, Inc. (4,000 shares \$5 par).....	\$20,000	\$20,000	\$20,000	\$20,000
Southern Highlanders, Inc. (533 shares, \$25 par).....	13,825	13,825	13,825	13,825
Total	33,825	33,825	33,825	33,825

SCHEDULE 2

NOTES RECEIVABLE HELD BY TVAC

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
Carolina Mountain Mutual Association, Inc.....	\$119,538	\$117,575		
Haywood County Mutual Canning Association, Inc.....	51,410	50,688		
Mountain Valley Mutual Canning Association, Inc.....	61,347	50,782		
Land o' The Sky Mutual Association, Inc.....	5,000	3,000		
Newport Cooperative Mill, Inc.....	5,200	3,900	(1)	(1)
Mountain Valley Cooperative, Inc.....	114			
Avery Mutual Association, Inc.....	1,144	1,295		
Shady Grove Cooperative, Inc.?	7,284	7,398		
Total, face value.....	241,637	234,638	\$224,890	\$220,890
Less reserve for losses.....			110,000	110,000
Estimated net value.....	241,037	234,638	114,890	110,890

¹ Repayments during fiscal years 1946 and 1947 are estimated for the loans as a group and not as individual loans.

² This amount will be charged to grants to cooperatives during fiscal year 1946.

SCHEDULE 3
GRANTS TO COOPERATIVES—CUMULATIVE TO THE END OF EACH FISCAL YEAR

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
Mountain Valley Cooperative, Inc.	\$7,000	\$7,000	\$7,000	\$7,000
Women's Home Industries	1,250	1,250	1,250	1,250
Black Walnut Project	203	203	203	203
Tennessee Valley Barite Cooperative	60	60	60	60
Advances to Experimental Projects			1,983	1,983
Shady Grove Cooperative, Inc.			7,398	7,398
Total	8,513	8,513	17,894	17,894

TENNESSEE VALLEY AUTHORITY

CREATION AND PURPOSE

The Tennessee Valley Authority is a corporation created by Act of Congress on May 18, 1933 (16 U. S. C. 831). It was established "to improve the navigability and to provide for the flood control of the Tennessee River, to provide for reforestation and the proper use of marginal lands in the Tennessee Valley, to provide for the agricultural and industrial development of said valley, to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals in the State of Alabama, and for other purposes."

To accomplish these purposes the corporation was specifically authorized to construct such dams and reservoirs in the Tennessee River and its tributaries as will provide and maintain a 9-foot channel in the river from Knoxville to its mouth and will best serve to promote navigation on the Tennessee River and its tributaries and control destructive floodwaters in the Tennessee and Mississippi drainage basins (16 U. S. C. 831c). Insofar as may be consistent with these navigation and flood control objectives, it was directed to provide and operate facilities for the generation and sale of electric energy (16 U. S. C. 831h).

The corporation was also specifically authorized to take over the World War I munition plant facilities in the vicinity of Muscle Shoals, Ala. (16 U. S. C. 831f), and to utilize and enlarge these facilities to develop and demonstrate new forms of fertilizer under practical farm conditions and to provide munitions for military purposes (16 U. S. C. 831d). In addition, the President determined by Executive Order 6161 (June 8, 1933) that TVA should make the surveys, plans, experiments, and demonstrations contemplated by the act to further the proper use and development of the natural resources of the Tennessee River basin and adjoining territory (16 U. S. C. 831u).

FINANCIAL ORGANIZATION

The TVA program has been financed from congressional appropriations, proceeds from the sale of power and other products, including the sale of real and personal property, and proceeds from the sale of bonds. The congressional appropriations, totaling \$667,969,270 to June 30, 1945, have been made available for all of the purposes of the TVA Act and, up to the fiscal year 1945, were used (1) to provide funds necessary for development and construction activities not financed from proceeds under the terms of section 26¹ of the TVA Act (16 U. S. C. 831y), and (2) to supplement proceeds when such proceeds have not been sufficient to finance the activities referred to in section 26 of the act. The amounts provided to supplement proceeds were required primarily for the construction of power facilities to keep pace with the rapid growth in the power requirements in the area (16 U. S. C. 831k). During the fiscal year 1945, proceeds

from the sale of power and from other corporate sources exceeded actual fund requirements for section 26 activities by \$12,597,744. In December 1945, on the basis of a determination of the TVA board of directors in accord with the provisions of section 26, this sum was paid into the Treasury of the United States.

Starting as of July 1, 1945, on the basis of a change in appropriation language approved in the Independent Offices Appropriation Act, 1946, the following procedure for the deposit and disbursement of funds was instituted:

1. All appropriated funds are placed in a fiscal year appropriation account subject to withdrawal in the usual manner.
2. All receipts are deposited, as received, in a collection account with the Treasurer of the United States.
3. All disbursements are made from the appropriation account.
4. The appropriation account is reimbursed monthly from the collection account for all expenditures accrued during the previous month on account of activities being financed out of proceeds, in accordance with the provisions of section 26.
5. The balance in the collection account, after all settlements for the fiscal year and any reservations made pursuant to section 26 of the act, is available for payment into the general fund of the Treasury within 6 months after the close of the fiscal year. (See H. Rept. 54, 79th Cong., 1st sess.)

The annual congressional appropriation for each fiscal year provides funds for development activities and for those construction activities which are not being financed from proceeds under the terms of section 26. The segregation of activities by source of funds for the fiscal years ending June 30, 1945, 1946, and 1947 is shown in exhibit A of the financial statements presented herewith. Exhibit B presents a comparative statement of income and expense for these 3 years and exhibit C a comparative statement of financial condition.

TVA has issued bonds totaling \$65,072,500 for (1) purchase of electric utility properties; (2) rehabilitation of these properties; (3) connection of purchased properties with the electric system of the TVA; and (4) loans to States, counties, municipalities, and nonprofit organizations for acquisition of facilities for distributing TVA power. All authority for the issuance of bonds, except for an amount not to exceed \$5,000,000 for refunding purposes, expired as of January 1, 1941 (16 U. S. C. 831n-2 and 3). As of that date, bonds outstanding and held by the United States Treasury amounted to \$56,772,500 and those held by the Reconstruction Finance Corporation amounted to \$8,300,000. As of June 30, 1945, the former were still held by the Treasury, but the amount held by RFC had been reduced to \$4,300,000. All bonds outstanding are fully guaranteed as to interest and principal by the United States Government.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budgetary requirements of the TVA for the fiscal year 1947 are based on an analysis of the resource development problems and opportunities in the Tennessee Valley along with the other factors affecting revenues and operating expense. During the war years, long-range resource development objectives have necessarily been subordinated to more immediate war requirements. A redirec-

¹ Sec. 26. Commencing July 1, 1936, the proceeds for each fiscal year derived by the Board from the sale of power or any other products manufactured by the Corporation, and from any other activities of the Corporation including the disposition of any real or personal property, shall be paid into the Treasury of the United States at the end of each calendar year, save and except such part of such proceeds as in the opinion of the Board shall be necessary for the Corporation in the operation of dams and reservoirs, in conducting its business in generating, transmitting, and distributing electric energy and in manufacturing, selling, and distributing fertilizer and fertilizer ingredients. A continuing fund of \$1,000,000 is also excepted from the requirements of this section and may be withheld by the Board to defray emergency expenses and to insure continuous operation. *Provided*, That nothing in this section shall be construed to prevent the use by the Board, after June 30, 1936, of proceeds accruing prior to July 1, 1936, for the payment of obligations lawfully incurred prior to such latter date. (48 Stat. 71, as amended by 49 Stat. 1079.)

tion of emphasis, well started in the current year, will be continued in 1947. In cooperation with State and local institutions, TVA will maintain and strengthen programs being carried on with farmers, businessmen, and others to bring about the integrated and unified development and use of the total resources of the Tennessee Valley region during the period of reconversion from war to peace.

Rough estimates indicate that regionwide application of proven resource development techniques can double or treble the net income from farming and forestry. Likewise, the opportunity exists greatly to expand employment and profits in the mining, manufacturing, and service industries of the region, including recreation. It is also clear that these gains can be accomplished by methods which increase soil fertility, prevent erosion, improve the year-round water supply, and otherwise promote the general welfare of the region. These programs are the key to continued progress toward a higher level of income in the region.

These development activities, as well as operating forecasts for the navigation, flood control, power, and fertilizer programs are discussed in ensuing sections of this analysis. These sections outline the basis for a 1947 appropriation request of \$36,572,000 and plans for the use of an estimated \$28,579,000 of net corporate proceeds derived from power and chemical operations and other sources.

ANALYSIS OF NAVIGATION, FLOOD CONTROL, AND POWER PROGRAMS

One of the major objectives of the TVA Act is the unified development of the Tennessee River system for navigation, flood control, and power purposes (16 U. S. C. 831c). With the closure of the Kentucky and Fontana Dams during the fiscal year 1945, the flow of water in the Tennessee River system is being regulated through 26 major dams and reservoir projects. Nine of these projects, located on the main stem of the Tennessee River, provide a 650-mile, 9-foot navigable channel from Knoxville, Tenn., to the mouth of the river near Paducah, Ky. The remaining 17 major projects are located on tributaries of the Tennessee River as follows: 8 in the Hiwassee River watershed; 6 in the Little Tennessee River watershed; and 1 each in the watersheds of the French Broad, Holston, and Clinch Rivers. Five of the major projects in the Little Tennessee River watershed and 3 of the smaller hydroelectric plants, with a combined generating capacity of 311,120 kilowatts, are owned by the Aluminum Co. of America but operated as an integral part of the TVA system in accordance with an agreement which became effective as of January 30, 1945. The controlled flood storage capacity of the entire system of projects, ranging from 11,200,000 acre-feet in January to 10,500,000 acre-feet in April, is sufficient to reduce the crest of the greatest flood of record at Chattanooga, Tenn., by at least 16 feet, and the crests of major floods at Cairo, Ill., from 2 to 4 feet.

The combined hydroelectric generating capacity of these 26 major projects, plus 1 major project on a tributary of the Cumberland River and 9 small hydroelectric plants in the Tennessee watershed was 2,056,702 kilowatts as of June 30, 1945. The combined capacity of all generating stations, including all fuel plants owned or leased as of June 30, 1945, was 2,513,102 kilowatts.

Plant in service as of June 30, 1945.—The total TVA investment in dams, reservoirs, hydroelectric and fuel generating stations, and transmission facilities in service

as of June 30, 1945, was \$736,693,279. The allocation of this investment in accordance with the provisions of section 14 of the TVA Act (16 U. S. C. 831m) was \$144,968,368 to navigation, \$150,951,945 to flood control, and \$440,772,966 to power. Details of this investment are shown in exhibit C and further details together with the method of allocation are presented as appendix C of the Annual Report of the Tennessee Valley Authority for the year ending June 30, 1945, pages 233 to 235, inclusive.

Construction program.—1946 and 1947.—During the fiscal year 1945, the Kentucky and Fontana projects were placed in operation after 6 years of construction on Kentucky and 3 years of construction on Fontana. As of June 30, 1945, all that remained to be done on the Kentucky project was the installation of two 32,000-kilowatt generator units, the completion of certain upper elevation highway and railroad relocations, and the completion of site improvements and final clean-up at the dam. On the Fontana project, site improvements and final clean-up at the dam were the only important features remaining to be completed. Most of this work will be completed in the fiscal year 1946 except for the fifth generator unit at Kentucky, which is scheduled for completion in December 1946.

Except for the work on the Kentucky and Fontana projects and diverse small site improvement and clean-up jobs deferred during the war at other completed projects, the construction of transmission system additions to keep pace with shifting power requirements and achieve peacetime standards of service is the major element in the 1946 construction program for navigation, flood control, and power purposes.

The construction program for the fiscal year 1947 provides for resumption of construction on one of the Upper Holston projects; for completion of changes at the Hales Bar project to provide a 9-foot channel in the upper end of the Hales Bar pool; for start of construction on changes at lock and dam No. 1 below Wilson Dam to provide standard channel widths and depths; for completion of the fifth generator unit at Kentucky Dam; for construction of transmission system changes as necessary to meet the growth and location of load requirements; for construction of a power system service building at Wilson Dam, Ala.; and for numerous other small construction jobs.

The resumption of construction on Watauga Dam, one of the Upper Holston projects is scheduled to start on July 1, 1946. Work on these two multiple-purpose dam and reservoir projects, known respectively as the Watauga and South Holston projects, was started in December 1941. Construction was stopped on Watauga in December 1942 and on South Holston in April 1943, in compliance with orders issued by the War Production Board to divert critical manpower and materials to projects directly related to war production goals. As of June 30, 1945, expenditures for the Watauga project amounted to \$4,354,000 and for the South Holston project, \$6,496,000. The construction schedule and plans now call for resumption of construction on Watauga in the summer of 1946 and on South Holston in the summer of 1948. Watauga is scheduled for completion in the summer of 1949 and South Holston in the summer of 1951. This will permit the two projects to be built in sequence to achieve maximum economy by reducing the peak use of skilled personnel and heavy construction equipment.

Both projects, when completed, will be utilized in the control of floods in the Upper Holston drainage basin. Watauga will provide complete flood protection for

Elizabethton, Tenn., and partial protection for Kingsport, Tenn., and South Holston will provide additional protection needed at Kingsport. Both projects will add to the control of streamflow on the Tennessee system as a whole. The energy from the projects will be particularly useful in meeting growth in power requirements of the upper east Tennessee portion of the TVA system which was acquired by the TVA and the municipalities and electric cooperatives of this area in June 1945 from the East Tennessee Power and Light Co.

Plans for the Watauga project provide for the initial installation of one 25,000-kilowatt generator with provision made for the ultimate installation of a second unit of the same capacity. Plans for the South Holston project provide for the initial installation of one 30,000-kilowatt unit, which will be the ultimate capacity of this plant. The total estimated cost of the Watauga project, with two units installed, is \$29,500,000, and of the South Holston project, with the ultimate single unit, is \$31,500,000.

The raising of Hales Bar Dam, which is now scheduled for completion in June 1947, will increase the reservoir level 3 feet above that provided by the present temporary flashboards. These flashboards were installed in 1942, when construction of permanent facilities was stopped by order of the War Production Board. The Hales Bar Dam, completed in 1914 by the Tennessee Electric Power Co., was acquired by the TVA in 1939 by purchase from this company. The present project to increase the height of the dam, including work already completed at a cost of \$720,000, is estimated at \$4,700,000. The increased height is required to provide standard navigation depths in the upper end of the Hales Bar pool. It will also improve the regulation of the Hales Bar pool for flood control and power purposes.

The changes planned at lock and dam No. 1, now estimated to cost \$700,000, are necessary to provide standard channel depth and width between the upper end of the Pickwick pool and the locks in Wilson Dam. The work, scheduled for completion in the fall of 1947, consists of dredging operations in the 2½-mile Florence Canal and immediately below lock and dam No. 1.

Expenditures for construction and purchase of navigation, flood control, and power facilities in fiscal years 1945, 1946 and 1947 are included in schedule C-1 submitted herewith. Actual net expenditures in 1945 totalled \$32,744,729. The comparable estimates for 1946 and 1947 are \$20,590,813 and \$29,692,000, respectively. The construction estimates, prepared in the fall of 1945, assume peacetime schedules for the delivery of materials and equipment. Developments since the estimates were prepared indicate that manufacturers cannot now meet these delivery schedules, and some portion of the work now scheduled for 1946 may not be completed until 1947. It is expected, however, that the 2-year program will be on schedule by the end of that year.

Common operations.—Since a large part of the expense of the navigation, flood control, and power programs is incurred in the operation of multiple-purpose dam and reservoir projects, which serve all of these purposes, these common operations are presented separately in schedule B-5 along with the amounts allocated to each program in accordance with the provisions of section 14 of the TVA Act (16 U. S. C. 831m). The substantial increases in common expenses estimated for 1946 and 1947 over the actual expense in 1945 result from full-year operation of facilities which were in service for only part of the fiscal year 1945. The Kentucky project went into

service in September 1944 and the Fontana project in February 1945. During the wartime emergency, the Cherokee, Douglas, Chatuge, and Nottely projects were operated to produce power with minor regard for flood control and navigation. As of February 1, 1945, they were shifted to a multipurpose method of operation and their operating, maintenance, and depreciation expenses, charged direct to power during the emergency, were included in the common operations category for allocation along with costs of other multipurpose projects.

The allocations of common expense to the navigation, flood control, and power programs in 1946 and 1947 are made by use of the same allocation percentages in effect as of June 30, 1945. Maintenance and depreciation costs are allocated 40 percent to power, 30 percent to navigation, and 30 percent to flood control, and the costs of operation are allocated one-third to each program.

Navigation operations.—The total expense of navigation operations, including the allocated portion of common expense, is shown in schedule B-1. It is still too early in the life of the 650-mile, 9-foot navigable channel to compare actual benefits with total costs of providing the channel, including costs incurred on the River by the Corps of Engineers and Coast Guard. The trend of growth in volume of river traffic supports the 1944 forecast that annual savings to shippers should exceed \$9,000,000 a year by 1960. (See H. Doc. 159, 79th Cong., 1st sess., p. 988.) This traffic now averages about 20,000,000 ton-miles a month despite shortages of tugs and barges. Aid to shippers and barge-line operators in the development of river traffic through engineering and economic studies of the diverse factors affecting the use of the new waterway is the pressing need at the present time. The 1947 estimate, like the 1946 estimate, includes \$112,000 for continuation of studies and technical advisory assistance for that purpose. Financial results in the operation of the four public-use river terminals and a coal-loading facility, which were built by the TVA for war emergency use, are expected to improve in 1946 and 1947, but they will still operate at a net expense for several years. Business volume in these operations will ultimately increase with the increase of river transportation and thereby make it feasible to transfer these facilities to a public or private enterprise for commercial operation as contemplated. The terminal facilities are playing an important part in the development of traffic on the river. Their continued developmental operation will contribute materially to the achievement of full use of the navigation system and will thereby aid in strengthening and diversifying the system of production, trade, and commerce in the Tennessee Valley.

Flood control operations.—The total expense of flood control operations, including the allocated portion of common expense, is also shown in schedule B-1. In January 1946 a flood at Chattanooga, Tenn., which if uncontrolled would have been the fifth highest of record, was reduced 10 feet by the operation of TVA reservoirs, preventing property damage of from 7 to 10 million dollars. While no major floods occurred in the Tennessee Valley during 1945, the system was operated to reduce flood crests on the Ohio from 0.7 to 1.7 feet during the flood periods of March and April 1945. The benefits to the alluvial valley of the Mississippi resulting from the assurance of a 2-foot reduction in Mississippi River flood crests have been conservatively estimated at \$100,000,000 to \$200,000,000. (H. Doc. 455, 76th Cong., 1st sess.) It has also been estimated that the largest flood of record, that of 1867, if it occurred today without regulation, would

cause damage of nearly \$40,000,000 at Chattanooga, one of the major danger points in the Tennessee Valley for which the TVA system provides protection. The present system of reservoirs could control the 1867 flood to the point where no extensive damage would occur at Chattanooga. When channel improvements and levees as proposed are provided at Chattanooga, a development made feasible by upstream storage in TVA reservoirs, this city will be fully protected against floods exceeding by more than 50 percent that of 1867. The Chattanooga levees and channel improvement project will, when built, also accommodate the operation of upstream reservoirs to achieve the degree of flood protection below Chattanooga and in the lower Ohio and Mississippi Rivers for which the TVA system was designed and built.

No increase in flood storage capacity is scheduled for completion in 1946 or 1947. The resumption of construction on the Upper Holston projects will increase the flood storage capacity of the system, measured at the beginning of the flood season, by 260,000 acre-feet on completion of Watauga in the summer of 1949, and by an additional 300,000 acre-feet on completion of South Holston in the summer of 1951. An engineering study of the flood control problem on the Upper French Broad will be completed in 1947 and is expected to provide a plan for the control of floods in this watershed.

Power operations.—The net income from power operations, after allocation of common expense, is shown in schedule B-2. The net income before interest in the fiscal year 1945, of \$18,605,832, represented a return of 4.8 percent on the average net investment in power facilities for that fiscal year. The corresponding estimates of net income in the fiscal years 1946 and 1947, \$13,413,000 and \$16,116,000, respectively, represent returns on investment of about 3.5 percent in 1946 and 4 percent in 1947. The estimates for 1946 and 1947 are based on average stream flow conditions and normal allowances for new load development following the cutback in power requirements for war industries. In the event of dry year conditions or a recession in normal load development, it is roughly estimated that net income could shrink by as much as \$4,000,000 in 1946 and \$8,000,000 in 1947. If such contingencies occur they would reduce the amounts available for payments to the U. S. Treasury as reflected in the estimates of changes in corporate fund working capital. (See schedule A-1.)

The power program is not only the paying partner in the development of the Tennessee River system—it is also making a major contribution to the agricultural and industrial development of the region. The supply of low-cost power available to farmers, home owners, and businessmen of the region now served by the TVA has grown in the last 11 years from 1½ billion to 12 billion kilowatt-hours per year. Based on the level of power sales for the year prior to initial service at TVA rates, it is estimated that annual savings for all classes of consumers exceed \$11,000,000. This estimate includes no allowance for savings realized by consumers as the result of increased use of electricity due in large part to the promotional effects of low rates.

In 1945 the average domestic consumer in the TVA service area used 1,754 kilowatt-hours at a cost of 1.85 cents per kilowatt-hour. He used 48 percent more energy and paid 28 percent less money, in total, than the average consumer elsewhere in the Nation. The number of farms receiving electric service in the seven Tennessee Valley States increased from 60,100 in December 1932 to 476,500 in December 1944, or an increase of 692 percent, as

compared with an increase of 283 percent for the entire Nation. The percentage of farms electrified in the Valley States increased from 3.5 percent in 1932 to 28.2 percent in 1944, as compared with Nation-wide increase from 11.5 percent to 44.6 percent.

The power system now has a service area of 80,000 square miles in which 92 municipalities, 46 cooperatives, and three private power companies distribute TVA power at TVA rates to approximately 650,000 retail consumers. The transmission system used by the TVA in delivering power to these distributors is more than 6,000 circuit miles in length. The problem of meeting shifts in load requirements and bringing this transmission system up to peacetime standards is one of the major workload elements in the power program for 1946 and 1947.

ANALYSIS OF FERTILIZER RESEARCH AND PRODUCTION PROGRAM

One of the major objectives of the TVA Act is the fullest possible use of the World War I munitions plants in the vicinity of Muscle Shoals, Ala., for the development, test, and demonstration of improved fertilizer products and the maintenance of facilities in stand-by condition for national defense purposes (16 U. S. C. 831d, f, and h). Prior to World War II, these facilities were used almost entirely for the experimental development and production of phosphatic fertilizer materials in order to improve and cheapen processes and to provide fertilizer materials for a test-demonstration farm program. Beginning in 1941, however, all TVA chemical facilities were placed on a war basis, and improvements and additions were made in chemical plants to increase their war usefulness.

The World War I nitrate plant was rehabilitated and a new ammonia plant was constructed with funds furnished by the War Department. Both plants were put into operation in the calendar year 1942 to supply anhydrous ammonia and ammonium nitrate for munitions at a capacity rating of 53,000 tons of nitrogen per year. The experimental phosphate fertilizer plant, which in 1941 had an average annual P₂O₅ (phosphorus pentoxide) capacity of 53,000 tons, was converted and enlarged to meet the increasing demand for military phosphorus used in bombs and smoke screens. When Japan surrendered in August 1945, the average annual phosphorus capacity of plant in service was 92,000 tons of P₂O₅ equivalent and facilities under construction were scheduled to increase this capacity to 127,000 tons. In addition, a fused tricalcium phosphate plant, with an annual capacity of 13,000 tons of P₂O₅, was nearing completion at Columbia, Tenn. Six World War I calcium carbide furnaces were also rehabilitated with funds supplied by the Rubber Reserve Company, and calcium carbide was produced for that company as a part of the synthetic rubber production program.

With these facilities TVA produced elemental phosphorus equivalent to about 185,000 tons of P₂O₅ for the Chemical Warfare Service, 49,791 tons of nitrogen in ammonia and ammonium nitrate for the Ordnance Department, and 242,521 tons of calcium carbide for the Rubber Reserve Company. In addition, from the outbreak of war in 1941 to June 30, 1945, 117,872 tons of P₂O₅ in phosphatic fertilizers and animal-feed supplement and 95,454 tons of nitrogen in nitrogenous fertilizers were produced for the test-demonstration and war food production programs, including lend-lease shipments.

Plant in service as of June 30, 1945.—The total TVA investment in chemical plant and related facilities in service as of June 30, 1945, was \$10,620,451. This included the total cost of phosphate lands and TVA-built

phosphate production facilities. It did not include the cost of nitrate facilities built for the War Department or the cost of carbide facilities built for the Rubber Reserve Company. Pending a determination of a fair value to TVA of the nitrate facilities built for the War Department, the depreciation on these facilities is credited to the account reflecting "Transfers of property from the War Department." As of June 30, 1945, the total credits to this account reflecting the fertilizer production use of these facilities were \$2,242,661. The carbide facilities built for the Rubber Reserve Company have been used exclusively for carbide production purposes.

Construction program—1946 and 1947.—As of June 30, 1945, chemical plant construction in progress amounted to \$3,309,593, of which \$2,888,095 represented cost accrued on projects under active construction. The balance of \$421,498 was in deferred work orders for the Mobile phosphate plant (\$268,635) and the Muscle Shoals chemical laboratory building (\$152,863). The two major projects under construction were the fused triecalcium phosphate plant at Columbia, Tenn., and the sixth phosphorus furnace at the Muscle Shoals phosphate plant. The Columbia plant was completed in September 1945 and the sixth furnace is now scheduled for completion in March 1946.

The Mobile phosphate plant, approved by the Congress in June 1942 as a part of the military phosphorus program, never reached the active construction stage because of shifts in War Department and War Production Board estimates of future military phosphorus requirements. In the spring of 1945, work on the sixth furnace at Muscle Shoals was started under a high priority emergency schedule to provide one-half the capacity originally scheduled for the Mobile plant. At present there is no schedule for construction of the Mobile plant, but the site is being retained for possible future use of Florida phosphates to help meet the increasing requirements for soil minerals essential to a strong agriculture.

The chemical laboratory and gatehouse project was originally scheduled for start of construction in the spring of 1942, but wartime shortages of manpower and materials developed so rapidly that the project was subsequently deferred for construction after the war. It is now proposed to start construction on this project in the spring of 1947. The total cost of the project is now estimated at \$3,500,000.

The only other construction scheduled for 1946 and 1947 consists of projects to bring the phosphate fertilizer production facilities into balance with existing furnace capacity for elemental phosphorus and a large number of long overdue plant improvements and replacements which could not be made during the war because of manpower and material shortages. The estimates for chemical plant additions and retirements are shown in schedule C-1.

Chemical plant operations.—Since the Japanese surrender in August 1945, the schedules for chemical plant operations have been revised to meet the peacetime objectives of the fertilizer program. The 1946 schedule calls for the shipment of various phosphate fertilizers and animal-feed supplements containing 48,700 tons of P_2O_5 and the shipment of nitrate fertilizers containing about 53,400 tons of nitrogen. The 1947 schedule provides for the shipment of about 87,100 tons of P_2O_5 in phosphate fertilizers and 53,300 tons of nitrogen in nitrate fertilizers. The 1947 increase in phosphate fertilizer shipments is based on the schedule for completion of phosphate fertilizer production facilities in that fiscal year. Out of these total shipments, 20,300 tons of P_2O_5 and 1,600 tons of nitrogen are to be

used in the 1946 test-demonstration program and 24,700 tons of P_2O_5 and 400 tons of nitrogen are to be used in the 1947 test-demonstration program. The remaining tonnages in each of the 2 years are to be sold for export or to cooperative organizations. The operating results of chemical plant operations are shown in schedule B-3.

Fertilizer and munitions research and development.—Research on the development of new products and production processes is a major element in the TVA fertilizer and munitions program. During the war, the emphasis was on products and processes of military importance, but several products and processes of great interest and value to farmers and fertilizer producers were developed during this period. The process for the production of fused triecalcium phosphate now being successfully produced in a commercial-scale plant is one outstanding example. A process for the continuous production of red phosphorus, used in small-arms ammunition primers and developed during the war for military purposes, may prove useful as a method of producing a new and highly concentrated fertilizer product.

Since the Japanese surrender, the emphasis in research has been shifted to the development and refinement of fertilizer products and production processes. The various projects are in different stages of development and the level of expenditures, as projected for 1946 and 1947 in schedule B-3, is expected to be sufficient to keep developmental work properly related to laboratory results, plant operating requirements, and the opportunities to render service to farmers and the producers of fertilizer materials. The results of this research are made available to industry and the public through technical publications. The expense of fertilizer and munitions research is financed from appropriated funds.

ANALYSIS OF DEVELOPMENT ACTIVITIES

The TVA Act places upon the TVA a major responsibility for the agricultural and industrial development of the Tennessee Valley region. Such development is the ultimate objective of harnessing the river for navigation, flood control, and power purposes, and of utilizing the World War I munitions plants for the development of new fertilizer products and processes. In addition to the construction and operation of physical structures, the TVA Act provides for studies, surveys, and action programs to insure optimum use and benefit from the system of dams and reservoirs and the chemical facilities placed under jurisdiction of the TVA board (16 U. S. C. 831u).

The several activities now being carried on under this authorization are listed on schedule B-4. Taken singly, they represent no innovations; all have long been accepted as appropriate functions of the Federal Government. In sum total, however, they represent a major departure from traditional Federal practice. For the first time, the Congress placed in a corporate regional agency responsibility for bringing about certain changes in a major region of the country. The responsibility fixed upon one agency for overall results within a region requires that each activity must not only be of precise strategic importance for what it does to solve particular problems, but in addition must be treated as an inseparable part of a balanced and integrated general program. For example, a new system of river transportation is important in its own right, but unless it is related to the development of new uses of power, new industrial and agricultural possibilities, the investment in navigation will fall short of its full value to the region and the nation. In the second place, the act prescribes at a number of points that work

shall be carried on in cooperation with State and local agencies. Consequently, TVA has sought to have as much of the job as possible performed by these agencies, supplementing their programs only as necessary to achieve unity and balance in the whole undertaking. This important technique not only avoids a wasteful and confusing duplication of effort, but strengthens local government, encourages local initiative, and favors greater diversity of action suited to varying local conditions. It fosters a working partnership between the Federal Government and the people of the region essential to the success of the program.

Agricultural resource development.—Of the 1947 appropriation request of \$36,572,000, \$6,682,000 is to cover gross expense of the development activities enumerated in schedule B-4. Miscellaneous receipts estimated at \$106,000 and depreciation charges of \$13,000 bring the net cost figure to \$6,589,000. Of this latter amount, \$3,446,000 is for activities designed to strengthen the agricultural economy and demonstrate the role which mineral fertilizers can play in achieving vitally needed changes in agricultural practice. The agricultural program is based primarily on the cooperative efforts of farmers, the land-grant colleges, the United States Department of Agriculture, and TVA to adjust farming practices so as to increase efficiency and promote watershed protection. This is accomplished largely through test-demonstrations of the best use of improved fertilizer materials, chiefly phosphates, and related agricultural practices. During 1947, an estimated 40,000 farms, of which three-fourths are in the Valley area, will participate in the test-demonstration program.

The test-demonstration program has achieved significant results in improved practical farming systems since it was begun in 1935. Considerable progress, for example, has been made in the Valley toward greater reliance upon better soil-conserving practices through fertilization of pasture to support animal production. This has diversified the risk and increased the profit of individual farmers and farming communities. Production efficiency has been increased on land most suited to row and cash crops, while total acreages of such crops have been decreased. In other aspects the test-demonstration program has aided farmers in their operations in such a way as to achieve greater stability and improved standards of living.

Forest resource development.—The estimate of \$529,000 for forest resource development provides for TVA participation in a regional program for restoring and developing the full potentialities of 14 million acres of forests and woodlands for timber production, for watershed protection, and for development of public recreational facilities. This important resource is now contributing more than 100 million dollars to the annual income of the Valley and, with proper development and use, this income can be materially increased.

The surrender of Germany and Japan has not lessened the requirements for timber products. These continuing requirements, however, constitute a serious threat to the forest resources of the region unless steps are taken to insure improved harvesting and utilization practices. During 1946 and 1947, TVA, working with other public agencies, wood-using industries, timber operators, and woodland owners, will give increased attention to problems of forest resource exhaustion and to practices essential to its protection and restoration. The program will include studies and demonstrations relating to reforestation and erosion control work, largely deferred during the

war, and to new possibilities for wood utilization and the establishment of new forest industries. The technical assistance of TVA and cooperating agencies will be available to woodland owners and forest operators to advance sound management practice.

During the war, TVA forestry activities were directed toward stimulating timber production. Nevertheless, the program as carried out has been a demonstration of an integrated program of resource development and utilization. The possibilities of effective cooperation by many agencies have been explored and developed, and inter-agency relationships have been strengthened and improved. The physical results in acres reforested, in well-managed woodlands, and in sustained-yield operations provide an encouraging indication that means other than public acquisition or public regulation can be effective in securing the wise development and use of forest resources.

Minerals resource development.—The Tennessee Valley is well endowed with mineral deposits which, if properly developed and utilized, can add materially to the total income of the region and the wealth of the Nation. A minerals program, conducted in cooperation with the State geology and mining departments, the research agencies of educational institutions, the United States Bureau of Mines, and the United States Geological Survey, includes investigations, surveys, and evaluations of these deposits, ore dressing tests, and research on processes for the beneficiation and utilization of strategic minerals. Particular attention is devoted to processes which can be developed on a small or medium scale and without large capital investment.

The 1947 estimate of \$300,000 for minerals activities provides for surveys of Valley minerals and for laboratory and pilot-plant investigations. Since the program was inaugurated, a large number of Valley minerals have been surveyed, the extent of deposits have been determined, and several processes for their beneficiation and utilization have been developed. The results have been made available to Federal, State, and local agencies, industry, mine owners, and others interested in the mineral resources of the region.

Development of other resources.—A total of \$313,000 is estimated for activities directed toward developing the Tennessee River system and the adjoining reservoir areas for more effective use of domestic and industrial water supplies, and for fishing and other recreational purposes. Activities include stream sanitation investigations and surveys to supply State and local agencies with the information and advice required in the solution of stream pollution and abatement problems, fish and game research and studies to assist State departments of conservation in the development and enforcement of regulations and practices on TVA lakes and reservoirs, and studies and demonstrations to secure more effective recreation use of TVA reservoir areas.

Other development activities.—An estimated \$1,015,000 is required for other activities for development of the region's resources. Of this amount, \$750,000 is for topographic mapping of the Tennessee Valley area. About half the Valley had been mapped before the Army Mapping Service called on TVA in 1942 for the full utilization of the TVA mapping staff to produce military maps. As soon as TVA is released from these military assignments, which is contemplated at the close of the 1946 fiscal year, it is important that the interrupted Valley mapping program be resumed. The estimate for 1947 provides for mapping at a rate that will complete the Valley map program in 3 or 4 years.

An additional \$265,000 is for cooperative health work, housing research, planning assistance, and industrial economic studies which are important in securing a useful knowledge of the region's economy and resources and in assisting State and local agencies in meeting serious problems of health, safety, and governmental services.

ANALYSIS OF GENERAL PLANT AND EQUIPMENT PROGRAM

The category of general plant and equipment listed on schedule C-1 includes structures, equipment, and miscellaneous service facilities for general use as distinguished from plant devoted to a single purpose such as navigation, flood control, or power. It covers construction equipment for general use, office facilities, automotive equipment, and recreation facilities on TVA reservoir property.

In fiscal year 1945, additions to the general plant were held to a bare minimum, and sales of general construction equipment plus salvage of plant retired resulted in a net credit of \$253,907. For 1946, the estimated net expenditure, after retirement, is \$1,490,240, and the comparable figure for 1947 is \$1,473,000.

Major items in 1947 are certain necessary additions to the Muscle Shoals Reservation, and the completion of reconversion on Fontana Village for lease to a nonprofit agency which will operate it as a recreation resort.

Additions to Muscle Shoals Reservation.—The Muscle Shoals additions include design and construction of a highway to replace present inadequate access facilities, planning and design of a garage, design of general office buildings, and miscellaneous minor additions to general service facilities.

The amount of \$189,000 is budgeted for office building design, and provides for preparation of preliminary plans for an office building group at Wilson Dam, together with detailed construction plans and specifications for the first unit of this group.

These facilities will provide permanent headquarters for the TVA board and its general administrative staff now located in rented quarters primarily at Knoxville, Tenn., close to the sites of most of the heavy construction projects which are about finished. The move will be scheduled over a period of several years.

It is planned to provide necessary office space in a group of buildings designed to permit construction of one or more units in sequence and at any desired speed. During fiscal year 1946, preliminary plans for the first building and for essential related facilities will be drawn up preparatory to the development of construction plans and specifications scheduled for 1947. It is planned to request funds in fiscal year 1948 for construction of the first building and for preparation of construction plans and specifications for the balance of the group to be built in succeeding years.

Public recreation facilities.—Fontana Dam, to be completed during the current fiscal year, is now an important part of the TVA flood control and power system. The lake created behind this dam and the dam itself constitute a recreation and scenic resource of great potentiality. Fontana is the highest dam east of the Rockies. It is immediately adjacent to the Great Smoky Mountains National Park, in one of the most scenic sections of the Southern Appalachians. Because the site is remote from established communities, it was necessary to provide during construction a 500-house employee village, a portion of which will continue to be required as living quarters for TVA personnel responsible for operations and services at the dam.

In order to recover as much as possible of the initial investment in the construction village, to assure adequate year-round community services for permanent operating personnel at minimum cost, and to permit the development of the project area as a public recreation resource, TVA has negotiated a long-term contract with a nonprofit agency. This agency will take over Fontana Village and operate it as a recreation resort in addition to maintaining and operating houses and facilities needed to accommodate TVA resident personnel.

OPERATING RESULTS

The operating results of TVA programs are reflected in exhibits B and C. Since the navigation, flood control, fertilizer, and development programs are geared primarily to the agricultural and industrial development objectives of the TVA Act, and are not intended to be self-supporting, the expense of these programs is reported separately in the statements of income and expense and of financial condition. The net expense of these nonincome producing programs in 1945 was \$9,237,084, and the estimated expense in 1946 is \$12,284,000, and in 1947 it is \$12,799,000. The increases in 1946 and 1947 over actual expense in 1945 are brought about primarily by the addition of new navigation and flood control facilities and by necessary post-war expansion in fertilizer research and development activities.

In 1945 the actual net income from power operations, after depreciation and amortization charges, was \$17,982,034. In 1946 a sharp drop in net income, to \$12,790,000, is expected because of loss of loads in war industries. In 1947 a gradual rise in net income, to \$15,511,000, is expected on the basis of normal load growth predictions. These predictions of operating results for the power program are also based on the assumption that average streamflow conditions will prevail during this period. An extreme dry year condition or a recession in normal load growth could cause a shrinkage in net income of as much as \$4,000,000 in 1946 and \$8,000,000 in 1947.

FINANCIAL CONDITION

Congressional appropriations.—As of June 30, 1945, the Congress had appropriated \$667,969,270 of general funds for use in financing the construction, operating, and development activities of the Tennessee Valley Authority. The Independent Offices Appropriation Act for 1946 made an additional \$9,648,000 of appropriated funds available for use in the fiscal year ending June 30, 1946. The 1947 budget program calls for a new appropriation of \$36,572,000 for use in that fiscal year. The 1947 appropriation request (exhibit A) provides \$8,430,000 for the gross expense of direct navigation, flood control operations, fertilizer and munitions research, and resource development activities; \$24,708,000 for additions to fixed assets, and \$3,434,000 for increase in working capital. The increase in working capital is needed to provide funds for an increase of \$3,600,000 in outstanding commitments which is offset in part by a scheduled decrease in general inventories of \$166,000.

Surplus proceeds.—In accordance with the terms of section 26 of the TVA Act, as amended (16 U. S. C. 831y), the surplus proceeds for each fiscal year not required in the operation of dams and reservoirs or in the conduct of power and fertilizer business activities are to be paid into the general fund of the Treasury of the United States by the end of each calendar year. Prior to the fiscal year

1945, because of heavy expenditures for construction of power facilities, the entire proceeds for each fiscal year were required for the purposes enumerated in section 26 and no payments were made into the general fund of the Treasury. Under these circumstances net proceeds from TVA operations served to reduce the amounts which Congress might otherwise have appropriated for capital investment. In the fiscal year 1945 an excess of proceeds over section 26 requirements of \$12,597,744 remained available at the end of the fiscal year. In December 1945, the board of directors made a determination pursuant to the provisions of section 26, that the \$12,597,744 excess of 1945 proceeds was not needed for section 26 purposes and this amount was, therefore, paid into the general fund of the Treasury during that month.

The budget programs for the fiscal years 1946 and 1947 as now estimated will produce an excess of proceeds over 1946 requirements of \$7,349,740 and an excess of proceeds over 1947 requirements of \$9,977,002. The actual amounts will vary from the estimates depending on conditions experienced within the respective years. For example, increases in power production costs due to dry year conditions or below-normal load growth could result in decreases below the estimates. The determination of the amount of 1946 surplus proceeds to be paid into the general fund of the United States Treasury pursuant to section 26 will be made by the board of directors in December 1946, and a similar determination respecting 1947 surplus proceeds will be made in December 1947.

The changes in corporate fund working capital for the fiscal years 1945, 1946, and 1947 as shown in exhibit A and schedule A-1, reflect the actual and estimated realization and disposition of these excess proceeds. The excess of proceeds in 1945 of \$12,597,744 was reflected in general cash funds and current receivables at the end of that fiscal year. The estimated excess of proceeds in 1946 of \$7,349,740, to be reflected in general cash funds and current receivables at the end of that fiscal year, is more than offset by the \$12,597,744 payment made into the general fund of the Treasury in December 1946. The net reduction in general cash funds and current receivables of \$5,248,004 is the difference between the 1946 payment and the estimated excess of proceeds accrued in 1946. The estimated excess of proceeds in 1947 of \$9,977,002 corresponds with the increase in general cash funds in that fiscal year since total receivables are expected to remain unchanged.

Such determinations as are made by the board covering payments into the general fund of the Treasury at the end of the calendar year 1946 in accordance with the provisions of section 26, will reduce the increase in working capital as shown for fiscal year 1947 in schedule A-1.

Bond retirements.—In the fiscal year 1946, the TVA plans to retire \$2,300,000 of bonds held by the RFC. In the fiscal year 1947 the remaining \$2,000,000 of bonds held by the RFC and the \$272,500 issue held by the Treasury are to be retired. The remaining issue of \$56,500,000, held by the Treasury, is to be retired in ensuing fiscal years from current earnings of the power program.

Collection of long-term receivables.—On June 30, 1945, there were 17 loan contracts outstanding with municipal and cooperative power distributors, amounting to \$2,794,634. The payments on all of these contracts were current as of that date. The Rural Electrification Act, as amended in December 1944 (58 Stat. 925), authorizes the REA to refinance at a lower interest rate the loan contracts now held by TVA with cooperative power distributors. The 1946 estimated collection of principal on long-

term receivables of \$2,470,000, as shown in exhibit A, assumes that all the cooperatives will want to take advantage of this lower interest rate. The 1947 estimate of \$28,000 is based on past experience with the 4 remaining municipal distributors under contract and is slightly higher than contractual requirements.

ADMINISTRATIVE AND GENERAL EXPENSES

The administrative and general expense accounts for the TVA cover the general supervisory staff engaged in overall supervision of all programs as well as many administrative units and items of expense which are applicable to only one or two programs. Because of the diversity of TVA programs as well as the provisions of the act regarding cost accounting and the dual fund system of financing, all administrative and general expenses are distributed to individual programs and projects on the basis of direction of effort wherever practicable or otherwise on some other appropriate measure of burden-rates. The detail of this expense and the actual and projected distributions are shown in schedule B-6. The distributed amounts are included in all other exhibits and schedules as appropriate to show total cost.

In the fiscal year 1945, the total of items classified as administrative and general expense was \$7,077,951. The estimated increase in 1946 of \$300,000 is more than accounted for by general pay increases which became effective on July 16, 1945. The estimated increase in 1947 over 1946 of \$340,000 is brought about by expansion of construction and operating programs which necessitate some expansion in administrative and general expense items. The ratio of administrative and general expense to grand total obligations, including working funds, in 1945 was 9 percent. The estimated ratio in 1946 is 11 percent, and in 1947 it is 10.3 percent.

LANGUAGE

(See schedule E-1)

TENNESSEE VALLEY AUTHORITY

Tennessee Valley Authority—

Congress having considered the types of programs set forth in the 1947 budget of the Tennessee Valley Authority, including the programs financed out of funds otherwise made available to it by the Tennessee Valley Authority Act of 1933, as amended (16 U. S. C. 831), there is hereby appropriated out of any money in the Treasury, not otherwise appropriated, [For] for the purpose of carrying out the provisions of [the Tennessee Valley Authority Act of 1933, as amended (16 U. S. C., ch. 12A)] said Act, including the [continued construction of Kentucky Dam at Gilbertsville, Kentucky; and] construction of South Holston Dam and Watauga Dam; and the acquisition of necessary land, the clearing of such land, relocation of highways, and the construction or purchase of transmission lines and other facilities, and all other necessary works authorized by such Act; and for printing and binding; lawbooks, books of reference, newspapers, and periodicals; purchase, hire, maintenance, repair, and operation of passenger[-carrying vehicles]; automobiles; purchase, hire, maintenance, repair, and operation of aircraft; rents in the District of Columbia and elsewhere; [not to exceed \$20,000 for deposit in the general fund of the Treasury for cost of penalty mail as required by section 2 of the Act of June 28, 1944 (Public Law 364); not to exceed \$15,000 for maintenance and operation of aircraft.] and all necessary salaries and expenses connected with the organization, operation, and investigations of the Tennessee Valley Authority, and for examination of estimates of appropriations and activities in the field; [\$9,648,000] \$36,572,000, together with the unexpended balance [on June 30, 1945, in the "Tennessee Valley Authority fund, 1945"] of funds heretofore appropriated, to remain available until June 30, [1946] 1947, and to be available for the payment of obligations chargeable against [the "Tennessee Valley Authority fund, 1945"] prior appropriations. (Act of May 3, 1945, Public Law 49; Act of Dec. 6, 1945, Public Law 248.)

Annual appropriation, general account:

Appropriated 1946, \$9,648,000

Estimate 1947, \$36,572,000

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
From appropriated funds:			
To gross expense of direct operations (see exhibit B):			
Navigation.....	\$185,437	\$225,000	\$235,000
Flood control.....	50,401	120,000	60,000
Fertilizer and munitions research.....	1,356,759	1,450,000	1,450,000
Resource development activities.....	4,968,469	6,149,000	6,682,000
	\$8,561,066	\$7,945,000	\$8,430,000
To changes in fixed assets (see schedule C-1):			
Additions.....	22,068,495	14,801,975	25,274,000
Retirements.....	54,468	8,000	21,000
Provisions for depreciation charged to construction and clearing accounts.....	*1,155,550	*687,000	*587,000
	20,967,413	14,122,975	24,708,000
To increase (or decrease*) working capital (see schedule A-1).....	*27,426,450	*12,419,975	3,434,000
Total appropriated funds applied.....	102,029	9,648,000	36,572,000
From corporate funds:			
To common expense allocated to (see exhibit B):			
Navigation.....	731,991	1,066,000	1,124,000
Flood control.....	727,740	1,065,000	1,124,000
	1,459,731	2,131,000	2,248,000
To maintenance of idle chemical properties.....	11,651	11,000	11,000
To changes in fixed assets (see schedule C-1):			
Additions.....	21,657,560	16,737,260	14,474,000
Retirements.....	*1,378,543	*1,054,000	*936,000
Provisions for depreciation charged to construction and clearing accounts.....	*904	-----	-----
	20,278,113	15,683,260	13,588,000
To retire outstanding bonds payable:			
Held by RFC.....	2,000,000	2,300,000	2,000,000
Held by United States Treasury.....	-----	-----	272,500
	2,000,000	2,300,000	2,272,500
To pay interest on outstanding bonds.....	726,207	656,000	616,000
To pay surplus proceeds to United States Treasury.....	-----	12,597,744	-----
To increase (or decrease*) working capital (see schedule A-1).....	12,249,356	*4,266,004	9,893,500
Total corporate funds applied.....	36,725,058	29,113,000	28,579,000
Total funds applied.....	36,827,087	38,761,000	65,151,000
FUNDS PROVIDED			
From appropriated fund sources:			
By new appropriations.....	-----	9,648,000	36,572,000
By War Department property utilized.....	102,029	-----	-----
Total appropriated funds provided.....	102,029	9,648,000	36,572,000
From corporate fund sources:			
By operating income from power operations (see exhibit B).....	26,491,589	21,843,000	24,776,000
By operating income from chemical plant operations (see exhibit B).....	2,642,631	2,175,000	2,479,000
By gross income from (see exhibit B):			
Navigation operations.....	13,732	26,000	44,000
Fertilizer and munitions research activities.....	1,613	-----	-----
Resource development activities.....	126,767	116,000	106,000
	142,112	142,000	150,000
By gross income from (see schedule C-1):			
Sales of surplus property and from construction activities.....	6,714,242	2,275,000	948,000
Sales of retired fixed assets.....	362,610	175,000	187,000
	7,076,852	2,450,000	1,135,000
By collection of principal on long-term receivables.....	269,465	2,470,000	28,000
By interest on long-term receivables.....	102,409	33,000	11,000
Total corporate funds provided.....	36,725,058	29,113,000	28,579,000
Total funds provided.....	36,827,087	38,761,000	65,151,000

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
NAVIGATION OPERATIONS			
<i>(See schedule B-1)</i>			
Gross expense:			
Direct operations.....	\$185,487	\$226,000	\$238,000
Common expense allocation.....	731,991	1,066,000	1,124,000
Depreciation on plant and equipment.....	1,211,285	1,313,000	1,350,000
Total gross expense.....	2,128,713	2,605,000	2,712,000
Gross proceeds from navigation operations.....	*13,732	*26,000	*44,000
Net expense of navigation operations.....	2,114,981	2,579,000	2,668,000
FLOOD CONTROL OPERATIONS			
<i>(See schedule B-1)</i>			
Gross expense:			
Direct operations.....	50,401	120,000	60,000
Common expense allocation.....	727,740	1,065,000	1,124,000
Depreciation on plant and equipment.....	630,614	991,000	1,010,000
Total expense of flood-control operations.....	1,408,755	2,176,000	2,194,000
POWER OPERATIONS			
<i>(See schedule B-2)</i>			
Revenues:			
Outside sales.....	\$36,711,041	\$30,624,000	\$31,550,000
Outside rents and other revenues.....	240,858	217,000	217,000
Interdepartmental sales and rents.....	36,951,899	30,841,000	31,767,000
Total revenues.....	2,431,332	1,383,000	1,757,000
Operating expense before depreciation and amortization:			
Direct.....	39,383,231	32,224,000	33,524,000
Common expense allocation.....	12,159,015	9,308,000	7,621,000
Total.....	732,627	1,073,000	1,127,000
Total expense before depreciation and amortization, and before interest.....	12,891,642	10,381,000	8,748,000
Provision for depreciation and amortization.....	26,491,589	21,843,000	24,776,000
Total.....	7,885,757	8,430,000	8,660,000
Net income before interest.....	18,605,832	13,413,000	16,116,000
Interest:			
Interest expense on bonds payable.....	726,207	656,000	616,000
Interest income from long-term receivables.....	*102,409	*33,000	*11,000
Total.....	623,798	623,000	605,000
Net income from power operations.....	17,982,034	12,790,000	15,511,000
CHEMICAL OPERATIONS			
<i>(See schedule B-3)</i>			
Chemical plant operations:			
Revenues:			
Sales.....	11,192,330	9,547,000	11,570,000
Interdepartmental transfers.....	1,756,723	1,975,000	1,979,000
Total revenues.....	12,949,053	11,522,000	13,549,000
Operating expense before depreciation and depletion:			
Cost of products disposed of.....	10,328,673	9,260,000	11,072,000
Other expense, net.....	*22,251	87,000	*2,000
Total.....	10,306,422	9,347,000	11,070,000
Net income from chemical plant operations before depreciation and depletion.....	2,642,631	2,175,000	2,479,000
Provisions for depreciation and depletion:			
Cost of products disposed of.....	2,005,644	2,047,000	2,216,000
Other expense.....	129,563	150,000	130,000
Total.....	2,135,207	2,197,000	2,366,000
Net income (or expense*) from chemical plant operations.....	507,424	*22,000	113,000

*Deduct.

EXHIBIT B—Continued
COMPARATIVE STATEMENT OF INCOME AND EXPENSE—Continued

	1945, actual	1946, estimated	1947, estimated
CHEMICAL OPERATIONS—Continued			
Fertilizer and munitions research and development:			
Gross expense.....	\$1,356,759	\$1,450,000	\$1,450,000
Gross proceeds from research activities.....	*1,613		
Net expense of research and development.....	\$1,355,146	\$1,450,000	\$1,450,000
Maintenance of idle properties.....	11,651	11,000	11,000
Net expense of chemical operations.....	859,373	1,483,000	1,348,000
DEVELOPMENT ACTIVITIES			
<i>(See schedule B-4)</i>			
Gross expense:			
Direct operations.....	4,968,469	6,149,000	6,682,000
Depreciation on plant and equipment.....	12,273	13,000	13,000
Total gross expense.....	4,980,742	6,162,000	6,695,000
Gross proceeds from development activities.....	*126,767	*116,000	*106,000
Net expense of development activities.....	4,853,975	6,046,000	6,589,000

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash and cash funds:				
In United States Treasury checking accounts.....	\$4,377,235	\$5,248,168	\$4,300,001	\$5,299,499
With United States Treasury.....	45,822,382	24,971,313	6,667,983	25,027,243
War Savings bonds for resale.....	293,587			
Total cash and cash funds.....	50,493,204	30,219,481	10,967,984	30,326,742
Current receivables:				
Wholesale power customers.....	2,426,838	2,672,852	2,500,000	2,500,000
Federal agencies.....	3,536,139	3,495,417	750,000	450,000
Employees and agents.....	62,217	47,987	50,000	50,000
Other.....	605,076	734,718	700,000	1,000,000
Total current receivables.....	6,630,270	6,950,974	4,000,000	4,000,000
Long-term receivables from municipalities and cooperatives.....	3,064,099	2,794,634	324,634	296,634
Inventories:				
Chemical products manufactured and in process.....	654,822	609,346	1,398,346	1,973,346
Chemical raw materials and supplies.....	2,338,456	2,314,365	2,389,365	2,374,365
Power materials and supplies.....	3,843,690	3,969,401	4,117,401	3,578,401
Materials and supplies for general use.....	630,068	607,169	695,036	325,036
Total inventories.....	7,467,036	7,500,281	8,500,148	8,251,148
Fixed assets:				
Multiple-use dams.....	309,111,978	562,774,051	579,574,051	587,904,051
Single-use dams.....	124,377,586	43,828,484	47,578,484	47,128,484
Steam production plants.....	23,904,733	27,816,789	28,546,789	28,546,789
Other electric plant.....	86,666,170	100,357,656	104,917,656	112,417,656
Unamortized acquisition adjustments.....	3,116,299	1,916,299	716,209	616,299
Chemical plant.....	9,222,929	10,620,451	12,528,451	19,284,451
General plant.....	12,836,403	13,004,172	13,074,172	14,044,172
Construction in progress.....	188,241,438	29,637,650	29,798,885	41,277,885
Investigations for future projects.....		136,398	239,398	360,398
	757,477,536	790,091,950	816,974,185	851,480,185
Less reserves for depreciation:				
Multiple-use dams.....	26,423,028	32,785,466	38,494,466	44,368,466
Single-use dams.....	5,605,504	5,034,373	6,220,373	6,265,373
Steam production plants.....	6,296,319	7,119,396	8,495,396	9,472,396
Other electric plant.....	15,208,942	16,941,208	19,120,208	20,644,208
Chemical plant.....	2,938,367	4,464,225	4,726,225	5,471,225
General plant.....	4,993,176	5,412,225	5,741,225	5,918,225
	61,465,336	71,756,893	82,797,893	92,139,893
Total fixed assets less reserves.....	696,012,200	718,335,057	734,176,292	759,340,292
Total assets.....	763,666,809	765,800,427	757,869,058	802,214,816

MEMORANDA

Portion of above representing fixed assets in service for power program:				
Fixed assets.....	\$403,204,832	\$440,772,066	\$465,771,205	\$467,935,295
Less reserves for depreciation.....	43,892,772	49,751,286	55,875,686	62,059,686
Fixed assets less reserves.....	359,312,060	391,021,680	399,895,609	405,875,609

EXHIBIT C—Continued
COMPARATIVE STATEMENT OF FINANCIAL CONDITION—Continued

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
LIABILITIES AND CAPITAL FUNDS				
Current liabilities:				
Accounts payable.....	\$9,222,043	\$4,941,594	\$2,500,000	\$6,000,000
Employees' accrued leave.....	4,338,557	4,068,178	2,517,742	4,000,000
Unpaid pay roll.....	982,826	960,967	500,000	1,300,000
Employee War Savings bond collections.....	554,611	330,540	200,000	200,000
Accrued bond interest.....	225,971	223,887	200,000	200,000
Retirement system.....	153,039	209,201	200,000	300,000
Total current liabilities.....	15,477,047	10,734,367	6,117,742	12,000,000
Funded debt:				
2½ percent serial bonds issued under section 15 of the TVA Act; sold to and held by Reconstruction Finance Corporation.....	6,300,000	4,300,000	2,000,000	-----
2½ percent bonds issued under section 15a of the TVA Act; sold to and held by the United States Treasury.....	272,500	272,500	272,500	-----
1¾ percent to 2¼ percent serial bonds issued under section 15e of the TVA Act; sold to and held by the United States Treasury; interest rate 1 percent by temporary agreement.....	66,500,000	56,500,000	56,500,000	56,500,000
Total funded debt.....	63,072,500	61,072,500	58,772,500	56,500,000
Funds appropriated and property transferred to TVA, less net expense of programs:				
Appropriations by Congress.....	667,969,270	667,969,270	677,617,270	714,189,270
Less payments made into United States Treasury under section 26 of the TVA Act.....	-----	-----	12,597,744	12,597,744
Transfers of property from War Department.....	667,969,270	667,969,270	665,019,826	701,591,826
	36,592,269	37,723,617	39,152,617	40,604,617
Subtotal.....	704,661,539	705,692,887	704,172,143	742,196,143
Less net expense of nonincome producing programs:				
Total for the period June 16, 1933, to end of preceding fiscal year—				
Navigation operations.....	6,164,901	7,754,119	9,869,100	12,448,100
Flood control operations.....	4,038,873	4,955,877	6,364,632	8,540,632
Other programs.....	39,828,981	44,856,821	60,670,169	68,069,169
Current fiscal year—				
Navigation operations.....	1,589,218	2,114,981	2,579,000	2,668,000
Flood control operations.....	917,004	1,408,755	2,176,000	2,194,000
Chemical operations.....	412,140	859,373	1,483,000	1,348,000
Development activities.....	4,615,700	4,853,975	6,046,000	6,589,000
	57,566,817	66,803,901	79,087,901	91,856,901
Subtotal.....	646,934,722	638,888,986	625,084,242	650,309,242
Net income from power operations:				
Total for the period June 16, 1933, to end of preceding year.....	29,006,849	43,122,540	61,104,574	73,894,574
Current fiscal year.....	14,115,601	17,982,034	12,790,000	15,511,000
	43,122,540	61,104,574	73,894,574	89,405,574
Additional amortization of electric plant acquisition adjustments.....	5,000,000	6,000,000	6,000,000	6,000,000
	38,122,540	55,104,574	67,894,574	83,405,574
Total.....	685,117,262	693,993,560	692,978,816	733,714,816
Total liabilities and capital funds.....	763,666,809	765,800,427	757,869,058	802,214,816

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
APPROPRIATED FUNDS			
Current assets (increase or decrease*):			
Inventories:			
Materials and supplies for general use (note 1).....	\$51,905	\$17,867	*\$166,000
Current receivables (note 2):			
Wholesale power customers.....	*2,426,838		
Federal agencies.....	*3,536,139		
Employees and agents.....	*20,595		
Other.....	*605,076		
Cash and cash funds (note 2):			
Cash for general purposes in United States Treasury checking accounts.....	1,200,661	*948,167	1,000,000
Other funds in United States Treasury, transferable to checking accounts upon order of TVA.....	*26,539,461	*16,106,300	8,482,258
War Savings bonds held for resale to employees.....	*233,587		
Current liabilities (increase* or decrease):			
Accounts payable.....	4,280,449	2,441,594	*3,500,000
Employees' accrued leave.....	270,379	1,550,436	*1,482,258
Unpaid pay roll.....	21,859	460,967	*800,000
Employee War Savings bond collections.....	224,071	130,540	
Accrued bond interest.....	2,084	23,887	
Retirement system.....	*56,162	9,201	*100,000
Increase in working capital, appropriated funds.....			3,431,000
Decrease in working capital, appropriated funds.....	27,426,450	12,419,975	
CORPORATE FUNDS			
Current assets (increase or decrease*):			
Inventories:			
Chemical products manufactured and in process.....	*45,476	789,000	575,000
Chemical raw materials and supplies.....	*24,091	75,000	*15,000
Power material and supplies.....	125,711	148,000	*539,000
Materials and supplies for general use (note 1).....	*74,804	*30,000	*104,000
Current receivables (note 2):			
Wholesale power customers.....	2,672,852	*172,852	
Federal agencies.....	3,495,417	*2,745,417	*300,000
Employees and agents.....	6,365	2,013	
Other.....	734,718	*34,718	300,000
Cash and cash funds (note 2):			
Unexpended proceeds from the sale of bonds in United States Treasury checking account.....	*329,728		*502
Other funds in United States Treasury, transferable to checking accounts upon order of TVA.....	5,688,392	*2,297,030	9,977,002
Increase in working capital, corporate funds.....	12,219,356		9,893,500
Decrease in working capital, corporate funds.....		4,266,061	
TOTAL BOTH FUNDS			
Increase in working capital.....			13,327,500
Decrease in working capital.....	15,177,094	16,685,979	

*Deduct.

NOTES:

- In order to make the necessary segregation between funds with respect to changes in inventories of materials and supplies for general use, purchases less usage are reported under appropriated funds and sales of such materials are reported under corporate funds.
- At June 30, 1944, total current receivables were considered a part of appropriated funds since all unexpended corporate funds at that date were represented by cash in United States Treasury checking accounts. At June 30, 1945, unexpended corporate funds aggregated \$12,598,246.

SCHEDULE B-1
COMPARATIVE STATEMENT OF NAVIGATION AND FLOOD-CONTROL OPERATIONS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
NAVIGATION OPERATIONS			
Direct operations:			
Study and development of river transportation:			
Gross expenditures.....	\$93,669	\$112,000	\$112,000
Incidental income.....	*16		
Net expense of public-use river terminal operations:			
Operating expense.....	19,951	35,000	46,000
Provision for depreciation.....	29,121	34,000	37,000
Revenues.....	*13,716	*26,000	*44,000
Other operations.....	7,541	10,000	10,000
Administrative and general expense (see schedule B-6).....	64,276	69,000	70,000
Provision for depreciation.....	508,414	549,000	563,000
Total direct expense.....	\$709,240	\$783,000	\$794,000
Allocated portion of common expense (see schedule B-5):			
Operation and maintenance expense.....	731,991	1,066,000	1,124,000
Provision for depreciation.....	673,750	730,000	750,000
Total allocated expense.....	1,405,741	1,796,000	1,874,000
Net expense of navigation operations.....	2,114,981	2,579,000	2,668,000
FLOOD-CONTROL OPERATIONS			
Direct operations:			
Studies and investigations.....	39,278	76,000	37,000
Administrative and general expense (see schedule B-6).....	11,123	44,000	23,000
Provision for depreciation.....	164,332	260,000	260,000
Total direct expense.....	214,733	380,000	320,000
Allocated portion of common expense (see schedule B-5):			
Operation and maintenance expense.....	727,740	1,065,000	1,124,000
Provision for depreciation.....	466,282	731,000	750,000
Total allocated expense.....	1,194,022	1,796,000	1,874,000
Total expense of flood control operations.....	1,408,755	2,176,000	2,194,000

*Deduct.

SCHEDULE B-2
COMPARATIVE STATEMENT OF NET INCOME FROM POWER OPERATIONS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Revenues:			
Sales of electric energy:			
Municipalities and cooperatives	\$14,249,833	\$15,000,000	\$15,500,000
Large power consumers, including other Federal agencies.....	19,592,725	12,600,000	11,875,000
Electric utilities	2,607,155	2,850,000	4,000,000
Rural (retail)	171,328	174,000	175,000
Total outside sales	36,711,041	30,624,000	31,550,000
Interdepartmental sales	2,248,359	1,376,000	1,750,000
Total sales of electric energy	38,959,400	32,000,000	33,300,000
Rents and other revenues:			
Outside sources	240,858	217,000	217,000
Interdepartmental rents	182,973	7,000	7,000
Total operating revenues	\$39,383,231	\$32,224,000	\$33,524,000
Direct operations:			
Production:			
Generation expense	7,977,356	4,727,200	3,445,000
Purchased power	13,768	147,000	122,000
Interchange power received	201,751	—	—
Interchange power delivered	*2,555,968	*2,278,000	*2,132,000
Total production expense	5,636,907	2,596,200	1,435,000
Transmission	2,212,020	2,384,800	2,467,000
Distribution	31,883	42,000	51,000
Customers' accounting and collecting	43,716	47,000	47,000
Sales promotion	65,521	186,000	196,000
Payments in lieu of taxes	2,137,454	1,974,000	1,500,000
Administrative and general expense (see schedule B-6)	1,853,703	1,980,000	1,857,000
Other expense	178,251	98,000	68,000
Provision for depreciation	6,981,190	7,256,000	7,460,000
Amortization of electric plant acquisition adjustments	200,000	200,000	200,000
Total operating expenses	19,340,205	16,764,000	15,281,000
Net income before allocation of common expense	20,043,026	15,460,000	18,243,000
Allocation of common expense (see schedule B-5):			
Operation and maintenance expense	732,627	1,073,000	1,127,000
Depreciation	704,567	974,000	1,000,000
Total allocation	1,437,194	2,047,000	2,127,000
Net income before interest	18,605,832	13,413,000	16,116,000
Interest:			
Interest expense on outstanding bonds	726,207	656,000	616,000
Interest income from long-term receivables	*102,409	*33,000	*11,000
Net interest expense	623,798	623,000	605,000
Net income from power operations	17,982,034	12,790,000	15,511,000

*Deduct.

SCHEDULE B-3
 COMPARATIVE STATEMENT OF CHEMICAL OPERATIONS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Chemical plant operations:			
Sales:			
War Department	\$5, 073, 219	\$457, 000	-----
Cooperatives and other	5, 519, 111	9, 090, 000	\$11, 570, 000
Used in TVA programs, at cost	1, 756, 723	1, 975, 000	1, 979, 000
Total disposition of products	\$12, 949, 053	\$11, 522, 000	\$13, 549, 000
Cost of products disposed of:			
Materials used	2, 847, 340	3, 091, 000	3, 849, 000
Direct manufacturing expense	5, 766, 851	5, 126, 000	5, 431, 000
Indirect manufacturing expense	892, 798	785, 000	875, 000
Provisions for depreciation and depletion	1, 990, 187	2, 035, 000	2, 206, 000
Byproduct recoveries	*149, 216	*151, 000	*162, 000
Manufactured	11, 347, 960	10, 886, 000	12, 200, 000
Finished inventory changes	83, 236	*774, 000	*560, 000
Shipped	11, 431, 196	10, 112, 000	11, 640, 000
Direct shipping expense	168, 715	389, 000	683, 000
Indirect shipping expense	22, 470	28, 000	56, 000
Provision for depreciation	15, 457	12, 000	10, 000
Administrative and general expenses (see schedule B-6)	696, 479	766, 000	899, 000
Total cost of products disposed of	12, 334, 317	11, 307, 000	13, 288, 000
Net income from disposition of products	614, 736	215, 000	261, 000
Other expenses:			
Provision for depreciation on plant and equipment not used because of diversion of phosphorus to War Department	83, 263	-----	-----
Extraordinary retirements of plant and equipment	46, 300	150, 000	150, 000
Preliminary operation of fused tricalcium phosphate plant	48, 617	89, 000	-----
Operation of phosphate lands for agricultural purposes	*2, 736	*2, 000	*2, 000
Profit from sale of catalyst	*68, 132	-----	-----
Net income (or expense*) from chemical plant operations	507, 424	*22, 000	113, 000
Fertilizer and munitions research and development:			
Direct expenses	1, 215, 177	1, 229, 000	1, 229, 000
Administrative and general expenses (see schedule B-6)	141, 582	221, 000	221, 000
Incidental income	1, 356, 759	1, 450, 000	1, 450, 000
*1, 613	-----	-----	-----
Maintenance of idle properties:	1, 355, 146	1, 450, 000	1, 450, 000
Net expense of chemical operations	859, 373	1, 483, 000	1, 348, 000

*Deduct.

SCHEDULE B-4
COMPARATIVE STATEMENT OF EXPENSE OF DEVELOPMENT ACTIVITIES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Agricultural resource development:			
Fertilizer demonstrations and farm management assistance.....	\$599,219	\$755,000	\$755,000
Controlled soil and fertilizer investigations.....	116,524	132,000	132,000
Fertilizer used in tests and demonstrations.....	1,740,296	2,044,000	2,044,000
Other material used in tests and demonstrations.....	32,679	25,000	25,000
Soil inventory and mapping.....	64,998	83,000	83,000
Development and demonstration of farm equipment.....	112,638	156,000	156,000
Development of processes and markets for agricultural products.....	86,666	109,000	113,000
Rural organization and cooperative development.....	87,667	138,000	138,000
	\$2,839,487	\$3,442,000	\$3,446,000
Forest resources development:			
Studies of forest resources and management.....	154,079	160,000	160,000
Assistance in forest management and reforestation.....	218,499	261,000	268,000
Development of processes and markets for forest products.....	78,500	101,000	101,000
	451,078	522,000	529,000
Minerals resource development.....	339,180	267,000	300,000
Development of other resources:			
Stream sanitation investigations.....	76,157	126,000	126,000
Fish and game investigations.....	53,916	68,000	68,000
Recreational development, net expense.....	48,325	120,000	119,000
	178,398	314,000	313,000
Other development activities:			
Topographic mapping.....	84,028	200,000	750,000
Transportation and industrial economic studies.....	58,247	100,000	100,000
Advisory assistance to State and local governments.....	60,913	79,000	79,000
Cooperative health work and public health studies.....	60,802	72,000	72,000
Housing research.....	15,796	14,000	14,000
Studies of relationship of the Tennessee and Cumberland Valleys.....	5,898		
	285,684	565,000	1,015,000
Administrative and general expenses (see schedule B-6).....	760,148	936,000	986,000
Total net expense of development activities.....	4,853,975	6,046,000	6,589,000
RECAPITULATION			
Direct expenses.....	4,208,321	5,213,000	5,696,000
Administrative and general expenses.....	760,148	936,000	986,000
	4,968,469	6,149,000	6,682,000
Provisions for depreciation.....	12,273	13,000	13,000
	4,980,742	6,162,000	6,695,000
Incidental income.....	*126,767	*116,000	*106,000
Total net expense of development activities.....	4,853,975	6,046,000	6,589,000

* Deduct.

SCHEDULE B-5

COMPARATIVE STATEMENT OF EXPENSE OF OPERATION OF MULTIPLE-USE FACILITIES COMMON TO POWER,
NAVIGATION, AND FLOOD CONTROL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operation (exclusive of depreciation included below):			
Water dispatching operations.....	\$263,880	\$274,825	\$266,825
Malaria control.....	763,664	911,945	916,150
Plant protection and services to visitors.....	279,016	434,090	503,985
Upkeep of roads and grounds.....	37,343	67,502	89,202
Operation of villages.....	1,253	13,470	63,145
Operation of reservoir lands.....	5,417	207,693	215,218
Operation of backwater protection facilities.....	10,139	19,700	19,700
Engineering investigations and tests.....	119,457	201,000	259,000
System improvement studies.....	36,938	59,000	63,000
Other operating expense.....	7,350	20,500	11,500
Total direct operation.....	\$1,524,457	\$2,209,725	\$2,407,725
Administrative and general expenses (see schedule B-6).....	630,078	934,000	920,000
Total operation.....	2,154,535	3,143,725	3,327,725
Maintenance.....	37,823	60,275	47,275
Provision for depreciation.....	1,844,599	2,435,000	2,500,000
Total operation of multiple-use facilities.....	4,036,957	5,639,000	5,875,000

ALLOCATION OF COMMON EXPENSE TO PROGRAMS

Power operations:			
Operation and maintenance expense.....	\$732,627	\$1,073,000	\$1,127,000
Depreciation.....	704,567	974,000	1,000,000
Total allocated to power operations.....	\$1,437,194	\$2,047,000	\$2,127,000
Navigation operations:			
Operation and maintenance expense.....	731,991	1,066,000	1,124,000
Depreciation.....	673,750	730,000	750,000
Total allocated to navigation operations.....	1,405,741	1,796,000	1,874,000
Flood-control operations:			
Operation and maintenance expense.....	727,740	1,065,000	1,124,000
Depreciation.....	466,282	731,000	750,000
Total allocated to flood-control operations.....	1,194,022	1,796,000	1,874,000
Total common expense allocated.....	4,036,957	5,639,000	5,875,000

SCHEDULE B-6
COMPARATIVE STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Departmental administration and other expenses:			
Engineering departments.....	\$869,747	\$645,000	\$642,000
Less: Portion charged to construction and reimbursable services.....	693,608	459,000	377,000
Portion applicable to expense of programs.....	176,139	186,000	265,000
Power departments, including accounting office.....	960,968	994,000	1,029,000
Department of chemical engineering, including accounting office.....	144,442	167,000	160,000
Reservoir property management department, including village and reservoir property offices.....	507,149	601,000	587,000
Health and safety department.....	427,638	451,000	536,000
Commerce department.....	139,881	166,000	159,000
Department of regional studies.....	114,173	94,000	107,000
Department of agricultural relations.....	94,935	128,000	130,000
Department of forestry relations.....	50,409	61,000	75,000
Chief conservation engineer's office.....	32,214	46,000	46,000
Total.....	\$2,647,648	\$2,894,000	\$3,094,000
General administration and other expenses:			
Board of directors.....	66,630	68,000	67,000
General manager's office.....	59,211	60,000	59,000
Budget office.....	64,545	68,000	73,000
Washington office.....	31,874	34,000	33,000
Information office, including technical library service.....	142,666	180,000	188,000
Personnel department.....	698,151	660,000	665,000
Finance department.....	643,897	642,000	641,000
Department of property and supply.....	1,063,567	1,134,000	1,117,000
Legal department, excluding condemnation expense.....	149,633	169,000	173,000
Operation of Norris and Wilson villages.....	151,092	168,000	207,000
Other general expense.....	21,908		
Total.....	3,093,174	3,183,000	3,223,000
Contributions to employees' retirement system.....	1,337,129	1,300,000	1,400,000
Total administrative and general expense.....	7,077,951	7,377,000	7,717,000
DISTRIBUTION			
Construction.....	2,575,790	2,214,000	2,741,000
Recovered through services billed to others at cost.....	344,772	213,000	
Expense of programs:			
Power.....	1,853,703	1,980,000	1,857,000
Navigation.....	64,276	60,000	70,000
Flood control.....	11,123	44,000	23,000
Common operations.....	630,078	934,000	920,000
Chemical operations:			
Chemical plant operations.....	696,479	766,000	899,000
Fertilizer and munitions research and development.....	141,582	221,000	221,000
Development activities.....	760,148	936,000	986,000
Total.....	4,157,389	4,950,000	4,976,000
Total.....	7,077,951	7,377,000	7,717,000

SCHEDULE C-1

COMPARATIVE STATEMENT OF NET EXPENDITURES AND FUND REQUIREMENTS FOR FIXED ASSETS AND CHANGES IN FIXED ASSETS AND RESERVES FOR DEPRECIATION

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
NET EXPENDITURES FOR FIXED ASSETS			
Navigation, flood control, and power programs:			
Upper Holston projects.....	\$466,973	\$355,145	\$9,589,000
Completion of major projects in operation.....	22,977,926	7,049,620	1,195,000
Other multiple-use facilities.....	91,334	*128,650	4,998,000
Other navigation facilities.....	807,486	464,698	356,000
Other power facilities.....	8,264,612	12,747,000	13,433,000
Investigations for future projects.....	136,398	103,000	121,000
	\$32,744,729	\$20,590,813	\$29,692,000
Fertilizer program: Chemical plant.....	2,334,306	5,962,182	6,533,000
General plant and equipment program.....	*253,907	1,490,240	1,473,000
Total net expenditures for fixed assets.....	35,325,128	28,043,235	37,698,000
FUND REQUIREMENTS FOR FIXED ASSETS			
Additions:			
From appropriated funds--			
Upper Holston projects.....	492,278	371,145	9,666,000
Completion of major projects in operation.....	16,991,383	5,750,360	1,152,000
Other multiple-use facilities.....	181,551	398,350	5,547,000
Other navigation facilities.....	808,130	471,698	356,000
Investigations for future projects.....	136,398	103,000	121,000
Chemical plant.....	2,835,131	5,948,182	6,608,000
General plant and equipment.....	623,618	1,759,240	1,924,000
	22,068,495	14,801,975	25,274,000
From corporate funds--			
Completion of major projects in operation:			
Power facilities.....	9,005,156	1,992,260	38,800
Bridge construction under the provisions of Public Law 301, 77th Cong.....	1,100,696	300,000	4,200
Indirect construction cost recovered.....	1,748,077	537,000	-----
Other power facilities.....	9,803,631	13,908,000	14,431,000
	21,657,560	16,737,260	14,474,000
Total additions.....	43,726,055	31,539,235	39,748,000
Retirements:			
From appropriated funds--			
Other multiple-use facilities.....	*3,046	*1,000	-----
Chemical plant.....	*825	14,000	25,000
General plant and equipment.....	58,339	*5,000	*4,000
	54,468	8,000	21,000
From corporate funds--			
Other power facilities.....	*1,378,543	*1,054,000	*936,000
Total retirements.....	*1,324,075	*1,046,000	*915,000
Total fund requirements.....	42,401,980	30,493,235	38,833,000
Gross income from sales of surplus property and from construction activities.....	*6,714,242	*2,275,000	*948,000
Gross income from sales of retired fixed assets.....	*362,610	*175,000	*187,000
Total net expenditures for fixed assets.....	35,325,128	28,043,235	37,698,000
CHANGES IN FIXED ASSETS AND RESERVES FOR DEPRECIATION			
Change in fixed assets:			
Total fund requirements for additions.....	43,726,055	31,539,235	39,748,000
Gross income from sales of surplus property and incidental construction receipts.....	*6,714,242	*2,275,000	*948,000
Net expenditures for additions.....	37,011,813	29,264,235	38,800,000
Adjustments necessary to state at original cost.....	189,233	2,160,000	-----
Original cost of plant retired.....	*3,386,632	*4,342,000	*4,094,000
Amortization of acquisition adjustments.....	*1,200,000	*200,000	*200,000
Change in fixed assets for year.....	32,614,414	26,882,235	34,506,000
Balance at beginning of year.....	757,477,536	790,091,950	816,974,185
Balance at end of year.....	790,091,950	816,974,185	851,480,185

*Deduct.

SCHEDULE C-1—Continued

COMPARATIVE STATEMENT OF NET EXPENDITURES AND FUND REQUIREMENTS FOR FIXED ASSETS AND CHANGES IN FIXED ASSETS AND RESERVES FOR DEPRECIATION—Continued

	1945, actual	1946, estimated	1947, estimated
CHANGES IN FIXED ASSETS AND RESERVES FOR DEPRECIATION—Continued			
Change in reserves for depreciation:			
Total fund requirements for retirements.....	*\$1,324,075	*\$1,046,000	*\$915,000
Gross income from sales of retired fixed assets.....	*362,610	*175,000	*187,000
Net expenditures for retirements.....	*\$1,686,685	*\$1,221,000	*\$1,102,000
Adjustments necessary to state at original cost.....	*189,233	*2,160,000	.....
Original cost of plant retired.....	3,386,632	4,342,000	4,084,000
Provisions for depreciation and depletion:			
Charged direct to operations.....	*\$10,645,817	*\$11,315,000	*\$11,747,000
Charged to construction and clearing accounts.....	*1,156,454	*687,000	*887,000
	*11,802,271	*12,002,000	*12,334,000
Change in reserves for depreciation for year.....	*10,291,557	*11,041,000	*9,342,000
Balance at beginning of year.....	*61,465,336	*71,756,893	*82,797,893
Balance at end of year.....	*71,756,893	*82,797,893	*92,139,893
Change in fixed assets less reserves for depreciation for year.....	22,322,857	16,841,235	25,164,000
Balance at beginning of year.....	696,012,200	718,335,057	734,176,292
Balance at end of year.....	718,335,057	734,176,292	759,340,292

*Deduct.

SCHEDULE D-1

REIMBURSABLE SERVICES AND MISCELLANEOUS RECOVERIES OF EXPENDITURES ¹

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
REIMBURSABLE SERVICES			
Calcium carbide operations for Rubber Reserve Company	\$2,525,893	\$1,882,000	-----
Mapping services for War Department	1,505,742	1,300,000	-----
Design services for war agencies	17,616	-----	-----
Chemical plant construction for war agencies	180,468	-----	-----
Power construction for others	274,442	53,000	\$3,000
Housing management for war agencies	43,946	52,000	52,000
Miscellaneous services and loans of personnel	310,682	126,000	56,000
Total, reimbursable services	4,858,789	3,413,000	111,000
MISCELLANEOUS RECOVERIES OF EXPENDITURES			
Power operating expense recovered:			
Interchange power delivered	\$2,555,968	\$2,278,000	\$2,132,000
Other recoveries	72,611	85,000	156,000
Chemical operating expense recovered:	2,628,579	2,363,000	2,288,000
Chemical plant operations	227,227	129,000	154,000
Maintenance of idle properties	975	1,000	1,000
Materials and supplies sold from inventory	228,202	130,000	155,000
Indirect expenses recovered:	236,887	90,000	164,000
Administrative and general expense	551,276	518,000	486,000
Expense common to power, navigation, and flood control	336,049	337,000	421,000
Other indirect expense	304,165	232,000	232,000
Total miscellaneous recoveries of expenditures	1,191,490	1,087,000	1,139,000
Total reimbursable services and miscellaneous recoveries of expenditures	4,285,158	3,670,000	3,746,000
Total reimbursable services and miscellaneous recoveries of expenditures	9,143,947	7,083,000	3,857,000
FINANCED FROM WORKING FUNDS			
War Department, Army Map Service	1,505,742	1,300,000	-----
Navy Department, Bureau of Ordnance	13,562	8,000	5,000
Navy Department, Bureau of Sbips	-----	25,000	-----
Total financed from working funds	1,519,304	1,333,000	5,000
Net total reimbursable services and miscellaneous recoveries of expenditures	7,624,643	5,750,000	3,852,000

¹ Not carried forward to exhibit A.

SCHEDULE E-1

CONSOLIDATED SCHEDULE OF OBLIGATIONS

By objects	Obligations						By objects	Obligations					
	1945, actual		1946, estimated		1947, estimated			1945, actual		1946, estimated		1947, estimated	
	Man-years	Total salary	Man-years	Total salary	Man-years	Total salary		Man-years	Total salary	Man-years	Total salary	Man-years	Total salary
PERSONAL SERVICES, FIELD													
Members of the board of directors.....	3	\$30,000	3	\$30,000	3	\$30,000							
Clerical, administrative, and fiscal service: Grade 13. Range \$10,000:													
Manager of power.....	1	9,500	1	9,922	1	10,000							
General manager.....	1	9,500	1	9,922	1	10,000							
Grade 12. Range \$9,200 to \$9,800:													
Director, agricultural relations department.....			1	9,200	1	9,200							
Director, commerce department.....	1	8,500	1	9,200	1	9,200							
Comptroller.....	1	9,500	1	9,800	1	9,500							
Director, department of property and supply.....			1	9,200	1	9,200							
Director, personnel department.....			1	9,200	1	9,200							
Chief budget officer.....	1	8,500	1	9,200	1	9,200							
Assistant general manager.....	2	16,979	1.1	10,233	1	9,200							
Washington representative.....	1	8,500	1	9,200	1	9,200							
Grade 11. Range \$8,200 to \$9,200:													
Director, department of power utilization.....	1	8,000	1	9,200	1	9,200							
Director, agricultural relations department.....	1	8,500											
Director, reservoir property management department.....			1	8,197	1	8,260							
Works manager (chemical plant).....	1	7,840	1	8,699	1	8,700							
Chief of research and engineering.....	0.2	2,188											
Director, department of property and supply.....	0.8	6,375											
Director, land acquisition department.....	0.2	2,125											
Director, personnel department.....	1	8,500											
Director, information department.....	1	7,750	1	8,699	1	8,700							
Grade 10. Range \$7,200 to \$8,100:													
Chief, cooperative management staff.....	1	7,000	1	7,696	1	7,700							
Chief, tests and demonstrations staff.....	1	6,500	1	7,696	1	7,700							
Director, reservoir property management department.....	0.4	3,100											
Acting director, reservoir property management department.....	0.5	3,625											
Assistant director, reservoir property management department.....	0.5	3,500	0.6	4,320	1	7,200							
Assistant comptroller.....	2	14,500	1.2	9,711	2	14,400							
Assistant works manager (chemical plant).....	1.1	7,600	2	14,550	2	15,400							
Chief, materials division.....	0.9	6,323	1	7,696	1	7,700							
Chief, office service division.....	1	7,000	1	7,696	1	7,700							
Chief, land division.....	0.8	5,420	1	7,194	1	7,200							
Chief, personnel staff officer.....	1	6,500	1	7,696	1	7,700							
Assistant chief budget officer.....	1	6,500	1	7,696	1	7,700							
Special assistant (information office).....	1	6,500	1	7,194	1	7,200							
Grade 9. Range \$6,200 to \$7,000:													
Chief, power contracts division.....	1	6,400	1	6,997	1	7,000							
Chief, electrical development division.....	1	6,000	1	6,596	1	6,600							
Chief, program review and analysis staff.....	1	5,600	0.7	4,772	1	6,600							
Chief, program exposition unit.....	0.5	3,000											
Acting assistant, reservoir property management department.....	0.2	1,200	0.4	2,615									
Manager of properties.....	5.8	35,200	6	32,850	6	40,000							
Acting manager of properties.....	0.2	1,120											
General auditor.....	1	6,400	2	13,150	1	7,000							
Construction accountant.....	1	6,400	1	6,997	1	7,000							
Assistant power accountant.....	1	6,000	1	6,596	1	6,600							
Staff accountant.....			0.8	4,960									
Assistant to the director, chemical engineering department.....	0.9	6,133	1	6,525	1	6,600							
Chief, Columbia division (chemical engineering).....	0.2	1,120	1	6,195	1	6,200							
Assistant chief, materials division.....	1	6,125	1	6,596	1	6,700							
Head, contracts section.....	1	6,000	1	6,596	1	6,700							
Head, procurement section.....	0.5	2,418	1	6,360	1	6,600							
Head, traffic and expediting.....	0.1	600											
Assistant chief, land division.....	0.8	4,667	1	6,195	1	6,200							
Member, board of appraisal and review.....	0.4	3,066											
Supervisor of appraisals.....	0.8	5,000	0.5	3,300	1	6,600							
Acting supervisor of appraisals.....			0.5	3,300									
Administrative officer.....	2.1	13,000	2	13,150	2	13,200							
Assistant to the director of personnel.....	1	6,400	1	6,997	1	7,000							
Chief, personnel relations staff.....	1	6,000	1	6,596	1	6,600							
Chief, training and educational relations staff.....	1	5,700	1	6,596	1	6,600							
Chief, personnel office.....	1	5,600	1	6,596	1	6,600							
Chief, standards staff.....			1	6,596	1	6,600							
Assistant chief, personnel staff officer.....	0.7	4,300											
Chief, information service staff.....	1	6,000	1	6,596	1	6,600							
Grade 8. Range \$5,200 to \$6,000:													
Administrative officer.....	3	15,400	2	11,168	2	11,200							
Project accountant.....	4.5	23,100	4.8	27,650	4	23,000							
Administrative staff officer.....	1.5	7,700	2	10,783	2	10,800							
Assistant to the director, commerce department.....	1	5,000	1	5,593	1	5,600							
Procedures accountant.....	1	5,000	0.2	1,120	1	5,200							
Treasurer and administrative officer.....	1	5,000	1	5,593	1	5,600							
Chief, field audit.....	1	4,600	1	5,193	1	5,200							
Chief, central accounting division.....	1	5,000	1	5,593	1	5,600							
Chemical accountant.....	1	5,000	1	5,593	1	5,600							
Accountant, municipal and cooperative section.....	1	5,000	1	5,593	1	5,600							
Assistant to the director, chemical engineering department.....	0.1	417											
PERSONAL SERVICES, FIELD—continued													
Clerical, administrative, and fiscal service—Continued													
Chief, Columbia division (chemical engineering).....	0.8	\$4,000											
Chief of administrative staff (works).....	1	5,000	1	\$5,593	1	\$5,600							
Chief of engineering.....	0.5	2,300											
Head, procurement section.....	0.3	1,500											
Assistant to director of purchases.....	1	5,000	1	5,593	1	5,600							
Assistant to the chief, office service division.....	1	5,000	1	5,593	1	5,600							
Head, office methods staff.....	1	5,000	1	5,593	1	5,600							
Head, office operations section.....	1	5,000	1	5,593	1	5,600							
Head, transportation section.....	1	5,000	1	5,593	1	5,600							
Assistant to the director, department of property and supply.....	0.8	3,450	1	5,175	1	5,200							
Chairman, appraisal committee.....	0.1	383											
Land appraiser.....	1.8	9,768	1.5	8,962	2	12,000							
Acting chief, standards staff.....	0.2	920											
Personnel staff officer.....	2	9,760	2	11,186	3	16,500							
Personnel relations officer.....	2	10,000	2	11,186	2	11,200							
Training officer.....	0.1	383	1	6,192	1	5,200							
Administrative analyst.....	0.5	2,300	1	5,192	1	5,200							
Personnel officer.....	3.1	11,800	3.6	19,514	2	22,600							
Head, examining and records section.....	0.7	3,500	0.7	3,915	1	5,600							
Budget analyst.....	2	10,000	2.5	13,750	3	16,400							
Chief, graphic services staff.....	1	5,200	1	5,994	1	6,000							
Information service representative.....	1	5,000	1	5,594	1	5,600							
Grade 7. Range \$4,300 to \$5,180:													
Accountant.....	3.9	16,087	2.2	10,690	2	9,920							
Administrative staff officer.....	1.7	6,867	2.7	12,339	3	13,780							
Property and supply officer.....	1.8	7,666	2	9,349	2	9,880							
Education officer.....	6	29,646	6	29,646	6	29,760							
Manager of properties.....	2.5	10,500	5	22,940	5	23,040							
Camp manager.....	1	4,200	1	4,733									
General accountant, central account- ing.....	1	4,200	1	4,953	1	4,960							
Plant accountant, plant records.....	1	4,400	1	4,733	1	4,740							
Staff accountant, power.....	1	4,600	1	4,953	1	4,960							
Reports accountant.....	0.8	3,440											
Assistant accountant, municipal and cooperative section.....	0.5	2,260											
Budget officer.....	1	4,200	0.8	3,225	1	4,300							
Purchasing agent.....	1	4,268											
Traffic officer, property and supply.....	0.4	2,106	1	4,953	1	4,960							
Assistant head, office operations section.....	0.9	3,325	1	4,681									

By objects	Obligations						By objects	Obligations					
	1945, actual		1946, estimated		1947, estimated			1945, actual		1946, estimated		1947, estimated	
	Man-years	Total salary	Man-years	Total salary	Man-years	Total salary		Man-years	Total salary	Man-years	Total salary	Man-years	Total salary
PERSONAL SERVICES, FIELD—continued													
Clerical, administrative, and fiscal service—Continued													
Grade 6. Range \$3,440 to \$4,300—Con.													
Land appraiser	2.9	\$10,572	3	\$12,510	5	\$19,850							
Personnel staff officer	6.8	22,480	6	23,432	6	23,820							
Personnel relations officer	1	3,500	1.5	6,110	1	4,190							
Training officer	2	6,946	1.2	4,973	2	8,050							
Personnel officer	14.5	51,180	10	40,400	12	48,740							
Employment officer	1.9	6,380	1	4,183	1	4,080							
Budget analyst	1	3,250	1	3,896	1	4,080							
Purchasing agent	3.1	11,742	2.5	10,241	2.9	12,350							
Grade 5. Range \$3,000 to \$3,640	163.4		156.8		165								
		475,873		529,191		558,766							
Grade 4. Range \$2,430 to \$3,000	294.9		262.8		264.1								
		694,465		712,954		721,022							
Grade 3. Range \$2,020 to \$2,430	911.1		793.7		818.5								
		1,660,160		1,706,368		1,780,163							
Grade 2. Range \$1,700 to \$2,020	741.9		633.7		652.6								
		1,153,062		1,167,555		1,211,776							
Grade 1. Range \$1,440 to \$1,700	264.1		205.1		193.2								
		363,286		329,230		312,937							
Professional service:													
Grade 13. Range \$10,400:													
Chief engineer	1	9,500	1	9,922	1	10,000							
General counsel	1.9	15,625	1	9,922	1	10,000							
Grade 12. Range \$9,200 to \$9,800:													
Assistant chief engineer	1	9,250	0.2	1,516									
Chief construction engineer	1	9,250	0.1	839									
Chief design engineer	1	9,250	1	9,808	1	9,800							
Chief, water control planning department	1	9,250	1	9,808	1	9,800							
Chief power engineer	1	9,500	1	9,808	1	9,800							
Superintendent of power operations	1	8,500	1	9,200	1	9,200							
Chief conservation engineer	1	9,250	1	9,808	1	9,800							
Director, health and safety department			1	9,200	1	9,200							
Director, department of chemical engineering	0.7	6,167											
Acting director, department of chemical engineering	0.3	2,833	1	9,200	1	9,200							
Solicitor			0.5	4,600	1	9,200							
Grade 11. Range \$8,200 to \$9,200:													
Project manager	2.4	19,995	1.5	13,800	1	9,200							
Assistant chief design engineer			0.9	8,260	1	9,200							
Head civil engineer	1	8,500	1	9,200	1	9,200							
Head electrical engineer	1	8,500	1	9,200	1	9,200							
Engineer of power design and construction	1	8,500	1	9,200	1	9,200							
Director, department of forestry relations	1	7,750	1	8,699	1	8,700							
Director, health and safety department	1	8,500											
Director, department of regional studies	1	7,750	1	8,699	1	8,700							
Chief of research and engineering	0.1	302	1	8,197	1	8,200							
Solicitor	1	7,750	0.5	4,375									
Grade 10. Range \$7,200 to \$8,100:													
Assistant to the chief engineer	1	7,750	1	8,400	1	8,400							
Project manager	1	7,750	0.1	937									
Construction engineer	4.1	30,246	2	16,212	2	16,800							
Chief, construction plant division	1	7,750	1	8,400									
Manager, construction and maintenance division	1	7,750	1	8,400	1	8,400							
Superintendent, reservoir clearance division	1	7,500											
Assistant construction superintendent	2.4	16,400	1.5	10,050									
Head industrial engineer	1	7,750	1	8,400	1	8,400							
Assistant chief design engineer	1	7,750	0.1	938									
Head highway engineer	1	7,500	1	8,099	1	8,100							
Chief of civil and architectural design division	1	7,000	1	7,696	1	7,700							
Head design engineer	1	6,500	0.1	871									
Chief of structural and mechanical design division	1	7,000	1	7,696	1	7,700							
Head mechanical engineer	1	7,000	1	7,696	1	7,700							
Chief of electrical design division	1	7,000	1	7,696	1	7,700							
Head materials engineer	1	7,000	1	7,696	1	7,700							
Chief, maps and surveys division	1	7,000	1	7,696	1	7,700							
Chief, hydraulic data division	1	7,000	1	7,696	1	7,700							
Chief, project planning division	1	7,000	1	7,696	1	7,700							
Chief, flood control and drainage staff	0.5	3,400	1	7,194	1	7,200							
Chief, hood control section	0.5	3,250											
Chief, drainage section	0.5	3,350											
Chief, power staff	1	7,000	1	7,696	1	7,700							
Head civil engineer	0.3	1,796											
Chief consulting electrical engineer	1	7,750	1	8,400	1	8,400							
General office engineer			0.6	3,600	1	7,200							
Chief, power engineering and design division	1	7,000	1	7,696	1	7,700							
Chief, power construction division	1	7,000	1	7,696	1	7,700							
Chief, power production division	1	7,000	1	7,696	1	7,700							
Chief, power system operations division	1	7,000	1	7,696	1	7,700							
Assistant to chief conservation engineer	1	6,844	1	7,696	1	7,700							
Chief, regional products research division	0.6	3,900	1	7,194	1	7,200							
Assistant to the director, department of regional studies	1	7,000	1	7,696	1	7,700							
Head architect	0.4	4,800											
Chief of research and engineering	0.7	4,833											
Assistant chief of research and engineering	0.9	6,229											
Consulting chemical engineer	1	7,300	0.2	884									
Assistant general counsel	0.3	2,500	0.5	4,100	1	8,200							
Construction superintendent	2	15,200	0.5	4,200	1	8,400							
PERSONAL SERVICES, FIELD—continued													
Professional service—Continued													
Grade 9. Range \$6,200 to \$7,000:													
Principal civil engineer	2	\$12,800	2	\$13,991	2	\$14,000							
Project manager	1	6,000	1	6,508	1	6,200							
Construction superintendent	6.9	40,701	4	26,360	7.2	46,800							
Chief, river channel improvement division	1	6,400	1	6,997	1	7,000							
Project superintendent, reservoir clearance	0.5	3,000											
General foreman	1.5	5,800	0.4	2,480									
General mechanical foreman	1	5,600	0.5	3,100									
General electrical foreman	1.1	6,160	0.5	3,100									
General structural steel foreman	1	5,600	0.5	3,100									
General carpenter foreman	1	5,600	0.5	3,100									
Construction engineer	5	28,550	0.7	3,950	1	6,600							
Project design engineer	2.5	15,400	0.2	1,142									
Head architectural engineer	1	6,000	1	6,596	1	6,600							
Principal highway engineer	0.5	3,000											
Head railroad engineer	1	6,000	1	6,596	1	6,600							
Chief of highway and railroad field engineering division	1	6,000	0.2	1,200									
Principal electrical engineer	1	6,000											
Assistant to the chief, water control planning department	1	5,600	1	6,596	1	6,600							
Principal hydraulic engineer	1.8	11,100	1	6,997	1	7,000							
Principal sanitary engineer	1	6,000	1	6,596	1	6,600							
Chief, geologic division	1	6,400	1	6,997	1	7,000							
Chief office engineer	1	7,000											
Division manager (power)	4	24,000	4.9	32,485	5	33,000							
Assistant chief, power construction division	1	6,000	1	6,596	1	6,600							
Substation design engineer	1	6,000	1	6,596	1	6,600							
Structural design engineer	1	6,000	1	6,596	1	6,600							
General planning engineer	1	5,633	1	6,596	1	6,600							
Electrical engineer	1	5,900	0.5	3,100									
Assistant chief, power production division			2	12,390	2	12,400							
Assistant chief, power system operations division			1	6,195	1	6,200							
Chief, power economics division	1	6,000	1	6,596	1	6,600							
Cooperative analyst	0.5	2,800	1	9,200	1	6,600							
Assistant director, department of forestry relations													
Chief, watershed protection division	1	6,000	1	6,596	1	6,600							
Chief, forest resources division	1	6,000	1	6,596	1	6,600							
Chief, biological readjustment division	0.2	466	1	6,195	1	6,200							
Chief, agricultural engineering development division	1	6,000	1	6,596	1	6,600							
Chief, industrial economics division	1												

SCHEDULE E-1—Continued

CONSOLIDATED SCHEDULE OF OBLIGATIONS—Continued

By objects	Obligations						By objects	Obligations					
	1945, actual		1946, estimated		1947, estimated			1945, actual		1946, estimated		1947, estimated	
	Man-years	Total salary	Man-years	Total salary	Man-years	Total salary	Man-years	Total salary	Man-years	Total salary	Man-years	Total salary	
PERSONAL SERVICES, FIELD—continued													
Professional service—Continued													
Grade 8. Range \$5,200 to \$6,000—Con.													
Assistant chief, watershed protection division													
Agricultural engineer	0.5	\$2,300	1	\$5,392	1	\$5,600							
Architectural engineer	1	4,800	2	10,750	2	11,200							
Foods processing specialist	1	5,000		5,593	1	5,600							
Industrial analyst			0.8	4,160	1	5,200							
Industrial engineer	1	5,000	2	10,741	2	10,800							
Mining engineer	1	5,000	1	5,593	1	5,600							
Navigation engineer	1.8	8,600	2	11,070	2	11,200							
Traffic analyst	0.3	1,500											
Sanitary engineer	2	10,400	2	11,556	3	16,800							
Health officer	5.6	27,600	6	32,800	6	32,800							
Biologist	0.1	460	1.9	9,805	2	10,400							
Majorist			0.5	2,800	1	5,600							
Social science analyst	0.1	500											
Community planner			0.7	3,640	1	5,200							
Landscape architect	1	5,000	0.3	1,677									
Specialist in public safety service	1	4,920	1	5,180	1	5,200							
Specialist in property management	1	5,000	2	11,150	2	11,200							
Chief, plant chemical control division	0.2	960	1	5,257	1	5,600							
Chemist	2.6	12,917	2.5	13,786	3	16,400							
Chemical engineer	4	19,738	3.5	19,745	4	22,400							
Attorney	1	5,000	3	16,247	3	16,400							
Airplane pilot	1	5,400	1	5,994	1	6,000							
Supervisor of titles	0.1	900											
Grade 7. Range \$4,300 to \$5,180:													
Civil engineer	28.7	117,674	27.7	129,120	25	121,630							
Office engineer			8.8	36,611	6.7	32,454	8	39,240					
Electrical engineer	18.5	78,543	20.6	99,785	21	102,500							
Mechanical engineer	11.3	46,792	11.8	53,750	12	67,800							
Cost engineer	2	8,450	1.1	5,339	3.5	16,720							
Field engineer	2	8,467	1.7	8,432	1.5	6,925							
Materials engineer	3.4	14,234	1.7	7,644	1	4,300							
Structural engineer	4.9	21,243	4.4	21,970	6	30,240							
Architect	3	12,650	4.3	20,594	6	23,260							
Specifications engineer	0.3	1,200	1	4,590	1	4,900							
Hydraulic engineer	9	37,267	11.5	63,953	12	66,220							
Division engineer	5	23,900	5	23,757	6	29,200							
Distribution engineer	1	4,267	1	4,523	1	4,900							
Power plant superintendent	2.7	10,633	3	13,305	3	13,940							
Rate engineer	1	4,266	1	4,953	1	4,960							
Power supply engineer	2	7,300	2	8,974	2	9,040							
Power utilization specialist	2	8,532	2	10,656	2	10,190							
Electrical development specialist			2.3	9,675	6	26,295							
Agriculurist			1.8	7,750	3	13,120							
Cooperative analyst	1.2	5,092		5,682	2	9,040							
Cooperative specialist			0.8	3,225	1	4,300							
Forester	3.5	14,567	9.2	39,910	9.5	43,040							
Biologist	0.2	875	0.1	524									
Frosion engineer	0.1	159	1	4,301	1	4,520							
Assistant chief, watershed protection division	0.5	2,100											
Agricultural engineer	2	8,267	4	17,444	5	22,160							
Foods processing specialist			2.4	10,520	3	12,900							
Geologist	3	12,467	2	9,270	2	9,700							
Industrial analyst			2.2	9,812	2	9,790							
Industrial economist	1	4,267	1	4,953	1	4,960							
Industrial engineer	2	8,467											
Navigation engineer	0.6	2,990	1	4,367	2	8,820							
Traffic analyst	0.2	760											
Transportation economist	1	4,200	1	4,733	1	4,960							
Majorist	0.9	3,870											
Health officer	5	21,000	5	23,620	6	23,700							
Statistician	1	4,250	1	4,953	1	4,960							
Sanitary engineer	1.5	6,100	3	13,324	5	20,940							
Safety engineer	1	4,200	1	4,733	1	4,740							
Specialist in nursing			1	4,290	1	4,300							
Entomologist					2	8,600							
Industrial hygienist					1	4,300							
Economist	2	8,617	2.7	12,460	3	13,660							
Public administrative analyst	0.5	2,000	1	4,280	1	4,520							
Community planner	1.2	4,660	0.8	3,672	1.3	5,815							
Recreation technician	1	4,200	2.3	10,478	4	17,640							
Landscape architect	1	4,200	1.6	8,114	2.7	11,830							
Specialist in population readjustment	0.2	840											
Plant records engineer, plant records			0.6	2,975	1	4,960							
Chief of administrative staff (research and engineering)	1	4,200	1	4,953	1	4,960							
Chemical plant superintendent, Columbia division	0.2	792	1	4,636	1	4,740							
Assistant chief, Columbia division	0.8	3,360											
Chemist	7.7	30,459	8	37,002	8	37,920							
Mathematician	1	4,200	1	4,280	1	4,520							
Chemical engineer	5.3	21,115	9.3	43,353	11	50,640							
Attorney	2.8	10,650	3.3	14,918	4	18,520							
Airplane pilot	1	4,200	2	9,000	4	17,640							
Assistant head, transportation section	1	4,200	1	4,733	1	4,740							
Title examiner	0.7	3,016			1	4,960							
Specialist in educational evaluation					1	4,300							
Specialist in educational materials			0.7	3,065	1	4,300							
Specialist in educational methods	1	4,200	1	4,953	1	4,960							
Specialist in library service	1	4,600	1	5,172	1	5,180							
Specialist in Negro education and relations	1	4,260	1	4,953	1	4,960							
Writer	1	4,267	3.1	14,127	4	18,410							
Grade 6. Range \$3,640 to \$4,300:													
Office engineer	5.4	10,289	3.7	15,119	3.6	14,725							

By objects	Obligations						By objects	Obligations					
	1945, actual		1946, estimated		1947, estimated			1945, actual		1946, estimated		1947, estimated	
	Man-years	Total salary	Man-years	Total salary	Man-years	Total salary		Man-years	Total salary	Man-years	Total salary	Man-years	Total salary
PERSONAL SERVICES, FIELD—continued							PERSONAL SERVICES, FIELD—continued						
Custodial service—Continued							Inspectional and investigational service—Continued						
Grade 8. Range \$3,200 to \$6,000—Con.							Grade 6. Range \$3,640 to \$4,200:						
General structural steel foreman	1	\$5,000	0.5	\$2,800			Inspector of materials	7.5	\$25,500	4	\$16,375	1	\$4,190
Chief, power system service shops	1	5,000	1	5,593	1	\$5,600	Safety officer	8	28,980	7	28,780	7	28,780
Transmission line maintenance supervisor	1	4,800	0.2	1,400			Grade 5. Range \$3,000 to \$3,640	19	58,202	8.9	30,143	14	47,890
Assistant superintendent, phosphate and carbide plant	1	8,300					Grade 4. Range \$2,430 to \$3,000	45.3		12.2		20.5	
Superintendent, maintenance division	1	5,000	1	5,192	1	5,200	Grade 3. Range \$2,020 to \$2,430	105,512		32,908	5	56,530	
Grade 7. Range \$4,300 to \$5,180:							Educational service:	6.7	10,703	1.6	3,578	5	10,850
General mechanical foreman			1	4,293	1	4,300	Grade 4. Range \$2,430 to \$3,000	2.7	6,593	2	5,790	2	5,855
General electrical foreman			2	9,480	2	9,040	Grade 3. Range \$2,020 to \$2,430	1.8	2,955	1	2,294	1	2,300
General foreman	0.7	2,518	2	9,480			Range \$1,260 to \$3,100	3,780.3		3,845.2		3,830.6	
General tunnel foreman	1.1	4,620			2	9,480		9,495,903		8,387,915		7,937,446	
General labor foreman	1	4,200					Total permanent, field	9,861.3		9,314.6		9,403.1	
General painter foreman	1	4,200					Temporary employment, field	23,966,870		23,657,472		23,962,014	
Assistant general structural steel foreman	3.7	14,848	0.3	1,389	1	4,740	Part-time employment, field	13,915,129		7,832,991		9,906,180	
Assistant general carpenter foreman	5.3	21,728	1	2,500	1	2,500	W. A. E. employment, field	2,846,961		4,600		4,600	
Assistant general mechanical foreman	5.5	26,481	1.8	8,550	4	19,200	Overtime pay, field	157,361		138,691		128,663	
Master mechanic	1	4,200	1	4,735	4	19,200	Additional compensation, field	2,781,590		876,398			
Assistant general electrical foreman	1.5	6,886	0.8	3,550	1.1	5,214	Night-work differential, field	164,404		3,757		57,529	
Assistant general quarry foreman	0.4	1,409					All personal services, field	15,421.6		12,977.7		14,354.6	
Assistant construction superintendent	5.8	24,337	6	29,308	6	29,540	Deduct amounts for personal services in the foregoing schedule which are distributed to appropriations as follows:	40,990,315		32,597,120		34,060,386	
Transmission line maintenance supervisor			0.8	3,222	1	4,300	War Department, Army Map Service	370	988,795	323	870,000		
Transmission substation maintenance supervisor			0.8	3,222	1	4,300	Navy Department, field test work at Hiwassee	1	2,192	0.6	1,200	0.2	500
Chief system load dispatcher	1	4,200	1	4,733	1	4,740	Navy Department, field test work at Fontana			4	5,10,000		
Phosphate supervisor	1	4,200	1	4,733	1	4,740	01 Personal services (net)	15,050.6		12,649.6		14,354.4	
Assistant to the superintendent, phosphate and carbide plant	0.1	475	1	4,302	1	4,620		39,999,328		31,715,920		34,059,886	
Assistant superintendent, maintenance division	1	4,265	1	4,506	1	4,620	OTHER OBLIGATIONS						
Ammonia plant supervisor	0.7	3,110	0.5	2,150	1	4,300	02 Travel	611,956		693,000		846,411	
Water-gas supervisor	1	4,265	1	4,953	1	4,900	03 Transportation of things	2,569,577		2,210,370		2,115,504	
Assistant superintendent, ammonium nitrate plant	0.4	1,585	1	4,463	1	4,740	04 Communication services	348,846		337,986		353,638	
Chief, yard operations division	1	3,758	1	4,533	1	4,740	Payment for penalty mail	18,617		22,000		25,000	
Grade 6. Range \$3,640 to \$4,300:							05 Records and utility services	663,825		677,688		684,976	
Assistant construction superintendent	3	11,400	1	4,055	4	16,400	06 Printing and binding	17,197		63,636		101,969	
Dredge master	0.5	1,900					07 Other contractual services	7,135,686		2,327,614		5,838,390	
General foreman	7.3	27,216	5.5	22,805	7	28,640	08 Supplies and materials	14,835,595		11,522,291		13,382,238	
General carpenter foreman	1.5	2,500	1	2,500	1	2,500	09 Equipment	3,993,942		8,445,633		10,277,571	
General labor foreman	1.9	7,683	0.5	2,040	2.1	8,428	10 Loads and structures	1,012,587		1,201,000		1,450,000	
General marie foreman	1	3,500	0.5	1,985			11 Grants, subsidies, and contributions	3,478,381		3,274,000		2,900,000	
Assistant general mechanical foreman					1.5	6,120	12 Refunds, awards, and indemnities	176,650		38,200		43,200	
Assistant general labor foreman	6	21,012			2	8,160	13 Interest	735,013		656,000		618,000	
General painter foreman			1	4,183			15 Public debt retirement	2,000,000		2,300,000		2,272,500	
Assistant reservoir clearance superintendent	1.5	5,400			13.2	54,096	Total other obligations	37,597,580		33,760,618		40,916,796	
General carpenter foreman	4	15,280	2	8,110	2	8,160	Grand total obligations	77,596,968		65,485,538		74,976,682	
General structural steel foreman					2	8,160	Reimbursement from corporate funds	-51,091,694		-43,883,260		-38,530,500	
Assistant general tunnel foreman					1	4,080	Transferred to:						
General core drill foreman			1.8	7,220			"Geological Survey" (topographic surveys), Department of Interior	76,000		65,000		65,000	
General grade foreman	6.6	28,200	3	12,165	11	45,040	"Geological Survey" (gaging streams), Department of Interior	62,500		60,000		60,000	
General garage foreman	0.9	3,659			1	4,000	"Salaries and expenses, Office of Treasurer of the United States"	13,160		8,312		6,668	
Assistant general foreman	1.2	4,115	1.8	7,451	1	4,300	"Printing and binding, Office of Treasurer of the United States"	290		150			
Master mechanic	1	3,800	1	4,293	1	4,300	Property received by transfer from War Department	-102,029					
Chief electrician	1	3,800	1	4,293	1	4,300	Reappropriation of prior year balance for 1945	-38,642,875					
Assistant master mechanic	1	3,500	1	3,963	3	3,970	Reappropriation of 1945 balance for 1946	+12,087,740		-12,087,740			
Assistant chief electrician	0.9	3,004	0.3	992	1	3,970	Total estimate or appropriation			9,648,000		36,572,000	
Assistant substation maintenance supervisor	2	7,000	2	7,686	2	7,775	BY FUNDS AND FUNCTIONS						
Assistant transmission line maintenance supervisor	2	7,000	1.2	4,956	1	3,970	Obligations and transfers from appropriated funds:						
General maintenance foreman	4	14,217	4.6	17,776	4	16,210	Gross expense of direct operations:						
Assistant chief system load dispatcher	2	7,600	2.5	10,708	3	12,900	Navigation	\$185,437	\$226,000	\$328,000			
Substation supervisor	1	3,800	1	4,293	1	4,300	Flood control	50,401	120,000	60,000			
Assistant substation supervisor	2	6,790	2.5	9,671	3	11,580	Fertilizer and munitions research	1,356,759	1,450,000	1,450,000			
General terminal foreman	1	3,567	1	4,183	1	4,190	Resource development activities	4,968,469	6,149,000	6,682,000			
Chief, public safety service	1	3,567	1	4,183	1	4,190	Additions to fixed assets	20,279,413	14,122,975	24,708,000			
Phosphate shift supervisor	4.1	13,878	5.8	22,973	6	24,260	Change in inventories	51,905	17,867	-166,000			
Assistant phosphate supervisor	1	3,800	1	4,293	1	4,300	Change in commitments	-293,220	-350,102	3,600,000			
Raw materials supervisor	1	3,238	1	3,963	1	3,970	Total from appropriated funds	26,657,164	21,735,740	36,572,000			
Carbide supervisor	0.1	284					Obligations and transfers from corporate funds:						
General electrical foreman	2	7,150	1	3,624	3	11,800	Gross expense allocated to:						
General steamfitter foreman	1	3,650	1	4,293	1	4,300	Navigation	731,991	1,066,000	1,124,000			
Chemical plant maintenance supervisor	2.5	8,300	3	11,988	3	12,350	Flood control	727,740	1,065,000	1,124,000			
Ammonia plant shift supervisor	4	15,232	4	16,522	4	16,760	Maintenance of idle chemical properties	11,651	11,000	11,000			
Nitrate plant supervisor	0.5	1,604					Additions to fixed assets	20,278,113	15,683,250	13,638,000			
Nitrate shift supervisor	4.2	14,607	4	15,631	4	15,990	Retirement of outstanding bonds payable	2,000,000	2,300,000	2,272,500			
Chemical plant supervisor, Columbia division			2	7,683	2	8,160	Interest on outstanding bonds	726,207	656,000	616,000			
Assistant chief, yard operations	0.5	1,750	1	3,963	1	3,970	Power operating expense less interdepartmental revenues	10,400,310	8,998,000	6,991,000			
Building custodian engineer	1	3,569	1	4,293	1	4,300							
Grade 5. Range \$3,000 to \$3,640	44.9	151,544	36.4	124,416	42	145,118							
Grade 4. Range \$2,430 to \$3,000	49.3	105,785	41	112,897	41	112,897							
Grade 3. Range \$2,020 to \$2,430	373.4	664,430	316.9	683,240	274.4	604,383							
Grade 2. Range \$1,700 to \$2,020	59	95,360	54.9	105,226	62	115,378							
Grade 1. Range \$1,440 to \$1,700	526.2	697,940	371.7	596,853	318.5	515,770							
Inspectional and investigational service:													
Grade 7. Range \$4,300 to \$5,180:													
Safety officer	1	4,250	1	4,953	1	4,960							

SCHEDULE E-1—Continued

CONSOLIDATED SCHEDULE OF OBLIGATIONS—Continued

By funds and functions	Obligations		
	1945, actual	1946, estimated	1947, estimated
Obligations and transfers from corporate funds—Continued			
Chemical plant operating expense less interdepartmental revenues.....	\$8,549,699	\$7,372,000	\$9,091,000
Reimbursable services and miscellaneous recoveries of expenditures less amounts charged to working funds.....	7,624,643	5,750,000	3,852,000
Change in inventories.....	-18,660	982,000	-83,000
Total from corporate funds.....	51,091,694	43,883,260	38,536,500
Total obligations and transfers.....	77,748,858	65,619,000	75,108,500
Less transfers to other Federal agencies.....	-151,950	-133,462	-131,818
Grand total obligations.....	77,596,908	65,485,538	74,976,682
Adjustments (see objects schedule for detail).....	-77,596,908	-55,837,538	-38,404,682
Total estimate or appropriation.....		9,648,000	36,572,000

RECONCILIATION OF GRAND TOTAL OBLIGATIONS WITH TOTAL FUNDS APPLIED

By objects	Obligations		
	1945, actual	1946, estimated	1947, estimated
Grand total obligations (see above).....	\$77,596,908	\$65,485,538	\$74,976,682
Transfers to other Federal agencies (see above).....	151,950	133,462	131,818
Increase (or decrease -) in appropriated fund working capital (see exhibit A).....	-27,426,450	-12,419,975	3,434,000
Increase (or decrease -) in corporate fund working capital (see exhibit A).....	12,249,356	-4,266,004	9,839,500
Payment to U. S. Treasury (exhibit A).....		12,597,734	
Power operating expense less interdepartmental revenues (see exhibit B).....	-10,460,310	-8,988,000	-6,991,000
Chemical plant operating expense less interdepartmental revenues (exhibit B).....	-8,549,699	-7,372,000	-9,091,000
Reimbursable services and miscellaneous recoveries of expenditures less amounts charged to working funds (see exhibit B).....	-7,624,643	-5,750,000	-3,852,000
Change in inventories (see schedule D-1):			
Appropriated funds.....	-51,905	-17,807	166,000
Corporate funds.....	18,660	-982,000	83,000
Change in appropriated fund commitments (see schedule D-2).....	923,220	350,102	-3,600,000
Total funds applied (see exhibit A).....	36,827,087	38,761,000	65,151,000

SCHEDULE E-2

WORKING FUNDS

Working Fund, Tennessee Valley Authority (Advance From War Department, Army Map Service)—

By objects	Obligations		
	1945, actual	1946, estimated	1947, estimated
<i>For mapping of strategic and foreign areas</i>			
PERSONAL SERVICES, FIELD			
01 Personal services, field (net) (see Tennessee Valley Authority schedule).....	\$988,795	\$570,000	
OTHER OBLIGATIONS			
02 Travel.....	3,184	2,000	
03 Transportation of things.....	22	100	
06 Printing and binding.....	1,766	2,000	
07 Other contractual services.....	459,869	380,900	
08 Supplies and materials.....	52,106	45,000	
Total other obligations.....	616,947	430,000	
Grand total obligations.....	1,505,742	1,000,000	
Prior year balance available in 1945.....	-19,992		
1945 balance available in 1946.....	+236,250	-236,250	
Advanced from War Department.....	-1,722,000	-1,063,750	
Total estimate or appropriation.....			

Working Fund, Tennessee Valley Authority (Advance From Bureau of Ordnance, Navy Department)—

By objects	Obligations		
	1945, actual	1946, estimated	1947, estimated
<i>For field test work at Hivocsee</i>			
PERSONAL SERVICES, FIELD			
01 Personal services, field (net) (see Tennessee Valley Authority schedule).....	\$2,192	\$1,200	\$500

By objects	Obligations		
	1945, actual	1946, estimated	1947, estimated
<i>For field test work at Hiwassee—Con.</i>			
OTHER OBLIGATIONS			
04 Communication services.....	\$59		
07 Other contractual services.....	11,311	\$6,800	\$4,600
Total other obligations.....	11,370	6,800	4,600
Grand total obligations.....	13,562	8,000	5,000
1945 advance obligated in 1944.....	+32,576		
1945 balance available in 1946.....	+4,938	-4,938	
Advanced from Navy Department.....	-51,076	-3,062	-5,000
Total estimate or appropriation.....			

Working Fund, Tennessee Valley Authority (Advance From Bureau of Ships, Navy Department)—

By objects	Obligations		
	1945, actual	1946, estimated	1947, estimated
<i>For field test work at Fontana</i>			
PERSONAL SERVICES, FIELD			
01 Personal services, field (net) (see Tennessee Valley Authority schedule).....		\$10,000	
OTHER OBLIGATIONS			
04 Communication services.....		100	
07 Other contractual services.....		10,800	
08 Supplies and materials.....		4,000	
09 Equipment.....		160	
Total other obligations.....		15,000	
Grand total obligations.....		25,000	
Advanced from Navy Department.....		-25,000	
Total estimate or appropriation.....			

SCHEDULE E-3

STATEMENT OF PROPOSED EXPENDITURES FOR PURCHASE, MAINTENANCE, REPAIR, AND OPERATION OF PASSENGER-CARRYING VEHICLES AND AIRCRAFT FOR THE FISCAL YEAR ENDING JUNE 30, 1947

Appropriation	Vehicles (motor unless otherwise indicated) or aircraft to be purchased		Old vehicles or aircraft to be exchanged		Net cost of vehicles or aircraft to be purchased	Old vehicles or aircraft still to be used	Total maintenance, repair, and operation, all vehicles or aircraft	Public purpose and users
	Number	Gross cost	Number	Allowance (estimated)				
Tennessee Valley Authority	150	\$150,000	1 205	\$51,250	\$98,750	490	\$445,824	For use of officials and employees of the Tennessee Valley Authority. The principal users are field engineers, geologists, and surveyors, land buyers and appraisers, inspectors, supervisors, and administrative officers. The 4 airplanes to be purchased are small craft for use in malaria control operations, including larvicidal and insecticidal application, reservoir reconnaissance, and transportation of pilots engaged in dusting to remote landing strips. Seven of the old craft still to be used are malaria planes, while the eighth is a 6-place passenger plane used in the transportation of executive personnel to points not easily accessible by other means and where time and per diem savings effect an over-all economy. The market situation is now such that replacement parts for the malaria fleet can be secured more economically through the purchase of complete craft from surplus stock and dismantling them than by purchasing parts individually from manufacturers.
Do.....	4	19,000			19,000	4 8	99,000	
Do.....	3	10,000			10,000			
Total.....	157	179,000	205	51,250	127,750	498	544,824	

1 To be sold by advertised bids.
 2 Aircraft.
 3 Used airplanes to be dismantled for parts.

FEDERAL LOAN AGENCY

INTRODUCTORY STATEMENT

In accordance with the authority contained in the Reorganization Act of 1939, the Federal Loan Agency was created to supervise and coordinate the activities of the following agencies:

- Reconstruction Finance Corporation.
- Electric Home and Farm Authority.
- The RFC Mortgage Company.
- Disaster Loan Corporation.
- Federal National Mortgage Association.
- Federal Home Loan Bank Board.
- Home Owners' Loan Corporation.
- Federal Savings and Loan Insurance Corporation.
- Federal Housing Administration.
- Export-Import Bank of Washington.

Subsequent to the creation of the Federal Loan Agency, the Reconstruction Finance Corporation organized subsidiary corporations for the purpose of administering certain defense activities. These subsidiary corporations which are listed below were, through the Reconstruction Finance Corporation, subject to the supervision of the Federal Loan Administrator.

- Defense Plant Corporation.
- Defense Supplies Corporation.
- Metals Reserve Company.
- Defense Homes Corporation.
- Rubber Reserve Company.
- War Damage Corporation.
- U. S. Commercial Company.
- Petroleum Reserves Corporation.
- Rubber Development Corporation.

Under the provisions of Executive Order 9070, dated February 24, 1942, the Federal Home Loan Bank Board, Home Owners' Loan Corporation, Federal Savings and Loan Insurance Corporation, Federal Housing Administration, and the Defense Homes Corporation were transferred to the National Housing Agency. Executive Order 9256, dated October 13, 1942, provided for the termination of the Electric Home and Farm Authority and the transfer of its assets for liquidation to the Reconstruction Finance Corporation. As a result of Public Law 109, approved June 30, 1945, the Defense Plant Corporation, Metals Reserve Company, Rubber Reserve Company, Defense Supplies Corporation, and the Disaster Loan Corporation were dissolved and their func-

tions transferred to the Reconstruction Finance Corporation.

During the period July 1943 to October 1945, the Rubber Development Corporation, U. S. Commercial Company, and Petroleum Reserves Corporation together with the Export-Import Bank of Washington were under the jurisdiction of the Foreign Economic Administration. The latter, in accordance with the provisions of Public Law 173, approved July 31, 1945, was given independent status and on October 20, 1945, the former were returned to the Reconstruction Finance Corporation.

With the transfer of certain corporations from the Federal Loan Agency and the consolidation of other corporations with the Reconstruction Finance Corporation, the Federal Loan Agency now consists of the Reconstruction Finance Corporation and six subsidiary corporations—The RFC Mortgage Company, Federal National Mortgage Association, War Damage Corporation, U. S. Commercial Company, Rubber Development Corporation, and the War Assets Corporation (formerly Petroleum Reserves Corporation). Under the provisions of Executive Order 9689, dated January 31, 1946, provision was made for the transfer of the surplus property functions of the War Assets Corporation to the War Assets Administration on March 25, 1946, after which steps will be taken to dissolve the War Assets Corporation which now has no remaining functions to perform.

This chapter presents the budgetary requirements of the Office of the Administrator of the Federal Loan Agency, the Reconstruction Finance Corporation, and five subsidiary corporations. A budget program has not been submitted for the War Assets Corporation since it will be dissolved and the budget to be submitted for the War Assets Administration will cover the surplus property functions formerly performed by this Corporation.

It should be pointed out that all personnel involved in the operations of the subsidiary corporations are employees of the Reconstruction Finance Corporation and for this reason a single administrative expense limitation is submitted for the Reconstruction Finance Corporation and its five subsidiary corporations.

OFFICE OF THE ADMINISTRATOR

ADMINISTRATIVE EXPENSES

The Administrator of the Federal Loan Agency supervises and coordinates the activities of the various corporations constituting the Federal Loan Agency. In the exercise of such supervision the services of personnel of the Reconstruction Finance Corporation are utilized on a reimbursable basis. The funds made available for administrative expenses are transferred from the administrative funds available to the corporations under the supervision of the Administrator and the amount chargeable to each is determined upon the basis of services rendered.

During the fiscal year 1945, the administrative expenses of this Office amounted to \$87,783 and the amount provided for the fiscal year 1946 is \$91,000. It is estimated that the amount required for these supervisory functions will amount to \$118,000 during the fiscal year 1947.

LANGUAGE

Administrative expenses: Of the funds available for administrative expenses to the agencies [placed] under the direction and supervision of the Federal Loan Administrator [by Public Law 4, Seventy-ninth Congress, approved February 24, 1945, \$91,000] (12 U. S. C. 1801), \$118,000 is hereby made available to the Administrator for administrative expenses of supervising such agencies, including personal services in the District of Columbia and elsewhere; printing and binding (\$2,500); lawbooks, books of reference, and periodicals; not to exceed \$10,000 for the temporary employment of persons or organizations for special services by contract or otherwise without regard to section 3709 of the Revised Statutes and the civil-service and classification laws: *Provided*, That none of the funds made available [by this Act] for administrative expenses

of said [agencies] Administrator shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Accounting Act, as amended. (Act of May 21, 1945, Public Law 61; Act of Dec. 6, 1945, Public Law 248.)

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES			
Statutory:	Man-	Mac-	Mac-
Administrator.....	years	years	years
Assistant administrator.....	Amount	Amount	Amount
Personal services, departmental.....	0.3 \$3,000	1 \$12,000	1 \$12,000
			1 9,000
	63,413	49,700	63,821
01 Personal services (net).....	66,413	61,700	84,821
OTHER OBLIGATIONS			
02 Travel.....	428	3,000	3,000
03 Transportation of things.....		500	
04 Communication services.....	1,289	3,000	3,000
05 Rent and utility services.....	12,967	16,000	16,179
06 Printing and binding.....	1,500	2,500	2,500
07 Other contractual services.....	4,713	3,250	7,500
08 Supplies and materials.....	473	1,050	1,000
Total other obligations.....	21,370	29,300	33,179
Grand total obligations.....	87,783	91,000	118,000
Received by transfer from:			
Reconstruction Finance Corporation.....	-25,000	-19,063	-41,347
The RFC Mortgage Company.....		-2,000	-1,947
Federal National Mortgage Association.....	-2,755	-2,113	-1,144
Disaster Loan Corporation.....	-1,425		
Office of Defense Plants.....	-37,620	-27,073	-45,312
Office of Defense Supplies.....	-26,220	-20,070	-9,464
Office of Rubber Reserve.....	-11,210	-8,580	-8,248
Office of Metals Reserve.....	-15,015	-9,358	-6,325
War Damage Corporation.....	-2,755	-2,113	-4,213
Unobligated balance of authorization.....	32,217		
Total estimate or appropriation.....			

RECONSTRUCTION FINANCE CORPORATION

CREATION AND PURPOSE

The Reconstruction Finance Corporation was created by the Act approved January 22, 1932 (47 Stat. 5; 15 U. S. C. 601 et seq.). The Corporation was formally organized and its operations were begun on February 2, 1932. The scope of the Corporation's functions has been extended or modified from time to time by amendatory and supplemental legislation, and its succession, originally established at 10 years, has been extended 5 years to January 22, 1947. The affairs of the Corporation are supervised by a bipartisan board of five directors appointed for a term of 2 years by the President with the advice of the Senate.

The legislation creating the Corporation authorized it to extend financial assistance to agriculture, commerce, and industry, through direct loans to banks, trust companies, building and loan associations, insurance companies, mortgage-loan companies, and various agricultural credit agencies. Loans were also authorized to closed banks to aid in their reorganization or liquidation, and, upon approval of the Interstate Commerce Commission, to railroads, or receivers of railroads to provide temporary financial assistance.

Through amendatory and supplemental legislation the Corporation has been authorized: (1) to purchase the capital stock of banks, insurance companies, agricultural credit corporations, national mortgage associations, and various governmental agencies; (2) to make loans to business enterprises, mining interests, agricultural improvement districts, public school authorities, and various other classes of borrowers; (3) to assist in financing the construction of public works and various self-liquidating projects; and (4) in connection with the defense and war programs, to provide financing for purposes of plant conversion and construction, working capital, mining operations, and other activities; to provide war production facilities; to provide supplies of, and to stockpile, strategic and critical materials including the payment of price subsidies, and to undertake a wide range of other activities incident to the war effort. Under the provisions of Executive Order 9665, dated December 27, 1945, the lending functions and certain related activities of the Smaller War Plants Corporation were transferred to the Reconstruction Finance Corporation as of January 27, 1946.

FINANCIAL ORGANIZATION

The Corporation originally had an authorized capital stock of \$500,000,000 all of which has been subscribed and paid for by the Secretary of the Treasury. In April 1941, this total was reduced by \$175,000,000. As provided in Public Law No. 2, Seventy-second Congress, approved January 22, 1932, the Corporation was authorized to borrow \$1,500,000,000. This authority has been increased from time to time, and as of June 30, 1945, the Corporation was authorized to borrow to the extent of \$15,750,000,000 for general purposes. In addition, the Corporation was authorized to borrow for specific purposes, the amount limited in some cases to stipulated amounts and in others to the amount necessary to carry

out the program or purpose authorized. The total authorized for specific purposes was \$4,749,892,000 including amounts used for purposes where the limitation was not stated in terms of dollars. Pursuant to the act approved February 24, 1938, and the National Housing Act, as amended, the Secretary of the Treasury was authorized and directed to cancel obligations of the Corporation incurred in supplying funds for allocations to other governmental agencies or for relief by direction of Congress. The amount of notes cancelled pursuant thereto has been \$2,784,867,008, which included \$1,659,665,562 for general purposes and \$1,125,201,446 for specific purposes. Specific borrowing authority has been further reduced by \$619,632,243, due to repayments on obligations to this Corporation and to cancellations of unused borrowing authority. As at June 30, 1945, the Corporation had \$9,019,947,124 in notes outstanding in the hands of the Secretary of the Treasury. Notes held by the Secretary of the Treasury bear interest at the rate of 1 percent per annum. Notes outstanding for specific purposes amounted to \$1,148,011,818 and for general purposes \$7,871,935,306. (See schedule C-1.)

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budgetary requirements of the Corporation for the fiscal year 1947, insofar as they pertain to its loan and investment powers, depend upon a number of factors, mostly economic in character, and are set forth below in the discussion of the loan programs by types. The Corporation was called upon during the war to perform many functions directly related to the production of war materials and to the stabilization of our domestic economy. Generally, these functions were sponsored by other Government agencies. Some of these programs will continue into or during fiscal year 1947; however, the extent to which they will continue will be governed by directives of the Office of War Mobilization and Reconversion or by legislation enacted by the Congress. For the foregoing reasons it is necessary to make certain assumptions as a basis of projecting the activity for the period. These assumptions or considerations are brought out below in connection with the respective programs. The budget program is, of course, predicated on the major assumption that the life of the Reconstruction Finance Corporation will be extended beyond January 22, 1947. The extent of programs conducted during the fiscal year 1945 and the estimates for the fiscal years 1946 and 1947 are shown in the statement of sources and application of funds included in financial statements following the narrative (exhibit A).

LOAN AND SECURITY PURCHASE PROGRAMS

Since there are many types of loan and security purchase programs engaged in by the Reconstruction Finance Corporation, and for many purposes, it is considered desirable to discuss the subject as a single program to the extent that the same general considerations are involved, followed by specific comments by types of loans and

security purchases in each instance in which this is necessary in order to clearly outline the policy, authority, and other considerations entering into the budget estimates of the Corporation.

LOANING POLICY

In making loans and purchasing securities it is the policy and practice of the Corporation to adhere to the principles laid down by the Congress in the following quotation from section 5d of the Reconstruction Finance Corporation Act:

The Corporation is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available; *Provided*, That all such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the Corporation may determine.

There are circumstances, of course, in which the above policy as to soundness of loans is of secondary consideration, such as in the case of catastrophe loans, but the policy is applied to the extent that it can be without defeating the purpose for which authority was granted the Corporation to make such loans.

The Corporation does not compete with banks or other lending institutions, but works with them, and encourages participation loans if the lending institutions are unwilling to undertake the entire risk.

LOANING AUTHORITY

The legislative authority, under which the major portion of loans are made and securities are purchased by the Reconstruction Finance Corporation, is as follows:

1. Loans to aid in financing agriculture, commerce, and industry to (a) financial institutions, and (b) railroads or receivers or trustees thereof to aid in financing, reorganization, consolidation, maintenance or construction, by purchase or guarantee of railroad obligations or by loans. (Loans and commitments outstanding limited to \$500,000,000 in addition to loans and commitments made prior to Jan. 31, 1935, and renewals thereof. Sec. 5 of Reconstruction Finance Corporation Act, as amended.)

2. Subscriptions for or loans upon nonassessable stock and purchase of capital notes or debentures of national mortgage associations, mortgage loan companies, trust companies, savings and loan associations, and similar institutions whose principal business is lending on mortgages, etc., to assist in the reestablishment of a normal mortgage market. (Limited to \$100,000,000 outstanding. Sec. 5c, Reconstruction Finance Corporation Act, as amended Jan. 31, 1935.)

3. Loans to and purchase of securities and obligations of business enterprises, directly or in cooperation with banks and other lending institutions on a participation basis. (Sec. 5d, Reconstruction Finance Corporation Act, as amended Apr. 13, 1938.)

4. Aid in financing projects authorized under Federal, State or municipal law. (Sec. 5d, Reconstruction Finance Corporation Act, as amended Apr. 13, 1938.)

5. Loans to facilitate the exportation of agricultural or other products and their sale in foreign markets; loans to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States.

(Sec. 201, Emergency Relief and Construction Act of 1932, approved July 21, 1932.)

6. Subscriptions for preferred stock of national or State banks or trust companies, loans secured by such stock as collateral, and purchases of capital notes or debentures of State banks or trust companies. (Sec. 304, act approved Mar. 9, 1933, as amended Mar. 24, 1933.)

7. Loans to corporations, individuals, and partnerships engaged in mining, milling, or smelting ores, and in development of ore bodies containing gold, silver, tin, or strategic or critical materials. (Sec. 14, act approved June 19, 1934, as amended Jan. 31, 1935, and Sept. 16, 1940. Limited to \$20,000 to any corporation, individual, or partnership, and to \$10,000,000 in the aggregate to all borrowers.)

8. Loans to or for the benefit of agricultural improvement districts—drainage, levee, irrigation, etc., to reduce and refinance outstanding indebtedness; purchase, acquire, construct, complete, repair, extend, improve, or make additions to, projects; or purchase or acquire additional drainage, levee, or irrigation works, property, rights, or appurtenances in connection therewith. (Limited to \$125,000,000. Sec. 36, Emergency Farm Mortgage Act of 1933, approved May 12, 1933, as amended June 22, 1936.)

9. Purchase of marketable securities from the Federal Emergency Administration of Public Works (now Public Works Administration, Federal Works Agency). (Amount held is limited to \$400,000,000. Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934, and Public Works Administration Extension Act of 1937, approved June 29, 1937.)

10. Loans to Administrator of the Rural Electrification Administration. (Specific sums as authorized by Congress from time to time.)

11. Loans to the Secretary of Agriculture for (a) farm tenancy loans in accordance with Bankhead-Jones Farm Tenant Act approved July 22, 1937, and (b) for rural rehabilitation loans. (Specific sums as authorized by Congress from time to time.)

12. Loans or advances to small business concerns to enable them to finance the construction, conversion, equipping, or expansion of plants, or the acquisition of materials to be used in the manufacture of war and essential civilian supplies; purchase surplus property and resell to small business, subject to regulations of Surplus Property Administration; guarantee loans to small business enterprises in connection with the acquisition, conversion, and operation of plants and facilities which have been determined to be surplus property, and in cooperation with the disposal agencies to arrange for sale of surplus property to small business concerns on credit or time basis. (The foregoing represent functions and powers of Smaller War Plants Corporation—sec. 4f, and sec. 6 of the act of Congress approved June 11, 1942, and sec. 18e and f of the Surplus Property Act of 1944—transferred to Reconstruction Finance Corporation by Executive Order 9665, dated Dec. 27, 1945, and which will expire on Dec. 31, 1946.)

13. To make disaster loans. (Act approved Feb. 11, 1937, and act approved July 1, 1945.)

BASIS OF ESTIMATES

In considering the budgetary requirements of the Corporation with respect to the making of loans and the purchase of securities it should be pointed out that the Corporation, representing the Government, is in the position of lending when private lending institutions, (1)

do not have the resources to meet the demand, (2) are prohibited by Federal or State laws from investing their funds in the particular type of security offered or in the amount desired, or (3) are unwilling, except under conditions that are prohibitive, to accept the risk that is involved. Also, private lenders change their views from time to time as to what constitutes a safe investment. In view of these factors, the volume of loans to be made during the fiscal year 1947 is based upon past experience tempered by judgment and with full recognition that economic conditions may result in a larger or smaller volume of lending than that forecast.

LOANS TO AID INDUSTRY

Loans to aid industry, particularly small business, will be the heaviest and most important of the loan programs of the Reconstruction Finance Corporation during the fiscal year 1947. The Corporation's responsibilities in the small business field have been increased as a result of the recent transfer to it of the loan functions of the Smaller War Plants Corporation. As a result of this transfer its field organization has been substantially increased with a larger number of offices through which loans can be handled. A survey is now in process to determine what further changes may be necessary in its field organization.

There are three general types of financing available to business organizations through the facilities of the Reconstruction Finance Corporation: (1) blanket participation loans, (2) other participation loans, and (3) direct loans.

Blanket participation loans.—In March 1945, the Corporation adopted a program which, in effect, provides for practically automatic guarantee of 75 percent of loans made by approved banks to business enterprises which meet the requirements of a blanket participation agreement entered into between the bank and the Corporation. As a charge for this protection, the Corporation collects a fixed percentage varying from three-fourths of 1 percent to one-half of 1 percent per annum, depending upon the amount of bank participation. Under this agreement banks may make loans up to \$350,000 without prior approval of the Corporation. Loans requiring guarantee of more than 75 percent or exceeding \$350,000 may be made but only with the prior approval of the Corporation. Originally, this agreement was restricted to various types of business loans but in February 1946 it was extended to include loans to contractors and other business enterprises interested in building residences.

The purpose of this arrangement for financing was to assure adequate credit through banks to take care of returning veterans anxious to establish their own businesses, to provide for the credit needs of small business establishments which frequently need loans of longer maturity than commercial banks ordinarily extend, and to facilitate and encourage residential construction. Through March 7, 1946, more than 2,600 banks have been approved under this plan and the volume of small business loans made thereunder is increasing rapidly. Through March 7, 1946, more than 2,000 loans, aggregating \$96,000,000 have been made by commercial banks. It is estimated under this plan that during the fiscal year 1947 approximately 7,500 loans, aggregating \$250,000,000 will be made by commercial banks, which will involve cash disbursements by the Reconstruction Finance Corporation in the amount of \$5,000,000.

Other participation loans.—Prior to the inauguration of the blanket participation plan the Reconstruction Finance

Corporation participated in individual loans made by commercial banks. This either represented an immediate participation in which the Corporation agreed to take a specified percentage of a loan to be made and serviced by a bank or to purchase such a percentage at any time during a stated period. The Corporation will continue to participate in such loans in those instances in which a bank has not entered into a blanket participation agreement or a loan is ineligible under that plan. The Corporation also follows the practice of allowing banks to participate in loans which it makes directly. It is estimated that during the fiscal year 1947 commercial banks will make approximately \$40,000,000 of loans under this plan which will necessitate disbursements by the Corporation, as a part of its participation, in the amount of \$4,000,000.

Direct loans.—The Reconstruction Finance Corporation will continue to make direct loans to business enterprises which cannot obtain credit from commercial banks when the latter do not have the resources, are prohibited by Federal or State law from making such loans, or are unwilling because of the risk involved to extend credit. It is expected that a heavy demand for such loans will occur in the fiscal year 1947 from small business establishments and from veterans wishing to enter business. The budget includes provision for approximately \$150,000,000 of loans of this type, involving disbursements during the fiscal year 1947 in the amount of \$130,000,000. Moreover, \$33,300,000 has been included in the budget to provide primarily for railroad and mining loans. These loans will be made by the Corporation under its own authority and not under that transferred to it from the Smaller War Plants Corporation.

In addition to the direct loans made by the Reconstruction Finance Corporation under its authority, provision has been made for \$80,000,000 of loans to be made during 1947, involving disbursements of approximately \$60,000,000 to be made under the authority transferred to it from the Smaller War Plants Corporation. These loans will be made in connection with section 18e under which the Smaller War Plants Corporation was authorized to purchase any surplus property for resale to small business, and to make or guarantee loans to small business enterprises in connection with the acquisition and operation of surplus plants and facilities. In addition, since solvency is not a prerequisite for loans under the Smaller War Plants Corporation Act, it may be necessary under unusual circumstances to make such loans and also to provide additional loans to present Smaller War Plants Corporation borrowers in order to protect the Government's interest in the existing loans.

Summary.—As a result of the various types of loans to aid industry discussed above, it is expected that the Corporation will be called upon to disburse \$237,244,000 in connection with either participation or direct loans during the fiscal year 1947, which compares with \$353,371,000 during fiscal year 1946. This decrease reflects to a very considerable extent the larger volume of participation loans to be made during 1947 which will reduce disbursements by the Corporation.

LOANS TO OTHER GOVERNMENT AGENCIES

Estimated loans in this category will be made on the basis of specific substantive legislation. Loans to the Rural Electrification Administration and to the Secretary of Agriculture for rural rehabilitation and farm tenant loans are included in the budget in the amount of \$352,500,000 for the fiscal year 1947.

OTHER LOANS

The budget also includes provision for \$64,325,000 of loans to be made for other purposes during 1947, including loans to States, Territories, and other public bodies and to homeowners.

VETERANS EMERGENCY HOUSING PROGRAM

There is now pending before the Congress proposed legislation which, if enacted, would require the Corporation to guarantee the market for prefabricated housing and new-type materials. In addition, this emergency housing program would authorize the payment of subsidies to stimulate the production of various construction materials which are in short supply. The effect of this program upon the cash disbursements of the Corporation, including administrative expenses, has not been reflected in the financial statements except that \$1,500,000,000 of the Corporation's borrowing authority has been reserved for these and other financial requirements of the emergency housing program. (See schedule C-1.)

INVESTMENTS

In order to provide for contingencies, the budget provides for the purchase of preferred stock and debentures of banks to the extent of \$2,000,000 during the fiscal year 1947. Occasion for such investments arise in connection with "problem banks," and may occur at any time but cannot be reliably predicted, especially in a period when economic conditions are favorable.

The estimates under investments in subsidiaries include a provision for paying to War Damage Corporation \$61,000,000 for capital stock previously subscribed by the Reconstruction Finance Corporation. This is in the nature of a contingency to provide War Damage Corporation with funds to pay war damage claims in the Philippine Islands, provided the War Damage Corporation is not relieved of that responsibility by legislation which has passed the Senate and is now pending in the House. The remaining \$744,480,000 represents advances to subsidiaries for current operating needs.

SUMMARY OF LOAN AND INVESTMENT PROGRAM

Collections on loans and the sale of securities and collateral held by the Reconstruction Finance Corporation are predicated on experience during the past year and on the assumption that favorable economic conditions will continue throughout the fiscal year 1947.

By the close of the fiscal year 1947, it is anticipated that loans outstanding will have increased to about \$1,750,733,000, as against \$1,534,707,000 at the beginning of the year. On the other hand, investments other than in subsidiary corporations will decrease from \$375,550,000 to \$339,900,000 during this period. The net investment in subsidiaries on June 30, 1947, is placed at \$212,418,000, which compares with \$146,003,000 1 year previous. (See exhibit C.)

SERVICING ASSETS AND LIABILITIES TRANSFERRED FROM SMALLER WAR PLANTS CORPORATION

Under Executive Order 9665, dated December 27, 1945, certain functions of Smaller War Plants Corporation were transferred to the Reconstruction Finance Corporation, effective January 27, 1946, as were its assets and liabilities with the exception of a specified sum of cash and certain obligations to be paid out of such cash that were trans-

ferred to the Department of Commerce. (For a complete statement of functions, assets, and liabilities transferred to Reconstruction Finance Corporation see chapter covering the Smaller War Plants Corporation.)

At the date of transfer of Smaller War Plants Corporation assets and liabilities to the Reconstruction Finance Corporation there were outstanding on the books of the Smaller War Plants Corporation undisbursed authorizations for loans in the amount of \$20,179,000. Of this sum it is estimated that \$12,460,000 will be disbursed by June 30, 1946, and in the fiscal year 1947 an additional amount of \$4,944,000 will be disbursed; the remainder of \$2,774,000 will be cancelled. Further details are shown below.

	Jan. 28 to June 30, 1946	Fiscal year 1947
Loans outstanding beginning of period.....	\$28,510,000	\$27,769,000
Loan disbursements against authorizations during period.....	12,461,000	4,944,000
Total.....	40,971,000	32,713,000
Less: Collection during period.....	13,202,000	14,130,000
Loans charged off.....		2,500,000
Loans outstanding end of period.....	27,769,000	16,083,000

In addition, the Reconstruction Finance Corporation acquired from the Smaller War Plants Corporation land, structure, and equipment in the amount of \$16,546,032. The estimated changes in this account by June 30, 1947, are summarized below:

	Jan. 28 to June 30, 1946	Fiscal year 1947
Balance outstanding at beginning of period.....	\$16,546,032	\$14,080,584
Less undistributed credits not applied to asset account.....	135,035	
Net balance beginning of period.....	16,410,997	14,080,584
Purchases of additional machinery and equipment.....	38,836	
Total.....	16,449,833	14,080,584
Estimated sales at book value during the period.....	2,369,249	2,800,000
Balance end of period.....	14,080,584	11,580,584

Other assets of the Smaller War Plants Corporation taken over by the Reconstruction Finance Corporation, except cash, are the usual receivables, interest accruals, etc. Liabilities of the Smaller War Plants Corporation taken over by the Reconstruction Finance Corporation consist almost entirely of trust and deposit liabilities. For a summary of estimated charges and credits to Excess of assets of Smaller War Plants Corporation over liabilities transferred to the Reconstruction Finance Corporation, on the books of the Reconstruction Finance Corporation, during the period from January 27 to June 30, 1946, and for the fiscal year 1947, see exhibit B-1 supporting the above item in the statement of financial condition of the Reconstruction Finance Corporation.

RFC PRICE ADJUSTMENT BOARD

The RFC Price Adjustment Board was created in July 1943 to carry out the intent of section 403 of the Sixth Supplemental National Defense Appropriation Act of 1942, as amended. This board, consisting of the same membership as the board of directors of the Reconstruction Finance Corporation, renegotiates such contracts as are assigned to it by the War Contracts Price Adjustment Board, which is charged with the responsibility for administering the Renegotiation Act of 1943. The War Contracts Price Adjustment Board assigns contracts to a given departmental board such as the RFC Price Ad-

justment Board on the basis of the preponderance of its interest in the war contracts of an industry.

Through December 31, 1945, there had been assigned for renegotiation to the RFC Price Adjustment Board 6,958 contractors. The dollar volume of gross recoveries by agreements or unilateral determinations amounted to \$291,199,000 with others in process amounting to \$38,124,000. There remained approximately 860 contractors to be renegotiated.

It is anticipated that there will be assigned in 1946 approximately 1,200 contractors whose fiscal years ended in 1945. The majority of these contractors have until April 1, 1946, to comply with the mandatory filing regulations of the Renegotiation Act. Most of these 1,200 assignments will necessitate renegotiation hearings, and it is anticipated that it will require all of the fiscal year 1947 to complete their renegotiation and settlement.

The recovery from renegotiation of the Reconstruction Finance Corporation's own contracts is returned to the Corporation, whereas the recoveries on contracts negotiated for other agencies and assigned to the Reconstruction Finance Corporation are deposited in miscellaneous receipts of the Treasury.

The expenses of this program are limited to the costs of administration which, for 1946, will amount to \$635,528 and the 1947 budget includes provision for \$575,000.

DEFENSE PLANTS PROGRAM

The Reconstruction Finance Corporation is now carrying on all functions which were previously performed by Defense Plant Corporation. That Corporation was organized August 22, 1940, under section 5d of the Reconstruction Finance Corporation Act, for the purpose of constructing industrial facilities necessary to the national defense. The Corporation was dissolved July 1, 1945, under the provisions of Public Law 109, Seventy-ninth Congress, approved June 30, 1945, and its functions were merged with the Reconstruction Finance Corporation.

Under the defense plant program the Reconstruction Finance Corporation constructed and equipped various industrial facilities for use in war production and in addition procured and leased equipment and machinery for use in privately owned plants. All facilities provided by the Corporation were at the direction of governmental agencies, and in approximately 70 percent of the cases the sponsoring agency agreed to immediately reimburse the Reconstruction Finance Corporation for a fixed percentage of the cost of facilities, and that at a subsequent date it would reimburse the Corporation for the remainder of the cost provided appropriations were made available for that purpose. These were known as "take-out agreements." On December 31, 1945, approximately \$2,000,000,000 was due from sponsors under these take-out agreements and negotiations are now in process to determine the ultimate disposition of such agreements.

On June 30, 1945, the Corporation's investment in land, plants, machineries, and facilities in the defense plant program aggregated \$6,763,489,000 which is expected to be reduced to approximately \$5,599,400,000 by June 30, 1946, and to \$4,036,900,000 by June 30, 1947. This latter amount is exclusive of \$673,786,000 which the Corporation has invested in the synthetic rubber program. It is estimated that with the exception of \$641,100,000 of plants which are not expected to be released by sponsoring agencies by June 30, 1947, and \$130,000,000 which will still be under lease agreements as of that date, the remain-

ing property will have been declared surplus. (See schedule C-4.)

During the fiscal year 1947, the major function of the Corporation with respect to its plants program will be the orderly liquidation of existing plants involving contract termination, close-down and plant protection and maintenance, disposition of plants and equipment, and continued operation of certain plants under lease agreement.

The projected figures contained in the budget are premised on the assumption that a monthly average of 100 plants or other facilities involving real estate will be declared surplus during the last half of the fiscal year 1946 and the first several months of the fiscal year 1947. Thus it is anticipated that by November 1946 all such facilities, with the exceptions hereinafter noted, will have been declared surplus. Under existing arrangement with War Assets Administration, responsibility for the protection and maintenance of such facilities passes from the Reconstruction Finance Corporation to the War Assets Administration on the first day of the second month following the classification and assignment for disposal of a facility declared surplus.

COMPLETION OF EXISTING PROJECTS AND CONTINUING CAPITAL EXPENDITURES

Since VJ-day, work has been continued on a limited number of projects because either (a) such work was determined to be necessary to protect life or property, (b) completion of the project was requested by the sponsoring agency or the Office of War Mobilization and Reconversion, or (c) the status of the project was such that completion was determined to be in the interest of the Government. Work will be continued during the last half of the fiscal year 1946 on approximately 63 projects. It is estimated that approximately \$15,000,000, over and above existing commitments, will be required prior to the end of the fiscal year 1946 for the completion of these projects. In addition, it is necessary to make continuing capital expenditures on certain completed projects in order to replace worn-out equipment or otherwise to maintain the value or earning power of the facilities. It is predicted that, during the last half of the fiscal year 1946, continuing capital expenditures of \$2,000,000 will be required, and that such expenditures during the fiscal year 1947 will amount to \$2,000,000. It will be observed that in the schedule supporting the statement of sources and application of funds covering the plant program, schedule A-3, appearing at the end of the textual material, reflects charges of \$24,000,000 to land, plant, machinery, and facilities. Of this sum, \$20,000,000 represents commitments prior to July 1, 1946, and \$2,000,000 covers contract termination, as indicated in the following paragraph.

ORDERLY DISPOSITION OF EXISTING PLANTS

Contract termination.—As of December 31, 1945, approximately 4,700 contracts, with an aggregate price value of approximately \$179,000,000, remain to be settled. The average amount of the claims which have been filed under the remaining contracts is substantially higher than the average of the claims filed under contracts settled prior to December 31, 1945. It is estimated that claims of approximately \$27,000,000 will be allowed in the settlement of the 4,700 remaining contracts. However, approximately \$10,000,000 of this amount has already been advanced. It is anticipated that more than 90 percent of the remaining contracts will be settled prior to the end of the fiscal year 1946. Consequently, it is expected that

approximately \$15,000,000 (\$25,000,000 less \$10,000,000 already advanced) will be required for such purpose during the last half of the fiscal year 1946 and that approximately \$2,000,000 will be required during the fiscal year 1947.

Close-down.—As of December 31, 1945, 143 plants formerly under lease had been put in a closed-down condition. It is presently estimated that 100 leased plants, representing an investment of \$526,000,000, will be closed down between January 1 and June 30, 1946. It is also estimated that 75 leased plants, representing an investment of \$394,500,000, will be closed down during the fiscal year 1947. The experience to date in connection with the close-down of plants, indicates that the cost of close-down is approximately 1 percent of the cost of a plant. Consequently, it is expected that \$5,260,000 will be required for close-down during the remainder of the fiscal year 1946 and \$3,945,000 during the fiscal year 1947. This expense is classified in the supplemental schedule as expenses on nonunderwritten projects. In addition to the foregoing, certain operated plants will be closed down during the fiscal year 1947 at an estimated cost of \$1,800,000, classified as shut-down and curtailment expenses on formerly operated plants and parts of plants.

PLANT PROTECTION AND MAINTENANCE

It is presently estimated that an average of 100 plants, representing an investment of \$526,000,000, will be maintained during the last half of the fiscal year 1946. It is also estimated that an average of 46 plants, representing an investment of \$241,960,000, will be maintained during the fiscal year 1947. Experience to date indicates that the average annual cost of protecting and maintaining a plant is approximately 1 percent of the cost of the plant. Consequently, it is anticipated that \$3,000,000 will be required for plant protection and maintenance during the remainder of the fiscal year 1946 and that \$2,420,000 will be required during the fiscal year 1947. This expense is also classified under expenses on nonunderwritten projects.

Plant clearance.—As of December 31, 1945, facilities costing \$295,000,000 (not including original freight and installation cost) had been removed from privately owned plants under plant clearance programs. It is presently anticipated that facilities costing \$300,000,000 will be removed during the last half of the fiscal year 1946 and that on July 1, 1946, facilities costing \$165,000,000 will remain to be removed during the fiscal year 1947. Experience to date indicates that the cost of removal from privately owned plants is approximately 5 percent of the original cost of the facilities. Therefore, the cost of removing facilities from privately owned plants will amount to approximately \$15,000,000 during the last half of the fiscal year 1946 and \$8,000,000 during the fiscal year 1947. However, \$10,000,000 of the \$15,000,000 required for 1946 has already been committed. When the plant clearance program is completed during the fiscal year 1947, facilities costing a total of \$760,000,000 will have been removed from privately owned plants. It should be noted that this figure does not include the cost of facilities located in privately owned plants which have been, or will be, sold to lessees in possession.

It is estimated that facilities costing \$600,000,000 (not including original freight and installation cost) will be

removed from RFC-owned plants during the last half of the fiscal year 1946. It is expected that during the fiscal year 1947 facilities costing \$400,000,000 will be removed. Experience to date indicates the cost of removing facilities from RFC-owned plants amounts to approximately 4 percent of the original cost of the facilities. Therefore, the cost of removing facilities from RFC-owned plants will amount to \$24,000,000 during the last half of the fiscal year 1946 and \$16,000,000 during the fiscal year 1947. Cost of plant clearance is classified as expenses on nonunderwritten projects. Expenses in connection with close-down of plants, protection and maintenance, and plant clearance are therefore expected to aggregate \$35,878,000 during the fiscal year 1947. (See schedule A-3.)

Continued operation of plants.—It is presently anticipated that the Reconstruction Finance Corporation under this program will retain approximately 50 plants throughout the fiscal year 1947. These facilities will be retained either (a) because the lease or operating agreements covering them remain in effect by their terms, or (b) because the sponsoring agencies—the War and Navy Departments—have requested that such facilities be retained in order that they may be acquired as a part of the permanent military and naval establishments. The loss from such operations during the fiscal year 1947 is estimated at \$2,400,000.

MISCELLANEOUS COSTS

This budget submission contains a contingency provision of \$7,600,000 for the fiscal year 1947 covering estimated expenditures for claims, suits, etc., \$2,500,000 of which are now pending.

EXPENSE FOR CONVERSION AND RECOVERY OF SILVER LOANED BY THE UNITED STATES TREASURY FOR INDUSTRIAL USE

During 1942 and 1943, the Reconstruction Finance Corporation borrowed silver valued at approximately \$337,000,000 from the United States Treasury to be used for industrial purposes in place of copper as a conductor of electricity. The Reconstruction Finance Corporation is now in the position of having to convert this silver back to its original form and return it to the United States Treasury. This will involve removal of the silver, under guard, from industrial plants, conversion into original form, and removal from point of conversion, under guard, to the Treasury. This will, of course, involve some melt loss. Total cost to perform this requirement is estimated at \$3,000,000, \$1,000,000 of which will be incurred during the fiscal year 1946 and \$2,000,000 during the fiscal year 1947.

RECEIPTS

It is estimated that receipts of \$400,700,000 will be received from this program during the fiscal year 1947. Of this amount \$362,000,000 will be received from the War Assets Administration representing \$351,300,000 of proceeds from sales of surplus property and \$10,700,000 of rentals of leased plants. The balance of the total receipts will consist of proceeds from sales of property by the Corporation to lessees in possession of \$35,500,000 and rentals from leases entered into by the Corporation of \$3,200,000. (See schedule A-3.)

STRATEGIC SUPPLIES PROGRAM

The Reconstruction Finance Corporation is now carrying on all functions which were previously assigned to the Defense Supplies Corporation. That Corporation was organized August 29, 1940, under section 5d (3) of the Reconstruction Finance Corporation Act, as amended, with power to buy, sell, produce, or otherwise deal in strategic and critical materials, to acquire and dispose of land, plants, machinery, equipment, and other facilities required in the defense program, and to take such other action as the President and the Federal Loan Administrator might deem necessary to expedite the national defense program. The Corporation was dissolved on July 1, 1945, under the provisions of Public Law 109, Seventy-ninth Congress, approved June 30, 1945, and its functions were merged into the Reconstruction Finance Corporation.

All of the programs of the Defense Supplies Corporation were initiated at the request and recommendation of other governmental agencies and as those sponsoring agencies have withdrawn their recommendations for continuation of the activities, the Reconstruction Finance Corporation has acted promptly to terminate all contracts and agreements in such programs and cease further activities other than work necessary to liquidation. There are, however, a number of programs for which recommendations have been received and authorizations have been granted by the Office of War Mobilization and Reconversion to continue present activities through, or in some cases beyond, June 30, 1946. Assuming that no continuation is authorized beyond that date as to programs now limited to June 30, 1946, it will require at least 6 months to liquidate the programs with existing personnel, and funds will be required for several months to meet commitments made prior to that date. As indicated above there are other programs which will continue into or throughout the fiscal year 1947. Certain long-term contracts were made during the war which, by their nature, require continuation until expiration or until subsequent reviews can be made to determine if termination is in the best interest of the Government. Provision has been made for the continuation of these throughout the fiscal year 1947 unless they expire, by their terms, during that period.

The following discussion covers those programs which are expected to be of major consequence during the fiscal year 1947, with further details as to their financial implications being set forth in schedules A-4 and B-1a.

SUBSIDIES

Pursuant to directives of the Office of Economic Stabilization, the Reconstruction Finance Corporation makes payment of subsidies on the slaughter of cattle, calves, and hogs, on flour, on coffee, and has previously made such payments on butter. Subsidy payments on butter have for the present been discontinued, and no provision has been made in the budget for the payment of subsidies on butter during the fiscal year 1947. The budget for 1947 includes \$1,000,000,000 for the payment of subsidies on flour and meat. In the event that an increase in the parity price for flour and in wages should occur, these amounts would be correspondingly affected.

Although petroleum compensatory adjustments, coal transportation and stripper-well subsidies are not expected to continue beyond June 30, 1946, substantial payments

and collections will be made on final claims presented after that date. In connection with petroleum compensatory adjustments, substantial receipts will be carried over as deferred credits into fiscal year 1947, pending final settlement of claims.

PROCUREMENT, STOCKPILING, AND SALE OF STRATEGIC AND CRITICAL MATERIALS

During the war, the Defense Supplies Corporation engaged in the purchase, storage, processing, and sale of a wide variety of raw materials and manufactured articles required for the successful prosecution of the war. All such activities were undertaken at the request and recommendation of various war agencies. After VJ-day the sponsoring agencies recommended termination of further activity in some of the programs and disposition of the inventories on hand. Hence, completion of these programs will involve settlement of claims and supervision of storage activities in the case of those commodities which will not have been disposed of by June 30, 1946, either by sale, salvage, or declaration as surplus.

Some commodities formerly handled by the Defense Supplies Corporation continue to remain "critical." Present indications from interested governmental agencies are that if the Second War Powers Act and Price Control Act are extended, those agencies will recommend that the Director of War Mobilization and Reconversion request continuation of public purchase of those commodities by the Reconstruction Finance Corporation. The more significant of these and the estimated expenditures for the fiscal year 1947 are: (a) goatskins, \$56,000,000; (b) quinine and cinchona products, \$900,000; (c) hard fibers, \$62,000,000; and (d) molasses, \$19,000,000.

In some instances long-term arrangements were entered into during the war. It is expected that some of these will remain in effect during all or most of the fiscal year 1947. These include an agreement with Amtorg Trading Corporation to cover the purchase of Russian materials, in the amount of \$5,000,000; the purchase of rotenone and pyrethrum with aggregate purchase costs of \$3,000,000, and the purchase of flax at an estimated cost of \$700,000. The Amtorg agreement and the flax purchase agreement both expire in September 1946, but the purchase of rotenone and pyrethrum is expected to continue throughout the fiscal year 1947.

Under present arrangements it is planned that certain stockpile materials will be liquidated by the Reconstruction Finance Corporation under direction of the Civilian Production Administration, the Director of War Mobilization and Reconversion, or other governmental agencies, rather than by declaring them surplus. These include alcohol, burlap, opium, jute, binder twine and rope, jewel bearings, and kapok. No further purchases are expected, but the budget contains provisions for the estimated cost of storage and handling, sales proceeds, and administrative costs. Some of these commodities will be transferred to the Treasury Department pursuant to the Surplus Property Act of 1944 and, accordingly, no return for these transfers is reflected in the budget. As a result, it is expected the inventory will be reduced to \$150,000 by June 30, 1947, as compared to \$109,899,000 1 year earlier. However, legislation now under consideration by the Congress would provide for cancellation of notes held by the Secretary of the Treasury in an amount equal to the materials transferred. (For details as to inventories see schedule B-1a.)

Total purchases of commodities for the fiscal year 1947 are estimated at \$152,502,000 as compared to \$844,521,000 for 1946. Sales for 1947 are estimated at \$182,539,000, as compared to \$939,116,000 for the fiscal year 1946.

Although all purchases of aviation gasoline were terminated immediately after VJ-day (except in those instances where contractual obligations prevented doing so), it is expected that a number of large settlements will not be effected until the fiscal year 1947. Accordingly, the budget contains a provision for approximately \$50,000,000 to cover payments which will be made under contracts cancelled before expiration. These payments will be for balances due to protect contractors from loss in cost of construction and other termination expense as provided by the agreements.

In connection with the purchase of several commodities during the war, rail freight was paid on the basis of land-grant rates where applicable, as determined by the Reconstruction Finance Corporation. Actions have been initiated by several carriers for the recovery of the differences between land-grant and commercial freight rates and it is expected that substantial administrative effort may be required to develop the basis for the defense of the action previously taken. However, no provision has been made in the budget for estimated additional operating costs to the Government since it is felt that the deductions were properly made.

DEVELOPMENT PROGRAMS

There was recently transferred to the Reconstruction Finance Corporation from the U. S. Commercial Company the agave, cinchona bark, and abaca plantations program in Central America. In view of the short supply of these commodities and the fact that the Reconstruction Finance Corporation has been directed to continue the Government's efforts to obtain these commodities, it is assumed that these development programs will be continued to the extent of incurring the necessary expense to obtain maximum production from the plantations. Continuance of the program has the added advantage of effecting substantial recovery of the Government's investment, a large portion of which may be lost if the programs are abandoned at this time. No new development work or extension of the present plantations will be carried on. The major project under development is that of abaca, which it is estimated will necessitate expenditures of \$5,725,000 during the fiscal year 1947 from which there will be received 50,000,000 pounds of abaca valued at 10 cents per pound, the net expenditure being \$725,000.

SPECIAL AUDIT EXPENSE

In a large number of contracts made by the Defense Supplies Corporation, provision was made for audit of the records of the contractors, and final settlement is to be made in the aluminum rivets, woodpulp subsidy, aviation gasoline, carbon black, alcohol, jewel bearings, and other programs. The budget contains estimates of final payments and collections which will be made in the fiscal year 1947, as the result of these audits, as well as estimates of the fees to be paid to outside audit firms. It will be necessary to establish a staff of examiners and clerical assistants to expedite settlement of these contracts.

STRATEGIC METALS AND MINERALS PROGRAM

Metals Reserve Company was created by the Reconstruction Finance Corporation on June 28, 1940, pursuant

to authority contained in section 5d (3) of the Reconstruction Finance Corporation Act as amended, to aid the Government of the United States in its national defense program. The Company was dissolved on July 1, 1945, under the provisions of Public Law 109, Seventy-ninth Congress, approved June 30, 1945, and its functions were merged into the Reconstruction Finance Corporation.

The purpose and objectives of this program are to produce, acquire, carry, sell, or otherwise deal in strategic and critical metals and minerals, as defined by the President, necessary in connection with the national defense program. Reserve stocks of such materials are being accumulated when available supplies permit. In the acquisition of such materials and in the disposition thereof to industry, the Reconstruction Finance Corporation works in cooperation with the priority and consumption programs of the Civilian Production Administration, the Office of Price Administration and under directives from the Office of War Mobilization and Reconversion. This program usually functions through (1) straight procurement contracts, (2) operating agreements for ore treatment and metal recovery, and (3) sales arrangements and other methods of disposition. The principal exception to the foregoing is the premium price plan, covering excess quota production of domestic copper, lead, and zinc, carried out pursuant to the recommendation of Civilian Production Administration (successor to War Production Board) and the Office of Price Administration, whereunder cash premiums are paid to producers of the materials in question on their production in excess of their quotas as established by these agencies. The following discussion covers those programs which are expected to be of major consequence during the fiscal year 1947, with further details as to their financial implications being set forth in schedules A-5 and B-1b.

PROCUREMENT AND DISPOSAL

The President's letter of August 9, 1945, to the Chairman of the War Production Board, requested expansion of production of materials in short supply for military and civilian demands and the maintenance of inventory controls to avoid an unbalanced distribution. Since then, the Reconstruction Finance Corporation has, pursuant to Civilian Production Administration and Office of War Mobilization and Reconversion directives, continued the procurement of certain materials in short supply which are principally tin and tin ores and concentrates, copper, lead, and antimony. Public Law 328, approved March 21, 1946, requires the Reconstruction Finance Corporation to continue the purchase of tin ores and concentrates without limitation to insure the continued operation of the Texas City tin smelter.

The procurement program is based on the assumption that directing agencies will request the Reconstruction Finance Corporation to continue purchases in line with present indications and that enabling subsidy legislation will be effected. The program is limited to the commodities specified, on the assumption that there will be no legislation or directives requiring the procurement of additional commodities or larger quantities of the projected commodities.

The sales of material will be made for the purpose of fulfilling civilian deficiencies as determined by Civilian Production Administration. This will involve the negotiation and administration of contracts covering all sales

transactions. The balance of the material will be declared surplus to the War Assets Corporation and will be available for transfer to the Treasury Department for permanent stockpiling, under the provisions of the present Surplus Property Act. The budget program does not include provision for reimbursing the Corporation for this transfer although legislation under consideration by the Congress would provide for cancellation of the Reconstruction Finance Corporation's notes held by the Secretary of the Treasury in the amount transferred. Transfers for permanent stockpiling involves preparation for shipping (resampling, reanalyzing, reweighing, repackaging, and remarking) and transportation to the stockpile, charges for all of which will be paid for by the Reconstruction Finance Corporation and recorded as a part of the cost of the materials declared surplus. Unloading and handling charges at the permanent stockpile are for the account of the Treasury Department and no provision is made in this budget for these latter charges. Some of the material to be shipped to permanent stockpile will require beneficiation in order to meet the present specifications established by the Army and Navy Munitions Board; it is anticipated that some of this beneficiation will not be accomplished before the fiscal year 1948, and the related material is reflected in the statement of financial condition at June 30, 1947, as being in inventory.

Purchases during the fiscal year 1947 will approximate \$314,983,000 which is approximately one-half the amount during the previous fiscal year. Sales likewise will decrease from about \$480,459,000 in fiscal year 1946 to \$290,579,000 in 1947. In addition, it is contemplated that materials having a value of \$347,000,000 will, as previously indicated, be transferred to the Treasury Department. This will leave an estimated inventory of \$145,000,000. Details with respect to the principal metals and minerals purchases and sales are shown in schedule B-1b.

TREATMENT AND PROCESSING

It is necessary to treat certain materials acquired before they will be available for either civilian use, or as previously mentioned, for permanent stockpile. It is anticipated that the principal materials requiring treatment will be nickel ore, zinc-lead concentrates, tin ore, zinc ore, and tungsten. This processing will be delayed until such time as facilities are not required for materials immediately needed for normal civilian consumption.

DIRECT SUBSIDY PROGRAM

Assuming that Public Law 88 will be extended by Congress to permit the continuance of direct subsidies on copper, lead, and zinc through the fiscal year 1947, \$88,000,000 will be required for their payment which is the same as that contemplated for the fiscal year 1946. In addition, however, the budget includes provision for payment of an additional \$18,000,000 of claims in 1947 applicable to the prior year. The total disbursements will amount to \$106,034,000. Although during the fiscal year 1946 and previous years, Public Law 88, and other authorizations, permitted direct subsidies in connection with antimony, ferro-chromium, steel scrap, scrap detinning, and zinc smelting operations, it is assumed that these programs will not be requested and authorized by directing agencies for fiscal year 1947 and no provision, therefore, is being made for continuance of, or expenditures, for such programs.

DUTY

Payment of duty on imports is based on the assumption that this will be required during the fiscal year 1947 and no importation will be effected free of duty pursuant to Executive Order 9177. Duty has, therefore, been computed on estimated purchases during the year on the basis of 4 cents per pound on copper, $\frac{3}{8}$ cent on zinc, and $\frac{1}{10}$ cents on lead and antimonial lead. This results in an increase in the purchase price of \$25,500,000.

RUBBER PROGRAM

The Reconstruction Finance Corporation now performs the functions previously handled by the Rubber Reserve Company. The Rubber Reserve Company was created by the Reconstruction Finance Corporation on June 28, 1940, pursuant to authority contained in section 5d (3) of the Reconstruction Finance Corporation Act, as amended. The Company was dissolved on July 1, 1945, under the provisions of Public Law 109, Seventy-ninth Congress, approved June 30, 1945.

The original function of the Rubber Reserve Company was to purchase and stockpile natural rubber. After outbreak of the war in the Far East and the consequent loss of major sources of natural rubber, the predominant functions of the Rubber Reserve Company were to operate the Government's synthetic rubber program and to distribute to consumers the available supplies of both synthetic and natural rubber. The function of procuring natural rubber from foreign sources was subsequently transferred to the Rubber Development Corporation. The various activities of the Rubber Reserve Company were initiated at the request of other responsible governmental agencies. All contractual and operating arrangements within the scope of recommendations by these agencies were the independent responsibility of Rubber Reserve Company.

The budget estimates for the fiscal year 1947 are based upon the assumption that (1) the Government will continue in its present role of owner and operator of the synthetic rubber plants, and (2) that due to the short supply of natural rubber, the Reconstruction Finance Corporation will continue to exercise the function of distributing to consumers in the United States all available synthetic and natural rubber.

The following discussion covers the respective rubber programs which it is expected will be handled by the Reconstruction Finance Corporation during the fiscal year 1947. (For details of the financial requirements for the rubber program see schedule A-6.)

SYNTHETIC RUBBER

Informed opinion indicates that production of natural rubber in the Far East, where primary sources for this commodity are located, will not reach prewar levels during 1947. Consequently, it is assumed that the rubber industry of the United States will be required to place primary dependence during the period upon the use of synthetic rubber. Because of the direct economic relationship and interchangeable uses of synthetic and natural rubber, it is also assumed that distribution of synthetic rubber will be effected through present Government channels at fixed prices, as will be required in the case of natural rubber.

Consideration of the synthetic program requires review of the development of that program which was initiated as early as August 1940. After review of the then known

processes for production of synthetic rubber, the President, in May 1941, authorized a program for construction of plants with an annual capacity of 40,000 tons. Immediately following Pearl Harbor, the program was amplified by the Rubber Reserve Company to 400,000 tons annually, and after the fall of Singapore, and loss of the Far East as a source of natural rubber, the program was increased successively, during the first half of 1942, to a total capacity of 833,000 tons. A total of 51 plants have been designed, constructed, and placed in operation to produce synthetic rubber, butadiene, styrene, and other materials essential to the manufacture of synthetic rubber. The total cost of these plants will approximate \$666,000,000, as of June 30, 1946.

In appraising budgetary requirements of the Reconstruction Finance Corporation for the fiscal year 1947, it is necessary to recognize that the following factors relating to its synthetic rubber program are undetermined at the present time: (1) total requirements for rubber during fiscal year 1947; (2) total quantity of natural rubber available; (3) consequent production requirements for synthetic rubber; (4) costs of raw materials and labor required in the synthetic program.

Based on present information, it is assumed that during the fiscal year 1947 production of 732,000 tons of synthetic rubber will be required to supplement the anticipated supply of natural rubber. It is estimated that the cost of such production will approximate \$320,269,000. Based upon these requirements for synthetic rubber during the fiscal year 1947, it is expected that 37 plants with a cost approximating \$506,000,000 will be in operation. Six plants costing \$142,000,000 will be maintained in stand-by condition during the year and 8 plants, costing approximately \$16,000,000, have been or will be declared surplus. During the fiscal year 1945, 859,000 tons of synthetic rubber were produced at a cost of \$495,234,000, and it is estimated that production for the fiscal year 1946 will total 714,000 tons at a cost of \$381,968,000.

During the fiscal year 1947 it is contemplated that 732,000 tons of rubber will be produced at an average cost of 16.9 cents per pound, exclusive of depreciation. For cost purposes, all plants in the projected program for 1947 are depreciated at 8 percent per annum, or \$43,196,000, which represents an added cost per pound on all rubber produced of 2.6 cents, resulting in a total average of 19.5 cents per pound.

The sales of synthetic rubber are based upon fixed prices established by the Office of Price Administration and it is estimated that sales prices for all types of synthetic rubber included in the estimated 732,000 tons which will also be sold during the period will average 18.87 cents per pound. Sale at this average price results in a net profit per pound before provision for depreciation of 1.97 cents per pound. Including provision for depreciation on the basis indicated above, at 2.6 cents per pound, will result in an estimated average loss of 0.63 cent per pound on all synthetic rubber produced and sold during the fiscal year 1947.

Expenses of maintaining plants in a stand-by status, which did not exist during the fiscal year 1945, are estimated at \$800,000 during the fiscal year 1946 and \$2,000,000 during the fiscal year 1947. The increase in expenditures for this purpose reflects the result of maintaining an increasing number of plants in stand-by condition available for use in event of such emergencies as increased synthetic rubber requirements, or break-down of operating plant. Liquidated damages on cancelled contracts, the cost of shutting down plants, and the cost of dismantling plants aggregated approximately \$931,000

in the fiscal year 1945, and are estimated for the fiscal years 1946 and 1947 at approximately \$2,021,000 and \$9,000,000, respectively. The increase in expenditures for this purpose is based upon the expected cancellation of contracts arising from transfer of plants from operation into a stand-by or surplus status.

During the fiscal years 1946 and 1947, respectively, it is estimated that approximately \$8,797,000 and \$20,000,000 will be required to substitute and add improved machinery to the plants to be maintained in operation during these periods. These expenditures represent an effort to secure more economical production of synthetic rubber and to take advantage of mechanically improved and more permanent equipment as it becomes available. Expenditure for this purpose anticipates, in part, the replacement of machinery now in operation having book value, before depreciation, of \$5,000,000 and \$12,500,000, respectively. In disposition of the latter equipment, it is anticipated that the Corporation will be required to assume losses of approximately 75 percent of book value. In the respective periods these losses are estimated at \$3,750,000 and \$9,375,000.

During the fiscal year 1947, it has also been estimated that the Corporation will receive income of approximately \$615,000 representing the difference between actual expenses incurred for freight and the standard rates under which all deliveries to ultimate consumers are made. In fiscal years 1945 and 1946, similar income amounted to \$1,066,000 and \$700,000.

Storage and handling expenses approximated \$707,000 in the fiscal year 1945 and are estimated at \$966,000 and \$600,000, respectively, for 1946 and 1947. Both the freight income and the storage and handling expenses for the fiscal year 1947 reflect the downward trend in production and distribution of synthetic rubber during the period.

CRUDE RUBBER

Estimates relating to the crude rubber activities of the Reconstruction Finance Corporation during the fiscal year 1947 are based upon the assumption that the Corporation will continue to purchase all crude rubber imported into the United States from foreign sources, as well as to allocate crude rubber to consumers. Due to the short world supply of natural rubber and the consequent necessity for its allocation among consuming nations, all procurement of this commodity must be on a government-to-government basis. As a consequence, it is therefore assumed that the present system of distribution through Government channels at fixed prices will continue through the fiscal year 1947.

It is expected that the Corporation's purchases of natural rubber during the fiscal year 1947 will approximate 495,000 tons and that the necessity for maintaining strategic stockpiles of crude rubber will require that of the total purchased, approximately 100,000 tons will be stockpiled and not made available for distribution to consumers. As a result, the Corporation's crude rubber inventory which is estimated to be 165,000 tons at June 30, 1946, will be increased during the fiscal year 1947 to approximately 265,000 tons. It is assumed that the balance of tonnage estimated to be imported during the fiscal year 1947, namely 395,000 tons, will be sold to consumers at a loss of approximately \$25,839,000 which is attributable to the difference between OPA ceiling prices on natural rubber fixed for United States distribution purposes and the purchase prices paid to Rubber Development Corporation, the importing agency. Such purchase prices are based upon prices established in various inter-

national agreements under which that Corporation operates. All such losses originate with rubber obtained from various Latin-American countries under agreements made during the war period, which agreements fixed prices for long-term periods extending usually to June 30, 1947, and were essential to maximum production during the critical war period.

It is anticipated that the loss estimated for the fiscal year 1947 will be approved by the Congress under provisions of pending subsidy legislation. It should be noted that the Corporation, effective on VJ-day, no longer receives, as an offset to such losses, the premium of 17½ cents per pound formerly permitted under OPA regulations on the sale of rubber destined for use under war contracts.

As a result of the stockpiling program outlined above and the substantially increased volume of imports, it is anticipated that storage and handling charges during the fiscal year 1947 will amount to \$4,522,000 and will approximately double the expenditure estimated for this purpose for the fiscal year 1946. As in the case of synthetic rubber it is estimated that the Corporation will receive income of \$900,000 during 1947 which represents the excess of freight collections over freight expenses relating to crude rubber.

SCRAP RUBBER PROGRAM

During the fiscal year 1947 it is not anticipated that there will be any substantial activity in connection with the scrap rubber program, since such activities have been confined to orderly liquidation subsequent to January 1, 1944. While no estimates of expenditure in this connection have been reflected for the fiscal year 1947, it is possible that the last remnants of the program may, in fact, carry over into the first few months of 1947. The present inventory of scrap rubber, which has a book value of approximately \$8,344,000, has been thoroughly culled and the existing residue largely represents material which has no processing value and which consequently is impossible to sell. A vigorous program towards scrapping the inventory in preference to accumulating excessive storage and handling costs is now in effect. For the period 1946, it has been estimated that an expenditure of approximately \$750,000 will be required for storage and handling of the present stockpile. It has been further estimated that, to dispose of this stockpile and to make arrangements for removal of the inventory from present storage yards, it will require expenditure by the Corporation of roughly \$750,000.

OPERATING RESULTS

As indicated on the statement of income and expense (exhibit B), programs carried on by the Corporation will result in net losses for each of the fiscal years 1945, 1946, and 1947 as follows:

	1945, actual	1946, estimated	1947, estimated
Net loss from war activities.....	\$982,703,000	\$2,394,961,000	\$2,528,819,000
Net income from loan activities.....	67,553,000	15,405,000	25,415,000
Total net loss.....	915,150,000	2,379,556,000	2,503,404,000

The substantial increases in war activities losses estimated for the years 1946 and 1947 result primarily from (a) increases in direct subsidy payments, (b) the accelerated disposition of plants, machinery, equipment, and other property as surplus, and (c) losses from sales of commodities. It is estimated that subsidy payments will amount to \$1,188,814,000 in the fiscal year 1946 and

\$1,117,077,000 in 1947, as compared to \$840,967,000 in 1945. Over 90 percent of the subsidies will be paid on flour, livestock, and domestic copper, lead, and zinc. (See schedule B-5.)

The vast majority of the property to be sold as surplus, primarily through the War Assets Administration, consists of plants, machinery, equipment, and a variety of sundry facilities acquired in connection with the defense plants program. It is anticipated that such property, having a book value of \$757,000,000, will be sold in 1946 at a loss of \$437,100,000 and that \$1,526,500,000 will be sold in 1947 at a loss of approximately \$1,129,000,000. This compares with 1945 losses of \$461,000 sustained on property carried at \$76,065,000. In addition to sustained losses, the Corporation expects to write off capitalized freight and installation charges included in its property accounts preparatory to declaring the related property surplus. It is estimated that these charges will amount to \$146,500,000 in 1946 and \$60,000,000 in 1947 (included in inventories charged off, including inventories lost by enemy action, see exhibit B).

Other major factors contributing to the substantial estimated losses from war activities in 1946 and 1947 are losses expected to be sustained from sales of commodities and the creation of certain reserves. Sales of commodities under the strategic supplies, metals, and rubber programs resulted in a recorded gross profit for the year 1945 of \$276,628,000, while the best estimates available indicate a loss from these operations in 1946 and 1947 of \$55,476,000 and \$176,987,000, respectively. (See exhibit B.)

As shown in exhibit B, reserves in amount of \$422,300,000 were established in 1946, and a reduction in the amount of \$125,500,000 of a reserve previously provided in connection with the rubber program was effected. Of the total reserve established, \$190,000,000 was set up against rentals from plants taken into deferred income and closely approximates the estimated depreciation on these plants. The balance of \$232,312,000 constitutes a reserve against the Corporation's investment in two subsidiaries, the U. S. Commercial Company and the Rubber Development Corporation. In addition, reserve for depreciation of rubber plants was increased by approximately \$50,000,000 by a charge against the cost of rubber sold.

The sharp decline in estimated net income from loan activities for 1946 and 1947 from the actual for 1945 is caused primarily by a drastic reduction in interest and dividends expected to be earned on loans and investments in the latter 2 years. Interest and dividend income amounted to \$92,693,000 in 1945 and is estimated to be \$56,263,000 in 1946 and \$62,843,000 in 1947 (exhibit B). The major factors resulting in this decline are (a) loans receivable outstanding and investments in securities in 1946 and 1947 are expected to be substantially less than in the year 1945 (exhibit C); (b) the interest rate on loans to the Rural Electrification Administration and to the Secretary of Agriculture, which loans will nearly double in 1947 as compared to 1945 (schedule C-2), was reduced an average of 1½ percent in 1946; and (c) interest on loans to railroads and other industries is accrued only as a memorandum for administrative purposes but is not taken into earnings until actually collected. Income for the year 1945 reflects heavy collections of the latter type of interest which applied to prior periods.

FINANCIAL CONDITION

The comparative statement of financial condition (exhibit C) shows that the Corporation's assets had

increased to \$11,332,458,000 by the end of the fiscal year 1945 from a slightly lesser figure at the end of 1944 and are estimated to contract to \$9,353,982,000 by June 30, 1946, and to \$7,957,767,000 by June 30, 1947. The principal cause of this contraction is the anticipated disposal of property acquired and held in connection with the war programs. 85 percent to 96 percent of the Corporation's assets as of the ends of the fiscal years 1944-47 consist of four items, namely, land, plants, machinery, and equipment; loans receivable, investments in securities other than those of subsidiaries; and commodities held for resale or stockpiling. Liabilities consist principally of notes payable to the United States Treasury and deferred and undistributed credits.

LAND, PLANTS, FACILITIES, MACHINERY, AND EQUIPMENT

The amount shown in this account, which constitutes substantially more than half of the Corporation's total assets, consists of a wide variety of land, plants, machinery, equipment, and sundry facilities acquired in connection with the war effort, mostly under the defense plants program. (See exhibit C.) The property account shows an estimated reduction from \$6,774,118,000 at June 30, 1945, to \$6,305,868,000 at the end of 1946 and \$4,748,400,000 by the end of 1947, largely as a result of sales of surplus. Of the amount remaining at the end of 1947, \$4,036,900,000 is owned under the defense plants program of which it is estimated that \$3,265,800,000 will have been declared surplus and the balance retained at the request of the sponsoring agency or operated under lease agreements (schedule C-4).

The increase in property held under the strategic supplies program from \$972,000 at the end of 1945 to \$15,211,000 at the end of 1947 reflects the acquisition of certain cinchona and abaca properties from a subsidiary, U. S. Commercial Company. Similarly, plants and equipment shown under the rubber program as of the close of June 30, 1946, and 1947 in the amounts of \$666,286,000 and \$673,786,000, respectively, reflect the transfer of rubber plants previously carried under the defense plants program. Plants and equipment held under the strategic metals and minerals program are mining equipment and installations, and the Smaller War Plants Corporation property appearing in 1946 for the first time in the amount of \$14,000,000 represents machinery and equipment under lease acquired by the Corporation when it assumed the assets and liabilities of the Smaller War Plants Corporation on January 27, 1946. This property will be declared surplus as the leases expire.

LOANS RECEIVABLE

Exhibit C indicates that the Corporation's outstanding loans receivable declined from \$1,911,021,000 as of the end of 1944 to \$1,504,648,000 by the end of 1945, and is expected to increase to \$1,534,707,000 by June 30, 1946, and to \$1,750,733,000 by June 30, 1947. In addition to loans outstanding, it is estimated that as of June 30, 1947, the Corporation will have undisbursed loan commitments of \$1,045,675,000 as compared to \$1,065,294,000 at the end of the fiscal year 1946 and \$824,917,000 at the end of 1945. As indicated on schedule C-2, the loans receivable outstanding were made to many types of borrowers, including industrial organizations, other Government agencies, States and Territories, financial institutions, agricultural organizations, and for national defense.

Almost every category of loan made by the Corporation requires special consideration in determining whether any

certain loan or loans within a given category should or can be classified as delinquent. The primary consideration in such cases is whether there is reasonable possibility that the creditor can ultimately pay the obligation, and, if so, whether the loan should be renewed, extended, or supplemental credit granted, if needed. In view of this, the Corporation does not make the orthodox classification of its loans as to current and delinquent loans.

For a complete discussion of the Corporation's current loan policies, see loan and investment program section.

INVESTMENTS IN SECURITIES

This account contains the Corporation's investments in the securities of issuers other than subsidiaries. Investments in securities show an estimated continued decline from \$694,308,000 at June 30, 1944, to \$339,900,000 by the end of the fiscal year 1947. As shown in schedule C-3, two types of securities constitute the major part of the year-end balances shown in this account, namely, preferred stocks, capital notes, and debentures of banks and trust companies and the capital stocks of other Government agencies. The holdings of preferred stocks and notes of banks are estimated to decline from \$316,398,000 as of June 30, 1944, to \$168,194,000 by June 30, 1947. Investments in the capital stocks of other Government agencies are also expected to be progressively reduced each year from \$298,741,000 at the close of 1944 to \$122,651,000 by the end of 1947. Investments in public debt obligations of the United States Treasury and in Tennessee Valley Authority securities are also expected to be reduced by nearly one-half over the same period.

COMMODITIES HELD FOR RESALE OR STOCK PILING

The commodities shown in this account were acquired under the rubber program, strategic supplies program, and the strategic metals and minerals program. Details as to the types of commodities owned are shown in schedules B-1a, B-1b, and B-1c and the Corporation's plans with respect to their ultimate disposition or retention are dealt with under the headings of the respective programs. In aggregate, the balances shown in the commodities accounts decreased in 1945 from \$1,006,121,000 at the beginning of the year to \$722,628,000 at the close of the year. It is estimated that they will be increased in 1946 to \$729,332,000 and will decline to \$321,363,000 by the end of 1947 (exhibit C), largely as a result of transfers of commodities carried at \$470,000,000 to the Treasury Department.

However, reductions, other than transfers to the Treasury Department will occur only in the inventories of strategic supplies, which will decline each year from \$327,337,000 at the end of 1944 to \$150,000 at June 30, 1947. The Corporation's inventories of rubber will be increased each year from \$79,513,000 at June 30, 1944, to \$176,292,000 at June 30, 1947. Reference to schedule B-1c will disclose that this results from a process of building up the inventory of crude natural rubber, reducing the synthetic rubber inventory in a lesser proportion, and writing off the scrap rubber inventory of \$8,344,000.

While the Corporation's inventories of strategic metals and minerals decreased from \$599,271,000 at June 30, 1944, to \$396,053,000 at the end of 1945, it is anticipated that these commodities will decrease to \$144,921,000 by the end of 1947. This results chiefly from transfers of commodities to the Treasury Department.

OTHER ASSETS

Advances to contractors and operating agents represents funds advanced by the Corporation to its contractors and agents for purposes in furtherance of the programs under which such advances were made, such as the construction of plants, the purchase of machinery, or to provide working capital. Such advances aggregated \$667,048,000 at June 30, 1945, but are expected to be reduced to \$51,279,000 by the end of the fiscal year 1947.

Investments in subsidiaries represent the book value of the Corporation's investments in The RFC Mortgage Company, Federal National Mortgage Association, U. S. Commercial Company, Rubber Development Corporation, and War Damage Corporation, less payables to these companies. The account shows an estimated reduction from \$304,213,000 at the end of the year 1944 to \$212,418,000 at the end of 1947, largely as a result of a decrease in notes receivable of \$185,500,000 less an increase in investments in capital stock of \$71,000,000 which will be purchased from the War Damage Corporation in 1946 and 1947. The reasons for the purchases of additional capital stock of the War Damage Corporation are explained in the budget of that Corporation.

Supplemental schedule C-5 reflects a break-down by programs of deferred and undistributed debits. The amounts shown therein represent expenditures which could not be allocated as of the date of the report, pending receipt of information from the field, or debits which could not be reflected as expenses as they represent specific project costs to be accumulated until the plants to which they apply are disposed of. This is done in order that the total loss of the Corporation on each plant can be determined for the purpose of settlement with the Army or Navy under take-out agreements in which they agreed to protect the Reconstruction Finance Corporation against loss. The balance in this account is expected to decrease from \$169,508,000 at June 30, 1945, to \$27,412,000 by June 30, 1947.

NOTES PAYABLE TO THE UNITED STATES TREASURY

The Corporation borrows funds from the United States Treasury to finance its various activities. Notes payable outstanding representing such advances by the Treasury amounted to \$8,592,487,000 as of June 30, 1944, which will increase to \$11,254,476,000 by June 30, 1947, as a result of financing the programs set forth in exhibit A.

NET EXCESS OF ASSETS OVER LIABILITIES TRANSFERRED FROM SMALLER WAR PLANTS CORPORATION

As of January 27, 1946, the Corporation acquired certain of the assets and liabilities of the Smaller War Plants Corporation. The balance in this account represents the excess of these assets over the liabilities increased by income received from the assets and reduced by the administrative expenses and other applicable charges. (See exhibit B-1 and section of this statement captioned Servicing the assets and liabilities of Smaller War Plants Corporation.) The Smaller War Plants Corporation expires on December 31, 1946, after which time the Reconstruction Finance Corporation will be in a position to effect settlement with the United States Treasury for the portion of the Smaller War Plants Corporation assets which have been converted into cash, less contingent liabilities.

DEFERRED AND UNDISTRIBUTED CREDITS

A breakdown of this account by programs is reflected in schedule C-6. The reason why these credits were not cleared as of the date of the financial report is the same as for Deferred and undistributed debits. It will be observed that the major portion of this account represents deferred credits in connection with the defense plants program and represent receipts which cannot be credited to an income account since they must be accumulated for the purpose of determining the net loss of the Corporation by projects for the purpose of settlement with the Army and Navy, the sponsors of the plants involved.

GENERAL RESERVES

The reserve for losses in investments in and due from subsidiaries shown at June 30, 1946, was established by the Corporation against its investment in the U. S. Commercial Company and Rubber Development Corporation. It is expected that this reserve will be increased in 1947 to \$241,498,000.

The reserve for amortization of owned plants shown in 1945 was set up in the amount of \$226,072,000 on the books of the Rubber Reserve Company before that Company was merged with the Reconstruction Finance Corporation. This reserve was reversed after the merger and a reserve for depreciation established.

The reserve for Disaster Loan Corporation assets acquired in the amount of \$538,000 represents the estimated loss to be sustained in the liquidation of the assets taken over by the Reconstruction Finance Corporation from the Disaster Loan Corporation. This reserve will be cleared when the assets to which it pertains have been liquidated.

The Corporation also maintains a general contingency reserve of \$125,000,000 and a reserve for self-insurance which will be reduced from \$2,466,000 at the end of 1945 to \$2,261,000 at the end of 1946.

CAPITAL STOCK AND OPERATING DEFICIT

The Corporation has outstanding \$325,000,000 of capital stock all of which is held by the United States Treasury.

As a result of its over-all operations the Corporation had an accumulated deficit as of June 30, 1944, of \$768,236,000 which had increased by the end of the following year to \$1,689,814,000. It is estimated that the deficit will further increase to \$4,069,371,000 by June 30, 1946, and to \$6,572,775,000 by June 30, 1947. The deficits shown at the end of these years are the result of losses arising out of the Corporation's war activities less accumulated earnings resulting from its loan activities. The accumulated earned surplus from loan activities shows a constant increase from \$392,939,000 at June 30, 1944, to \$501,312,000 estimated at June 30, 1947. The accumulated year-end deficits arising out of the war activities likewise show a constant increase from \$1,161,175,000 at the end of 1944 to \$7,074,087,000 estimated by the end of 1947. The principal items resulting in the war activities losses are the payment of subsidies and the disposal of defense plant facilities.

An appropriation of funds by the Congress will eventually be necessary to eliminate this deficit or the Secretary of the Treasury authorized to cancel an equivalent amount of the Corporation's outstanding notes. It is recom-

mended, however, that the matter of elimination of the deficit be held in abeyance pending more accurate determination of the amount.

BORROWING AUTHORITY

The Corporation has from time to time been authorized by Congress to borrow funds from the United States Treasury for the purpose of financing its various activities. This authority is of two types: General authority, which permits the Corporation to borrow for general corporate purposes up to a stated amount, and specific authority, which authorizes borrowing for specified purposes. The maximum amount which may be borrowed for a specific purpose is, in some cases, expressly stipulated in the authority, while in others, borrowing authority is granted in an unlimited amount to carry out the program or purpose authorized.

Schedule C-1 shows the estimated position of the Corporation as to borrowing authority at June 30, 1946, and 1947. After provision is made for financing the programs set forth on the statement of sources and application of funds (exhibit A), it is estimated that the Corporation's required borrowing authority will amount to \$14,800,000,000 at June 30, 1947, as follows:

Notes payable to the United States Treasury outstanding.....	\$11,254,000,000
Undisbursed firm loan commitments.....	1,046,000,000
Contingencies:	
Possible requirements in connection with veterans' emergency housing program.....	1,500,000,000
Possible additional financial requirements of the Corporation and its subsidiaries.....	1,000,000,000
Total.....	14,800,000,000

Undisbursed loan commitments represent estimated commitments in connection with its loan activities which will not have been disbursed by June 30, 1947. The \$1,500,000,000 contingency represents the amount the Corporation estimates it will be called upon to commit in connection with subsidy payments for production of building materials, to guarantee the market for building materials and of prefabricated houses, and the purchase of insured mortgages in the event that pending emergency housing legislation is passed. The contingency of \$1,000,000,000 provides for the possible necessity of having to carry out and finance certain indefinite commitments related to the activities of the Corporation and its subsidiaries.

By June 30, 1945, total general purpose borrowing authority of \$15,750,000,000 had been granted the Corporation, of which \$1,659,665,562 had been cancelled, leaving the borrowing authority for general purposes at \$14,090,334,438. It is expected that this amount will remain unchanged at June 30, 1947. It is estimated that by June 30, 1946, an aggregate of \$4,839,000,000 specific authority will have been granted the Corporation, including as authority the amount of notes issued pursuant to unlimited specific authority. It is expected that during the fiscal year 1947 this amount will be increased in the net amount of \$332,000,000 to \$5,161,000,000 principally to allow for additional loans to the Rural Electrification Administration and to the Secretary of Agriculture for rural rehabilitation and farm tenancy purposes. It is further estimated that \$1,880,000,000 of the specific authority will have been cancelled by June 30, 1947, as compared to \$1,782,000,000 at June 30, 1946, leaving \$3,281,000,000 outstanding. Total general and specific borrowing authority outstanding at June 30, 1947, will therefore amount to \$17,371,-

334,438, or \$2,571,334,438 in excess of the \$14,800,000,000 required.

An item which, because of its transitory nature, has not been considered in the foregoing discussion of borrowing authority, is the cancellation of notes by the United States Treasury representing the amount of funds advanced by the Corporation to the Regional Agricultural Credit Corporations for administrative expenses. Section 201b of the Emergency Relief and Construction Act of 1932 and section 33b of the Farm Credit Act of 1937 authorize the Reconstruction Finance Corporation to make funds available to the Regional Agricultural Credit Corporations for administrative expenses, and the Secretary of the Treasury is directed by an act, approved February 24, 1938, simultaneously to cancel notes of the Reconstruction Finance Corporation held by the United States Treasury to the extent of such advances. It is estimated that funds amounting to \$419,000 will be advanced to the Regional Agricultural Credit Corporations in 1947, as compared to \$542,000 in 1946 and \$500,000 in 1945, and that a corresponding amount of the Reconstruction Finance Corporation's notes will be cancelled.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Reconstruction Finance Corporation cover the five major programs which have been discussed in the preceding sections. Detailed information with respect to the administrative expenses applicable to the programs is shown in schedule B-2. For the fiscal year 1947 the administrative expenses are estimated at \$32,525,368 as compared with \$30,550,458 for the fiscal year 1946 and \$23,020,377 for the fiscal year 1945. The increase during 1947, as compared with 1946, reflects an expansion in the Corporation's lending operations including those transferred from the Smaller War Plants Corporation, the liquidation of many war activities, and the continuation of certain of these activities such as the synthetic rubber program which will continue to be essential during the year. In the liquidation of war activities the Corporation will be confronted with a large number of extensive and complex audits and a considerable amount of legal work, particularly with respect to contract termination. Some of the factors bearing on the administration of these programs are summarized below.

LOAN AND GENERAL ACTIVITIES

Administrative expenses during 1947 for this program will be approximately 35 percent above those for 1946. This is due to an expansion in the Corporation's field organization resulting in part from the transfer of the Smaller War Plants Corporation lending functions, and an increase in the Corporation's lending activities together with an expanded loan service to veterans and small business. In addition, provision of \$300,000 has been made to cover the audit to be performed by the General Accounting Office.

STRATEGIC SUPPLIES PROGRAM

During the fiscal year 1947, administrative expenses for this program will be approximately 18 percent greater than in 1946 and is due primarily to the subsidy programs. It is estimated that almost \$3,000,000 or 63 percent of the total expense applicable to this program is attributable to the administration of subsidies. Provision is made for an expansion in the field organization in order to permit checking subsidy payments made to millers and slaugh-

terers since investigations through February 1946 have disclosed errors in claims filed of over \$12,000,000 of which \$9,000,000 has been recovered. In addition, a small amount of the increase is attributable to the transfer to this program of certain functions formerly administered by the U. S. Commercial Company.

STRATEGIC METALS AND MINERALS PROGRAM

Administrative expenses applicable to this program during the fiscal year 1947 will be approximately 8 percent less than in 1946. This reflects the elimination of a number of public purchase programs. However, the expenses will continue at a high level due to a continuation of public purchase programs for certain critical materials, the administration of stockpiles now held, the termination of contracts and the preparation for the declaration of materials as surplus. In addition, certain minerals and metals will require further processing before declaration as surplus and transfer to the national stockpile of strategic and critical materials. A part of the latter work will continue into the fiscal year 1948. Provision is also made in 1947 to carry on certain activities formerly administered by the U. S. Commercial Company.

DEFENSE PLANTS PROGRAM

A decrease of 16 percent in the administrative expenses applicable to this program as compared with 1946 is reflected in the 1947 budget. The expenses of this program will reach a peak by July 1, 1946, and will continue at a high level during the first part of the fiscal year, thereafter decreasing sharply for the remainder of the period. The high level of expense reflects the completion of the Corporation's records preparatory to surplus declaration, the preparation of surplus property declarations, contract termination, plant clearance, and the maintenance of certain plants in stand-by status pending a final determination by the sponsoring agency. During the period of

construction and operation a substantial portion of the expenses incident to administering the plants were properly charged to construction or operation. With the cessation of operations a substantial amount of these become administrative expenses and must be assumed by the Reconstruction Finance Corporation until such time as the plant has been declared surplus.

RUBBER PROGRAM

Administrative expenses applicable to this program will continue during 1947 at approximately the same level as in 1946. This reflects the production and distribution of approximately the same tonnage of synthetic rubber in 1947 and in 1946 and the procurement and distribution of a substantially larger tonnage of crude rubber.

ADMINISTRATION AND LIQUIDATION OF PROPERTY TRANSFERRED FROM SMALLER WAR PLANTS CORPORATION

In addition to the expenses specifically assigned to the foregoing programs, the Reconstruction Finance Corporation has provided in the 1947 budget for \$635,000 to be spent in connection with the administration and liquidation of loans and plants which were transferred to the Reconstruction Finance Corporation on January 27, 1946. The \$635,000 will be deducted from the assets transferred from the Corporation and is not reflected in the statement of income and expenses of the Reconstruction Finance Corporation. This does not cover any expenses which will result from new loans made since these are provided for under the loan and general activities program of the Reconstruction Finance Corporation.

LANGUAGE

Authorizing language covering the Reconstruction Finance Corporation and its subsidiaries follows the narratives and financial statements of these corporations. (See p. 173.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To loan and investment program (see schedule A-2).....	\$1,313,904,623	\$1,658,105,595	\$1,460,649,036
To defense plant program (see schedule A-3).....	\$676,629,828	\$411,748,848	\$73,678,000
To strategic supplies program (see schedule A-4).....	719,340,482	1,074,631,413	961,029,661
To strategic metals and minerals program (see schedule A-5).....	219,661,518	397,939,879	122,891,684
To rubber program (see schedule A-6).....	48,518,441	42,935,426	79,615,989
	1,663,960,239	1,927,155,566	1,237,215,234
To surplus property program.....	40,116,093	62,413,903	-----
To expenditures for land, structures, and equipment to be used for general administrative purposes.....	757,005	899,605	-----
To operating expenses: ¹			
Interest expense.....	83,284,735	101,439,380	119,985,738
Administrative expenses (see schedule B-2).....	23,020,377	30,650,468	32,525,365
Guarantee charges and other miscellaneous expenses.....	274,629	198,691	20,000
	112,579,741	132,188,529	162,531,106
To retirement of outstanding notes held by U. S. Treasury.....	955,540,000	390,391,697	-----
To increase (or decrease*) working capital (see schedule A-1).....	70,266,048	177,375,043	117,736,869
Total funds applied	4,157,113,749	4,348,489,938	2,968,032,245
FUNDS PROVIDED			
By loan and investment program (see schedule A-2).....	1,780,771,597	1,993,543,618	1,181,360,083
By defense plant program (see schedule A-3).....	441,934,349	475,400,000	400,700,000
By strategic supplies program (see schedule A-4).....	366,762,327	18,405,532	8,383,788
By strategic metals and minerals program (see schedule A-5).....	26,123,875	424,188,487	*58,550,964
By rubber program (see schedule A-6).....	19,878,382	*2,153,015	6,440,519
	854,698,933	915,841,004	366,973,343
By surplus property program.....	40,591,708	118,127,060	-----
By proceeds from sale of land, structures, and equipment used for general administrative purposes.....	-----	2,369,249	2,054,589
By operating income (see exhibit B):			
Interest and dividends.....	91,057,203	66,227,687	62,842,730
Premiums—discounts, commitment fees, and participation charges earned, etc.....	6,094,308	\$41,837	1,320,000
	98,051,511	57,169,544	64,162,730
By borrowings from U. S. Treasury.....	1,383,000,000	1,261,439,463	1,363,481,500
Total funds provided	4,157,113,749	4,348,489,938	2,968,032,245

* Deduct¹

¹ Excludes expenses which do not require funds during current year (see exhibit B).

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest earned on loans.....	\$76,645,199	\$39,410,948	\$54,511,729
Interest and dividends earned on investments.....	16,047,353	10,851,740	8,331,001
Sales, strategic supplies program.....	\$2,757,607,227	\$939,115,754	\$182,539,254
Less cost of sales (see schedule B-1a).....	2,449,888,921	950,875,295	258,330,696
Gross profit, strategic supplies program.....	307,718,306	*11,759,541	*75,791,442
Sales, strategic metals and minerals program.....	578,861,730	\$480,458,545	290,578,687
Less cost of sales (see schedule B-1b).....	626,209,440	473,915,048	350,379,651
Gross profit, strategic metals and minerals.....	*47,347,710	6,543,497	*59,800,964
Sales, rubber program.....	582,693,462	477,722,941	494,379,640
Less cost of sales (see schedule B-1c).....	566,435,752	527,982,883	535,774,721
Gross profit, rubber program.....	16,257,710	*50,259,942	*41,395,081
Rental income, defense plant program.....	66,073	65,100,000	171,400,000
Miscellaneous operating income.....	22,744,135	22,590,531	76,862,802
Total operating income.....	392,131,066	88,477,233	134,118,045
Operating expenses:			
Interest expense.....	89,234,735	101,439,380	119,985,738
Administrative expenses (see schedule B-2).....	23,020,377	30,550,458	32,525,368
Other operating expenses (see schedule B-3):			
Defense plant program.....	51,977,022	143,148,849	47,878,000
Strategic supplies program.....	53,919,641	25,680,686	5,005,885
Strategic metals and minerals program.....	247,555	294,130	240,000
Rubber program.....	12,217,209	5,079,129	5,121,830
Miscellaneous operating expense.....	274,629	348,691	170,000
Total operating expense.....	230,941,168	306,541,323	210,626,821
Net operating income.....	161,189,898	218,064,090	76,808,776
Nonoperating income and expenses*:			
Contract termination expense:			
Defense plant program.....	*1,167,245	*2,600,000	*1,800,000
Strategic supplies program.....	*9,189	*23,190,000	*50,000,000
Strategic metals and minerals program.....	*566,482	*300,166	*750,000
Rubber program.....	*931,188	*2,020,957	*9,000,000
Totals.....	*2,674,074	*28,111,123	*61,550,000
Loans and other receivables charged off.....	5,774,541	*37,751,535	*24,098,989
Subsidies (see schedule B-5).....	*840,966,756	*1,188,814,141	*1,117,077,295
Loss on property sold as surplus less rentals from property declared surplus.....	*460,829	*437,100,000	*1,129,000,000
Loss on other property sold.....	*67,389	*8,300,000	*2,250,000
Inventories charged off, including inventories lost by enemy action.....	*2,488,928	*158,187,491	*72,478,136
Miscellaneous nonoperating income or expense*.....	1,888,434	*6,416,296	*10,957,990
Net nonoperating income (or loss)*.....	*850,534,083	*1,864,680,586	*2,417,409,380
Net loss before adjustment of valuation reserves.....	*689,344,185	*2,082,744,676	*2,494,218,156
Adjustments of reserves:			
Reserve for deferred income.....		*190,000,000	
Adjustment to reserve for amortization and depreciation, rubber program.....	*225,806,463	125,500,241	
Reserve for valuation of investments in subsidiaries (U. S. Commercial Company and Rubber Development Corporation).....		*232,311,613	*9,186,276
Net adjustment of valuation reserves.....	*225,806,463	*296,811,372	*9,186,276
Net loss for the year.....	*915,150,648	*2,379,556,048	*2,503,404,432
RECAPITULATION			
Net profit, Reconstruction Finance Corporation loan activities.....	67,552,660	15,405,270	25,414,961
Net loss, war activities:			
Reserve for deferred rental income on owned plants.....		190,000,000	
Losses of subsidiaries (U. S. Commercial Company and Rubber Development Corporation).....		232,311,613	9,186,276
Other war activity losses.....	982,703,308	1,072,649,705	2,519,633,107
Total loss, war activities.....	982,703,308	2,394,961,318	2,528,819,383
Net loss for the year.....	*915,150,648	*2,379,556,048	*2,503,404,432

*Deduct.

EXHIBIT B—Continued
ANALYSIS OF EARNED SURPLUS

	1945, actual	1946, estimated	1947, estimated
Balance at beginning of fiscal year.....	*\$768, 236, 141	*\$1, 689, 814, 487	*\$4, 069, 370, 519
Net income (or loss*) for the year.....	*915, 150, 648	*2, 379, 556, 048	*2, 503, 404, 432
	*1, 683, 386, 789	*4, 069, 370, 535	*6, 572, 774, 951
Add: Interest adjustment.....	\$6, 458, 325		
Deduct: Donated surplus.....	30, 627	\$10	
	6, 427, 698	16	
Balance at end of fiscal year.....	*1, 689, 814, 487	*4, 069, 370, 519	*6, 572, 774, 951

*Deduct.

EXHIBIT B-1

COMPARATIVE STATEMENT OF INCOME AND EXPENSES APPLICABLE TO THE SERVICING OF ASSETS AND LIABILITIES
OF SMALLER WAR PLANTS CORPORATION

[For the period from Jan. 27, 1946, to June 30, 1946, and for the fiscal year ending June 30, 1947]

	Jan. 27 to June 30, 1946, estimated	Fiscal year 1947, estimated
Operating income:		
Interest earned on loans.....	\$566, 078	\$967, 716
Rentals on leased machinery.....	600, 000	150, 000
	\$1, 266, 078	\$1, 117, 716
Operating expenses:		
Administrative expenses.....	1, 223, 421	635, 000
Plant clearance expense.....	400, 000	200, 000
Loss on sale of machinery and equipment.....	1, 000, 000	500, 000
Loss on loans.....		2, 500, 000
Loss on accounts and notes receivable.....		100, 000
Loss on interest.....		85, 324
	2, 623, 421	4, 020, 324
Net income (or loss*) for the year.....	*1, 357, 343	*2, 902, 608

RECONCILIATION OF NET WORTH ACCOUNT TITLED "NET EXCESS OF ASSETS OVER LIABILITIES TRANSFERRED FROM SMALLER WAR PLANTS
CORPORATION" APPEARING IN COMPARATIVE STATEMENT OF FINANCIAL CONDITION OF RECONSTRUCTION FINANCE CORPORATION
(EXHIBIT C)

Smaller War Plants Corporation net worth Jan. 27, 1946.....	\$175, 177, 970	
Less: Net transfers to Department of Commerce:		
Cash.....	\$4, 046, 521	
Liabilities.....	505, 167	
	3, 541, 354	
Judgment charged to surplus.....	6	
	3, 541, 360	
	171, 636, 610	
Plus reversal of reserves:		
Reserve for losses on loans.....	1, 171, 408	
Reserve for losses on machinery and equipment, lessees.....	2, 919, 923	
	4, 091, 331	
Balance at beginning of period.....	175, 727, 941	\$174, 370, 598
Net loss for period from above.....	1, 357, 343	2, 902, 608
Balance net worth end of period.....	174, 370, 598	171, 467, 990

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash.....	\$40,571,569	\$36,774,694	\$43,189,692	\$46,201,227
Investments in securities—Other than in subsidiaries (see schedule C-3).....	694,307,549	640,132,423	375,550,027	339,900,027
Loans receivable (see schedule C-2).....	1,911,021,201	1,504,648,050	1,534,706,860	1,750,733,426
Acquired security or collateral.....	34,445,221	29,993,560	21,033,645	19,659,045
Land, plants, facilities, machinery and equipment:				
Defense plants program (see schedule C-4).....	\$6,123,649,171	\$6,763,489,249	\$5,599,400,000	\$4,036,900,000
Strategic supplies program.....	2,266,127	972,348	15,211,190	16,017,064
Strategic metals and minerals program.....	4,216,624	6,883,864	8,330,672	7,431,447
Rubber program ¹	124,906	44,405	666,285,928	673,785,928
Smaller war plants.....			14,080,583	11,580,583
Other.....	1,972,714	2,728,601	2,559,283	2,684,609
Total.....	6,132,229,632	6,774,118,467	6,305,867,656	4,748,399,631
Less: Reserves for depreciation.....	1,333,403	3,616,494	153,615,006	197,073,479
Land, plants, facilities, machinery and equipment (net).....	6,130,896,229	6,770,501,973	6,152,252,650	4,551,326,152
Manufacturing materials and supplies.....	44,764,463	43,329,202	40,108,109	35,287,334
Metals and minerals declared surplus for permanent stock pile (see schedule B-1b).....			123,290,152	470,147,026
Commodities held for resale or stockpiling:				
Strategic supplies program (see schedule B-1a).....	327,336,843	211,847,800	109,899,299	150,000
Strategic metals and minerals program (see schedule B-1b).....	599,270,999	396,052,942	478,290,154	144,920,863
Rubber program (see schedule B-1c).....	79,513,153	114,726,977	141,142,250	176,292,283
Total.....	1,006,120,995	722,627,719	729,331,703	321,363,146
Advances to contractors and operating agents:				
Defense plants program.....	174,021,068	107,293,803	500,000	400,000
Strategic supplies program.....	98,973,463	171,927,816	160,831	485,000
Strategic metals and minerals.....	48,148,971	318,875,963	19,550,470	1,000,000
Rubber program.....	57,652,733	68,950,377	50,693,611	49,393,511
Total.....	378,796,235	667,047,959	70,804,312	51,278,511
Accounts and notes receivable.....	270,213,377	412,373,272	62,067,280	74,823,933
Accrued interest and other accrued assets.....	32,387,832	24,416,885	32,455,363	47,890,631
Investments in and due from subsidiaries:				
Investments in the capital stocks of subsidiaries.....	42,000,001	42,000,001	52,000,001	113,000,001
Notes receivable due from subsidiaries.....	486,826,100	439,917,457	320,968,693	301,285,709
Accounts receivable due from subsidiaries.....	679,794	1,095,442	395,395	322,250
Accrued interest receivable.....	4,209,989	9,031,233	9,370,419	12,046,426
Total.....	533,716,884	492,044,163	382,734,408	426,654,386
Less: Accounts and notes payable to subsidiaries.....	229,502,419	234,460,517	236,731,087	214,236,312
Net investment in subsidiaries.....	304,213,465	257,583,646	146,003,321	212,418,074
Deferred and undistributed debits (see schedule C-6).....	163,450,485	169,507,616	39,980,465	27,412,059
Other assets.....	106,354,462	53,521,393	12,302,548	9,326,260
Total assets.....	11,126,543,063	11,332,458,391	9,383,981,627	7,957,766,861

¹ The rubber plants included in the rubber program at the end of the fiscal years 1946 and 1947 were carried in the defense plants program prior to 1946.

EXHIBIT C—Continued

COMPARATIVE STATEMENT OF FINANCIAL CONDITION—Continued

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
LIABILITIES AND RESERVES				
Accounts payable.....	\$271,417,915	\$492,608,578	\$67,823,863	\$36,063,662
Accrued liabilities.....	41,351,186	45,688,904	56,372,238	64,752,438
Trust and deposit liabilities.....	567,346,143	365,002,807	197,342,579	113,829,503
Net excess of assets over liabilities transferred from Smaller War Plants Corporation (see exhibit B-1).....			174,370,698	171,467,990
Notes payable: To U. S. Treasury.....	8,592,487,124	9,019,947,124	9,800,994,890	11,254,476,390
Deferred and undistributed credits (see schedule C-6).....	1,948,878,671	2,394,069,022	2,356,774,226	2,171,091,791
Other liabilities.....	22,778,863	24,393,919	24,563,328	24,563,328
General reserves:				
For contingencies.....	\$125,000,000	\$125,000,000	\$125,000,000	\$125,000,000
For self insurance.....	502,753	2,465,698	2,261,205	2,261,205
For losses in investments in and due from subsidiaries.....			232,311,613	241,497,889
For Disaster Loan Corporation assets acquired.....			637,606	537,606
For amortization of owned plants.....		226,071,771		
For other reserves.....	19,549	2,024,155		
	125,622,302	355,561,624	360,110,424	369,296,700
Total liabilities and reserves.....	11,569,779,204	12,697,372,878	13,128,352,146	14,205,641,902
CAPITAL				
Capital stock held by U. S. Treasury.....	325,000,000	325,000,000	325,000,000	325,000,000
Earned surplus (or deficit*):				
Earned surplus arising out of loan activities.....	392,939,238	460,491,898	475,897,168	501,312,119
Deficit arising out of war activities.....	*1,161,175,379	*2,150,306,385	*4,645,267,687	*7,074,087,070
Net deficit.....	*768,236,141	*1,689,814,487	*4,069,370,519	*6,572,774,951
Total capital and surplus.....	*443,236,141	*1,364,814,487	*3,744,370,519	*6,247,774,951

*Deduct.

SCHEDULE A-1

CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash.....	*\$12,796,875	\$6,414,998	\$3,011,536
Accounts and notes receivable.....	142,159,895	*327,461,152	12,756,653
Accrued interest and other assets.....	*7,970,947	8,042,953	16,820,692
Advances to contractors and operating agents.....	84,251,997	*196,505,450	*18,026,301
Manufacturing materials and supplies.....	*1,435,261	*3,221,093	*4,600,000
Deferred and undistributed debits.....	33,853,779	*126,286,365	*12,668,405
Other assets.....	*68,846,371	*28,224,122	*2,650,000
Current liabilities (increase* or decrease):			
Accounts payable.....	*221,190,663	424,784,716	31,760,201
Accrued liabilities.....	*4,337,718	*10,683,333	*9,380,200
Trust and deposit liabilities.....	201,867,721	223,514,927	83,613,075
Deferred and undistributed credits.....	*73,671,453	337,651,857	17,482,436
Other liabilities.....	*1,618,056	*169,409	
Smaller War Plants Corporation, net.....		*130,483,483	*182,717
Increase in working capital.....	70,266,048	177,375,043	117,736,869

*Deduct.

SCHEDULE A-2

SCHEDULE SUPPORTING STATEMENT OF SOURCES AND APPLICATION OF FUNDS

LOAN AND INVESTMENT PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
Loans:			
To make loans:			
To aid industry.....	\$15,338,850	\$353,371,474	\$237,244,000
To other governmental agencies.....	121,770,000	205,933,000	352,500,000
To States, Territories, and public bodies.....	1,863,604	23,929,000	57,125,000
To aid homeowners.....		3,496,180	3,660,000
To aid financial institutions.....		3,273,822	
Other loans (including national defense).....	158,137,358	92,344,397	4,200,000
	297,109,812	682,347,843	654,069,000
To cost of acquiring or improving security or collateral acquired.....	6,730,741		
Total.....	303,840,553	682,347,843	654,069,000
Investments:			
To make investments:			
U. S. Government securities.....	4,011,400		
Preferred stock, capital notes, and debentures of banks.....	269,130	2,000,000	2,000,000
	4,280,530	2,000,000	2,000,000
To investments in and due from subsidiaries.....	1,005,783,540	973,757,752	804,450,036
Total.....	1,010,064,070	975,757,752	806,450,036
Total funds applied.....	1,313,904,623	1,658,105,595	1,460,549,036
FUNDS PROVIDED			
By loans:			
Repayments of loans:			
To aid industry.....	179,892,926	152,556,466	99,811,000
To other governmental agencies.....	186,082,727	128,189,346	162,100,000
To States, Territories, and public bodies.....	26,988,997	21,425,002	36,224,000
To foreign governments.....	35,224,769	34,974,284	37,000,000
To aid agriculture.....	121,530	24,406	24,000
To aid home owners.....	3,553,847	1,679,227	1,117,000
To aid financial institutions.....	9,914,328	28,917,615	1,364,200
Other loans (including national defense).....	216,941,057	265,821,886	65,725,000
	658,720,181	633,568,230	403,365,200
Proceeds from sales of collateral and security acquired.....	11,182,401	8,054,915	2,279,600
Total.....	669,902,582	641,623,145	405,644,800
By investments:			
Proceeds from sales of investments:			
U. S. Government securities.....	728,600	27,096,800	
Tennessee Valley Authority bonds.....	2,000,000	2,300,000	2,000,000
Preferred stock, capital notes, and debentures of banks.....	55,496,856	236,326,896	34,650,000
Federal home loan banks.....	231,100	858,700	1,000,000
	68,456,556	266,582,396	37,650,000
Investments in and due from subsidiaries.....	1,052,413,359	1,055,338,077	738,065,283
Total.....	1,110,869,015	1,351,920,473	775,715,283
Total funds provided.....	1,780,771,597	1,993,543,618	1,181,360,083

SCHEDULE A-3

SCHEDULE SUPPORTING STATEMENT OF SOURCES AND APPLICATION OF FUNDS

DEFENSE PLANTS PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To land, plants, machinery, and facilities program:			
Purchase, construction, and acquisition	\$648,262,551	\$306,900,000	\$24,000,000
To plant clearance, plant protection and maintenance, and operation under lease agreements:			
Expenses on nonunderwritten projects	3,503,692	76,243,849	35,878,000
Expense before depreciation of operation of plants and facilities	18,544,718	8,000,000	2,400,000
Costs of cancellation of utility contracts	709,330	-----	-----
Shut-down and curtailment expenses on formerly operated plants or parts of plants	457,915	2,600,000	1,800,000
Expenditures on canceled nonunderwritten projects	893,967	500,000	-----
Excess power, alumina, and miscellaneous costs	21,502	11,500,000	7,600,000
Expense for converting and recovery of silver loaned by U. S. Treasury for industrial use	335,894	1,000,000	2,000,000
To research and development program: Experimental cargo plane, development of special valves, testing of clay, etc.	3,800,459	5,000,000	-----
Total funds applied	676,529,928	411,748,849	73,678,000
FUNDS PROVIDED			
By land, plants, machinery, and facilities program:			
By proceeds from sale or lease of property	75,592,570	304,400,000	307,500,000
By recoveries under agreement with other Government agencies (not treated as sales or reduction of plant account)	258,032,974	22,200,000	-----
By operations under lease agreements:			
By operating income:			
Rentals received on sold plants and facilities	\$66,073	-----	-----
Interest, other rents, and miscellaneous income	17,335	\$300,000	-----
By rentals, etc., under agreements, treated as deferred income	83,408	300,000	-----
By research and development program: By sale of equipment and materials-gross receipts	106,267,216	148,500,000	3,200,000
By miscellaneous sources: By refunds from utility companies based on service furnished	556,123	-----	-----
By miscellaneous sources: By refunds from utility companies based on service furnished	1,402,058	-----	-----
Total funds provided	441,934,349	475,400,000	400,700,000

SCHEDULE A-4

SCHEDULE SUPPORTING STATEMENT OF SOURCES AND APPLICATION OF FUNDS

STRATEGIC SUPPLIES PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To purchase and sale of strategic and critical materials:			
Increase (or decrease*) in inventories of commodities:			
Purchase of commodities.....	\$1,801,415,223	\$844,520,320	\$152,502,404
Less: Book value of goods sold.....	1,934,547,175	822,687,010	258,330,696
Net increase (or decrease*) in inventories.....	*\$133,131,952	\$21,833,310	*\$105,828,292
Loans to suppliers for construction and expansion of plants:			
Alkylate plant.....	278,774	319,874	
Gasoline plants.....	8,236,002		
	8,514,776	319,874	
To operating expenses:			
Special audit expense.....	105,657	671,005	1,885,000
Contract termination expense.....	9,189	23,190,000	50,000,000
Miscellaneous.....	510,582	8,569,588	2,719,658
To purchase machinery, equipment, and supplies.....	578,935		
Total.....	*123,412,813	54,583,780	*51,223,634
To subsidy programs:			
Payments made:			
Butter.....	73,176,201	34,444,098	
Coal.....	12,111,456	12,352,381	3,000,000
Flour.....	125,194,993	208,000,000	250,000,000
Livestock.....	427,786,507	684,000,000	750,000,000
Petroleum compensatory adjustments.....	233,651,771	147,430,592	500,000
Less: Revenue received.....	155,326,939	103,236,470	13,968,132
Stripper well compensatory adjustments.....	78,324,832	44,194,122	*13,468,132
Other.....	41,962,319	68,327,729	20,000,000
Special audit expense.....	4,313,828	67,290,289	1,511,427
	760,611	1,162,952	400,000
Total.....	763,630,747	1,119,771,821	1,011,443,295
To maintenance and operation of petroleum pipe lines:			
Increase (or decrease*) in inventories of commodities:			
Purchase of commodities.....	547,133,906		
Less: Book value of goods sold.....	514,805,890	128,027,460	
Net increase (or decrease*) in inventories.....	32,328,016	*128,027,460	
Agents' operating expense.....	52,251,602	15,237,581	
Less: Agents' operating income.....	6,765,341	2,184,685	
Net operating expense.....	45,486,261	13,052,896	
Purchase of machinery, equipment, and supplies.....	444,848		
Total.....	78,259,125	*114,974,664	
To development programs:			
Purchase of investment and expenses incurred:			
Agave.....		1,398,399	
Less: Production transferred to inventory.....			*315,000
Cinchona bark.....		3,535,055	400,000
Abaca.....		10,273,610	5,725,000
Less: Production transferred to inventory.....			*5,000,000
		10,273,610	725,000
Total.....		15,207,064	810,000
To miscellaneous purposes:			
Loan programs: Army exchange service.....	535,000	60,000	
Electronic research supply agency:			
Purchase of commodities.....	426,092		
Less: Book value of goods sold.....	535,857	160,825	
Net increase (or decrease*) in inventories.....	*109,765	*160,825	
Agents' operating expense.....	124,637	45,109	
Less: Agents' operating income.....	5,165	672	
Net operating expense.....	119,472	44,437	
Expenditures for machinery, equipment and supplies at cost.....	5,368		

*Deduct.

SCHEDULE A-4—Continued

SCHEDULE SUPPORTING STATEMENT OF SOURCES AND APPLICATION OF FUNDS—Continued
STRATEGIC SUPPLIES PROGRAM—Continued

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED—Continued			
To miscellaneous purposes—Continued			
Other assets:			
Diamond die manufacturing patent rights.....	\$37,960		
Assets purchased under contract terminations.....	275,260		
	\$313,320		
Total.....	863,393	*\$56,388	
Total funds applied.....	719,340,452	1,074,531,413	\$961,029,661
FUNDS PROVIDED			
By purchase and sale of strategic and critical materials:			
Sales.....	2,089,543,871	\$767,519,874	\$182,539,254
Reimbursement of losses by other government agencies.....	8,143,859	16,881,185	74,027,167
Less: Cost of sales.....	2,097,687,730	784,401,009	256,566,421
	1,934,547,175	822,687,010	258,330,696
Gross profit (or loss*) on sales.....	163,140,555	*38,286,001	*1,764,275
Repayments of loans to suppliers for construction and expansion.....			125,199
Alkylate plant.....	360,148		8,200,000
Gasoline plants.....	35,720,346	10,234,456	
Miscellaneous income.....	36,080,494	10,234,456	8,325,199
Donation of commodities by public.....	229,639	1,554,685	635
By sale of machinery, equipment, and supplies (book value).....	124,341	518,008	4,126
Less: Loss on disposal.....	64,321	68,917	1,227
Net proceeds from sales.....	60,020	449,091	2,899
Total.....	199,541,335	*26,047,753	6,564,458
By maintenance and operation of petroleum pipe lines:			
Sales petroleum and byproducts.....	667,318,513	171,399,962	
Less: Cost of sales.....	514,805,890	128,027,460	
Gross profit (or loss*) on sales.....	152,512,623	43,372,502	
By sale of machinery, equipment, and supplies at book value.....		444,848	
Total.....	152,512,623	43,817,350	
By miscellaneous sources:			
Loan programs:			
By repayment of principal of loans to aid in liquidation of Axis control of South American airlines.....	115,324		
To rehabilitate New Foundland Railway.....	300,935	313,780	1,564,746
Whaling expedition.....	1,167	671	
Army exchange service.....	13,968,207		
Pentagon post restaurant.....	113,750		
Total repayment.....	14,499,383	314,351	1,564,746
Electronic research supply agency sales.....	744,843	195,918	
Less: Cost of sales.....	535,857	160,825	
Gross profit (or loss*) on sales.....	208,986	35,093	
By sale of machinery, equipment, and supplies at book value.....		5,266	
By sale and return on leased and other assets:			
Diamond die manufacturing plant under lease contract.....		11,381	139,304
Assets sold under contract terminations at book value.....		269,744	71,983
Rio Grande Southern R. R. under lease contract.....			43,297
		281,125	254,684
Total.....	14,708,369	635,935	1,819,330
Total funds provided.....	366,762,327	18,405,532	8,383,788

*Deduct.

SCHEDULE A-5
SCHEDULE SUPPORTING STATEMENT OF SOURCES AND APPLICATION OF FUNDS
STRATEGIC METALS AND MINERALS PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

FUNDS APPLIED	1945, actual	1946, estimated	1947, estimated
To increase or decrease* in inventories:			
Purchases.....	\$351,095,308	\$620,969,624	\$314,983,192
Storage, handling, etc., costs.....	24,474,277	25,705,276	30,945,733
Total.....	375,569,585	646,674,900	345,928,925
Less: Cost of sales.....	626,209,440	473,915,048	350,379,651
Net increase (or decrease*) in inventory.....	*\$250,639,855	\$172,759,852	*\$4,450,726
To advance to contractors and dealers.....	332,638,286	117,628,475	-----
To operating expenses:			
General warehousing, insurance, etc., expenses.....	223,637	294,130	240,000
Liquidated damages on canceled contract.....	666,482	300,166	750,000
	790,119	694,296	990,000
To acquire mining properties, buildings, machinery and equipment:.....	10,153,759	3,446,808	1,880,000
Production and processing program:			
To agents production and refining costs.....	48,593,372	33,290,876	18,438,310
To direct subsidy programs:			
To domestic copper, lead, and zinc premium subsidy.....	77,205,277	69,669,548	106,000,000
Zinc smelter subsidy.....	714,161	394,824	34,000
Scrap refining subsidy.....	34,818	6,500	-----
Ferro chromium subsidy.....	133,182	35,000	-----
Antimony subsidy.....	14,481	85,000	-----
Steel scrap subsidy.....	-----	29,700	-----
	78,101,919	70,219,572	106,034,000
To research and development expenses.....	23,918	-----	-----
Total funds applied.....	219,561,518	397,939,879	122,891,684
FUNDS PROVIDED			
By operating income or loss*:			
Sales of strategic metals and minerals.....	678,861,730	480,458,545	290,578,687
Less: Cost of sales.....	626,209,440	473,915,048	350,379,651
Gross profit or loss* on sales.....	*47,347,710	6,543,497	*59,800,964
Add (or subtract*) depreciation on machinery and equipment.....	*2,087,286	665,336	*500,000
	*45,260,424	7,208,833	*59,300,964
By repayment of advances to contractors and dealers.....	89,269,435	416,437,716	-----
By nonoperating income:			
Miscellaneous income.....	1,017,488	41,938	-----
Items previously charged to profit and loss collected in connection with foreign assignments to U. S. Commercial Company.....	3,666,905	-----	-----
	4,684,393	41,938	-----
By sales of machinery, equipment, and supplies:			
Book value of items sold.....	7,486,618	2,000,000	3,000,000
Less loss on sales.....	56,047	1,500,000	2,250,000
	7,430,471	500,000	750,000
Total funds provided.....	26,123,876	424,188,487	*58,550,964

*Deduct.

SCHEDULE A-6
SCHEDULE SUPPORTING STATEMENT OF SOURCES AND APPLICATION OF FUNDS
RUBBER PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To synthetic rubber program:			
To increase (or decrease*) inventory:			
Purchases.....	\$495,233,632	\$381,968,239	\$320,268,880
Sales at cost.....	445,169,838	401,686,916	324,934,721
	\$50,063,794	*\$19,718,677	*\$4,665,841
To acquire and improve plant and equipment.....		8,797,358	20,000,000
To operating expenses:			
Storage and handling.....	706,974	966,184	600,000
Liquidated damages.....	931,158	2,020,957	9,000,000
Stand-by expenses.....		800,000	2,000,000
	1,638,132	3,787,141	11,600,000
Total synthetic rubber program.....	51,701,926	*\$7,134,178	26,934,159
To crude rubber program:			
To increase (or decrease*) inventory:			
Purchases.....	106,293,130	172,430,495	259,000,000
Sales at cost.....	117,625,458	125,586,165	210,840,000
	*\$11,332,328	46,844,330	48,160,000
To operating expenses:			
Storage and handling.....	2,866,257	2,431,946	4,621,830
Miscellaneous expenses (adjustment*).....	2,491	*95	
	2,868,748	2,431,851	4,621,830
Total crude rubber program.....	*\$8,463,580	49,276,181	52,681,830
To scrap rubber program:			
To increase (or decrease*) inventory:			
Purchases.....	122,814	*578	
Sales at cost.....	3,640,456	709,862	
	*\$3,517,642	*\$710,380	
To acquire scrap yard machinery.....	136,702		
To operating expenses:			
Storage and handling.....	8,659,835	749,846	
Liquidating expense.....		750,000	
	8,659,835	1,499,846	
Total scrap rubber program.....	6,278,895	789,466	
To miscellaneous operating expenses.....	1,200	3,957	
Total funds applied.....	48,518,441	42,935,426	79,615,989
FUNDS PROVIDED			
By synthetic program:			
By sale of rubber:			
Income from sales.....	358,666,419	354,853,388	309,378,800
War-order premiums.....	110,941,439	32,686,262	
	469,607,858	387,539,650	309,378,800
Less: Cost of sales.....	445,169,838	401,686,916	324,934,721
	24,438,020	*14,147,286	*15,555,921
Add: Valuation adjustments.....	4,228,521	45,714,960	43,195,600
	26,666,271	31,567,694	27,639,679
By sale of surplus property retirements.....		5,000,000	12,900,000
Less: Loss on sale.....		3,750,000	9,375,000
		1,250,000	3,125,000
By operating income:			
Sales, freight, collections, and miscellaneous income.....	8,917,043	6,686,076	6,515,000
Less: Sales freight expense.....	7,850,998	6,884,116	5,900,000
	1,066,045	701,961	615,000
Total synthetic rubber program.....	27,732,316	33,519,655	31,379,679

*Deduct.

SCHEDULE A-6—Continued

SCHEDULE SUPPORTING STATEMENT OF SOURCES AND APPLICATION OF FUNDS—Continued

RUBBER PROGRAM—Continued

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS PROVIDED—Continued			
By crude rubber program:			
By sale of rubber:			
Income from sales.....	\$77,982,962	\$33,130,262	\$185,000,840
War order premiums.....	33,042,929	6,741,409	-----
	111,025,891	89,871,671	185,000,840
Less: Cost of sales.....	117,625,458	125,586,165	210,840,000
	*\$6,599,567	*\$35,714,494	*\$25,839,160
By operating income:			
Sales, freight collections, and miscellaneous income.....	1,702,354	2,400,005	4,500,000
Less: Sales and freight expense.....	1,375,979	2,000,000	3,600,000
	326,375	400,005	900,000
Total crude rubber program.....	*6,273,192	*35,314,489	*24,939,160
By scrap rubber program:			
By sale of rubber:			
Income from sales.....	2,059,714	311,621	-----
Less: Cost of sales.....	3,640,456	709,802	-----
	*1,580,742	*398,181	-----
By sale of property:			
Less: Loss on sales.....	-----	217,291	-----
	-----	177,291	-----
	-----	40,000	-----
Total scrap rubber program.....	*1,580,742	*358,181	-----
Total funds provided.....	19,873,382	*2,153,015	6,440,519

*Deduct.

SCHEDULE B-1a
COMMODITIES HELD FOR RESALE OR STOCK PILING

STRATEGIC SUPPLIES PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

Commodity	Inventory beginning of year	Purchases	Adjustments, increase, decrease*	Total	Less inventory at end of year	Cost of commodities sold	Proceeds from sales of commodities	Gross profit or loss*
Fiscal year 1945								
Agave.....	\$1,821,000	\$27,865,000		\$29,685,000	\$1,186,000	\$28,499,000	\$28,253,000	*\$246,000
Alcohol.....	71,296,000	378,556,000	\$7,000	449,859,000	77,007,000	372,852,000	411,794,000	38,942,000
Aviation gasoline, 91 octane.....	1,433,000	7,205,000	*128,000	8,510,000	869,000	7,641,000	5,471,000	*2,170,000
Aviation gasoline, 100 octane.....		1,152,501,000		1,153,501,000	453,000	1,153,048,000	1,220,914,000	67,866,000
Binder twine and rope.....	1,234,000	13,642,000		14,876,000	2,783,000	12,093,000	12,055,000	*800
Burlap.....	26,291,000	69,872,000	*788,000	95,375,000	23,113,000	72,262,000	75,190,000	2,928,000
Cork.....	3,914,000	312,000		4,226,000	1,239,000	2,987,000	1,533,000	*1,454,000
Istle fiber.....	1,523,000	2,010,000		3,534,000	1,251,000	2,283,000	2,271,000	*12,000
Jewel bearings.....	2,937,000	3,365,000		6,302,000	5,614,000	748,000	912,000	164,000
Jute fiber.....	20,548,000	5,846,000	*4,000	26,390,000	9,614,000	16,776,000	15,324,000	*1,452,000
Molasses.....	40,954,000	44,708,000	*169,000	85,492,000	11,936,000	73,556,000	61,456,000	*12,060,000
Pig bristles.....	5,436,000	10,456,000		15,892,000	9,835,000	6,004,000	7,498,000	1,494,000
Quinine and cinchona bark.....	4,884,000	4,544,000	63,000	9,481,000	7,553,000	1,928,000	1,447,000	*481,000
Shellac.....	7,499,000	6,446,000	*144,000	13,801,000	2,607,000	11,194,000	11,906,000	712,000
Silk.....	3,834,000	21,000		3,854,000	2,110,000	1,744,000	1,725,000	*19,000
Petroleum and petroleum products.....		544,174,000	*15,570,000	528,604,000	13,798,000	514,806,000	667,318,000	152,512,000
Wool.....	97,892,000	5,496,000		103,390,000	21,233,000	82,157,000	145,298,000	63,141,000
Other.....	35,780,000	70,956,000	2,168,000	108,905,000	19,594,000	89,311,000	87,202,000	*2,103,000
Total.....	327,337,000	2,348,975,000	*14,575,000	2,661,737,000	211,848,000	2,449,889,000	2,757,607,000	307,718,000
Fiscal year 1946								
Agave.....	1,186,000	24,896,000		26,082,000		26,082,000	26,122,000	40,000
Alcohol.....	77,007,000	79,674,000		156,581,000	61,755,000	94,826,000	90,793,000	*4,033,000
Aviation gasoline, 91 octane.....	869,000	341,000		1,210,000		1,210,000	673,000	*537,000
Aviation gasoline, 100 octane.....	453,000	421,285,000		421,738,000		421,738,000	380,580,000	*41,158,000
Binder twine and rope.....	2,783,000	8,763,000		11,546,000	3,364,000	8,182,000	8,766,000	584,000
Burlap.....	23,113,000	42,464,000		65,577,000	4,500,000	61,077,000	81,661,000	20,584,000
Cork.....	1,239,000	60,000		1,299,000	842,000	457,000	142,000	*316,000
Istle fiber.....	1,251,000	282,000		1,533,000	1,533,000	1,533,000	1,174,000	*359,000
Jewel bearings.....	5,614,000	*473,000	*5,753,000	*612,000		*612,000	30,000	642,000
Jute fiber.....	9,614,000	528,000	*7,000	10,135,000	3,162,000	6,973,000	6,971,000	*2,000
Molasses.....	11,936,000	39,107,000	*38,000	51,005,000	8,099,000	42,906,000	37,344,000	*5,562,000
Peruvian flax.....		7,885,000		7,885,000	6,885,000	2,000,000	2,000,000	
Pig bristles.....	9,888,000	2,012,000		11,900,000	1,182,000	10,718,000	9,391,000	*1,327,000
Quinine and cinchona bark.....	7,533,000	2,582,000		10,135,000	6,988,000	4,147,000	2,219,000	*1,928,000
Shellac.....	2,607,000	27,000		2,634,000	38,000	2,596,000	2,524,000	*72,000
Silk.....	2,110,000	6,000		2,116,000		2,116,000	2,382,000	266,000
Petroleum and petroleum products.....	13,798,000	98,578,000	15,570,000	127,946,000		127,946,000	171,319,000	43,373,000
Wool.....	21,233,000	906,000		22,139,000		22,139,000	21,142,000	*997,000
Other.....	19,594,000	115,698,000	*5,366,000	129,926,000	15,084,000	114,842,000	93,883,000	*20,959,000
Total.....	211,848,000	844,521,000	4,406,000	1,060,775,000	109,899,000	950,876,000	939,116,000	*11,760,000
Fiscal year 1947								
Agave.....		37,890,000		37,890,000		37,890,000	22,030,000	*16,860,000
Alcohol.....	61,755,000	500,000		62,255,000		62,255,000	29,250,000	*33,005,000
Aviation gasoline, 100 octane.....		3,000,000		3,000,000		3,000,000	3,000,000	
Binder twine and rope.....	3,364,000			3,364,000	3,364,000	3,364,000	4,750,000	1,386,000
Burlap.....	4,600,000			4,600,000	4,600,000	4,600,000	5,037,000	637,000
Cork.....	842,000			842,000	842,000	842,000	912,000	70,000
Jute fiber.....	3,162,000			3,162,000	3,162,000	3,162,000		
Molasses.....	8,099,000	18,800,000		26,899,000		26,899,000	18,300,000	*8,599,000
Peruvian flax.....	5,885,000	685,000		6,570,000		6,570,000	2,500,000	*4,070,000
Pig bristles.....	1,182,000			1,182,000		1,182,000	1,000,000	*182,000
Quinine and cinchona bark.....	5,988,000	900,000		6,888,000		6,888,000	1,200,000	*5,688,000
Shellac.....	38,000	2,000		40,000		40,000	19,000	*21,000
Other.....	16,084,000	90,725,000	*3,921,000	101,888,000	160,000	101,738,000	91,379,000	*10,369,000
Total.....	109,899,000	162,602,000	*3,921,000	268,480,000	160,000	268,330,000	182,539,000	*75,791,000

*Deduct.

SCHEDULE B-1b
COMMODITIES HELD FOR RESALE OR STOCK PILING

STRATEGIC METALS AND MINERALS PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

Commodity	Inventory beginning of year	Purchases	Adjustments, increase, decrease*	Total	Less inventory at end of year	Cost of commodity sold	Proceeds from sales	Gross profit or loss*
Fiscal year 1945								
Aluminum (primary).....	\$63,798,000	\$58,752,000	\$98,000	\$122,648,000	\$56,835,000	\$65,813,000	\$51,075,000	*\$14,735,000
Manganese ore.....	56,925,000	24,231,000	*3,290,000	77,866,000	35,882,000	41,984,000	43,932,000	1,948,000
Nickel.....	6,597,000	1,051,000	*1,620,000	6,028,000	6,028,000	4,496,000	3,543,000	*953,000
Copper and copper ore.....	94,121,000	137,611,000	*3,480,000	228,252,000	6,520,000	221,732,000	214,696,000	*7,036,000
Chrome ore.....	27,757,000	14,352,000	*3,341,000	38,768,000	27,402,000	11,366,000	10,174,000	*1,192,000
Lead and lead ore.....	27,050,000	17,763,000	*1,655,000	43,158,000	8,332,000	34,826,000	30,070,000	*4,756,000
Tin and tin ore.....	102,764,000	30,774,000	*8,995,000	124,543,000	30,012,000	94,531,000	84,684,000	*9,847,000
Zinc and zinc ore.....	66,343,000	27,560,000	210,000	94,113,000	59,499,000	34,614,000	31,462,000	*3,152,000
Tungsten ore.....	45,173,000	10,134,000	237,000	55,544,000	27,496,000	28,048,000	26,870,000	*1,178,000
Mica.....	13,565,000	8,903,000	*1,715,000	20,753,000	9,795,000	10,958,000	9,702,000	*1,256,000
Mercury.....	10,469,000	1,738,000	*698,000	11,509,000	10,620,000	889,000	1,261,000	372,000
Quartz.....	11,349,000	909,000	*198,000	12,060,000	9,863,000	2,197,000	2,864,000	667,000
Diamonds.....	12,070,000	264,000	*3,000	12,331,000	11,388,000	943,000	956,000	13,000
Other metals and minerals.....	61,290,000	90,121,000	23,279,000	174,690,000	100,877,000	73,813,000	67,570,000	*6,243,000
Total.....	599,271,000	1,424,163,000	*1,171,000	1,022,263,000	396,053,000	626,210,000	578,862,000	*47,348,000
Fiscal Year 1946								
Aluminum (primary).....	56,835,000	17,190,000		74,025,000	62,025,000	12,000,000	10,500,000	*1,500,000
Manganese ore.....	35,882,000	21,628,000	*200,000	57,310,000	46,585,000	10,725,000	12,052,000	1,327,000
Nickel.....	1,532,000	6,586,000		8,118,000	5,243,000	2,875,000	2,731,000	*144,000
Copper and copper ore.....	6,520,000	210,500,000		217,020,000	65,996,000	151,024,000	142,686,000	*8,328,000
Chrome ore.....	27,402,000	19,347,000		46,749,000	30,214,000	16,535,000	16,262,000	*273,000
Lead and lead ore.....	8,332,000	55,014,000		63,346,000	5,873,000	57,473,000	64,074,000	6,601,000
Tin and tin ore.....	30,012,000	119,399,000	*146,000	149,265,000	50,965,000	98,300,000	87,501,000	*10,799,000
Zinc and zinc ore.....	59,499,000	93,734,000		153,233,000	85,776,000	67,457,000	73,762,000	6,305,000
Tungsten ore.....	27,496,000	18,452,000	*100,000	45,845,000	37,046,000	8,802,000	8,472,000	*330,000
Mica.....	9,795,000	22,025,000		31,820,000	27,376,000	4,444,000	5,788,000	1,344,000
Mercury.....	10,620,000	2,345,000		12,965,000	12,965,000			
Quartz.....	9,863,000	5,866,000		15,449,000	14,467,000	982,000	587,000	*395,000
Diamonds.....	11,388,000	515,000		11,903,000	10,710,000	1,193,000	1,234,000	41,000
Other metals and minerals.....	100,877,000	87,645,000	*77,000	188,445,000	146,340,000	42,105,000	54,800,000	12,695,000
Total.....	396,053,000	1,679,966,000	*523,000	1,075,496,000	2,601,581,000	473,915,000	480,450,000	6,544,000
Fiscal year 1947								
Aluminum (primary).....	62,025,000			62,025,000	62,025,000			
Manganese ore.....	46,585,000	4,100,000	*200,000	50,485,000	47,199,000	3,286,000	4,154,000	868,000
Nickel.....	5,243,000	6,308,000		11,551,000	8,139,000	3,412,000	3,284,000	*128,000
Copper and copper ore.....	65,996,000	89,310,000	*100,000	155,206,000	24,910,000	130,296,000	114,807,000	*15,489,000
Chrome ore.....	30,214,000	3,835,000		34,049,000	30,423,000	3,626,000	3,589,000	*37,000
Lead and lead ore.....	5,873,000	29,794,000		35,667,000		35,667,000	21,959,000	*13,708,000
Tin and tin ore.....	50,965,000	152,683,000		203,648,000	52,408,000	151,240,000	113,469,000	*37,771,000
Zinc and zinc ore.....	85,776,000	12,328,000		98,104,000	90,457,000	7,647,000	7,185,000	*462,000
Tungsten ore.....	37,046,000	20,383,000	*200,000	57,229,000				
Mica.....	27,376,000			27,376,000	24,544,000	2,832,000	3,988,000	1,166,000
Mercury.....	12,965,000			12,965,000				
Quartz.....	14,467,000			14,467,000	14,467,000			
Diamonds.....	10,710,000			10,710,000	10,710,000			
Other metals and minerals.....	146,340,000	45,626,000		191,966,000	179,592,000	12,374,000	18,134,000	5,760,000
Total.....	601,581,000	1,364,367,000	*500,000	965,448,000	2,615,068,000	350,380,000	290,579,000	*69,801,000

*Deduct.

1 Purchases include production and refining costs and storage and handling expense (see schedule A-5).

2 Closing inventories include \$123,290,000 at June 30, 1946, and \$470,147,000 at June 30, 1947, representing cost of materials declared surplus to War Assets Administration which will become available for transfer to Treasury Procurement for permanent stock pile. Determination of the nature and extent of reimbursement for such transfer has not yet been made; pending that determination, the cost of stock-piled materials is carried in inventories since ownership is still vested in the Corporation.

SCHEDULE B-1c
 COMMODITIES HELD FOR RESALE AND STOCK PILING
 RUBBER PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
SYNTHETIC RUBBER PROGRAM			
Purchases:			
Research and development.....	\$3,831,954	\$5,484,092	\$7,123,200
Depreciation.....		46,184,760	43,195,600
Cost of manufacture.....	491,401,678	330,299,387	269,950,080
Total purchases.....	\$495,233,632	\$381,968,239	\$320,268,880
Inventory variation:			
Inventory at beginning of year.....	12,483,816	62,547,610	42,828,933
Inventory at end of year.....	62,547,610	42,828,933	38,163,092
	50,063,794	19,718,677	4,665,841
Cost of sales.....	445,169,838	401,686,916	324,934,721
CRUDE RUBBER PROGRAM			
Purchases	106,293,130	172,430,495	259,000,000
Inventory variation:			
Inventory at beginning of year.....	54,457,189	43,124,861	89,969,191
Inventory at end of year.....	43,124,861	89,969,191	138,129,191
	11,332,328	46,844,330	48,160,000
Cost of sales.....	117,625,458	125,586,165	210,840,000
SCRAP RUBBER PROGRAM			
Purchases	122,514	*578	
Adjustments (increase or decrease)*			*8,344,126
Inventory variation:			
Inventory at beginning of year.....	12,572,148	9,054,506	8,344,126
Inventory at end of year.....	9,054,506	8,344,126	
	3,517,642	710,380	8,344,126
Cost of sales.....	3,640,456	709,802	

*Deduct.

SCHEDULE B-2
ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Personal services, departmental:			
Board of directors.....	998,405	\$121,683	\$125,758
Office of the secretary.....	748,002	656,529	964,849
Office of the treasurer.....	1,704,984	2,153,035	2,102,638
Agency division.....	61,135	80,216	113,648
Auditing division.....	600,967	631,567	1,029,203
Division of information.....	6,783	38,722	39,141
Division of personnel.....	95,099	108,115	128,134
Examining division.....	461,908	512,227	560,999
Office of the general counsel.....	932,307	1,393,387	1,450,632
Railroad division.....	98,495	141,720	131,986
Self-liquidating division.....	487,381	615,024	689,321
Statistical and economic division.....	76,419	84,550	58,140
Miscellaneous section.....	37,360	60,425	60,425
Office of the budget director.....			75,000
Office of defense plants.....	1,944,459	4,054,896	3,560,524
Office of defense supplies.....	584,178	656,004	559,318
Office of metals reserve.....	568,894	744,531	656,326
Office of rubber reserve.....	810,037	1,112,590	1,050,092
RFC Price Adjustment Board.....	241,143	282,478	277,360
Total, departmental.....		\$13,777,699	\$13,662,794
Total, field.....	\$9,458,926	9,308,699	10,991,939
Total, professional services (fee basis).....	572,446	656,300	653,058
Overtime.....	2,400,680	375,234	
Total, personal services.....	17,554,362	24,117,932	25,307,791
Other administrative expenses.....	5,466,015	6,432,526	7,217,577
Total, administrative expenses (cash basis).....	23,020,377	30,550,458	32,525,368
MEMORANDA			
Loan and general activities:			
Man-years.....	1,754.8	2,244.3	2,958.4
Salaries.....	5,733,703	6,976,694	9,270,375
Other expenses.....	2,341,935	2,777,441	3,964,692
	8,075,638	9,754,135	13,235,067
Strategic supplies program:			
Man-years.....	927.2	954.5	1,098.2
Salaries.....	3,065,926	2,955,704	3,601,242
Other expenses.....	1,078,271	978,193	1,140,637
	4,144,197	3,933,897	4,641,879
Strategic metals program:			
Man-years.....	440.6	465.4	425.1
Salaries.....	1,483,678	1,525,843	1,330,266
Other expenses.....	462,803	434,017	422,556
	1,946,481	1,959,860	1,802,022
Defense plants program:			
Man-years.....	1,422.6	3,280.8	2,806.2
Salaries.....	5,205,477	10,099,412	8,648,800
Other expenses.....	1,735,159	2,399,148	1,889,200
	6,940,636	12,498,560	10,538,000
Rubber program:			
Man-years.....	422.7	546.5	522.9
Salaries.....	1,490,132	1,903,979	1,816,700
Other expenses.....	420,293	500,027	490,800
	1,910,425	2,404,006	2,307,500
Total man-years.....	4,967.9	7,491.5	7,810.8
Total administrative expenses.....	23,020,377	30,550,458	32,525,368

SCHEDULE B-2a

ADMINISTRATIVE EXPENSES CHARGEABLE TO "NET EXCESS OF ASSETS OVER LIABILITIES TRANSFERRED FROM SMALLER WAR PLANTS CORPORATION"

[Period Jan. 28 to June 30, 1946, and the fiscal year ending June 30, 1947]

	1946, estimated	1947, estimated
Man-years.....	415	165.1
Salaries.....	\$1,175,431	\$493,458
Other expenses.....	194,990	141,542
Total.....	\$1,370,421	\$635,000

SCHEDULE B-3

OTHER OPERATING EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
SCHEDULE B-3 (A)			
Defense plant program:			
Expense of operation of plants and facilities.....	\$47,558,062	\$8,000,000	\$2,400,000
Excess power and alumina costs.....	18,294	2,300,000	-----
Expenses on projects.....	3,503,691	117,148,849	35,878,000
Expenses on projects canceled.....	893,967	500,000	-----
Other.....	3,008	15,200,000	9,600,000
Total.....	51,977,022	143,148,849	47,878,000
SCHEDULE B-3 (B)			
Strategic supplies program:			
Agents' operating expenses.....	52,365,066	15,282,600	-----
Other.....	1,554,575	10,397,996	5,005,885
Total.....	53,919,641	25,680,686	5,005,885
SCHEDULE B-3 (C)			
Strategic metals and minerals program:			
Domestic development program expenses.....	23,918	-----	-----
Other.....	223,637	294,130	240,000
Total.....	247,555	294,130	240,000
SCHEDULE B-3 (D)			
Rubber program:			
Storage and handling—synthetic rubber.....	706,974	966,184	600,000
Storage and handling—crude and scrap rubber.....	11,526,092	3,831,792	4,521,830
Miscellaneous.....	*15,857	181,153	-----
Total.....	12,217,209	5,079,129	5,121,830

* Deduct.

SCHEDULE B-4

MISCELLANEOUS OPERATING EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Depreciation on furniture and fixtures.....	-----	\$150,000	\$150,000
Guaranty expense.....	\$164,175	-----	-----
Miscellaneous expense.....	110,454	198,691	20,000
Total.....	274,629	348,691	170,000

SCHEDULE B-5
SUBSIDIES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Strategic supplies program:			
Butter.....	\$73,176,201	\$34,444,098	-----
Coal.....	12,111,456	12,352,331	\$3,000,000
Flour.....	125,194,963	208,000,000	250,000,000
Livestock.....	427,786,507	684,000,000	750,000,000
Petroleum compensatory adjustment.....	\$233,651,771	\$147,430,592	\$300,000
Less revenue received.....	155,326,939	103,236,470	13,968,132
Stripper-well compensatory adjustments.....	78,324,832	44,194,122	*13,468,132
Other.....	41,962,319	68,327,729	20,000,000
	4,313,828	67,290,269	1,511,427
Total.....	762,870,136	1,118,608,569	1,011,043,295
Strategic metals and minerals program:			
Domestic copper, lead and zinc.....	77,199,978	69,655,548	106,000,000
Zinc domestic payments.....	714,161	374,222	-----
Ferrocromium payments.....	133,182	35,000	-----
Other.....	49,299	140,802	34,000
	78,066,620	70,205,572	106,034,000
Total.....	840,966,756	1,188,814,141	1,117,077,295

*Deduct.

SCHEDULE C-1

POSITION OF CORPORATION WITH RESPECT TO BORROWING AUTHORITY

[As of June 30, 1946 and 1947]

	As of June 30, 1946, estimated	As of June 30, 1947, estimated
Outstanding notes payable at beginning of year.....	\$9,019,947,124	\$9,891,000,000
Borrowings during year.....	\$1,261,500,000	\$1,363,000,000
Retirements during year.....	390,391,697	-----
	871,108,303	1,363,000,000
Outstanding notes payable at end of year.....	9,891,055,427	11,254,000,000
Commitments outstanding at end of year:		
Loans to aid industry.....	395,881,894	592,500,000
To make loans to other Government agencies.....	436,527,000	441,500,000
Loans to States, Territories, and public bodies.....	41,009,880	10,100,000
Loans to foreign governments.....	35,000,000	-----
Loans to aid home owners.....	1,124,038	1,100,000
Loans to financial institutions.....	-----	-----
Other loans (including national defense).....	155,750,854	800,000
Total commitments outstanding.....	1,065,293,666	1,046,000,000
Provisions for emergencies and contingencies:		
Probable financial requirements of RFC under pending veterans' emergency housing program.....	-----	1,500,000,000
Possible additional financial requirements of operating programs including subsidiaries of RFC.....	2,500,000,000	1,000,000,000
Required borrowing authority.....	13,456,349,093	14,800,000,000
Less authorized borrowing authority:		
Authorized borrowing authority for general purposes.....	14,090,334,438	14,090,334,438
Estimated borrowing authority for limited and unlimited specific purposes.....	4,830,000,000	5,161,000,000
Total.....	18,929,334,438	19,251,334,438
Less estimated cancellation of notes pursuant to law.....	1,782,000,000	1,880,000,000
	17,147,334,438	17,371,334,438
Borrowing authority in excess of requirements.....	3,690,985,345	2,571,334,438

SCHEDULE C-2
LOANS RECEIVABLE AND UNDISBURSED LOAN COMMITMENTS

[As of June 30, 1944, 1945, 1946, and 1947]

	Loans outstanding as of June 30				Undisbursed commitments as of June 30			
	1944	1945	1946	1947	1944	1945	1946	1947
Loans to aid industry:								
Railroads.....	\$381,041,155	\$221,870,333	\$241,000,777	\$258,619,777	\$20,336,488	\$64,608,336	\$1,494,336	\$6,494,336
Business loans.....	68,473,610	62,131,264	206,073,977	333,273,977	95,602,746	129,789,127	382,668,558	681,668,558
Mining loans.....	4,962,916	4,823,796	5,386,914	9,186,913				
Catastrophe loans.....	42,000	20,000	20,000	20,000				
Contract termination loans.....			4,032,061	2,032,062		26,250	4,000,000	4,000,000
Total.....	454,519,681	288,845,393	456,513,729	603,132,729	115,939,234	194,423,713	388,162,894	692,162,894
Loans to other governmental agencies:								
Defense Homes Corporation.....	60,902,335	56,933,699	35,093,360		2,653,000			
Rural electrification.....	232,533,270	246,678,298	224,388,085	544,788,086	89,500,000	81,300,000	277,800,000	287,800,000
Secretary of Agriculture.....	175,013,576	100,524,756	122,398,962	127,492,321	39,577,000	153,302,000	158,727,000	153,727,000
Total.....	468,449,181	404,136,753	481,880,407	672,280,407	131,730,000	234,602,000	436,527,000	441,527,000
Loans to States and territories and other public bodies:								
Securities purchased from Public Works Administration—municipalities.....	71,797,341	67,348,701	55,111,946	30,234,946	66,667			
Self-liquidating loans—municipalities.....	33,530,200	28,499,461	45,075,806	99,865,806	55,399,300	63,920,800	41,069,880	10,109,880
Drainage districts.....	47,387,859	33,262,834	26,478,080	17,466,080	1,239,722	471,162		
Public school authorities.....	418,275	17,000			23,075			
Total.....	163,133,675	129,128,496	126,665,832	147,666,832	86,728,764	84,391,962	41,069,880	10,109,880
Loans to foreign governments:								
Great Britain and Northern Ireland.....	307,112,289	271,887,470	241,913,186	204,913,186	35,000,000	35,000,000	35,000,000	
Loans to aid agriculture:								
Joint stock land banks.....	344,334	222,803	198,399	174,399				
To finance the carrying and orderly marketing of commodities produced in United States.....	55,075	55,075	55,075	55,075				
Total.....	399,409	277,878	253,474	229,474				
Loans to aid home owners:								
Mortgage loan companies.....	11,988,883	10,621,990	10,975,443	12,176,443				
Building and loan associations.....	2,017,035	32,520			1,270,000	1,000,000	1,000,000	1,000,000
Catastrophe loans.....	488,852	286,412	1,782,432	2,465,432			124,037	124,037
Total.....	14,494,770	10,940,022	12,757,875	14,640,875	1,270,000	1,000,000	1,124,037	1,124,037
Loans to aid financial institutions:								
Banks and trust companies.....	22,182,716	14,348,543	4,580,926	3,251,726		3,273,908		
Insurance companies.....	362,653	254,906	249,906	239,906				
Mortgage loan companies (for R. and L. of banks).....	1,308,371	36,549	36,549	36,549				
On assets of closed banks.....	243,207	106,655	72,857	72,857				
On preferred stock—insurance companies.....	31,584,439	31,508,439	31,508,439	31,608,439				
On preferred stock—banks and trust companies.....	16,634,971	16,146,937	309,559	284,569				
Total.....	72,316,357	62,402,029	36,758,236	35,394,036		3,273,908		
Loans acquired from Smaller War Plants Corporation:								
Other loans:			27,769,078	16,083,078			7,719,000	
National defense loans and purchases.....	440,595,589	337,029,109	150,195,043	56,492,809	494,052,086	302,225,733	155,750,854	60,854
Total loans receivable and undisbursed commitments.....	1,911,021,201	1,504,648,050	1,534,706,860	1,750,733,426	834,720,064	824,917,316	1,065,293,665	1,045,674,665

SCHEDULE C-3
INVESTMENTS IN SECURITIES (OTHER THAN IN SUBSIDIARIES)

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
Preferred stock in Nicaro Nickel Co.....	\$1,099,362	\$1,099,362	\$1,099,362	\$1,099,362
Public debt obligations of the U. S. Treasury.....	71,769,200	75,082,000	47,955,200	47,955,200
Tennessee Valley Authority securities.....	6,300,000	4,300,000	2,000,000	-----
Preferred stock, capital notes and debentures of banks and trust companies.....	316,397,987	261,171,161	200,844,265	168,194,265
Capital stock of other governmental agencies.....	298,741,000	298,509,900	123,651,200	122,651,200
Total.....	694,307,549	640,132,423	375,550,027	339,900,027

SCHEDULE C-4
LAND, PLANTS, FACILITIES, MACHINERY AND EQUIPMENT
DEFENSE PLANTS PROGRAM

[Fiscal years ending June 30, 1944, 1945, 1946, and 1947]

	1944, actual		1945, actual		1946, estimated	1947, estimated
	Number of projects	Amount	Number of projects	Amount	Amount	Amount
Industrial classification of net disbursements pursuant to agreements:						
Aircraft and accessories.....	559	\$2,409,059,810	586	\$2,607,182,634	-----	-----
Aluminum.....	91	652,411,259	88	672,103,207	-----	-----
Aviation gasoline.....	35	193,384,896	38	236,226,348	-----	-----
Chemicals.....	134	80,857,080	180	114,648,636	-----	-----
Machine tools.....	137	129,055,336	150	109,438,816	-----	-----
Magnesium.....	46	393,274,421	45	394,227,081	-----	-----
Minerals.....	63	155,600,717	65	144,459,694	-----	-----
Ordnance.....	81	241,747,899	109	284,236,635	-----	-----
Radio and communications.....	132	58,899,788	155	79,725,325	-----	-----
Ships and accessories.....	72	134,355,553	78	132,416,021	-----	-----
Steel and pig iron.....	183	873,679,375	189	930,145,240	-----	-----
Synthetic rubber.....	105	632,663,265	134	728,993,582	-----	-----
Flying schools.....	62	40,996,940	62	41,467,826	-----	-----
Transportation.....	48	82,498,656	101	145,273,512	-----	-----
Oil pipelines.....	6	150,618,840	6	153,370,944	-----	-----
Housing.....	-----	-----	29	17,411,168	-----	-----
Miscellaneous.....	194	84,604,843	209	55,030,512	-----	-----
Total.....	1,948	6,313,709,278	2,224	6,846,357,181	-----	-----
Less: Net adjustment between industrial classification and values capitalized on books.....	-----	190,060,107	-----	82,867,932	-----	-----
Land, plants, machinery, and facilities per balance sheet (exhibit C).....	-----	6,123,649,171	-----	6,763,489,249	\$5,599,400,000	\$4,038,900,000

ESTIMATED STATUS OF LAND, PLANTS, FACILITIES, MACHINERY, AND EQUIPMENT

Declared surplus.....	-----	-----	\$3,121,800,000	\$3,265,800,000
Not released by sponsoring agency.....	-----	-----	641,100,000	641,100,000
Released by sponsoring agency:	-----	-----	-----	-----
Operating under lease agreements.....	-----	-----	1,310,500,000	130,000,000
Closed down, being maintained and protected.....	-----	-----	526,000,000	-----
Land, plants, machinery, and facilities per balance sheet (exhibit C).....	-----	\$6,123,649,171	\$5,599,400,000	4,038,900,000

NOTE.—Practically all projects were in process of construction or in operation at June 30, 1944, and June 30, 1945, therefore, classification as above is not applicable at these dates:

SCHEDULE C-5

DEFERRED AND UNDISTRIBUTED DEBITS

[Fiscal years 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
(1) Deferred charges, other property (expense Normandy Building).....	\$46,453	\$43,013	\$80,023	\$89,936
Deferred charges, discount on sale of Public Works Administration securities.....	470,496	470,496		
Deferred charges, salaries.....	1,229,759	1,406,160	2,268,825	2,268,825
Deferred charges, funds advanced (Trustag).....	785,573	625,327		
Deferred charges, discount on sale of bonds (Trustag).....	150	150		
Deferred charges, to loans.....	194,059	83,100		
Deferred charges, surplus war property.....		14,796,868		
Deferred charges, care and preservation Public Works Administration securities.....			1,177,500	1,685,500
Deferred charges, miscellaneous income.....				
Miscellaneous undistributed debits.....			2,254,665	2,254,666
Unallocated disbursements, collateral purchased.....	6,282,792	2,317,398		
(2) Defense plant program.....	61,376,326	29,840,786	15,800,000	18,800,000
(3) Strategic supplies program.....	60,669,453	42,321,762	1,285,713	174,099
(4) Strategic metals and minerals program.....	26,368,372	72,837,351	14,113,739	2,139,033
(5) Rubber program.....	6,027,122	4,765,204		
Total.....	163,450,465	169,507,615	39,980,465	27,412,059

SCHEDULE C-6

DEFERRED AND UNDISTRIBUTED CREDITS

[Fiscal years 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
(1) Deferred, net profit from use of capital facilities of merged war affiliates.....			\$190,000,000	\$190,000,000
Undistributed credits, re: Loans to foreign governments.....	\$16,610,692	\$15,346,103	14,692,864	14,692,864
Deferred credits, interest accrued.....	8,062,878	7,549,027	7,613,368	7,595,368
Deferred credits, interest and premium Public Works Administration program.....	37,648,841	40,092,521	41,719,678	43,172,678
Deferred credits, other property.....				105,030
Unallocated receipts.....	9,658,466	16,149,493		15,585,786
Other unallocated credits.....	333,547	90,419	28,362,881	12,690,065
(2) Defense plant program ¹	1,609,430,736	2,007,914,816	2,060,400,000	1,886,700,000
(3) Strategic supplies program.....	159,401,761	124,973,925	12,021,997	
(4) Strategic metals and minerals program.....	70,569,595	163,948,925	1,963,440	550,000
(5) Rubber program.....	37,162,155	18,004,693		
Total.....	1,948,878,671	2,394,069,922	2,356,774,228	2,171,091,791

¹ See deferred and undistributed credits, financial section of narrative.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

CREATION AND PURPOSE

Federal National Mortgage Association was organized in April 1938 under title III of the National Housing Act, as amended, for the purpose of assisting in establishing a market for first mortgages insured under the provisions of title II of the National Housing Act, as amended, covering properties upon which are located newly constructed houses or housing projects; to facilitate the construction and financing of economically sound rental housing projects to be operated at a moderate scale of rentals, and to make available to individual and institutional investors bonds issued by the Association pursuant to the provisions of section 302 of title III of the National Housing Act, as amended, and the regulations of the Federal Housing Commissioner. The Association purchases mortgages insured under sections 203 and 207 of the National Housing Act. Purchases under section 203 are limited to mortgages insured subsequent to January 1, 1937, covering homes built subsequent to January 1, 1936. The Association has made periodic sales of mortgages to originating mortgagees.

The affairs of the Association are managed by a board of directors who are appointed by the board of directors of the Reconstruction Finance Corporation.

FINANCIAL ORGANIZATION

Federal National Mortgage Association was organized with a paid-in capital of \$10,000,000 and a surplus of \$1,000,000 which was subscribed for and purchased by the Reconstruction Finance Corporation. Such additional funds as were required by its programs were obtained through the sale of bonds which it issued, and by borrowings from the Reconstruction Finance Corporation. The provisions of the National Housing Act authorized the Association to borrow an amount not to exceed at any one time (1) 20 times the amount of its paid-up capital and surplus, and (2) the current unpaid principal of mortgages held by it and insured under the provisions of title II of the Act, plus the amount of its cash and the amortized value of its investment in bonds issued or guaranteed by the United States. All bonds sold have been redeemed and on June 30, 1945, there were none outstanding. (See statement of condition following textual material—exhibit C.)

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

In appraising the budgetary requirements of the Association for the fiscal year 1947, consideration must be given to the prevailing acute shortage of moderately priced homes resulting in a substantial building program as soon as labor and materials become available. Mortgages covering new homes which are insured by Federal Housing Administration will be eligible for sale to the Association by originating mortgagees. The experience of the pre-war years discloses that notwithstanding a heavy institutional investment interest in this type of mortgage, the Association is called upon to purchase a certain number which are not absorbed by private purchasers. Moreover, the Association stands ready to support the secondary market if conditions require. On the basis of these circumstances, it is estimated that the Federal National Mortgage Association will be required to disburse \$20,020,000 during the fiscal year 1947 for the purchase of Federal Housing Administration insured mortgages while repayments are estimated at \$1,665,000.

Just what effect the large-scale housing program recently recommended by the President will have upon the operations of the Federal National Mortgage Association, if approving legislation is passed, is not known at this time; hence, it is not felt desirable to give effect to the program in this budget submission. For further comment on this point see the borrowing authority section of narrative statement covering the budget for the Reconstruction Finance Corporation.

OPERATING RESULTS

Operations of the Association resulted in a net profit of \$2,072,000 for the fiscal year 1945. Estimated net profits for the fiscal years 1946 and 1947 amount to \$34,000 and \$197,000, respectively. The reduction in estimated net income for the latter 2 years is caused by the contraction in the Association's investment in interest-bearing mortgage loans from \$59,527,000 at the beginning of the fiscal year 1945 to \$9,109,000 by the end of 1946 and \$27,139,000 at the close of 1947. This will result in a drastic decline in interest income as well as premiums normally derived from sales of loans when the portfolio is larger. Premiums on sales amounted to \$1,347,000 in 1945, while only \$3,100 in premiums is expected to be realized in 1946 and none in 1947.

While the Association has no established dividend policy, \$1,000,000 of dividends was paid to Reconstruction Finance Corporation during the fiscal year 1945, bringing to \$19,000,000 the total dividends paid since inception.

FINANCIAL CONDITION

Loan account.—On June 30, 1945, there were 2,819 insured mortgage loans outstanding, amounting to \$10,031,000. Of this number 144 or approximately 5 percent were in default. On June 30, 1944, there were 193 loans in default, representing approximately 1.2 percent of total loans outstanding. As there were \$38,412,000 of loans sold during the fiscal year 1945, and as investors buy the soundest loans held by the Association, it was almost inevitable that the ratio of loans delinquent to total loans outstanding would increase, although the number of loans in default actually decreased. (See schedule C-1.)

Notes payable.—It will be observed that the Association paid off its notes payable to Reconstruction Finance Corporation of \$45,810,000 during the fiscal year 1945. New borrowings from the Corporation in the net amount of \$12,500,000 are reflected in the budget for the fiscal year 1947. (See exhibits A and C.)

ADMINISTRATIVE EXPENSES

The personnel engaged in the handling of the Association's business are employees of the Reconstruction Finance Corporation. The Association does not have an organization of its own. The Reconstruction Finance Corporation is reimbursed for such services. Administrative expenses for the fiscal year 1945 amounted to \$466,465. Based upon the volume of business anticipated and reflected in this budget, it is estimated that administrative expenses will amount to \$325,000 for the fiscal year 1946 and \$350,000 for 1947. (See statement of income and expense, exhibit B, and schedule B-1.)

LANGUAGE

Language covering this Association is included with that of the Reconstruction Finance Corporation. (See p. 173.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To purchase loans and make advances	\$118, 577	\$2, 519, 612	\$20, 020, 000
To foreclosure expense and expense on acquired security.....	860	1, 090	20, 000
To operating expenses (see exhibit B):			
Interest expense.....	\$662, 045		\$150, 000
Administrative expenses.....	466, 465	\$325, 000	350, 000
Other operating expenses.....	322, 416	59, 530	138, 200
	1, 450, 926	384, 530	638, 200
To repay borrowings from Reconstruction Finance Corporation.....	46, 883, 193		5 0, 000
To pay dividends to Reconstruction Finance Corporation.....	1, 000, 000		
To increase (or decrease*) working capital and deferred items.....	4, 884, 356	955, 417	*5, 461, 261
Total funds applied.....	54, 337, 912	3, 860, 649	15, 716, 939
FUNDS PROVIDED			
By repayment of loans and advances.....	11, 184, 283	3, 212, 767	1, 665, 000
By sales of loans—book value.....	38, 411, 876	211, 422	
By sales of acquired security.....	39, 850	13, 996	172, 300
Add: Profit on sale.....	2, 105	1, 332	1, 500
	41, 955	15, 328	173, 800
By operating income (see exhibit B):			
Interest on loans.....	2, 153, 721	394, 456	828, 639
Interest on investments.....	18, 227	17, 086	18, 750
Premiums on sales of loans, etc.....	1, 347, 217	3, 088	
Other operating income.....	821	6	750
	3, 619, 986	414, 636	848, 139
By nonoperating income (see exhibit B): Miscellaneous gains (net).....	1, 117	2, 996	
By sale of furniture and fixtures at book value.....	25, 868		
By proceeds of debentures redeemed by FHA.....	79, 250	3, 500	30, 000
By borrowings from Reconstruction Finance Corporation.....	1, 073, 577		13, 000, 000
Total funds provided.....	54, 337, 912	3, 860, 649	15, 716, 939

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on loans.....	\$2, 153, 721	\$394, 456	\$828, 639
Interest on investments.....	18, 227	17, 086	18, 750
Premiums earned on sale of loans, etc.....	1, 347, 217	3, 088	
Other operating income.....	821	6	750
Total operating income.....	\$3, 619, 986	\$414, 636	\$848, 139
Operating expenses:			
Interest expense.....	662, 045		150, 000
Administrative expenses.....	466, 465	325, 000	350, 000
Service fees and other operating expenses.....	322, 416	59, 530	138, 200
Total operating expenses.....	1, 450, 926	384, 530	638, 200
Net operating income or loss*.....	2, 069, 060	30, 106	209, 939
Nonoperating income and expenses*:			
Gain or loss* on sale of acquired security.....	2, 105	1, 332	1, 500
Miscellaneous gains.....	1, 117	2, 996	*14, 000
Net nonoperating income or expenses*.....	3, 222	4, 328	*12, 500
Net income for fiscal year.....	2, 072, 282	34, 434	197, 439

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$2, 956, 085	\$4, 028, 367	\$4, 062, 801
Net income for year (above).....	2, 072, 282	34, 434	197, 439
	5, 028, 367	4, 062, 801	4, 260, 240
Dividends declared from surplus.....	1, 000, 000		
Balance at end of fiscal year.....	4, 028, 367	4, 062, 801	4, 260, 240

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Loans receivable:				
Real estate mortgage loans—insured.....	\$59,527,152	\$10,030,509	\$9,108,832	\$27,138,832
Advances to mortgagors.....	5,750	7,191	8,691	18,691
Total loans receivable.....	59,532,902	10,037,700	9,117,523	27,157,523
Furniture and fixtures.....	25,868			
Accrued interest receivable:				
Accrued interest on loans.....	243,554	68,521	63,432	118,900
Accrued interest on investments.....	9,649	8,393	8,693	9,375
Total accrued interest receivable.....	253,203	76,914	72,125	128,275
Accounts receivable:				
Due from Government agencies.....	33,288	20,201	19,104	21,000
Due from others.....	503	481	981	5,850
Total accounts receivable.....	33,771	20,682	20,085	26,850
Acquired security on defaulted loans:				
Real estate.....	44,349	9,079	5,173	32,873
Investments:				
Debentures issued by the Federal Housing Administration.....	633,900	568,550	571,650	676,650
Cash:				
With Reconstruction Finance Corporation.....	1,434,250	4,687,247	5,614,168	469,319
Prepaid service charges.....	1,395	289	251	750
Total assets.....	61,959,638	15,400,461	15,400,975	28,492,240
LIABILITIES				
Notes payable to Reconstruction Finance Corporation.....	46,809,616			12,600,000
Accrued liabilities:				
Accrued interest on notes payable to Reconstruction Finance Corporation.....	564,559			27,000
Accrued servicing fees payable to servicing institutions.....	38,193	9,622	13,253	20,800
Total accrued liabilities.....	602,752	9,622	13,253	47,800
Accounts payable:				
Due Reconstruction Finance Corporation for reimbursable expense.....	142,275	83,354	83,500	20,000
Due others.....	99	14,147	98	100
Total accounts payable.....	142,374	107,531	83,598	20,100
Trust deposits:				
Deposits for taxes, insurance, etc.....	1,413,354	229,677	209,660	628,000
Commitment fees.....	135	38	38	200
Total trust deposits.....	1,413,489	229,715	209,698	628,200
Prepayments of interest of mortgagors.....	9,478	2,315	2,098	6,000
Unapplied credits.....	25,814	22,911	29,527	29,900
Total liabilities.....	48,003,553	372,094	338,174	13,232,000
CAPITAL				
Paid-in capital:				
Capital stock.....	10,000,000	10,000,000	10,000,000	10,000,000
Surplus.....	1,000,000	1,000,000	1,000,000	1,000,000
Total paid-in capital.....	11,000,000	11,000,000	11,000,000	11,000,000
Earned surplus.....	2,956,085	4,028,367	4,062,801	4,260,240
Total capital.....	13,956,085	15,028,367	15,062,801	15,260,240

SCHEDULE A-1
CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Accrued interest receivable:			
On loans.....	\$175,033	\$5,089	\$55,468
On investments.....	1,256	300	682
Accounts receivable:			
Due from Government agencies.....	13,067	1,097	15,896
Due from others.....	22	500	4,869
Cash:			
With Reconstruction Finance Corporation.....	3,252,997	926,921	5,144,849
Prepaid service charges.....	1,106	38	499
Current liabilities (increase* or decrease):			
Accrued liabilities:			
Accrued interest on notes payable to Reconstruction Finance Corporation.....	564,589		27,000
Accrued servicing fees payable to servicing institutions.....	28,571	3,631	7,546
Accounts payable:			
Due Reconstruction Finance Corporation for reimbursable expense.....	48,891	9,884	63,500
Due others.....	14,048	14,049	2
Trust and deposit liabilities:			
Deposits for taxes, insurance, etc.....	1,183,677	20,017	418,340
Commitment fees.....	97		162
Prepayments of interest by mortgagors.....	7,163	217	3,902
Unapplied credits.....	2,903	6,616	374
Increase in working capital.....	4,884,356	955,417	
Decrease in working capital.....			5,461,261

*Deduct.

SCHEDULE B-1
ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Personal services			
Departmental:			
Board of directors.....	\$777		
Office of the secretary.....	5,400	\$8,952	\$10,000
Office of the treasurer.....	77,799	52,521	62,000
Agency division.....	144	75	
Auditing division.....	6,320	16,295	15,000
Division of information.....	3	132	
Division of personnel.....	998	1,931	2,000
Examining division.....	10,073	10,851	10,000
Office of general counsel.....	6,249	5,518	6,000
Miscellaneous.....	72		
Total departmental.....	107,835	96,275	105,000
Total field.....	109,869	92,819	105,000
Professional services (fee basis).....	2,796	2,500	3,000
Overtime pay.....	40,108	3,552	
Total personal services.....	260,608	195,146	213,000
Other administrative expenses.....	205,857	129,854	137,000
Total administrative expenses.....	466,465	325,000	350,000
Memoranda			
Total man-years.....	82.8	64.8	70.2

SCHEDULE C-1
STATUS OF LOANS RECEIVABLE

[As of June 30, 1944, and 1945]

	June 30, 1944		June 30, 1945	
	No.	Amount	No.	Amount
Real estate mortgage loans insured under National Housing Agency:				
Current.....	15,798	\$58,867,482	2,675	\$9,649,592
Delinquent.....	193		144	
Unmatured principal.....		638,309		458,367
Matured principal.....		21,361		22,550
Total real estate loans insured.....	15,991	59,527,152	2,819	10,030,599

RUBBER DEVELOPMENT CORPORATION

CREATION AND PURPOSE

Rubber Development Corporation is chartered under the laws of the State of Delaware and commenced operations on February 23, 1943, with approval of the President, and at the suggestion of the Rubber Director, who by terms of Executive Order 7246, dated September 17, 1942, had been made administratively responsible for the Nation's rubber program. The affairs of the Corporation are supervised by a board of directors appointed by the board of directors of the Reconstruction Finance Corporation and includes a representative of the Department of State. By direction of the Rubber Director, dated February 5, 1943, the Rubber Development Corporation was authorized to handle that part of the rubber program pertaining to the acquisition and development of natural rubber from sources outside the continental United States. In commencing its operations, the Corporation assumed certain functions of the Rubber Reserve Company and of the Defense Supplies Corporation relating, respectively, to rubber agreements consummated with various foreign governments, and to aviation and construction programs directed toward facilitating rubber production in the Amazon Valley of South America. Under Executive Order 9361, dated July 15, 1943, Rubber Development Corporation was transferred from the Reconstruction Finance Corporation to the Office of Economic Warfare, and subsequently under Executive Order 9380, dated September 25, 1943, to the Foreign Economic Administration. Pursuant to Executive Order 9630, dated September 27, 1945, the Corporation was transferred to the Reconstruction Finance Corporation. Continuance of the Corporation's functions as the sole agency of the United States Government engaged in foreign procurement of natural rubber was confirmed by the Civilian Production Administration under date of November 6, 1945.

FINANCIAL ORGANIZATION

Rubber Development Corporation has an authorized capital stock of \$200,000, \$100,000 of which has been issued. This stock is owned by the Reconstruction Finance Corporation. Activities of the Rubber Development Corporation are financed through loans by the Reconstruction Finance Corporation, as authorized by section 5d (2) of the Reconstruction Finance Corporation Act. On June 30, 1945, the balance of the Corporation's notes payable to the Reconstruction Finance Corporation approximated \$77,000,000. A statement of the financial condition of the Rubber Development Corporation is attached. (See exhibit C.)

ANALYSIS OF BUDGET PROGRAM

Determination of budgetary requirements of the Corporation for the fiscal year 1947 is dependent upon the world supply of natural rubber and upon continued designation of the Corporation as the sole agency for procurement of natural rubber from foreign sources. The oper-

ating program of the Corporation is restricted to the procurement of natural rubber and its budget program for the fiscal year 1947 is predicated on the following assumptions:

1. That a shortage of natural rubber for civilian purposes will continue throughout the period.
2. That the United States Government will continue to act throughout the period as sole buyer of natural rubber imported into the United States and will use the Corporation as its instrument for that purpose.
3. That the Corporation is obligated and authorized to fulfill contracts undertaken with foreign governments and concerns during the war.
4. That as a result of the increasing availability of natural rubber from far eastern sources, the Corporation need no longer foster foreign production or conservation of rubber and may reduce its functions to the sole activity of purchasing such rubber as becomes available under existing foreign commitments, under allocations made by the Combined Rubber Committee, or otherwise.

PURCHASES

Based on the foregoing assumption the Corporation will purchase from all sources during the fiscal year 1947 approximately 495,000 long tons of natural rubber with an invoice value of \$259,000,000, which will be sold upon importation to the Reconstruction Finance Corporation, at invoice value. The volume of purchases anticipated for the fiscal year 1947 substantially exceeds purchases during the fiscal year 1945 which amounted to \$115,664,000 for 142,000 tons, and purchases during 1946 which are estimated at \$168,683,000 for 279,000 tons. The expected acceleration in purchases is wholly attributable to reopening of far eastern areas which were closed to the United States as sources of rubber supply until VJ-day.

During the fiscal year 1947, it is anticipated that direct activities of the Corporation in British, Dutch, and French areas in the Far East will be nominal and largely restricted to the problems of inspecting and shipping rubber allocated or offered to the United States. It is also expected that direct activities of the Corporation in Latin America, including administrative staff, merchandising functions, aviation transportation, rubber technical and conservation activities, and construction and other development programs directed toward increasing wild rubber production, will be liquidated. The single function of purchasing rubber in Latin America as required by existing international agreements will be performed primarily by commercial agents, aided in isolated instances by rubber inspectors designated by the Corporation. As a consequence, operating expenses which in fiscal year 1945 amounted to \$18,610,000, and are estimated for fiscal year 1946 at \$15,010,000, will be reduced in fiscal year 1947 to \$5,116,000. In the main, expenses in the fiscal year 1947 will represent production premiums payable in addition to invoice prices of rubber, and other expenditures required of the Corporation under existing contracts.

MERCHANDISING SUPPLIES AND EQUIPMENT

Merchandising operations conducted by the Corporation as an aid to rubber production will also be largely eliminated by the fiscal year 1947. Throughout the period when natural rubber was urgently required for war purposes, maintenance and increase of production necessitated introduction of food, supplies and equipment into remote areas at reasonable prices. Such activity was necessary not only to maintain life in these areas but also to preclude exorbitant prices which would have removed labor's incentive for producing rubber. The re-occupation of the world's major natural rubber sources in the Far East has removed the necessity for fostering other foreign production. As a result, the Corporation is not expected to be required to continue large scale merchandising operations in fiscal year 1947. During the fiscal year 1945, such operations were conducted at a profit of \$1,189,000, while it is estimated that they will show a loss during fiscal year 1946 of slightly over \$4,177,000. The loss is due primarily to curtailment of operations and consequent sale price reductions required to clear inventories. It is estimated that final disposition of foreign stocks will be made during 1947 at a loss of approximately \$250,000.

LOANS TO CONTRACTORS

Lending operations conducted by the Corporation will also be eliminated during fiscal year 1947 except to the extent of minor loan participations with foreign governments in conformity with obligations now outstanding. As in the case of merchandising activities, loan operations were an essential feature of the program to increase rubber production. Heavy and relatively long-term capital investments required to undertake rubber production, coupled with excessive risks and resulting high interest rates, represented a serious threat to complete exploitation of potential rubber sources. To effect maximum production, the Corporation therefore found it necessary to assist in rubber financing. Repayment of such loans was expected to be effected from sales of rubber by producers. Following VJ-day the need for such financing was removed. However, at that time, the Corporation had a substantial volume of loans, the majority of which had maturity dates fixed at the terminal dates of respective international agreements. With the curtailment of the Corporation's operating staff in Latin America, outstanding loans are being turned over to responsible agents for collection.

The termination of the Corporation's transportation, merchandising, and technical programs will inevitably operate to reduce production by borrowers. While the Corporation's withdrawal from these activities will therefore tend to reduce rubber purchases required of the Corporation, it will also seriously affect ultimate collection of loans. The exact extent of these influences cannot be reasonably forecast at the moment and for this reason no collections are reflected in the financial statements. However, it is estimated that loan losses actually sustained during fiscal year 1947 will aggregate \$500,000. In this connection, it should be noted that such losses in most instances are chargeable against development commitments for which the Corporation would otherwise be obligated under international agreements. (For further details see exhibits A and B.)

OPERATING RESULTS

The program of the Corporation during the fiscal year 1945 resulted in a net loss of \$16,129,000. For the fiscal years 1946 and 1947, net losses are estimated, respectively,

at \$20,414,000 and \$5,916,000. These losses are almost wholly due to operations in Latin America where the Corporation was engaged in development of a wild rubber industry to meet the Nation's critical war requirements for rubber. During the fiscal periods 1945, 1946, and 1947, rubber imports from Latin American sources were or are estimated at 38,000 tons, 38,500 tons and 28,000 tons, respectively. As a result of losses estimated for fiscal year 1946 and 1947, it is anticipated that the deficit of the Corporation will increase from \$35,745,000 at June 30, 1945, to \$59,535,000 at June 30, 1947.

While the accumulated deficit is technically a loss resulting from operations, it should be noted that such deficit in fact represents an additional cost of rubber purchases. This additional cost has not been invoiced to the Reconstruction Finance Corporation since that organization is already forced by the Office of Price Administration ceilings to absorb sale losses on all Latin American rubber purchased, and could not expect to recover such additional cost if it were invoiced. In light of the latter fact, the accounting work required to transfer the total cost of rubber, rather than merely its invoice value has not been considered justified. As a matter of information, it is estimated that the total cost of rubber obtained from Latin America, including invoice values and provisions for the deficit and additional losses anticipated in liquidation, will average less than 65 cents per pound over the entire period of the wild rubber program to June 30, 1947.

FINANCIAL CONDITION

DUE FROM OTHER GOVERNMENTAL AGENCIES

On June 30, 1945, there was due from other governmental agencies \$35,915,000 which primarily represented amounts due from the Rubber Reserve Company in connection with rubber secured from Ceylon under reciprocal aid arrangements with the British Government. Payment by the Rubber Reserve Company was being deferred at that date pending settlement by this Corporation for such rubber with the lend-lease division of the Foreign Economic Administration. The major part of amounts due in connection with such transactions has since been paid.

EQUIPMENT AND SUPPLIES

At June 30, 1945, the Corporation had for resale \$7,516,000 in merchandise inventories largely located in foreign countries and consisting primarily of various tappers' equipment, food, medicines, motor parts, and material for use in the rubber program. These stock-piles are now in process of being liquidated and it is expected that the inventory will be nearly closed out early in the fiscal year 1947. In view of the nature of these supplies and the fact that they were originally obtained in expectation of normal sales throughout the period of agreements with Latin-American Governments, it is anticipated that substantial losses will occur in connection with their sale on a liquidating basis. No provision now exists in the Corporation's financial statements in the nature of a reserve against these losses since they are reflected in the statement of income and expenses when sustained.

ADVANCES FOR PROCUREMENT

At June 30, 1945, the Corporation had outstanding \$2,938,000 representing advances in Latin-American countries made to producers for the purpose of increasing

rubber exports from those areas. Since records maintained in connection with these loans are in the respective offices of the Corporation in Latin America, precise information relating to the number of such loans and their proportionate delinquency is not available. However, the major portion of the loans made by the Corporation carried maturity dates coinciding with the terminal dates of the respective international rubber agreements and have not yet become due. For reasons outlined above under the analysis-of-budget program, experience in collection of those loans cannot be anticipated although losses will necessarily accrue as a result of the Corporation's withdrawing from its present transportation, construction, and technical activities. No provision now exists in the Corporation's financial statements for losses which may be expected in this connection since they are reflected in the statement of income and expenses when sustained.

INVESTMENTS IN CAPITAL STOCK

At June 30, 1945, the Corporation had invested in capital stocks of other companies approximately \$3,001,000. All but a minor portion of this total represented the participation of the United States Government with the Brazilian Government in the Banco de Credito da Borracha, a Brazilian corporation engaged in rubber financing and purchasing throughout the Brazilian portion of the Amazon Valley. Immediate liquidation of the Corporation's interests in the Banco de Credito da Borracha is not expected since the rubber agreement with Brazil does not expire until June 30, 1947. The Corporation, meantime, will not be in a position to request liquidation of its interest in the bank.

ADVANCES TO CONTRACTORS UNDER OPERATING AGREEMENTS

At June 30, 1945, the Corporation had a balance of \$3,305,000 representing advances to nonprofit contractors engaged on behalf of the Corporation in fostering rubber production, primarily in Central America, and in otherwise performing activities to which the Corporation is obligated under its agreements with those countries. Such contractors sold food and supplies to rubber tappers and producers, handled necessary construction activities, made advances to rubber producers, and purchased all exportable surpluses of rubber. As mentioned above, these contractors operated on a nonprofit basis and were, in fact, completely controlled by the Corporation. The main purpose of the arrangement under which the contractors operated was to eliminate the possibility of legal entanglements in which the Corporation might have become involved had it operated directly in these areas. The accounts with each of the contractors involved have been or are now in process of being liquidated in conformity with the Corporation's curtailment program, and it is expected that current balances will therefore be translated into assets or expenses on the Corporation's books.

OPERATING PLANT AND EQUIPMENT

At June 30, 1945, the Corporation owned \$10,275,000 of capital property and equipment used in furtherance of the Corporation's rubber program. Primarily this property consisted of major marine units operating under lessees in the Amazon Valley, as well as airplanes and spare parts and miscellaneous construction and other

transport equipment, required in the Corporation's program. Approximately \$5,000,000 of this equipment will be maintained in operation under lease agreements which do not expire until the end of the fiscal year 1947. Another \$1,000,000 of the equipment, primarily airplanes and parts, is being declared surplus and transferred to the foreign liquidation commissioner for sale. No recovery in connection with such surplus equipment has been estimated in the budget submission for fiscal year 1947. The balance of the equipment has been or will be disposed of within the rubber program during fiscal year 1946 in conformity with the Corporation's curtailment program. Such equipment has been subjected to heavy usage under jungle conditions for three years or more, during which period no depreciation has been taken. It is therefore expected that disposition of equipment cannot be made for full book values. No provision now exists in the Corporation's financial statement for losses which may be realized in this connection since they are reflected in the statement of income and expenses when sustained.

NOTES PAYABLE TO THE RECONSTRUCTION FINANCE CORPORATION

On June 30, 1945, the Corporation had outstanding notes payable in favor of the Reconstruction Finance Corporation of approximately \$77,507,000. As a result of operations through June 30, 1947, it is expected that this note balance will be reduced to approximately \$73,391,000.

ACCOUNTS PAYABLE

At June 30, 1945, the Corporation had outstanding accounts payable of \$33,137,000, which will be reduced to \$7,750,000 as of June 30, 1947, the major portion of which represented amounts pending settlement with the lend-lease division of the Foreign Economic Administration for rubber secured through reciprocal aid channels from the British Government.

CAPITAL IMPAIRMENT

On June 30, 1945, this Corporation had a capital impairment of \$35,745,000. It is estimated that such impairment will amount to \$53,619,000 at June 30, 1946 and \$59,535,000 at June 30, 1947. Provision for the Corporation's operating deficit appears in the financial statement of the Reconstruction Finance Corporation in the form of a surplus reserve. Any action toward restoration of Rubber Development Corporation's impairment would consequently be effected through the Reconstruction Finance Corporation.

ADMINISTRATIVE EXPENSES

This expense covers the general supervisory staff of the Corporation in the United States including services of personnel assigned to activities of the Corporation by the Reconstruction Finance Corporation, acting as fiscal agent. It does not include expenses of personnel assigned to foreign projects outside the continental United States which is regarded as nonadministrative. During the fiscal year 1945 the United States staff performing these functions expended 244 man-years of personal service, which, with other related administrative costs, resulted in a total expenditure of \$963,437. The direct administrative organization of the Corporation has been sharply reduced in 1946, and will be maintained in 1947 at approximately one-fifth of that required in the fiscal year 1945.

This reduction is primarily due to expected liquidation of direct Latin American activities, offset in a minor degree by new activities assumed by the Corporation in the Far East. Despite reductions in the direct operating staff, however, it is not expected that similar reductions can be effected in certain fiscal functions, notably the accounting and audit staffs. Substantial increases in each of these staffs will be required; first, as a result of transferring all accounting operations formerly performed in Latin America to the Corporation's Washington Office and which in 1945 and 1946 were regarded as nonadministrative expenses; second, due to the tremendous increase in the number of transactions requiring recording as a

result of a threefold increase in estimated rubber importations, and, third, due to the backlog of audit work and increased need for audit activity resulting from withdrawal of public accounting firms from review of the Corporation's records. As a result of these factors administrative expenses are expected to decrease only slightly from \$850,000 in 1946 to \$785,922 in 1947. (For further details, see exhibit B and Schedule B-2.)

LANGUAGE

Language covering this Corporation has been consolidated with that of the Reconstruction Finance Corporation. (See p. 173.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To operating expenses:			
Labor movement, technicians, tappers schools, and other costs incident to increasing production.....	\$6,458,561	\$6,245,828	-----
Airway operations.....	3,188,897	304,670	-----
Production premiums, marine operations, and other direct operating expenses.....	5,475,212	6,787,151	\$3,620,000
Storage and handling of rubber.....	114,571	36,397	-----
Administrative expenses.....	963,437	850,000	785,922
Interest expense.....	2,409,622	785,557	710,000
	\$18,610,300	\$15,009,603	\$5,115,922
To increase (or decrease*) advances to contractors under operating agreements.....	1,978,545	*3,305,421	-----
To capital stock—Mexico contractor.....	1,030	*1,030	-----
To repay borrowings from Reconstruction Finance Corporation.....	116,399,515	216,944,094	259,000,000
To increase (or decrease*) working capital.....	*8,149,728	*18,456,990	*2,945,000
Total funds applied.....	128,839,662	210,160,256	261,170,922
FUNDS PROVIDED			
By decrease in inventory of crude rubber, guayule, etc.:			
Purchases.....	115,664,098	168,682,562	259,000,000
Less cost of sales.....	119,837,965	169,244,050	259,000,000
Decrease in inventory.....	4,173,867	501,488	-----
By operating income:			
Sales of crude rubber, guayule, etc.....	120,769,317	169,389,655	259,000,000
Cost of sales.....	119,837,965	169,244,050	259,000,000
	931,352	145,605	-----
Sales of equipment and supplies.....	11,572,032	16,336,058	50,000
Cost of sales.....	10,382,859	20,512,718	300,000
	1,189,173	*4,176,660	*250,000
By recovery on loans to producers.....	2,974,890	*61,573	*15,000
By sale of operating plant and equipment (at book value).....	476,224	4,075,324	-----
Less loss on sale.....		1,025,781	-----
	476,224	3,049,543	-----
By interest, dividends, and miscellaneous.....	361,083	52,185	150,000
By liquidation of other assets.....	47,280	47,983	-----
By borrowings from Reconstruction Finance Corporation.....	118,685,793	210,541,685	261,285,922
Total funds provided.....	128,839,662	210,160,256	261,170,922

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Sales of crude rubber, guayule, etc.....	\$120,769,317	\$169,389,655	\$259,000,000
Cost of sales.....	119,837,965	169,244,050	259,000,000
Gross profit.....	\$931,352	\$145,605	-----
Sales of equipment and supplies.....	11,572,032	16,336,058	50,000
Cost of sales.....	10,382,859	20,512,718	300,000
Gross profit (or loss)*.....	1,189,173	*4,176,660	*\$250,000
Total operating income (or loss*).....	2,120,525	*4,031,055	*250,000
Operating expenses:			
Labor movement, technicians, tappers schools and other costs incident to increasing production.....	6,458,561	6,245,828	-----
Airway operations.....	3,188,897	304,670	-----
Storage and handling of rubber.....	114,571	36,397	-----
Administrative expense.....	963,437	850,000	785,922
Production premiums, marine operations, warehousing, and other direct operating expenses.....	5,475,212	6,787,151	3,620,000
Interest expense.....	2,469,622	785,557	710,000
Total operating expenses.....	18,610,300	15,009,603	5,115,922
Net operating loss.....	16,489,775	19,040,658	5,365,922
Nonoperating income and expenses:*			
Loss on sale of operating plant and equipment.....	-----	*1,025,781	-----
Charge-off of loans.....	-----	*200,000	*500,000
Charge-off of equipment and supplies.....	-----	*200,000	*200,000
Interest, dividends, and discount.....	236,721	153,847	150,000
Miscellaneous income.....	124,362	*101,662	-----
Total nonoperating income or expense*.....	361,083	*1,373,596	*550,000
Net less for the year.....	16,128,692	20,414,254	5,915,922

ANALYSIS OF DEFICIT

Balance at beginning of fiscal year.....	*\$19,616,333	*\$35,745,025	*\$53,618,688
Adjustment of interest expense for prior years.....	-----	2,540,591	-----
Balance.....	*19,616,333	*33,204,434	*53,618,688
Net loss for the year (above).....	16,128,692	20,414,254	5,915,922
Balance at end of fiscal year.....	*35,745,025	*53,618,688	*59,534,610

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
ASSETS				
Cash:				
On hand and in banks.....	\$2,798,437	\$2,474,219	\$856,909	\$708,909
Accounts receivable:				
Due from other Government agencies.....	22,337,297	35,915,323	7,500,000	7,500,000
Other accounts receivable.....	4,452,698	3,776,156	3,029,000	802,000
Total accounts receivable.....	26,789,995	39,691,479	10,529,000	8,302,000
Inventories:				
Crude rubber, guayule, etc.....	8,109,021	3,935,154	3,373,666	3,373,666
Equipment and supplies.....	13,709,013	7,516,101	890,000	390,000
Total inventories.....	21,818,034	11,451,255	4,263,666	3,763,666
Loans receivable:				
Long term loans.....	654,659			
Advances for procurement.....	5,258,658	2,938,427	2,800,000	2,315,000
Total loans receivable.....	5,913,317	2,938,427	2,800,000	2,315,000
Other current assets	95,263	47,983		
Investments:				
Investments in capital stock.....	3,000,000	3,001,030	3,000,000	3,000,000
Advances to contractors under operating agreements.....	1,326,876	3,305,421		
Total investments.....	4,326,876	6,306,451	3,000,000	3,000,000
Operating plant and equipment	10,751,548	10,275,324	6,200,000	6,200,000
Suspended debits	2,669,389	2,251,593		
Prepaid and deferred charges	12,665,221	4,516,005		
Total assets	87,828,080	79,952,736	27,649,575	24,289,575
LIABILITIES				
Notes payable—Reconstruction Finance Corporation	75,220,870	77,507,148	71,104,739	73,390,661
Accounts payable	9,754,845	33,136,929	8,210,000	7,750,000
Accrued interest payable—Reconstruction Finance Corporation		3,743,376	1,973,524	2,683,524
Trust and deposit liabilities		107,894		
Suspended and deferred credits	22,468,698	1,303,141		
Exchange differentials		*100,727	*20,000	
Total liabilities	107,444,413	115,697,761	81,268,263	83,824,185
CAPITAL				
Capital stock held by Reconstruction Finance Corporation.....	100,000	100,000	100,000	100,000
Deficit.....	*19,716,333	*35,845,025	*53,718,688	*59,634,610
Total capital	*19,616,333	*35,746,025	*53,618,688	*59,534,610

*Deduct.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash.....	*\$324,218	*\$1,617,310	*\$148,000
Accounts receivable.....	12,901,454	*29,162,479	*2,227,000
Inventory—equipment and supplies.....	*6,192,912	*6,426,101	*300,000
Suspended debits.....	*417,706	*2,251,593	
Prepaid and deferred charges.....	*8,149,216	*4,616,000	
Current liabilities (increase* or decrease):			
Accounts payable.....	*23,382,084	24,926,929	460,000
Accrued interest payable to RFC.....	*3,743,376	*770,739	*710,000
Trust and deposit liabilities.....		107,894	
Suspended and deferred credits.....	21,165,557	1,303,141	
Exchange differential.....	100,727	*80,727	*20,000
Decrease in working capital.....	8,149,728	18,486,990	2,946,000

*Deduct.

SCHEDULE B-1

COST OF SALES

[Fiscal years ending June 30, 1946, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
CRUDE RUBBER, GUAYULE, ETC.			
Purchases.....	\$115,664,098	\$168,682,562	\$259,000,000
Inventory variation—work in process:			
Inventory at beginning of year.....	\$8,109,021	\$3,935,154	\$3,373,666
Inventory at end of year.....	3,935,154	3,373,666	3,373,666
	4,173,867	561,488	
Cost of sales.....	119,837,965	169,244,050	259,000,000
EQUIPMENT AND SUPPLIES			
Purchases.....	4,189,947	14,098,995	
Adjustments (credits)*.....		*212,378	*200,000
	4,189,947	13,886,617	*200,000
Inventory variation—finished product:			
Inventory at beginning of year.....	13,709,013	7,516,101	890,000
Inventory at end of year.....	7,616,101	890,000	390,000
	6,192,912	6,626,101	500,000
Cost of sales.....	10,382,859	20,512,718	300,000

*Deduct.

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Personal services, departmental:			
Office of the secretary.....	\$44,006	\$29,553	\$18,213
Office of the treasurer.....	234,201	250,101	309,422
Auditing division.....	6,474	128,033	207,050
Division of personnel.....	10,751	5,506	4,600
Examining division.....	2,864		
Office of general counsel.....	10,660	16,818	20,370
Railroad division.....	13,887	4,750	5,000
Statistical and economic division.....	1,188		
Office of Rubber Development Corporation.....	356,609	260,659	98,617
Total departmental.....	680,940	694,420	663,172
Professional services (fee basis).....	12,794	7,500	5,000
Overtime.....	117,134	14,390	
Total personal services.....	810,868	716,260	668,172
Other administrative expenses.....	152,569	133,750	117,750
Total administrative expenses.....	963,437	850,000	785,922
Memoranda: Total man-years.....	221.2	198.5	200.1

THE RFC MORTGAGE COMPANY

CREATION AND PURPOSE

The RFC Mortgage Company was organized in March 1935 under the laws of the State of Maryland, for the purpose of assisting in the reestablishment of a normal mortgage market. The affairs of the Company are supervised by a board of directors appointed by the board of directors of the Reconstruction Finance Corporation. It makes real estate mortgage loans to aid in the construction of new buildings for which there is a demonstrated economic need and upon properties which are in distress in cases where the applicant cannot obtain needed refinancing elsewhere at reasonable rates and terms. The Company also aids in the housing programs of the Federal Housing Administration by creating a market where financial institutions can sell Federal Housing Administration insured mortgages to provide cash for making additional loans or for other purposes. This phase of its operations includes the purchase of class 3 title I loans, title II mortgages, and title VI mortgages insured under the provisions of the National Housing Act. However, title II purchases are limited to mortgages insured prior to January 1, 1937, covering homes built prior to January 1, 1936. In addition to its lending and purchase operations, the Company sells loans and mortgages to institutions for investment purposes, sales of insured mortgages being confined to institutions which have been approved by Federal Housing Administration as mortgagees.

FINANCIAL ORGANIZATION

The RFC Mortgage Company originally had an authorized capital stock of \$10,000,000 and this amount was later increased to \$25,000,000. The board of directors of the Reconstruction Finance Corporation has recently adopted the practice of charging the Company 1 percent interest on the funds invested in its capital stock. The Reconstruction Finance Corporation, with the approval of the President, pursuant to section 5 (c) of the Reconstruction Finance Corporation Act, as amended, subscribed for this capital stock. The Company is not restricted by law with respect to borrowing and when additional cash is needed for operations, it borrows funds from the Reconstruction Finance Corporation. (See statement of condition following textual material—exhibit C.)

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

In appraising the budgetary requirements of the Company for the fiscal year 1947, consideration must be given to the need of financial assistance for the construction and remodeling of urban, income-producing properties, such as hotels, apartments, and other types of commercial properties and the presently existing acute shortage of moderately priced homes. In projecting activities of the Company these conditions to the extent possible have been taken into account.

DIRECT LOANS

This activity involves assistance in financing the construction of new buildings, remodeling existing buildings, and refinancing distressed properties. It is well known

that owners of such properties could not perform desirable or necessary repairs and remodeling during the war, and efforts to undertake such work will become increasingly important. Notwithstanding the present scarcity of materials for this purpose many projects will undoubtedly be permitted to remove dangers to health and safety of the public. Likewise, it is reasonable to suppose that within the next 12 months construction materials will become more plentiful and work of the type under discussion will greatly increase. It is believed that the assistance of the Company will be needed in cases where private lenders cannot handle the loan. In order to provide for this contingency \$25,000,000 has been included in the budget for direct loans.

PURCHASE OF FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES

The expansion in private housing during 1947 will be substantial as labor and materials become available. However, since class 3 title I loans are not presently being insured by the Federal Housing Administration and its program with respect to title VI mortgages is about completed, the future activities of the Company will be principally the purchase of title II mortgages insured prior to January 1, 1937, which will eliminate mortgages covering new construction. This situation will result in a decline in the volume of insured mortgages offered for sale to the Company.

Congress is now considering legislation pertaining to the amelioration of the present acute shortage of housing which may reactivate with some modification the insurance provisions of title VI of the National Housing Act. If such legislation is enacted, there would be a substantial increase in the volume of insured mortgages offered for sale to the Company. In this connection the Company purchased about \$109,000,000 worth of title VI mortgages between July 1, 1944, and July 1, 1945, of which \$34,029,500 were outstanding at the end of the period. However, any increase in volume of business which may result from enactment of the pending legislation has not been reflected in the Corporation's 1947 program. (For further comment on this point see the borrowing authority section of the narrative statement covering the budget for the Reconstruction Finance Corporation.)

In view of the foregoing the Company estimates that during the fiscal year 1947 it will disburse \$25,000,000 for direct loans and \$5,000,000 for the purchase of insured mortgages. During the same period it expects to sell \$4,000,000 of its loans, receive \$5,700,000 in repayments, and to institute foreclosure proceedings to the extent of \$2,800,000. The Company's loan portfolio will aggregate \$54,885,000 as of June 30, 1947, which is an increase of \$17,500,000 over that held at the beginning of the year. (For further details on loan activities see exhibits A and B and schedule C-1.)

OPERATING RESULTS

Operations of this Company during the fiscal year 1945 resulted in a net profit of \$855,000, and it is estimated that the net profit of the Company for the fiscal years

1946 and 1947 will be \$1,001,000 and \$926,000, respectively. The increase in net profits in 1946 and 1947 over 1945 is due to \$1,300,000 of loans being charged off during 1945 whereas no charge-off is anticipated in the 2 succeeding years. As a result the earned surplus of the Company, which on June 30, 1945, amounted to \$2,479,000, will increase to \$4,406,000 by the end of 1947. (See exhibit B.)

FINANCIAL CONDITION

LOANS

On June 30, 1945, there were 10,335 insured loans outstanding, amounting to \$39,571,000, of which 275 or approximately 2.7 percent were delinquent. At the same date there were 680 uninsured loans outstanding in the amount of \$15,162,000, of which 32 or about 5 percent were delinquent. On June 30, 1944, delinquent ratios were 1.4 percent and 4.3 percent, respectively. Even though the number of loans in default declined during the fiscal year 1945, there was an increase in the percentage of loans in default due to investors purchasing those loans which have a good payment record. Actually, there was an improvement in the condition of the loans held by the Company. (See schedule C-1.)

LAND, BUILDINGS, AND EQUIPMENT

The Company's investment in land, buildings, and equipment on June 30, 1945, amounted to \$7,500,000 with a depreciated value of \$6,993,000. Of this gross investment \$6,898,000 represented the book value of the Company's investment in the Federal Loan Agency Building. The Company's rental policy with respect to this building contemplates the recovery of its investment over a period

of years. The rent charged to occupants therefore is based upon the amount required to defray expenses of maintenance and operation, payment of taxes, insurance, and interest on the Company's net investment, together with an amount representing depreciation. At the present time the building is being depreciated at the rate of 2 percent per year and equipment is depreciated at 5 percent per year. (See schedule B-1.)

NOTES PAYABLE TO THE RECONSTRUCTION FINANCE CORPORATION

As indicated under Financial organization this Company's financial requirements, in excess of its capital, are met by borrowings from the Reconstruction Finance Corporation. On June 30, 1945, "Notes payable to the Reconstruction Finance Corporation" amounted to \$44,745,000; and it is estimated that the comparable figure at June 30, 1947, will be \$47,274,000. (See exhibit C.)

ADMINISTRATIVE EXPENSES

This Company does not have an administrative organization of its own, all work being performed by employees of the Reconstruction Finance Corporation on a reimbursable basis. Actual administrative expenses for 1945 amounted to \$788,979, and it is estimated that such expenses for the fiscal years 1946 and 1947 will be \$697,568 and \$550,000, respectively. (See statement of income and expenses, exhibit B, and schedule B-2.)

LANGUAGE

Language covering this Company is included with that of the Reconstruction Finance Corporation. (See p. 173.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To purchase loans and make loans and advances.....	\$35,369,200	\$12,442,660	\$30,000,000
To foreclosure expense and expense on acquired security.....	99,673	152,672	200,000
To operating expenses (see exhibit B):			
Interest expense.....	\$2,167,614	\$899,700	\$928,570
Administrative expenses (see schedule B-2).....	788,979	697,568	550,000
Other operating expenses.....	484,891	239,102	140,380
	3,431,484	1,836,370	1,618,950
To purchase equipment.....	810		
To repay borrowings from RFC.....	67,261,907	23,148,453	1,000,000
To expense on Hotel Empire, San Francisco, Calif.....	5,412		
To increase (or decrease*) working capital (see schedule A-1).....	*2,818,496	*117,194	*100,390
Total funds applied.....	103,349,990	37,462,961	32,718,560
FUNDS PROVIDED			
By repayment of loans and advances:			
Book value of loans repaid.....	11,643,125	5,493,272	4,200,000
Less: Uncollectible amounts charged off.....	1,300,434		
	10,342,691	5,493,272	4,200,000
By sales of loans—Book value.....	66,920,223	19,612,032	4,000,000
By disposition of acquired security:			
Book value of acquired security.....	1,393,903	3,013,601	1,500,000
Less: Loss on disposal.....	16,898	10,000	20,000
	1,377,006	3,003,601	1,480,000
By operating income (see exhibit B):			
Interest earned on loans.....	4,072,774	2,097,000	2,076,750
Interest earned on investments.....	166,706	215,923	232,450
Premiums on sales of loans, etc.....	1,316,872	381,090	75,000
Other operating income.....	248,680	158,305	230,620
	5,805,032	2,852,317	2,614,720
By sales of land, buildings, and equipment:			
Book value of land sold.....	573,627		
Less: Loss on sales.....	43,238		
	530,389		
By rentals, federal loan agency building (see schedule B-1):			
Rental income.....	745,095	747,400	778,400
Expenses (excluding depreciation).....	621,744	623,620	654,560
	123,351	123,780	123,840
By redemption of debentures issued by FHA.....	18,700		
By borrowings from Reconstruction Finance Corporation.....	18,223,699	6,377,959	20,300,000
Total funds provided.....	103,349,990	37,462,961	32,718,560

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on loans.....	\$4,072,774	\$2,097,000	\$2,076,750
Interest on investments.....	166,706	215,922	232,450
Premiums earned on sales of loans, etc.....	1,316,872	381,090	75,000
Service fees and other operating income.....	248,680	158,305	230,520
Total operating income.....	\$5,805,032	\$2,852,317	\$2,614,720
Operating expenses:			
Interest expense.....	2,157,614	899,700	928,570
Administrative expenses (see schedule B-2).....	788,979	697,568	550,000
Service fees and other operating expense.....	484,891	239,102	140,380
Total operating expenses.....	3,431,484	1,836,370	1,618,950
Net operating income.....	2,373,548	1,015,947	995,770
Nonoperating income and expenses*:			
Loans receivable charged off.....	*1,300,434	-----	-----
Interest charged off.....	*158,025	-----	-----
Loss on sale of land and buildings.....	*43,238	-----	-----
Loss on sale of acquired security.....	*16,898	*10,000	*20,000
Miscellaneous gains or losses.....	-----	*5,000	*50,000
Net nonoperating loss.....	*1,518,595	*15,000	*70,000
Net income for the year.....	854,953	1,000,947	925,770

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$1,629,556	\$2,479,097	\$3,480,044
Net income for the year (above).....	854,953	1,000,947	925,770
	2,484,509	3,480,044	4,405,814
Expenses on Hotel Empire property, San Francisco, Calif.....	5,412	-----	-----
Balance at end of fiscal year.....	2,479,097	3,480,044	4,405,814

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Loans receivable (see schedule C-2):				
Real estate mortgage loans—Insured.....	\$78,550,778	\$39,571,202	\$18,351,779	\$15,101,779
Real estate mortgage loans—Not insured.....	28,484,105	15,161,709	17,981,118	38,806,118
Notes, sales contracts and advances.....	156,340	1,102,355	1,052,355	977,355
Total loans receivable.....	107,191,223	55,835,266	37,385,252	54,885,252
Land, buildings, and equipment.....	8,072,500	7,499,683	7,499,683	7,499,683
Less: Reserve for depreciation.....	383,150	506,888	630,668	754,508
Net, land, buildings, and equipment.....	7,689,350	6,992,795	6,869,015	6,745,175
Accrued interest receivable:				
Accrued interest on loans.....	590,203	290,711	205,618	263,448
Accrued interest on investments.....	80,659	97,228	119,350	138,100
Total accrued interest.....	670,862	387,939	324,968	401,548
Accounts receivable:				
Due from Government agencies.....	4,840,521	1,287,661	1,264,286	1,299,140
Due from others.....	2,651	1,689	2,000	2,000
Total accounts receivable.....	4,843,172	1,289,250	1,266,286	1,301,140
Acquired security on defaulted loans:				
Real estate.....	665,032	2,994,710	3,923,154	5,423,154
Judgments.....	18,203	18,204	17,901	17,901
Total acquired security.....	683,235	3,012,914	3,941,055	5,441,055
Debentures issued by FHA.....	956,400	6,466,600	7,464,900	8,064,900
Cash:				
With Reconstruction Finance Corporation.....	1,967,610	1,094,446	731,643	941,643
With U. S. Treasury.....	1,127	1,127	1,127	1,127
Total cash.....	1,958,737	1,095,673	732,770	942,770
Undistributed charges (Federal Loan Agency Building, operation and maintenance).....	628,538	702,761	750,000	780,000
Total assets.....	124,621,617	74,783,098	58,734,266	79,461,840
LIABILITIES				
Bonds, debentures, and notes payable:				
Notes payable to Reconstruction Finance Corporation.....	93,783,291	44,744,983	27,974,489	47,274,489
Accrued liabilities:				
Accrued interest payable on notes held by Reconstruction Finance Corporation.....	598,003	66,871	375,896	464,902
Accrued service charges payable to servicing institutions.....	49,935	27,700	12,846	10,670
Total accrued liabilities.....	647,938	93,671	388,741	475,472
Accounts payable:				
Due Reconstruction Finance Corporation for reimbursable expense.....	261,196	282,331	269,167	232,260
Due others.....	2,374	177	1,600	1,000
Total accounts payable.....	263,570	282,508	270,667	233,260
Trust and deposit liabilities:				
Deposits for taxes, insurance, etc.....	1,919,804	1,063,687	710,315	1,032,816
Suspended credits and miscellaneous deposits.....	689,863	356,613	100,000	200,000
Total trust and deposit liabilities.....	2,609,667	1,420,200	810,315	1,232,816
Unapplied credits (rental collections of Federal Loan Agency Building, etc.).....	687,495	762,739	810,000	840,000
Total liabilities.....	97,991,961	47,304,001	30,264,212	50,056,026
CAPITAL				
Paid-in capital:				
Common stock.....	25,000,000	26,000,000	25,000,000	25,000,000
Earned surplus.....	1,629,556	2,478,097	3,480,044	4,405,814
Total capital.....	26,629,556	27,478,097	28,480,044	29,405,814

SCHEDULE A-1

CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Accrued interest receivable:			
Accrued interest on loans.....	*\$141,467	*\$85,003	\$57,830
Accrued interest on investments.....	16,569	22,122	18,750
Accounts receivable:			
Due from Government agencies.....	*3,552,860	*18,365	84,844
Due from others.....	*1,002	411	-----
Cash:			
With Reconstruction Finance Corporation.....	*863,164	*362,803	210,000
Deferred charges.....	74,226	46,839	1,600
Current liabilities (increase* or decrease):			
Accrued liabilities:			
Accrued interest payable on notes held by Reconstruction Finance Corporation.....	532,132	*\$10,024	*69,007
Accrued service charges payable to servicing institutions.....	22,235	14,854	2,276
Accounts payable:			
Due RFC for reimbursable expense.....	*21,135	13,164	36,917
Due others.....	2,197	*1,323	500
Trust and deposit liabilities:			
Deposits for taxes, insurance, etc.....	856,117	353,372	*322,500
Suspended credits and miscellaneous deposits.....	333,350	256,513	*100,000
Deferred credits.....	*75,634	*46,861	*1,600
Decrease in working capital.....	2,816,496	117,194	100,390

*Deduct.

SCHEDULE B-1

OPERATING STATEMENT OF THE FEDERAL LOAN AGENCY BUILDING

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Rental income:			
Reconstruction Finance Corporation.....	\$661,872	\$661,903	\$687,650
Export-Import Bank.....	21,497	21,497	24,750
Garage.....	17,281	18,000	18,000
Stores.....	37,870	40,000	42,000
Cafeteria.....	6,575	6,000	8,000
Total rental income.....	745,095	747,400	776,400
Expenses:			
Maintenance and operating costs.....	314,844	320,400	355,000
Taxes.....	109,759	100,760	109,760
Insurance.....	2,024	2,960	3,000
Depreciation.....	123,738	123,780	123,840
Interest on the Company's net investment in land, buildings, and equipment.....	194,217	190,500	186,800
Total expenses.....	745,482	747,400	776,400
Excess of expenses over income.....	387	-----	-----

SCHEDULE B-2
ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Personal services, departmental:			
Board of directors	\$893		
Office of the secretary	20,811	\$24,776	\$24,000
Office of the treasurer	128,187	126,196	117,928
Agency division	187	150	200
Auditing division	9,499	16,295	16,000
Division of information	12		
Division of personnel	2,010	2,297	1,500
Examining division	40,637	40,189	40,000
Office of general counsel	15,142	14,125	15,000
Statistical and economic division	431	445	300
Miscellaneous section	650		
Total departmental	218,459	224,473	214,928
Total field	229,539	244,182	171,908
Professional services (fee basis)	12,771	12,500	9,147
Overtime	81,138	8,392	
Total personal services	541,707	489,547	395,983
Other administrative expenses	247,272	208,021	154,017
Total administrative expenses	788,979	697,568	550,000
Memoranda: Total man-years	169	161.1	128.6

SCHEDULE C-1
STATUS OF LOANS RECEIVABLE

[As of June 30, 1944, and 1945]

	June 30, 1944		June 30, 1945	
	Number	Amount	Number	Amount
Real estate mortgage loans—insured:				
Current	20,145	\$77,532,728	10,060	\$38,605,497
Delinquent:				
Unmatured principal	291	1,002,746	275	944,999
Matured unpaid principal		15,304		20,707
Total real estate mortgage loans—insured	20,436	78,550,778	10,335	39,571,202
Real estate mortgage loans—not insured:				
Current	1,065	24,456,323	648	14,090,745
Delinquent:				
Unmatured principal	48	3,743,211	32	841,099
Matured unpaid principal		284,671		229,865
Total real estate mortgage loans—not insured	1,113	28,484,105	680	15,161,709

U. S. COMMERCIAL COMPANY

CREATION AND PURPOSE

Pursuant to section 5d (3) of the Reconstruction Finance Corporation Act (15 U. S. C. 606b), in order to aid the Government in its national defense program, U. S. Commercial Company was created on March 26, 1942. Under Executive Orders 9361, dated July 15, 1943, and 9380, dated September 25, 1943, the U. S. Commercial Company was transferred to the Office of Economic Warfare and thereafter to the Foreign Economic Administration. Pursuant to Executive Order 9630, the U. S. Commercial Company was transferred to the Reconstruction Finance Corporation on October 20, 1945. The affairs of the Company are supervised by a board of directors who were appointed by the board of directors of the Reconstruction Finance Corporation and includes representatives of the Department of State, the Treasury Department, and the Department of Agriculture.

The charter of the Company incorporates the provisions of 5d (3) providing that the purposes of the Corporation and the business to be carried on by it are, (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials; (b) to purchase and lease land, plants, facilities, etc., for the manufacture of strategic and critical materials and implements of war, and other facilities, supplies, etc., necessary to the national defense; (c) to dispose of such land, plants, facilities, etc., to others to engage in manufacture; (d) to engage in such manufacture itself, if the President finds it necessary; (e) to produce or otherwise acquire railroad equipment and commercial aircraft and dispose of same; (f) to arrange facilities for the training of aviators; (g) to take such other action as the President and Federal Loan Administrator may deem necessary to expedite the national defense program; and (h) to do and perform all acts and things which are necessary in connection with the foregoing objects and purposes.

In accordance with the provisions of section 5d (3) of the Reconstruction Finance Corporation Act, and Executive orders and letters of the President, the Foreign Economic Administrator authorized the Company on June 15, 1944, (1) to conduct or facilitate and promote commercial trade with liberated areas or areas from which private traders may be barred or in which they may find it impracticable to carry on normal trade; (2) to acquire articles, etc., for export to or sale or distribution in foreign countries in which the Company is engaged in procurement or production programs; (3) to act for the Foreign Economic Administration in carrying out its functions and transactions and to take such other action deemed necessary to facilitate the war effort and strengthen the international economic relations of the United States; (4) to conduct operations necessary or incident to the procurement and development of food, etc., in foreign countries, and (5) to handle or dispose of Government-owned property when authorized, and to carry out such functions as may be delegated to Foreign Economic Administration in connection with surplus war property. The functions of the Foreign Economic Administration were transferred pursuant to Executive Order 9630, dated September 27, 1945, to the Department of State, Reconstruction Finance Corporation, Department of Agriculture, and Department of Commerce.

FINANCIAL ORGANIZATION

The authorized capital stock of the U. S. Commercial Company in the amount of \$5,000,000 is held by the Reconstruction Finance Corporation. The board of directors of the Reconstruction Finance Corporation has recently adopted the practice of charging the Company 1 percent interest on the funds invested in its capital stock. The Company obtains its additional funds through loans from the Reconstruction Finance Corporation. The outstanding balance of such loans at June 30, 1945, was \$317,665,000. A statement of condition of the Corporation is shown immediately following the textual material. (See exhibit C.)

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The major budgetary requirements of the U. S. Commercial Company for the fiscal year 1947 are predicated upon instructions from the President of the United States, such instructions having been issued upon the recommendations of the War, Navy, and State Departments. Obviously, the estimates must be based upon what constitutes a reasonable expectancy in light of existing instructions which are more fully stated below. (For detail as to financial estimates see statement of sources and application of funds, exhibit A.)

PROCUREMENT OF STRATEGIC AND CRITICAL MATERIALS

Pursuant to directives of the War Production Board and of the War Food Administration, the U. S. Commercial Company purchased commodities under this program during the fiscal year 1945 in the total amount of \$844,223,000, and it is estimated that such purchases during the fiscal year 1946 will aggregate \$382,677,000. The larger items constituting these totals are burlap, copper, tin, lead, chrome, manganese, zinc, foods, tungsten, fibers, hides, diamonds, cinchona, abaca, skins, and leather. Expenditures by the U. S. Commercial Company under existing contracts will be reduced to about \$5,025,000 for such materials in fiscal year 1947. The major portion of these materials are sold to other governmental agencies at approximately cost, the gross proceeds for the fiscal year 1945 being \$565,290,000, and are estimated at \$747,254,000 for the fiscal year 1946, and at \$5,025,000 for the fiscal year 1947.

Procurement of strategic and critical materials, other than under existing contracts, is being transferred to the Reconstruction Finance Corporation, and will be functioned by the Office of Metals Reserve as to metals and minerals, and by the Office of Defense Supplies as to all other commodities.

PRECLUSIVE OPERATIONS

The Company's original operations consisted of an intensive preclusive program in the various neutral countries in 1942, 1943, and 1944, particularly in Spain, Portugal, and Turkey, under which this Government, in cooperation with the British, through its United Kingdom Commercial Corporation, attempted to preclude any materials of use to the enemy from reaching him. Com-

petitive purchasing and other disruptive operations participated in by the U. S. Commercial Company proved quite successful in greatly reducing the enemy's purchases and shipments of vitally needed supplies, and at the same time secured some essential materials in short supply for the allies, such as tungsten, wolfram, scheelite, tin, copper, skins, and others.

The Company is no longer engaged in the purchase of commodities preclusively, but expended during the fiscal year 1945 \$33,042,000 and collected \$2,112,000 on these joint United States-United Kingdom programs. There will be expended, during fiscal year 1946, \$23,285,000 in liquidation of obligations incurred prior to VJ-day, and it is estimated that recoveries during the year will amount to \$12,091,000 for joint account. During the fiscal year 1947, it is anticipated that an additional recovery will be made of approximately \$525,000.

The major portion of the Company's investment in these operations will eventually represent a loss, and accountings are presently in process of preparation between the United Kingdom Commercial Corporation and the U. S. Commercial Company to determine each Government's share of the total loss incurred. A reserve has been established in the amount of \$125,112,000 for the estimated total loss to the U. S. Commercial Company. The estimated loss will be adjusted to actual loss in the fiscal year 1947. (See exhibit B.)

The work of disposing of preclusively purchased commodities presently held, having a market value of about \$4,000,000, and the preparation of an accounting thereon, will be completed during the fiscal year 1947.

SOUTH PACIFIC OPERATIONS AND OTHER DEVELOPMENT PROGRAMS

Pacific Ocean operations were initiated at the request of the Chief of Naval Operations on September 12, 1942, to the then Board of Economic Warfare, to perform various functions on Pacific Islands occupied and to be occupied by the United States military forces. These included the local production of foodstuffs, primarily intended to supply troops and thereby save shipping space, to develop island resources, and in general to assist the Navy in various related operations.

The original request has been supplemented at various times by extending the area to be covered, and by including new projects such as a dairy farm and a hog farm on Guam together with other related activities. In pursuance of this program there have been delivered to the armed forces to date approximately 25,000,000 pounds of fresh vegetables. The dairy farm is currently delivering approximately 800 quarts of milk per day to naval hospitals on Guam. Slaughtering of hogs, only recently begun, has resulted in approximately 50,000 pounds of fresh pork. Fishery projects have produced a large tonnage of fresh fish. The produce is delivered against receipts to Navy hospitals and other military units which supply the labor, equipment, land, and buildings.

A trade-goods program, initially intended merely as a work incentive to encourage native labor, has been greatly expanded and now consists of supplying civilian needs on occupied islands and taking native products in exchange. Some 35 native trade stores are in operation throughout the islands. Purchases and sales are not conducted by barter but on an actual cash basis. A considerable part of the goods supplied consists of articles of production such as small agricultural tools, seed, fertilizer, fishing equipment, etc., intended to develop a subsistence economy. Apart from the military livestock projects referred to, cows, hogs,

poultry, and other animals are being sold as trade goods for the purpose of up-breeding local stock and providing food supplies.

Shortly after the surrender of Japan, the Navy requested that all of these activities be continued and expanded to cover other islands, including islands formerly controlled by Japan and now occupied by our forces.

In a letter to the Chairman of the Board of Directors of the Reconstruction Finance Corporation, the President has stated that he deems the program desirable and that the U. S. Commercial Company should continue and expand the program in accordance with recommendations of the Navy Department. The extent and future scope of the program is necessarily indefinite since it is contingent upon such recommendations. However, it is assumed that this program will be carried on as now outlined through the fiscal year 1947, and will involve the additional expenditure of approximately \$2,450,000 with receipts for the year estimated at \$2,000,000. Total expenditures to June 30, 1946, are estimated at \$5,500,000 and total receipts to the same date are estimated at \$1,000,000. This program was included in the Company's development account in the fiscal year 1945 and was transferred to a branch office at Honolulu, which was established for that purpose in the fiscal year 1946.

Other U. S. Commercial Company development programs include an abaca development project in several Latin-American countries wherein the Company advanced funds to a contractor to plant, develop, and produce abaca fiber, which has been in short supply. Smaller projects were undertaken to increase the production of certain minerals and metals, such as talc, corundum, and tantalite, but which have now been terminated. As materials become available the development costs are absorbed into costs of goods purchased by the U. S. Commercial Company under its procurement programs, or, as in the case of the Pacific Ocean program, a portion of the funds used are for expendable supplies and are not recoverable. The abaca, cinchona, and sisal projects were transferred during the fiscal year 1946 to the Reconstruction Finance Corporation.

PHILIPPINE PROGRAM

Pursuant to a directive from the Director of the Office of War Mobilization and Reconversion dated December 22, 1944, and a supplemental agreement with the War Department in May 1945, the U. S. Commercial Company made available its facilities to foster the restoration of the civilian economy and trade of the Philippine Islands.

In a letter dated October 25, 1945, to the chairman of the board of the Reconstruction Finance Corporation, the President called attention to the almost complete lack of consumer goods in the Philippines, many of which are ordinarily imported into the United States, and the resulting serious price inflation and black markets which have caused great distress among the people. Because of this situation he requested the U. S. Commercial Company to use its resources and personnel to continue and advance the Philippine program, which it has undertaken, and, where necessary, to sell goods on credit terms not exceeding 2 years in duration.

In a cable dated December 17, 1945, the United States High Commissioner to the Philippine Islands emphasized the necessity for continuing the efforts of the U. S. Commercial Company to reestablish transportation and inter-island shipping by trucks and marine craft, and recommended that the U. S. Commercial Company continue to work in conjunction with his office in handling the sale

and distribution of certain commodities essential to the economy of the Islands. It is contemplated that during the fiscal year 1947 the U. S. Commercial Company's participation will continue in order to accomplish to a greater degree the rehabilitation of transportation facilities, without which Philippine private enterprise cannot handle export shipping from Island out-ports or adequately distribute to outlying impoverished areas the goods made available for civilian supply. The U. S. Commercial Company may have to continue to procure certain scarce items necessary for the civilian economy, since abandonment of this program, short of its fulfillment, would likely neutralize much of the substantial good which has been accomplished.

Expenditures as of June 30, 1946, primarily for trade goods, transportation equipment, tools, supplies, foodstuffs, clothing, and medical supplies will approximate \$47,000,000. Goods costing \$46,000,000 will be sold during 1946 at a gross profit of \$1,000,000. Expenditures on this program during the fiscal year 1947 will approximate \$33,000,000 and receipts about \$34,826,000.

The operations in conjunction with the Office of Foreign Liquidation Commissioner, as now contemplated, will possibly involve expenditures by the U. S. Commercial Company in addition to administrative costs. In order to assist the Foreign Liquidation Commissioner in this program, the Company will dispose of trucks, boats, and other materials. However, the Foreign Liquidation Commissioner has now indicated he may not be in a position to operate on this basis, and it has been tentatively agreed to actually purchase the trucks and boats but not other materials. Assuming that the U. S. Commercial Company continues to purchase from the Office of Foreign Liquidation Commissioner, the \$33,000,000 above referred to includes \$10,000,000 of expenditures in the first quarter of the fiscal year 1947 and \$5,000,000 in the second quarter for trucks and marine craft. No expenditures of this type are contemplated after the second quarter of the fiscal year 1947.

TRADE WITH OCCUPIED AND LIBERATED COUNTRIES

The U. S. Commercial Company facilitates commercial trade between the United States and countries with which normal commercial relations were disrupted as a result of the war and have not been completely reestablished. The basic policy of the Company in conducting these commercial transactions is to foster the reestablishment of private trade as soon as feasible. The Company maintains private trade channels of American importers and exporters to the fullest extent possible and endeavors to cooperate with private importers and exporters to facilitate their operations. The Company withdraws from such activities in any particular country whenever private trade no longer needs its assistance. These transactions are also of vital importance in securing the maximum of dollar exchange for essential imports into these countries. The U. S. Commercial Company from time to time acts on behalf of foreign governments in making purchases and related commercial transactions. The number of these transactions will diminish as rapidly as the reestablishment of private trade channels permits. In all of the Company's operations in this category, the Company is reimbursed for all of its out-of-pocket expenditures, and in addition receives a fixed charge to cover its administrative expenses.

In December 1945, the President of the United States wrote the chairman of the board of directors of the Re-

construction Finance Corporation and requested that the U. S. Commercial Company give all possible assistance to the Department of State in carrying out any programs for the handling of trade which the Department may consider essential to the achievement of our immediate postwar objectives with respect to these countries. He pointed out that the objective of this Government is to return international trade as rapidly as possible to private channels. In certain areas of the world, however, and particularly in trade with countries now under military occupation, achievement of this objective will not be immediately possible because normal commercial intercourse is either unsuitable to the situation or impracticable. During the period of transition from war to peace and until normal conditions of trade can be restored it is therefore important that the U. S. Commercial Company remain available to facilitate the handling of foreign trade of countries formerly under enemy domination where conditions are such that unassisted private trade is not feasible. Such assistance will be needed particularly in areas now under military occupation such as Germany, Austria, and Japan.

In accordance with the President's request and pursuant to arrangements made between the Department of State and the U. S. Commercial Company, the Company is presently negotiating an agreement with the War Department according to the terms of which the U. S. Commercial Company will import Japanese merchandise into the United States, sell such merchandise, and pay the sales proceeds, less all out-of-pocket expenses in connection with the program and less a fixed charge to cover administrative expenses, to the War Department or its designee. The purpose of the program is to provide dollar exchange for use by the supreme commander of the Allied Powers in Japan and to facilitate the solution of problems arising in connection with the military occupation of that country.

The Department of State has also requested the Company to undertake a program whereby surplus raw cotton in this country (to the value of approximately \$125,000,000) will be shipped to Japan to be made into textiles. It is contemplated that a portion of the textiles will be consumed in Japan and the balance exported primarily to other Far Eastern countries in order to help meet a most urgent need for such goods. The amount of cotton now specified to be supplied Japan will be sufficient to operate the available spindles for approximately 1 year. The cotton that would be used is part of the surplus stock of American short-staple cotton owned by the Commodity Credit Corporation.

The exact means of effecting this proposed program has not as yet been determined. It is now contemplated that the Commodity Credit Corporation will be reimbursed for the price of the cotton by the War Department from proceeds made available to it by the U. S. Commercial Company from the sale of textiles made from the cotton, and possibly from the sale of other Japanese merchandise. In any event, the U. S. Commercial Company will be reimbursed for all of its out-of-pocket expenditures and will receive a fixed charge to cover its administrative expenses.

The Department of State is also discussing with the U. S. Commercial Company plans and procedures whereby it will receive through the supreme commander of the Allied Powers in Japan various Japanese merchandise which the U. S. Commercial Company will arrange to transport and sell in countries other than the United States. In these transactions the U. S. Commercial Company will likewise be reimbursed for all of its out-of-pocket

expenditures and will receive a fixed charge to cover administrative expenses.

An agreement is also being negotiated with the War Department covering the importation of merchandise into the United States from Germany for sale by the U. S. Commercial Company on the same terms as the merchandise imported under the above discussed Japanese program, and for the same purposes. The scope of this program is not definitely known at this time but it is contemplated that the Department of State will probably also recommend the exportation of merchandise from Germany to countries other than the United States until such time as private trade may be resumed.

It is difficult to estimate the dollar amounts of the transactions which will be involved in the above programs. It would appear, however, from information presently available, that the value of all merchandise to be handled by the U. S. Commercial Company under the combined Japanese and German programs during the fiscal year 1946 will total approximately \$61,600,000, and in the fiscal year 1947 may approximate \$504,000,000, including cost of handling and freight estimated at 12 percent of the f. o. b. foreign port value of the material.

Cash receipts from sales in this program during the fiscal year 1946 are estimated at \$21,280,000, and for the fiscal year 1947, \$420,000,000.

The Company will retain 3 percent from the proceeds of sales to cover administrative expenses.

CLOSING OF OFFICES

It is the aim of the Company to effect the closing of its various foreign offices as soon as possible. It is expected, however, that the offices in the Philippines as well as those established and to be established in connection with the Japanese, German, and Pacific Ocean programs will continue during the fiscal year 1947. It will likewise be necessary to maintain some foreign offices in order to move in equipment and materials, from remote areas, used in connection with the procurement and development programs formerly conducted by the Company but now transferred to the Reconstruction Finance Corporation. Retention of some of these offices will also be necessary to handle the few remaining plantation programs for the Reconstruction Finance Corporation, and to assist the Office of the Foreign Liquidation Commissioner in the orderly disposal of surplus materials abroad. At this time the Company has surplus machinery, equipment, and inventories valued at approximately \$6,214,000 which will be turned over to the Office of Foreign Liquidation Commissioner as soon as possible. This property is located in various parts of the world, principally in Brazil.

An audit is being made of the financial books and records of the various offices and other necessary steps are being taken to effect their closing as soon as possible. The nature and scope of this work vary from country to country. It is, therefore, not possible to foretell the length of time that will be required to close all of the offices.

OPERATING RESULTS

During the fiscal year 1945, programs carried on by the Company after making provision for estimated losses in the amount of \$152,665,750 resulted in a net loss of \$134,641,000. For the fiscal year 1946 it is estimated that a net loss of \$39,990,000 will be sustained, and that the loss for 1947 will amount to \$3,270,000. This decline in losses is due to the liquidation or transfer of programs

in which losses are inherent, and the undertaking of new programs in which the Company is protected against loss. (See exhibit B.)

FINANCIAL CONDITION

ACCOUNTS RECEIVABLE

The reserve established against accounts and other receivables is believed to be adequate to cover probable losses. The major portion of the reserve of \$16,760,000 reflected in the statement of financial condition for the fiscal year 1945 represents loans and advances to four Bolivian mineral producers. These loans and advances were to be repaid over a period of time by application of a part of the purchase price of minerals to be delivered to the Company. The possibility of recovery on these receivables appears to be very remote. In two instances the firms are in liquidation and the claims of preferred creditors exceed the assets of the companies. In the others there exists large claims for damages as a result of termination of the contracts.

INVENTORIES

The inventory for the critical and strategic supplies program on June 30, 1945, amounted to \$415,286,000. However, \$339,000,000 of this inventory represented unbilled interagency sales to the Reconstruction Finance Corporation which were applicable to the fiscal year ending June 30, 1945, but which were not actually recorded until the following fiscal year. By June 30, 1946, it is expected that the inventory represented by this program will be reduced to \$750,000 with final liquidation occurring in the following fiscal year. However, the program for occupied countries by June 30, 1946, will result in an inventory of \$40,320,000 which will increase to \$124,320,000 by the end of the fiscal year 1947. These inventories will be offset by an accounts payable to the War Department as of these dates.

INVESTMENTS

The nature of the account titled, Joint account, United Kingdom Commercial Corporation, has been discussed under preclusive operations. Practically the entire sum represents a loss to the Company and a reserve therefor has been established.

Investment in development and procurement programs represents the Company's investment in the abaca plantations projects in Central America which have recently been transferred to the Reconstruction Finance Corporation.

BORROWINGS FROM THE RECONSTRUCTION FINANCE CORPORATION

During the fiscal year 1946, it is estimated that borrowings from the Reconstruction Finance Corporation will be reduced by \$96,011,000, and by \$53,722,000 in 1947.

CAPITAL IMPAIRMENT

On June 30, 1945, this Company had a capital impairment of \$147,207,000. It is estimated that such impairment will amount to \$178,693,000 at June 30, 1946, and \$181,963,000 at June 30, 1947. Provision for the Company's operating deficit appears in the financial statement of the Reconstruction Finance Corporation in the form of a surplus reserve. Any action toward restoration of the U. S. Commercial Company's impairment would consequently be effected through the Reconstruction Finance Corporation.

ADMINISTRATIVE EXPENSES

This Company does not have an administrative organization of its own, all work being performed by employees of the Reconstruction Finance Corporation on a reimbursable basis.

For the fiscal year 1945 administrative expenses on a cash basis as shown on the statement of income and expenses amounted to \$4,884,437. Of this amount only \$3,702,905 was applicable to the fiscal year 1945, the difference representing payments for expenses incurred in previous fiscal years. For the fiscal year 1946 it is estimated on a cash basis that the Company will spend

\$2,619,435 for administrative expenses and this will decrease to \$1,856,710 for the following year. This decrease reflects the gradual curtailment of various programs in which the Company has been engaged, including the transfer of certain development and procurement programs to the Reconstruction Finance Corporation. (See exhibit B and schedule B-2.)

LANGUAGE

Language for the Company has been consolidated with that of the Reconstruction Finance Corporation. (See p. 173.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To importation and sale of critical and strategic supplies program:			
Purchases.....	\$844,223,265	\$382,676,914	\$5,025,000
Less cost of sales.....	531,761,914	797,213,114	5,775,000
Increases or (decrease*) in inventory.....	\$312,461,351	*\$414,536,200	*\$750,000
Cost of goods sunk by enemy action (less recoveries).....	5,071,997	*109,443	-----
Expenditures reimbursed to other Government agencies as result of operation of contracts assigned to USCC.....	1,686,009	293,256	-----
Excess cost of transportation.....	566,135	489,288	-----
To preclusive purchases program:			
Joint account with United Kingdom Commercial Corp.....	33,042,325	23,284,768	-----
Recoveries of prior expenditures* and direct expenses.....	*3,154,129	651,475	-----
	29,888,196	23,936,243	-----
To Philippine and South Pacific program:			
Purchases in connection with Philippine program.....	-----	47,000,000	33,000,000
Less cost of sales.....	-----	46,000,000	34,000,000
Increase in inventory.....	-----	1,000,000	*1,000,000
Expenditures in connection with South Pacific food production programs.....	-----	1,217,687	2,775,000
To commercial transactions for occupied countries:			
Value of commodities to be received.....	-----	61,600,000	504,000,000
Less value of commodities to be sold.....	-----	21,280,000	420,000,000
Increase in inventory.....	-----	40,320,000	84,000,000
To miscellaneous purposes:			
Development, procurement programs.....	2,337,970	*11,882,088	-----
Advances to branch offices (net).....	444,700	9,252,635	*23,316,563
Administrative expenses.....	4,884,457	2,619,435	1,856,710
Interest expense.....	7,522,612	2,384,435	1,500,000
Gain (or loss*) on exchange and discount.....	302,435	*259,029	-----
Other.....	*38,598	1,943,009	3,355,616
	15,453,556	4,058,397	*16,604,237
To increase or (decrease*) working capital (see schedule A-1).....	*283,067,562	215,064,470	*108,928,147
To borrowings from Reconstruction Finance Corporation.....	794,101,536	842,614,100	477,565,283
Total funds applied.....	876,161,018	714,347,798	437,057,899
FUNDS PROVIDED			
By importation and sale of critical and strategic supplies program:			
Sales.....	565,290,337	747,253,606	5,025,000
Less cost of sales.....	531,761,914	797,213,114	5,775,000
Gross profit (or loss*).....	33,528,423	*49,959,508	*750,000
By preclusive purchase program, joint account with United Kingdom Commercial Corp.....	2,112,255	12,091,092	525,000
By Philippine and South Pacific programs:			
Sales.....	-----	47,000,000	34,826,000
Less cost of sales.....	-----	46,000,000	34,000,000
Gross profit.....	-----	1,000,000	826,000
By commercial transactions for occupied countries:			
Sales of commodities.....	-----	21,280,000	420,000,000
Cost of sales.....	-----	21,280,000	420,000,000
Gross profit.....	-----	-----	-----
Commission on sales.....	-----	638,400	12,600,000
By miscellaneous sources:			
Rental, interest, and other income.....	755,380	3,965,387	-----
Sale of furniture and fixtures, net proceeds.....	10,692	19,482	13,536
By borrowings from Reconstruction Finance Corporation.....	839,754,368	746,602,945	423,843,363
Total funds provided.....	876,161,018	714,347,798	437,057,899

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Sales, critical and strategic supplies program	\$565,290,337	\$747,253,606	\$5,025,000
Less cost of sales	531,761,914	797,213,114	5,775,000
	\$33,528,423	*\$49,959,508	*\$750,000
Sales, Philippine and South Pacific program		47,000,000	34,826,000
Less cost of sales		46,000,000	34,000,000
Sales, commercial transactions for occupied countries		21,280,000	420,000,000
Less cost of sales		1,000,000	826,000
Commissions on commercial transactions for occupied countries		638,400	12,600,000
Total operating income (or loss*)	33,528,423	*\$48,321,108	12,676,000
Operating expenses:			
Administrative expenses (see exhibit B-2)	4,884,437	2,619,435	1,856,710
Interest expense	7,522,612	2,284,435	1,500,000
Sinking losses	5,071,997	*109,443	
Expenses and losses on preclusive operations	*3,682,791	651,475	128,567,850
Other	*38,621	1,476,922	155,616
Total operating expenses	13,757,634	7,022,824	132,080,176
Operating profit (or loss*)	19,770,789	*\$55,343,932	*\$119,404,176
Nonoperating income and expenses*:			
Gain (or loss*) on sale of fixed assets	52,780	*634,725	*4,403,178
Gain (or loss*) on exchange and discounts earned	*302,435	259,031	
Rental, interest, and other income	755,380	3,955,387	
Loss on assigned contracts	*1,686,009	*293,256	
Bad debts written off	*24	*466,086	*3,200,000
Excess cost of transportation	*566,135	*480,288	
Loss on Southwest Pacific food program		*1,217,687	*2,775,000
Estimated loss on Turkish chrome	*10,794,216	*119,125	
Total nonoperating income (or expense*)	*12,540,659	994,251	*10,378,178
Net income (or loss*)	7,230,130	*\$54,349,681	*\$129,782,354
Adjustment of valuation reserves:			
Provision for estimated loss on preclusive operations	*125,112,000		125,112,000
Provision for estimated loss on notes and accounts receivable, etc.	*16,759,534	14,359,534	1,400,000
Total adjustments of valuation reserves	*141,871,534	14,359,534	126,512,000
Net income (or loss*)	*134,641,404	*\$39,990,147	*\$3,270,354

ANALYSIS OF DEFICIT

Balance at beginning of fiscal year	\$12,565,882	\$147,207,286	\$178,692,925
Adjustment of prior years interest expense		8,504,508	
Balance	12,565,882	138,702,778	178,692,925
Net loss for year	134,641,404	39,990,147	3,270,354
Balance at end of fiscal year	147,207,286	178,692,925	181,963,279

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash on hand and in banks	\$21,796,158	\$1,627,988	\$2,000,000	
Accounts and other receivables.....	\$89,653,619	\$235,156,778	\$19,439,747	\$14,500,000
Less, reserve for uncollectibles.....		16,759,534	2,400,000	1,000,000
	89,653,619	218,397,244	17,039,747	\$13,500,000
Inventories:				
Critical and strategic supplies program (see schedule C-1).....	102,824,848	415,286,200	750,000	
Philippine and South Pacific program.....			1,000,000	
Commodities from occupied countries.....			40,320,000	124,320,000
Total inventories.....	102,824,848	415,286,200	42,070,000	124,320,000
Investments:				
Joint account, United Kingdom Commercial Corp.....	86,969,164	117,899,174	129,092,850	
In developments for procurement programs.....	9,544,118	11,882,088		
	96,513,222	129,781,262	129,092,850	
Less reserve for losses.....		125,112,000	125,112,000	
Total investments.....	96,513,222	4,660,262	3,980,850	
Property:				
Furniture, fixtures, and equipment.....	43,610	33,018	13,536	
Surplus property in hands of disposal agency.....			6,214,177	1,000,000
Total property.....	43,610	33,018	6,227,713	1,000,000
Other assets:				
Advances to branch offices.....	20,604,351	21,101,830	23,505,566	1,000,000
Unallocated disbursements.....	11,350,185	12,685,813	7,000,000	4,000,000
	31,954,536	33,787,643	30,505,566	5,000,000
Total assets.....	342,785,993	673,801,355	101,823,876	143,820,000
LIABILITIES				
Accounts payable.....	65,488,315	478,441,875	44,361,600	141,850,000
Accrued interest payable to Reconstruction Finance Corporation.....	5,601,645	13,124,258	7,001,000	8,501,000
Loan payable to Reconstruction Finance Corporation.....	272,012,324	317,665,356	221,654,201	167,932,279
Unallocated receipts.....	7,249,591	6,777,152	2,500,000	2,500,000
Total liabilities.....	350,351,875	816,008,641	275,516,801	320,783,279
CAPITAL				
Capital stock.....	5,000,000	5,000,000	5,000,000	5,000,000
Deficit*.....	*12,565,882	*147,207,286	*178,692,925	*181,963,279
	*7,565,882	*142,207,286	*173,692,925	*176,963,279
Total liabilities and capital.....	342,785,993	673,801,355	101,823,876	143,820,000

*Deduct.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL
[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Accounts and other receivables.....	\$145,503,159	*\$215,717,031	*\$4,939,747
Cash on hand and in banks.....	*20,168,170	372,012	*2,000,000
Unallocated disbursements.....	1,335,628	*5,685,813	*3,000,000
Current liabilities (increase* or decrease):			
Accounts payable.....	*402,688,005	434,199,400	*97,488,400
Accrued interest on notes payable to Reconstruction Finance Corporation.....	*7,522,613	*2,381,250	*1,500,000
Unallocated receipts.....	472,439	4,277,152	
Increase in working capital.....		215,064,470	
Decrease in working capital.....	283,067,662		108,928,147

*Deduct.

SCHEDULE B-1

COST OF SALES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Critical and strategic supplies program:			
Inventory at beginning of year.....	\$102,824,848	\$415,286,200	\$750,000
Purchases.....	814,223,265	382,676,914	5,025,000
Deduct inventory at end of year.....	\$947,048,113	\$797,963,114	\$5,775,000
	415,286,199	750,000	
Cost of goods sold.....	531,761,914	797,213,114	5,775,000
Philippine and South Pacific program:			
Inventory at beginning of year.....			1,000,000
Purchases.....			33,000,000
Deduct inventory at end of year.....		47,000,000	34,000,000
		1,000,000	
Cost of goods sold.....		46,000,000	34,000,000
Commodities from occupied countries:			
Inventory at beginning of year.....			40,320,000
Purchases.....		61,600,000	504,000,000
Deduct inventory at end of year.....		61,600,000	544,320,000
		40,320,000	124,320,000
Cost of goods sold.....		21,280,000	420,000,000

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Personal services, departmental:			
Office of the secretary.....	\$11,812	\$60,000	\$75,247
Office of the treasurer.....	333,613	336,414	237,545
Auditing division.....	408	270,833	406,230
Division of information.....		1,500	2,150
Division of personnel.....	4,083	11,900	9,800
Examining division.....	14,292	14,562	14,562
Office of general counsel.....		5,385	9,578
Railroad division.....	408		
Office of metals reserve.....	142,102	141,268	149,764
Office of U. S. Commercial Company.....	2,971,483	1,012,733	532,494
Total departmental.....	3,478,231	1,854,595	1,437,388
Total field.....	117,193	85,000	15,000
Professional services (fee basis).....	10,013	7,500	7,500
Overtime pay.....	487,965	30,490	
Total personal services.....	4,093,402	1,983,585	1,459,888
Other administrative expenses.....	791,035	635,850	396,822
Total administrative expenses.....	4,884,437	2,619,435	1,856,710
Memoranda: Total man-years.....	1,185	669.3	410.1

SCHEDULE C-1

DETAIL OF INVENTORY AS OF JUNE 30, 1944 AND 1945, AND AS ESTIMATED IN TOTAL FOR FISCAL YEARS ENDING JUNE 30, 1946 AND 1947

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
Copper, refined, ores and concentrates.....	\$16,042,219	\$208,246,861		
Tin, refined, ores and concentrates.....	3,209,131	43,241,544		
Foreign foodstuffs (New York office).....	34,449,542	22,224,085		
Lead, ores, and concentrates.....	2,619,747	17,376,552		
Burlap.....	642,475	12,184,444		
Mica.....	264,506	7,668,273		
Zinc, refined, ores and concentrates.....	3,478,182	11,693,009		
Leather.....	1,728,453	2,864,133		
Mercury.....	8,677,326	4,433,059		
Diamonds.....	2,455,884	4,688,088	\$750,000	
Nickel.....	25,376	4,014,431		
Bristles.....	3,193,362	208,752		
Quartz.....		2,435,088		
Sausage casings.....	2,908,566	2,944,781		
Fibers, various.....	3,789,042	4,247,175		
All others.....	20,341,037	66,815,925		
Trade goods from occupied areas.....			40,320,000	\$124,320,000
Philippines and Southwest Pacific.....			1,000,000	
Total.....	102,824,848	415,286,200	42,070,000	124,320,000

WAR DAMAGE CORPORATION

CREATION AND PURPOSE

War Damage Corporation was created by the Reconstruction Finance Corporation on December 13, 1941, pursuant to section 5d of the Reconstruction Finance Corporation Act, as amended (15 U. S. C. A., 606b). The name of the Corporation (originally War Insurance Corporation) was changed to War Damage Corporation, pursuant to charter amendment, to conform with the provisions of section 2 of the act approved March 27, 1942 (15 U. S. C. 606b-2). The affairs of the Corporation are supervised by a board of directors appointed by the board of directors of the Reconstruction Finance Corporation.

The Corporation was created for the purpose of providing reasonable protection against loss of or damage to tangible property, real or personal, resulting from enemy attack, including any action taken by the military, naval, or air forces of the United States in resisting enemy attack. The Corporation may, under the act, insure property situated in the United States (including the several States and the District of Columbia), the Philippine Islands, the Canal Zone, and the Territories and possessions of the United States. Prior to July 1, 1942, there was no charge made for this insurance protection.

Pursuant to the act approved March 27, 1942, referred to above, the Corporation established the terms and conditions, including rates, under which the authorized protection was made available. Included in such terms and conditions are such general exceptions as have been deemed advisable. Because of the inaccessibility of certain areas which were in control of the enemy the premium insurance program was not extended to the Philippines, Guam, and Midway Islands when such program was effected July 1, 1942. Following the liberation of such areas war damage insurance was made available to a limited extent.

FINANCIAL ORGANIZATION

The Corporation has a total authorized capital stock of \$100,000,000 of which \$1,000,000 has been issued and is held by the Reconstruction Finance Corporation. Public Law 506, approved March 27, 1942, provides that upon the request of the Federal Loan Administrator with the approval of the President the Reconstruction Finance Corporation shall supply additional funds of not to exceed \$1,000,000,000. The Board of Directors of the Reconstruction Finance Corporation has recently adopted the practice of charging the Corporation 1 percent interest on the funds invested in its capital stock. A statement of condition of the Corporation is shown immediately following the textual material. (See exhibit C.)

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

All insurance under policies issued by the Corporation will have expired on February 28, 1947, unless insurance is purchased from the Corporation subsequent to February 28, 1946.

Insurance in effect on March 31, 1944, was extended for an additional term of 12 months without payment of premium or other charge in addition to that theretofore paid. In a similar manner insurance in force on February 28, 1945, was extended for an additional term of 12 months without payment of premium or other charges in addition to that theretofore paid.

In the absence of definitive action taken by Congress transferring from War Damage Corporation responsibility for settlement of Philippine claims, the estimates for the Corporation must provide therefor. Senate Bill 1610 was approved by the Senate on December 5, 1945, and, if it is approved by the House of Representatives and the President, the War Damage Corporation will be relieved of responsibility in connection with any claims for Philippine property.

Actual operations for each program for the fiscal year 1945 and the estimated operations for the fiscal years 1946 and 1947 are shown in the statement of sources and application of funds in the financial statements immediately following the narrative. (See exhibit A.)

GENERAL PROGRAM

To avoid the necessity for creating a complete governmental organization to handle the program, the Corporation entered into separate agreements with 546 fire insurance companies pursuant to which such companies agreed to act as fiduciary agents for the Corporation in receiving applications and premiums, issuing policies, and otherwise handling the program. Under this arrangement the Corporation has operated through approximately 1,450 established policy-issuing offices. The insurance agent or broker who submits the applications receives a service fee of 5 percent of the premium, with a minimum of \$1 per policy and a maximum of \$1,000 per policy. The fiduciary agent deducts from each premium collected a service fee of 3½ percent of the premium with a minimum of 50 cents per policy and a maximum of \$700 per policy. The amount of the service fee is subject to adjustment, since it is intended that such allowance shall cover without profit the direct, actual, and necessary expenses of the fiduciary agent in connection with its War Damage Corporation activities, exclusive of any expenses for executive management or expenses normally incident to its regular business. In effecting the adjustment of service fees to the amount of actual expenses incurred, the amount refunded to War Damage Corporation by fiduciary agents has been considerably in excess of the amount reimbursed to fiduciary agents for actual expenses. The fiduciary agents have a 10 percent participating interest in the operating profits or losses of the program, subject to a limit of \$20,000,000. Provision has been made in the budget estimates for the fiscal year 1947 for the payment of this amount to the participating insurance companies.

Premiums less returned premiums collected during the fiscal year 1945 amounted to approximately \$855,000. It is estimated that such premiums for the fiscal year 1946 will amount to \$113,000 and that there will be none for the fiscal year 1947.

Producers' commissions and fiduciary agents' fees for the fiscal year 1945 amounted to approximately \$71,000 and \$20,000, respectively. It is estimated that such expenses for the fiscal year 1946 will amount to \$8,000 and \$14,000, respectively. It is anticipated that in the fiscal year 1947 there will be no producers' commissions or fiduciary agents' fees.

There was a decrease in the amount of insurance in force under the general program during the fiscal year 1944 from approximately \$137,000,000,000 to approximately \$114,000,000,000 and it is estimated that this figure will remain constant until February 28, 1946. All insurance in force at February 28, 1946, will expire during the year beginning on that date.

The policies of insurance must be serviced by the Corporation during their extended life and the expense incident thereto must be paid by the Corporation.

During the fiscal year 1945 there were approximately 86 claims filed, 46 paid, and 60 denied. There were in process at June 30, 1945, some 137 claims. Over the past 2 fiscal years 240 interim audits have been made of fiduciary agents of which there are approximately 1,200 to be audited. It is believed the chief auditor will have a larger staff available for this work during the fiscal year 1947.

MONEY AND SECURITIES PROGRAM

Effective December 21, 1942, the Corporation made available insurance on money and securities through the facilities of 88 casualty and surety insurance companies likewise acting as fiduciary agents of the War Damage Corporation. The service fees and expense reimbursement are the same as for the general program, and the participating companies have a similar 10 percent interest in the operating profits or losses, subject to a limit of \$5,000,000. Provision has been made in the budget estimates for the fiscal year 1947 for payment to the participating insurance companies of their interest in this program which amounts to \$90,000.

Premiums less returned premiums collected during the fiscal year 1945 amounted to approximately \$9,000. It is estimated that such premiums for the fiscal year 1946 will amount to only \$100 and that there will be none for the fiscal year 1947.

Producers' commissions and fiduciary agents' fees for the fiscal year 1945 amounted to \$400 and \$3,700, respectively. It is estimated that such expenses for the fiscal year 1946 will amount to \$6,500 on fiduciary fees and none on producers' commissions. It is anticipated that for the fiscal year 1947 there will be no producers' commissions or fiduciary agents' fees.

All insurance in force under this program will expire during the year beginning February 28, 1946, in the same manner as the insurance under the general program.

GLASS REINSURANCE PROGRAM

This program terminated October 1, 1945, and, inasmuch as there were no losses sustained under this program, the Corporation paid approximately \$15,000 to the insurance companies participating, which was the amount of their agreed 10 percent participation.

PREPOLICY PROGRAM

Pursuant to the provisions of the above-mentioned act approved March 27, 1942, War Damage Corporation was also authorized to compensate for loss or damage to property sustained during the period from December 6,

1941, to July 1, 1942, without premium or other charge, subject to the limitations prescribed in the act. The Corporation has investigated and adjusted claims for losses sustained during this period as a result of enemy attack or action of the military, naval, or air forces of the United States in resisting enemy attack in the Hawaiian Islands, Alaska, and certain other areas within the geographical purview of the act. Practically all of the Hawaiian eligible claims have been paid. The Alaskan and Wake Island claims are in process of adjustment and payment, as are certain other claims. As of June 30, 1945, \$327,500 had been paid to compensate for losses sustained during the period from December 6, 1941, to July 1, 1942. Such claims are paid from the funds originally made available to the War Damage Corporation by the Reconstruction Finance Corporation and not from premium collections.

During the fiscal year 1945 there were approximately 254 claims filed, 37 paid, and 8 denied. There were on file at June 30, 1945, some 716 claims including over 600 for damages in the Philippines and Guam.

The special investigating mission sent to the Philippines by the War Damage Corporation has reported that its survey indicates total loss to private, public, and church properties approximates \$800,000,000 and that there will be about 750,000 claims. This is the loss for the period December 7, 1941, to the end of the war. Loss previous to July 1, 1942, was estimated to be about \$305,000,000.

Provision has been made in the budget estimates for payment of such claims in the amount of \$10,000,000 and \$60,000,000 during the fiscal years 1946 and 1947, respectively, which will not be needed if Senate bill 1610, referred to under analysis of budget program by major activities, becomes law.

ADJUSTMENT OF CLAIMS

In the adjustment of claims under the free or prepolicy program, as well as under the policy program, the Corporation has used the personnel and facilities of Fire Companies' Adjustment Bureau, Inc., Western Adjustment and Inspection Company, and Underwriters Adjusting Company. These companies have offices operating as Claims Service Offices of War Damage Corporation in approximately 400 cities in the United States. Under contract with this Corporation, the services of their investigators and adjusters are made available to this Corporation on a cost basis, subject to audit by the Corporation.

OPERATING RESULTS

During the fiscal year 1945 the Corporation's net income amounted to \$2,557,000. It consisted principally of interest paid by the Reconstruction Finance Corporation on deposits of the War Damage Corporation. In the fiscal year 1946 the Corporation expects to realize a net profit of \$1,704,000 before deduction of claims paid under its prepolicy program in the amount of \$10,000,000. After adjusting for these claims the Corporation will sustain a net loss for the year of \$8,296,000. During the fiscal year 1947 provision has been made for the payment of \$60,000,000 additional claims under its prepolicy program and \$20,090,000 for settlement with fiduciary agents participating in the general insurance and money and securities programs which accounts for the loss of \$79,290,000 shown in the statement of income and expenses.

In connection with the claims paid under the prepolicy

program as shown in the statement of income and expenses attention is called to the sale of \$10,000,000 of capital stock to the Reconstruction Finance Corporation in 1946 and \$61,000,000 in 1947 which is to provide the funds for the settlement of these claims and payment of applicable expenses. (See exhibits A and C.)

FINANCIAL CONDITION

This Corporation's assets consist primarily of cash which it has on deposit with the Reconstruction Finance Corporation. All of these funds are being held in reserve until settlement is finally effected with the fiduciary agents and claimants under the respective insurance programs. Upon the settlement of such accounts it is anticipated that the Corporation will be liquidated.

ADMINISTRATIVE EXPENSES

The supervisory, financial, auditing, and other administrative work necessary to conducting the affairs of this Corporation are performed by employees of the Reconstruction Finance Corporation since the War Damage Corporation does not have an administrative organization of its own. For the fiscal year 1945 administrative ex-

penses on a cash basis as shown in the statement of income and expenses amounted to \$427,367. Of this amount only \$395,860 was applicable to the fiscal year 1945, the difference representing payments for expenses incurred in previous fiscal years. It is estimated on a cash basis that its administrative expenses for the fiscal year 1946 will amount to \$542,728 and for the fiscal year 1947 \$850,000. There is included in this latter sum expenses in the amount of \$279,000 covering estimated administrative expenses of settling war damage claims in the Philippine Islands. The remaining administrative expenses of the Corporation will be substantially higher than for the fiscal year 1946 because of the large number of audits that must be made of the accounts of fiduciary agents preparatory to payment of the fiduciary agents' participating interest in the operating profits or losses of the general program. (For further details see statement of income and expense, exhibit B, and schedule B-1.)

LANGUAGE

Language covering this Corporation is included with that of the Reconstruction Finance Corporation. (See p. 173.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To general program:			
Producers' commissions.....	\$71,187	\$7,800	-----
Fiduciary agents' fees.....	20,446	13,500	-----
Administrative expense.....	417,986	393,822	\$571,000
Claims paid.....	10,747	39,600	-----
Investigation expense.....	4,071	4,000	-----
Payments to participants.....	-----	-----	20,000,000
	\$524,437	\$458,722	\$20,571,000
To money and securities program:			
Producers' commissions.....	401	10	-----
Fiduciary agents' fees.....	3,765	6,500	-----
Administrative expense.....	190	646	-----
Payments to participants.....	-----	-----	90,270
	4,356	7,056	90,270
To prepolicy program:			
Claims paid.....	16,175	10,000,000	60,000,000
Administrative expense.....	9,191	148,300	279,000
Investigation expense.....	4,277	53,700	200,000
Interest expense.....	-----	20,000	350,000
	29,643	10,222,060	60,829,000
To glass reinsurance program:			
Payments to participants.....	-----	14,679	-----
	-----	14,679	-----
To increase (or decrease*) working capital. (See schedule A-1)	2,556,694	1,704,036	*18,289,670
Total funds applied.....	3,115,130	12,406,553	63,200,600
FUNDS PROVIDED			
By general program:			
Premiums collected.....	1,097,925	184,986	-----
Less returned premiums.....	251,400	72,233	-----
	846,525	112,753	-----
Interest earned.....	2,249,388	2,283,300	2,190,600
Miscellaneous income.....	19	-----	-----
Total general program.....	3,095,932	2,396,053	2,190,600
By money and securities program:			
Premiums collected.....	13,276	340	-----
Less return premiums.....	4,511	240	-----
	8,765	100	-----
Interest earned.....	8,946	9,000	8,650
Total money and securities program.....	17,711	9,100	8,650
By prepolicy program:			
Sale of capital stock to RFC.....	-----	10,000,000	61,000,000
By glass reinsurance program:			
Interest earned.....	1,487	1,400	1,350
Total funds provided.....	3,115,130	12,406,553	63,200,600

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1917, estimated
Operating income:			
Premiums collected.....	\$1,111,201	\$185,326	
Less returned premiums.....	255,911	72,473	
Net premiums collected.....	\$855,290	\$112,853	
Interest income.....	2,259,821	2,293,700	\$2,200,600
Total operating income.....	3,115,111	2,406,553	2,200,600
Operating expenses:			
Producers' commissions.....	71,589	7,810	
Fiduciary agents fees.....	24,211	20,000	
Administrative expense.....	427,367	542,728	\$850,000
Claims paid.....	26,922	10,039,600	60,000,000
Loss investigation expense.....	8,847	57,700	200,000
Payments to participants.....		14,679	20,030,270
Interest expense.....		20,000	350,000
Total operating expense.....	558,436	10,702,517	81,490,270
Net operating income (or loss)*.....	2,556,675	*8,295,964	*79,289,670
Nonoperating income:			
Miscellaneous.....	19		
Net income (or loss)* for the year.....	2,556,694	*8,295,964	*79,289,670

ANALYSIS OF EARNED SURPLUS

	1945, actual	1946, estimated	1917, estimated
Balance reserved for payment of claims, participants interests, etc., at beginning of fiscal year.....	\$225,094,825	\$227,651,519	\$219,355,555
Net income (or loss) before payments on prepolity program.....	2,556,694	1,704,036	*19,289,670
Total reserved.....	227,651,519	229,355,555	200,065,885
Surplus applied to payment of claims under prepolity program.....		10,000,000	60,000,000
Balance reserved for payment of claims, participants interests, etc. at end of fiscal year.....	227,651,519	219,355,555	140,065,885

* Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, esti- mated	June 30, 1947, esti- mated
ASSETS				
Cash on deposit with Reconstruction Finance Corporation.....	\$224,989,956	\$227,550,146	\$229,274,749	\$211,454,401
Accounts receivable.....	101	7,236		
Accrued interest receivable.....	1,112,042	1,125,334	1,144,000	1,052,200
Advances to fiduciary agents.....	15,104	8,233		
Furniture, fixtures, and equipment.....	10,691			
Total assets.....	226,127,894	228,690,949	230,418,749	212,506,601
LIABILITIES				
Accounts payable.....	10,691	33,407	42,728	70,000
Accrued interest payable.....			20,000	370,000
Liability for deposit premiums.....	9,660	213		
Suspended credits and unallocated receipts.....	12,718	14,810	466	716
Total liabilities.....	33,069	48,430	63,194	440,716
CAPITAL				
Paid-in capital:				
Originally issued—Held by Reconstruction Finance Corporation.....	1,000,000	1,000,000	1,000,000	1,000,000
Additional issued to Reconstruction Finance Corporation to provide for payments of claims under prepolity program.....			10,000,000	71,000,000
Total.....	1,000,000	1,000,000	11,000,000	72,000,000
Earned surplus:				
Reserved for payment of claims.....	225,094,825	227,651,519	229,355,555	210,065,885
Applied to payment of claims under prepolity program.....			10,000,000	70,000,000
Balance reserved.....	225,094,825	227,651,519	219,355,555	140,065,885
Total capital.....	226,094,825	228,651,619	230,355,655	212,065,885

SCHEDULE A-1
CHANGES IN WORKING CAPITAL
[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash on deposit.....	\$2,569,190	\$1,715,603	*\$17,820,348
Accounts receivable.....	7,135	*7,236	
Accrued interest receivable.....	13,292	18,666	*91,800
Advances to fiduciary agents.....	*6,871	*8,233	
Current liabilities (increase* or decrease):			
Accrued interest payable.....		*20,000	*350,000
Accounts payable.....	*33,407	*9,321	*27,272
Liability for deposit premiums.....	9,447	213	
Suspended credits and unallocated receipts.....	*2,092	14,344	*250
Increase in working capital.....	2,556,694	1,704,036	
Decrease in working capital.....			18,289,670

*Deduct.

SCHEDULE B-1
ADMINISTRATIVE EXPENSES
[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Personal services, departmental:			
Board of directors.....	\$1,756		
Office of the secretary.....	4,623	\$10,841	\$3,517
Office of the treasurer.....	16,453	28,373	25,228
Auditing division.....	85,910	195,540	454,647
Division of information.....	77	331	429
Division of personnel.....	852	1,380	620
Office of general counsel.....	19,154	46,871	71,559
Total departmental.....	128,825	283,336	556,000
Total field.....	323		
Professional services (fee basis).....	160	300	1,000
Overtime.....	23,984	3,434	
Total personal services.....	153,292	287,070	557,000
Other administrative expenses.....	274,075	255,658	293,000
Total administrative expenses.....	427,367	542,728	850,000
Memoranda: Total man-years.....	41.5	79.9	139.6

LANGUAGE FOR THE RECONSTRUCTION FINANCE CORPORATION AND ITS SUBSIDIARIES

[Rubber Development Corporation, administrative expenses: Not to exceed \$1,201,500 of the funds of the Rubber Development Corporation shall be available during the fiscal year 1946 for the administrative expenses of said Corporation, including rent in the District of Columbia; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding; and not to exceed \$250 for periodicals and newspapers: *Provided*, That expenses incurred (1) for services performed within the limits of continental United States on a force account, contract, or fee basis, (2) for services performed and commodities acquired outside such limits, and (3) for the procurement of supplies and equipment to be used outside such limits in connection with the production, acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to said Corporation, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That sections 103 and 104 of the National War Agencies Appropriation Act, 1946, shall have no application to the funds authorized to be expended in this paragraph.] (Act of July 5, 1945, Public Law 132.)

NOTE.—Public Law 301, approved Feb. 18, 1946, rescinded \$249,500 of this authorization and an additional rescission of \$102,000 has been recommended to the Congress. (H. Doc. 394.)

[U. S. Commercial Company, administrative expenses: Not to exceed \$3,129,600 of the funds of the U. S. Commercial Company shall be available during the fiscal year 1946 for the administrative expenses of said Company, including rent in the District of Columbia; and printing and binding: *Provided*, That all necessary expenses (including services performed on a force account, contract, or fee basis, but not including other personal services except those which the Company's prescribed accounting system requires to be charged to the cost of a commodity or project) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to said Company or in which it has an interest, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That sections 103 and 104 of the National War Agencies Appropriation Act, 1946, shall have no application to the funds authorized to be expended in this paragraph.]

[Those general provisions in the National War Agency Appropriation Act, 1946, applicable to the constituent agencies of the Office for Emergency Management, and those general provisions in such Act generally applicable to all agencies in such Act, are hereby made applicable to the same extent, except as otherwise provided, to the foregoing appropriations or paragraphs in this Act under the Office for Emergency Management.] (Act of July 5, 1945, Public Law 132.)

NOTE.—A rescission of \$110,000 of this authorization has been recommended to the Congress. (H. Doc. 394.) In addition \$275,000 of the authorization was transferred to the Commodity Credit Corporation pursuant to Executive Order 9630, dated Sept. 27, 1945.

[Not to exceed \$33,000,000 of the funds of the Reconstruction Finance Corporation, established by the Act of January 22, 1932 (47 Stat. 5), shall be available during the fiscal year 1946 for its administrative expenses and the administrative expenses of Defense Plant Corporation, Defense Supplies Corporation, Disaster Loan Corporation, Federal National Mortgage Association, Metals Reserve Company, The RFC Mortgage Company, Rubber Reserve Company, and War Damage Corporation, including personal services in the District of Columbia and elsewhere; maintenance and operation of aircraft; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding; lawbooks, books of reference, and not to exceed \$1,700 for periodicals and newspapers; rent in the District of Columbia; use of the services and facilities of the Federal Reserve banks; and not to exceed \$131,250 for deposit in the general fund of the Treasury for cost of penalty mail as required by section 2 of the Act of June 28, 1944 (Public Law 364): *Provided*, That all necessary expenses (including services performed on a force account, contract, or fee basis, but not including other personal services except those which the corporations' prescribed accounting system requires to be capitalized) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to said corporations, or in which they have an interest, including expenses of collections of pledged collateral, shall

be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That notwithstanding any other provisions of this Act, except for the limitations in amounts hereinbefore specified, and the restrictions in respect to travel expenses, the administrative expenses and other obligations of the corporations shall be incurred, allowed, and paid in accordance with the provisions of said Act of January 22, 1932, as amended.] (Act of May 21, 1945, Public Law 61.)

[Administrative expenses: For an additional amount, fiscal year 1946, for "Administrative expenses" \$5,500,000, payable from the funds of the Corporation: *Provided*, That none of the funds available under this head for administrative expenses shall be used in paying the salary of any person engaged in making or processing loans in excess of \$500,000 to any State, any subdivision thereof, any municipality therein, or any public authority, for construction purposes, unless in pursuance of a specific authorization, except, however, that this provision shall not apply to any application or loan approved or made prior to December 15, 1945.] (Act of Dec. 28, 1945, Public Law 269.)

NOTE.—A rescission of \$6,000,000 of this authorization has been recommended to the Congress. (H. Doc. 394.)

The types of programs set forth in the 1947 budgets of the Reconstruction Finance Corporation, Federal National Mortgage Association, The RFC Mortgage Company, Rubber Development Corporation, U. S. Commercial Company, and the War Damage Corporation, within the funds available to them, are approved: Provided, That not to exceed \$37,553,000 of such funds of the Reconstruction Finance Corporation shall be available for their administrative expenses (as shown in their respective statements of income and expenses), which shall be on a cash basis, classified in a manner consistent with prior years, and shall be exclusive of interest paid, depreciation, and properly capitalized expenditures: Provided further, That notwithstanding any other provisions of this Act, except for the limitation hereinbefore specified, the administrative expenses, and other obligations of the corporations shall be incurred, allowed, and paid in accordance with the provisions of the Act of January 22, 1932 (47 Stat. 5-12), as amended. (Act of Dec. 6, 1945, Public Law 248.)

By accounts	1945,	1946,	1947,
	actual	estimated	estimated
PERSONAL SERVICES, DEPARTMENTAL			
Executive order grades:	Man-	Man-	Man-
Grade 19. Rate over \$8,850:	years	years	years
	Amount	Amount	Amount
Chairman	1 \$10,000	1 \$10,000	1 \$10,000
Executive assistant to the chairman	1 10,000	1 10,000	1 10,000
Director (RFC)	4 40,000	4 40,000	4 40,000
Special assistant to the board of directors	2 27,170		
Budget director			1 9,800
Assistant to the administrator			2 15,000
Assistant to the director	0 7,625		
Executive director		2 19,800	2 19,800
Associate director		1 10,000	1 10,000
Assistant director	0 4,550		1 8,900
Secretary (RFC)	1 10,000	1 10,000	1 10,000
Treasurer		1 10,000	1 10,000
Assistant secretary	1 8,146	1 9,800	1 9,800
President (USCC)	1 9,250	1 9,800	1 9,800
Vice president (USCC)	2 17,600	2 18,025	2 18,025
Assistant treasurer	5 45,585	6 58,288	6 58,288
General counsel	1 12,500	1 12,500	1 12,500
Chief railroad counsel	1 9,712	1 10,000	1 10,000
Assistant general counsel	3 33,872	2 23,334	2 20,000
Deputy director		1 9,800	1 5 14,290
Consulting engineer	1 9,250	1 10,000	1 10,000
Chief auditor	1 9,750	1 10,000	1 10,000
Chief of division	5 6 52,916	5 49,275	5 49,275
Assistant chief of division	8 6 78,567	7 69,800	7 69,800
Acting chief of division	0 1 1,092	1 9,500	1 9,500
Administrative counselor	3 7 32,535	3 5 34,470	4 39,340
Production engineer	1 9,000	1 9,800	1 9,800
Distributing agent	1 9,000	1 9,800	1 9,800
Principal head fiscal accountant	1 2 9,665		0 7 6,955
Negotiator	0 7 9,750	1 9,800	1 9,800
Operations supervisor	1 9,234	1 9,800	0 3 2 4,900
Senior pilot	3 2 28,837	2 5 24,500	0 5 4 900
Assistant chief auditor	1 8,750	1 9,500	1 9,500
Examiner	9 7 33,312	4 38,850	3 28,265
Administrative assistant	15 3	2 5	3
	130,338	24 278	29 169
Special representative	4 9 40,891	2 18,928	2 18,025
Counsel	13 5	8 5	8
	117,811	81,539	76,749

PERSONAL SERVICES, DEPARTMENTAL—CON.	1945,	1946,	1947,	PERSONAL SERVICES, DEPARTMENTAL—CON.	1945,	1946,	1947,
	actual	estimated	estimated		actual	estimated	estimated
Executive order grades—Continued	Man-years Amount	Man-years Amount	Man-years Amount	Executive order grades—Continued	Man-years Amount	Man-years Amount	Man-years Amount
Grade 19. Rate over \$8,450—Continued				Grade 17. Rate of \$8,000—Continued			
Chief of section.....	2.4 221,094	2 219,012	2.7 225,968	Head engineer.....	8.4 855,643	10 274,651	4.8 835,760
Advisory engineer.....	0.9 7,600	1 9,013	1 9,013	Assistant budget director.....	42.9	14.3	7
Assistant chief of section.....	1.6 13,649	1 9,012	1 9,012	Principal engineer.....	257,351	2 100,694	49,788
Assistant chief engineer.....	4 22,250	2 18,025	2 18,025	Senior engineer.....		2 13,930	2 13,930
Chemical engineer.....	0.1 1,122			Senior division engineer.....		1 7,500	1 7,500
Assistant chief railroad counsel.....	0.8 7,135			Assistant chief engineer.....		2 15,565	2 15,565
Administrative head auditor.....	1.3 11,025			Assistant budget director.....		1 7,500	1 7,500
Executive officer.....	0.1 325			Industrial engineer.....	0.1 202	1 7,280	1 7,280
Superintendent of maintenance.....	0.8 7,865			Chemical engineer.....	0.4 2,135	0.5 3,620	1 7,240
Assistant distributing agent.....	1 8,608			Materials engineer.....	0.8 4,839	1 7,437	1 7,438
Secretary (SWFC).....		0.3 2,704	1 9,013	Utilities engineer.....	1 6,400	1 7,535	1 8,090
Grade 18. Rate of \$8,750:				Engineer.....	1.3 7,992	1 6,913	1 6,913
Assistant secretary.....	2 14,598	2 17,185	2 17,185	Examiner.....	26	15.5	7
Deputy director.....	0.1 302	2.2 19,145	2.5 21,395	Assistant distributing agent.....	167,929	151,341	61,820
Assistant director.....	1.2 8,979	1 8,487		Resident agent.....	0.2 1,083	1 7,910	1 7,910
Medical director.....	1.2 8,979	1.3 10,347	0.3 2,056	Assistant chief accountant.....	0.8 5,166	1 7,280	0.3 1,625
Counsel.....	9.8 69,314	5.5 47,765	7.8 67,597	Assistant chief accountant.....		1 6,650	1 6,650
Administrative assistant.....	20.8	9.7	3	Principal accountant.....	0.8 5,146	2 14,350	1 7,175
Technical assistant.....	152,449	84,422	25,966	Chief accountant.....	1.5 9,560	2 14,163	1 7,175
Administrative officer.....	2.4 17,133		0.5 4,375	Principal head auditor.....	1.7 12,935	5.5 40,412	5 35,741
Special representative.....	0.6 4,947	2 17,500	1.5 13,125	Senior head auditor.....	10 63,677	9.7 69,453	5 35,741
Chief of division.....	5.4 39,689	5.4 47,377	2 17,500	Head auditor.....		1 6,755	1 6,755
Assistant chief of division.....	4.4 51,306	8.4 73,354	8.5 74,375	Principal head fiscal accountant.....	1.5 9,216	2.6 18,520	2.2 16,562
Assistant chief of division.....	0.1 291	0.9 8,021	1 8,750	Senior head fiscal accountant.....	2.7 16,985	2.3 16,447	1.7 12,456
Chief of section.....	2.3 16,892	2.7 23,357	2.3 18,853	Chief fiscal accountant.....		0.7 5,027	0.7 5,027
Industrial analyst.....	0.2 1,666			Regional supervisor.....	1 6,200	1 7,123	1 7,123
Advisory engineer.....	1.7 13,556	2 17,200	2 17,200	Assistant special representative.....	0.3 1,625	0.8 4,775	0.8 4,775
Consulting engineer.....	1 2,704	1 8,225	1 8,225	Senior field technician.....	3.5 21,850	1.3 8,877	
Supervising engineer.....	1 7,450	1 8,172	1 8,172	Chief construction engineer.....	0.5 3,358	2 14,500	
Associate engineer.....	1.2 8,137	1 8,750	1 8,750	Pilot.....		1.5 11,865	
Assistant chief engineer.....	0.2 1,875	0.9 8,225	1 8,750	Chief clerk and building superintendent.....		0.1 850	
Traffic manager.....	14.1	9	4	Head accountant.....	0.8 4,500	0.8 4,500	
Examiner.....	102.811	1 72,709	34.118	Consulting cost accountant.....	0.4 2,708	2 12,979	
Supervising cost accountant.....	0.6 4,375	1 8,225	1 8,225	Principal field representative.....	1.1 7,380		
Head cost accountant.....	0.4 2,817			Principal specialist.....	0.8 4,875		
Accountant.....			0.3 2,108	Administrative officer.....	0.7 4,189		
Administrative head auditor.....		2 17,500	2 17,500	Supervisor of maintenance.....	0.5 3,250		
Principal head auditor.....	1.9 13,930	2.3 19,658	3 25,880	Finance analyst.....	0.8 4,958		
Principal head fiscal accountant.....	1.3 12,937	1 8,750	0.5 4,165	Technologist.....	0.1 666		
Senior head fiscal accountant.....	1.2 8,250	1 8,225	1 8,225	Chief technician.....	0.2 856		
Chief procurement officer.....	1 7,000	1 8,750	1 7,000	Field technician.....	0.1 596		
Senior division engineer.....	1 6,750			Associate field technician.....	0.3 2,167		
Principal engineer.....	0.5 4,490			Assistant head cost accountant.....	0.6 3,812		
Head engineer.....	5.3 36,608			Assistant accountant.....	0.5 3,324		
Technical consultant.....	0.7 5,533			Senior fiscal accountant.....	0.1 849		
Principal chemist.....	0.9 6,416			Accounting assistant.....	0.4 2,267		
Pilot.....	1.3 11,774			Deputy chief of division.....		0.6 4,306	1 6 10,763
Negotiator.....	1.5 13,218			Comptroller.....		0.3 2,231	1 7,438
Economic analyst.....	0.4 3,033			Grade 16. Rate of \$6,650:			
Purchasing specialist—rubber.....	0.8 5,541			Counsel.....	19.5	30.5	24
Assistant chief of section.....	1.2 8,703			Administrative assistant.....	109,371	194,928	155,298
Assistant distributing agent.....	0.9 6,000			Technical assistant.....	41.4 232,230	20.5	128,861
Head field technician.....	0.8 6,646			Special assistant.....	3.3 18,393	4.3 26,503	3 18,690
Senior field technician.....	0.3 1,716			Traffic assistant.....	0.6 3,208		
Principal secretary clerk.....	1 7,000			Budget officer.....	0.5 2,475	1 6,020	1 6,020
Assistant procurement officer.....	0.1 875			Deputy assistant treasurer.....	0.5 3,325	1 6,650	
Accounting assistant.....	0.3 2,333			Special representative.....	1.3 7,407	1 6,510	1 6,230
Assistant special representative.....	0.9 6,125			Assistant manager.....	1 5,200	1 6,230	1 6,230
Chief legal examiner.....	0.2 1,018			Principal field representative.....	0.4 2,500	2 13,300	2 13,300
Grade 17. Rate of \$8,000:		0.3 2,625		Field representative.....	2.5 13,334	4 23,700	3 19,330
Deputy director.....		0.7 5,973		Chief clerk.....		1 6,020	
Assistant director.....		1 7,437	1 7,438	Assistant negotiator.....	3.8 21,717	1.5 9,503	1.5 9,503
Assistant general counsel.....	0.4 2,223		1 6,730	Attorney.....	1 5,300	2.3 14,641	2.8 17,075
Counsel.....	29.4	30	25.2	Investigator.....		0.5 3,115	
Administrative assistant.....	185,904	221,171	185,005	Appraiser.....	1 5,400	1 6,020	1 6,020
Technical assistant.....	173,094	208,333	128,863	Chief of section.....	0.1 542	1.5 9,765	0.5 3,384
Assistant to president (USCC).....	2.1 13,199	3.8 27,328	2.5 17,963	Assistant chief of section.....	2.1 11,367	2.3 14,329	3 18,690
Special assistant.....	1 6,500	1 7,175	1 7,175	Industrial analyst.....	6.2 34,015		
Special assistant to vice president (USCC).....	1 6,500	1 7,175	1 7,175	Analyst.....	1 5,726	1 5,810	1 5,810
Territorial assistant.....	0.1 267			Commodity analyst.....		0.7 4,875	0.7 4,875
Chief procurement officer.....			0.3 2,188	Market analyst.....		2.5 13,927	2 12,750
Assistant procurement officer.....			0.3 1,925	Finance analyst.....		2 11,452	1 6,230
Deputy assistant treasurer.....		0.8 6,250	1 7,500	Commercial analyst.....		0.3 1,832	1.5 9,345
Special representative.....	1.9 12,512	2.6 19,704	2 14,938	Special engineering analyst.....		0.8 4,492	
Field representative.....	1.5 9,885	2.5 17,579	2 14,303	Marketing specialist.....		1.6 9,278	1 6,440
Negotiator.....	10.7 68,803	11 79,370	6 42,870	Mineral specialist.....		0.4 4,456	3.2 19,141
Assistant negotiator.....	2 11,708	1 7,175	1 7,175	Information specialist.....		13.7 75,016	6.5 40,495
Investigator.....	0.3 1,607	1 7,175	1 7,175	Commodity specialist.....		7.9 43,978	5 32,147
Assistant chief of division.....	5.5 35,708	4.5 32,135	4 28,708	Senior field technician.....		0.5 2,704	0.3 1,610
Assistant acting chief of division.....	5.3 35,976	0.8 6,250	2.5 18,069	Head field technician.....		3.9 20,176	2.7 16,819
Assistant chief of section.....	1.1 7,258	3 22,260	3 22,654	Head safety technician.....		1 6,545	1 6,545
Industrial analyst.....	1.1 6,531			Safety technician.....		0.7 3,633	1 6,230
Research analyst.....	1 6,500	2 14,350	1 7,175	Senior rubber inspector.....		1.8 9,405	1 6,230
Manager.....	1 6,250	1 7,175	1 7,175	Principal engineer.....	17.5	37.5	19.5
Mineral specialist.....	25.5	8 55,195	2 14,350	Senior engineer.....	58.9	99,710	245,872
Marketing analyst.....	0.2 1,337			Investigator.....		311,607	218,680
Technical consultant.....	1.4 8,865	1 7,175	1 7,175	Appraiser.....		1.2 6,620	2.5 16,384
Production specialist.....	0.8 5,083	1 7,405	1 7,740	Chief of section.....		0.3 1,450	2 13,195
Rubber specialist.....	0.8 5,344	0.7 8,410	2 14,427	Industrial engineer.....		0.4 2,147	1 6,230
Information specialist.....		1.3 7,430	1 8,000	Electrical engineer.....		4 22,081	4 25,025
Distributing specialist.....		1 7,962	0.2 1,891	Control engineer.....		1 5,200	1 6,020
Commodity marketing specialist.....	1.3 8,107	2 14,612	1 7,306	Engineer.....		4 25,025	4 25,025
Marketing specialist.....	1.8 11,624			Engineer examiner.....		1 6,020	1 6,020
Commodity specialist.....	23.1	11.6	6	Examiner.....	27.8	15	9
Assistant traffic manager.....	0.3 1,575	2 14,955	1 7,297	Resident agent.....		2 11,200	2 12,880
Head field technician.....	0.8 5,084	1 7,962	0.2 1,731	Head accountant.....		4.5 25,607	5.3 32,783
Principal chemist.....		1 8,000	1 8,000	Cost accountant.....		15.6 87,942	15.6 98,100
Chief engineer.....		1 7,640	1 8,000	Accountant.....		2.2 11,968	0.3 1,537
				Senior head auditor.....		8.5 50,930	9.3 59,687
				Head auditor.....		8.1 43,585	5.5 33,015

By accounts	1945,	1946,	1947,	By accounts	1945,	1946,	1947,
	actual	estimated	estimated		actual	estimated	estimated
PERSONAL SERVICES, DEPARTMENTAL—COO.				PERSONAL SERVICES, DEPARTMENTAL—COO.			
Executive order grades—Continued	Man-	Man-	Man-	Executive order grades—Continued	Man-	Man-	Man-
Grade 16. Rate of \$6,650—Continued	years	years	years	Grade 15. Rate of \$5,800—Continued	years	years	years
Principal head fiscal accountant.....	0.1 8662	0.7 84,515	0.5 83,010	Senior construction supervisor.....	2.3 10,804	4 222,580	3 116,935
Chief fiscal accountant.....	1.3 7,146	1.5 9,080	2.5 15,128	Construction supervisor.....	15.5 71,642	10.7 56,658	7.5 36,906
Fiscal accountant.....	0.8 4,933	0.3 1,558	0.3 1,505	Technical supervisor.....	1.4 7,796	1.1 5,255	1.5 5,622
Senior construction supervisor.....	2.1 11,358	2 12,400	2 12,400	Freight traffic supervisor.....	0.5 2,795	0.7 2,795	1 5,590
Construction supervisor.....	2 12,000	0.3 1,662	1 6,230	Supervising clerk.....	1 4,700	1 5,495	1 5,495
Assistant to general counsel.....	0.8 4,050	0.3 1,605	.....	Flight radio operator.....	0.4 1,725	2 10,990	0.2 1,295
Accountant controller.....	1 5,681	.....	.....	Senior aviation mechanic.....	0.1 5,630	.....	0.3 1,347
Senior head fiscal accountant.....	1.8 10,357	1.2 8,313	.....	Information specialist.....	0.2 1,167	0.5 2,800	.....
Senior technologist.....	.....	0.5 3,010	.....	Commodity analyst.....	0.9 4,463	1 5,705	.....
Superintendent, marine equipment.....	1 5,175	1 6,020	.....	Senior field technician.....	.....	1 5,800	.....
Construction foreman.....	0.9 5,067	0.6 3,167	.....	Senior technician.....	1 5,200	1.5 7,700	.....
Rubber consultant.....	0.3 1,350	0.3 1,662	.....	Transport officer.....	5.5 27,700	1 5,180	1 5,180
Principal construction supervisor.....	1.7 8,767	.....	.....	Senior buyer.....	5.5 27,550	1 5,180	1 5,180
Supervising engineer.....	0.6 3,451	.....	.....	Commercial officer.....	0.2 43,700	2.5 12,950	1 5,180
Senior industrial specialist.....	0.7 3,765	.....	.....	Chemical engineer.....	0.3 4,321	1.5 8,080	.....
Equipment specialist.....	0.2 933	.....	.....	Flight engineer.....	1 4,217	1 5,180	.....
Production specialist.....	0.8 4,117	.....	.....	Senior fiscal accounting clerk.....	3 14,535	1.7 9,433	.....
Placement supervisor.....	1.5 5,200	.....	.....	Copilot.....	0.9 4,481	0.8 4,442	.....
Assistant chief accountant.....	0.2 1,250	.....	.....	Construction superintendent.....	0.5 2,600	0.3 1,348	.....
Principal accountant.....	0.3 1,400	.....	.....	Construction foreman.....	1 4,600	1 5,180	.....
Rubber goods specialist.....	0.5 2,679	.....	.....	Head warehouseman.....	0.1 2,600	0.5 2,693	.....
Senior architectural engineer.....	1.6 8,155	.....	.....	Senior technologist.....	0.1 4,573	.....	.....
Resident supervisor.....	0.1 300	.....	.....	Assistant chief clerk.....	0.4 2,085	.....	.....
Senior engineering analyst.....	0.2 867	.....	.....	Special assistant.....	0.8 3,958	.....	.....
Resident chemist.....	0.2 933	.....	.....	Senior head fiscal accounting clerk.....	0.5 2,308	.....	.....
Airline engineer.....	0.8 5,044	.....	.....	Assistant negotiator.....	0.1 481	.....	.....
Flight superintendent.....	0.5 2,919	.....	.....	Divisional representative.....	0.1 2,466	.....	.....
Senior aviation mechanic.....	0.1 138	.....	.....	Construction analyst.....	0.5 2,466	.....	.....
Senior supervising engineer.....	1 5,200	.....	.....	Rubber goods specialist.....	0.1 351	.....	.....
Senior division engineer.....	1.1 6,864	.....	.....	Assistant finance officer.....	0.1 141	.....	.....
Assistant chief of division.....	0.5 2,567	.....	.....	Grade supervisor.....	0.6 2,885	.....	.....
Chief engineer.....	1 5,800	.....	.....	Senior chemical engineer.....	0.3 1,233	.....	.....
Chief mechanic.....	0.9 5,133	.....	.....	Procurement analyst.....	0.4 1,797	.....	.....
Clerk of board (SWPC).....	.....	0.3 1,932	1 6,440	Chief communications engineer.....	0.4 1,986	.....	.....
Assistant controller.....	18.5 105,663	15.2 86,866	.....	Senior research analyst.....	0.1 293	.....	.....
Loan analyst.....	0.3 1,869	0.5 3,115	.....	Statistical analyst.....	0.3 1,129	.....	.....
Statistician.....	0.3 1,932	1 6,440	.....	Cost analyst.....	1.2 5,775	.....	.....
Industrial economist.....	0.3 1,932	1 6,440	.....	Senior materials engineer.....	0.2 933	.....	.....
Production engineer.....	0.3 1,932	1 6,440	.....	Principal accountant.....	0.9 4,187	.....	.....
Grade 15. Rate of \$5,800:	.....	.....	.....	Chief mechanic.....	1.6 8,017	.....	.....
Deputy assistant treasurer.....	0.3 1,400	.....	.....	Master mechanic.....	0.1 200	.....	.....
Counsel.....	7.4 37,884	18.5 105,663	15.2 86,866	Mechanic.....	0.1 200	.....	.....
Administrative assistant.....	29.2 37,884	25.8 105,663	16.1 86,866	Chief of branch.....	.....	0.3 1,554	1 5,180
Principal technical assistant.....	141.475	140.875	86.434	Placement supervisor.....	.....	0.3 1,617	1 5,390
Technical assistant.....	0.5 2,300	1.7 8,848	2 10,570	Fiscal analyst.....	.....	1.8 9,513	4 21,035
Senior technical assistant.....	3.1 14,696	1.5 8,070	2 10,760	Grade 14. Rate of \$4,100:	.....	.....	.....
Senior traffic assistant.....	1 4,900	1 5,600	1 5,600	Administrative assistant.....	14.9 64,628	13.2 66,316	11.8 58,658
Liaison representative.....	.....	0.5 2,900	0.5 2,900	Principal technical assistant.....	1.3 5,622	3 14,482	3 14,678
Special representative.....	6 29,800	2.7 12,438	2 10,913	Senior technical assistant.....	1.2 5,121	6 29,949	5.7 28,256
Assistant chief of division.....	2.7 12,438	2.3 12,178	2 6,690	Technical assistant.....	3.5 15,342	3.5 17,240	3.7 18,115
Field representative.....	0.2 783	1 5,285	1 5,285	Traffic assistant.....	0.2 388	.....	0.5 2,550
Sales representative.....	8.5 40,896	4.5 24,539	8 43,706	Field representative.....	2.1 9,462	0.7 3,825	.....
Attorney.....	1.1 4,749	1.5 5,300	0.5 2,900	Attorney.....	14.8 65,343	29.7 150,243	34 172,822
Investigator.....	11.5 58,373	8.5 45,467	6.3 32,690	Statistician.....	1.1 4,749	0.7 3,825	.....
Statistician.....	0.2 958	1 5,180	1.2 5,180	Chief of section.....	3 12,504	1.7 9,080	1 4,960
Chief of section.....	6.8 33,875	3.3 15,960	4 21,760	Assistant chief of section.....	2.1 9,637	1.3 6,303	2 9,950
Assistant chief of section.....	3.6 16,905	0.3 1,295	0.7 3,585	Traffic advisor.....	1.6 6,375	1 4,740	1 4,740
Commercial analyst.....	2.5 11,702	1.4 7,340	1 5,180	Administrative analyst.....	0.1 200	1 4,800	0.3 1,222
Finance analyst.....	2 9,682	1 5,285	1 5,390	Cost analyst.....	0.3 1,283	1 4,960	1 4,960
Business analyst.....	7.5 37,425	1 4,821	1 5,180	Engineering analyst.....	0.5 1,854	1 4,740	1 4,740
Senior engineering analyst.....	7 34,300	2 11,190	2 11,190	Commercial analyst.....	0.6 2,625	1 4,730	1 4,900
Trade analyst.....	.....	0.3 1,450	1 5,800	Analyst.....	0.5 2,560	1 4,300	1 4,300
Patent analyst.....	6.5 32,675	1 5,180	1 5,180	Traffic specialist.....	0.5 2,240	0.6 2,445	1 4,480
Project analyst.....	0.8 4,000	1 5,390	1.5 8,085	Assistant transportation specialist.....	1.1 4,650	1.5 7,650	1.5 7,650
Transportation specialist.....	0.5 2,500	1 5,600	0.3 1,400	Safety technician.....	0.8 3,538	1 5,100	0.5 2,550
Traffic specialist.....	16.8 81,327	7.5 38,850	4.5 23,310	Fire protection technician.....	229.9	235	145.1
Assistant specialist.....	21.3 99,054	11.3 61,355	0.8 3,825	Supervising engineer.....	97.067	1 143,993	707,578
Field technician.....	2 9,808	1 5,495	0.5 2,700	Division engineer.....	1 4,400	2.5 12,650	6 30,060
Safety technician.....	0.5 2,900	1 5,800	1 5,800	Senior engineer.....	0.6 2,275	2 9,570	3 13,860
Fire protection technician.....	2.6 12,113	2 11,400	2 11,400	Chemical engineer.....	13.6 56,864	16.7 80,507	13.8 66,668
Senior rubber inspector.....	0.7 3,067	2 10,885	2 10,885	Control engineer.....	22.7	64.9	41.8
Rubber inspector.....	1.8 8,241	1 5,490	1.7 9,685	Engineer.....	95.762	263.566	202.261
Head engineer.....	0.4 1,950	15.2 81,175	8.2 44,200	Rate examiner.....	0.7 3,100	1 5,100	1 5,100
Principal engineer.....	15.9 72,061	1 5,180	1 5,180	Examiner.....	16.1 69,916	11 55,333	10.2 51,008
Senior supervising engineer.....	0.6 2,824	1 5,180	1 5,180	Principal accountant.....	0.2 875	1 4,960	2 9,780
Resident engineer.....	1 4,933	162.5 5,600	71.2 5,600	Chief accountant.....	3.9 17,175	3 14,600	4.8 23,228
Supervising engineer.....	145	680.605	386.265	Cost accountant.....	4 16,639	8 39,605	3.3 15,875
Senior electrical engineer.....	.....	2 10,780	2 10,780	Accountant.....	69.3	76.5	149
Senior mechanical engineer.....	3.6 20,903	6.8 35,288	4.3 22,700	Principal auditor.....	296.433	379.343	756.283
Senior engineer.....	4.8 22,755	7.7 42,672	32.554	Principal fiscal accountant.....	6.8 28,388	13.1 63,993	11.7 56,536
Engineer examiner.....	1.3 14,946	2 10,780	2 10,780	Head fiscal accountant.....	5.3 22,982	4.3 21,271	6.7 34,020
Senior examiner.....	.....	1.5 7,570	.....	Senior fiscal accountant.....	2.9 13,431	2 9,360	5.5 25,740
Examiner.....	24.7	141,277	103,554	Fiscal accountant.....	1 4,300	1 4,960	2.2 10,518
Head accountant.....	2.1 10,494	17 95,013	7.2 40,503	Unit head.....	4.2 18,233	2.7 13,431	4.5 21,614
Cost accountant.....	12.1 50,237	3.3 17,517	10,855	Assistant unit head.....	0.8 3,588	2 9,425	3 14,110
Accountant.....	3.8 17,197	.....	.....	Unit supervisor.....	4 16,975	3 14,817	3 14,800
Head auditor.....	111,609	301,712	412,837	Budget analyst.....	36.9	38.1	11.5
Principal auditor.....	6 27,764	11.7 62,455	10 51,950	Construction supervisor.....	155.415	156.430	56.525
Assistant auditor.....	3 15,540	4 20,720	4 20,720	Aircraft supervisor.....	1 13,673	.....	.....
Head fiscal accountant.....	2.4 12,022	2.5 13,398	3.7 20,650	Training supervisor.....	1.3 5,325	1 4,690	1 4,690
Principal fiscal accountant.....	0.7 2,933	1 5,495	4.8 26,306	Supervising clerk.....	1 4,500	1 5,100	0.5 2,445
Fiscal accountant.....	.....	0.7 4,043	0.7 4,043	Secretarial clerk.....	1 4,500	1 5,100	1 5,100
Unit supervisor.....	2.9 13,010	4.8 26,310	1 5,390	Senior chief rate clerk.....	1 4,500	1 5,100	1 5,100
Principal construction supervisor.....	.....	1 5,390	1 5,390	Secretary.....	0.9 3,652	2.5 11,575	3 13,890
.....	.....	.....	.....	Grade operator.....	1.7 7,000	1 4,200	2 1,240
.....	.....	.....	.....	Senior traffic assistant.....	1.7 7,000	0.5 2,370	.....
.....	.....	.....	.....	Industrial analyst.....	0.9 3,725	.....	.....

By accounts	1945,	1946,	1947,	By accounts	1945,	1946,	1947,
	actual	estimated	estimated		actual	estimated	estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.				PERSONAL SERVICES, DEPARTMENTAL—CON.			
Executive order grades—Continued	Man-years	Man-years	Man-years	Executive order grades—Continued	Man-years	Man-years	Man-years
Grade 14. Rate of \$5,100—Continued	Amount	Amount	Amount	Grade 13. Rate of \$4,500—Continued	Amount	Amount	Amount
Commodity analyst.....		0.3 \$1,240		Aircraft supervisor.....	2.3 \$9,033		
Patent analyst.....	0.3 \$1,188	0.8 3,825		Principal project clerk.....	1 3,608	1 \$4,300	1 \$4,300
Procurement analyst.....		0.7 3,555		Senior technical clerk.....		1 4,300	1 4,300
Market analyst.....	0.2 831	0.3 1,275		Principal clerk.....	0.4 1,425		1.3 5,125
Field technician.....	1.3 5,250	0.7 3,555		Assistant chief rate clerk.....	3 950	1 4,300	0.5 2,150
Associate field technician.....		1.7 8,235		Senior rate clerk.....			1 4,300
Communication engineer.....	1 4,300	0.5 2,370		Clerk.....	1.3 4,856	1 4,500	0.7 3,475
Flight engineer.....	3.2 13,259	0.7 3,110		Clerk.....	4.4 15,633	1 4,500	1.3 5,125
Assistant warehousing specialist.....	0.6 2,687	1 4,850	2 \$9,780	Commercial analyst.....	4 15,396	3 12,450	2 8,680
Aircraft inspector.....	0.2 700			Assistant transportation specialist.....	1 3,800	0.5 2,250	
Technical supervisor.....	0.3 1,113			Supplies specialist.....	0.3 999	0.8 3,375	
Freight traffic supervisor.....		0.5 2,550		Assistant specialist.....	12.4 47,724	7 30,100	6 25,800
Inventory control supervisor.....	0.7 2,867	1 4,850		Safety technician.....	2 7,107	0.5 2,250	
Superintendent of construction.....	0.8 3,535	0.5 2,370		Fire protection technician.....	0.2 700	0.5 2,250	
Superintendent of supplies.....	0.4 1,750	0.7 3,555		Medical technician.....		1 4,300	
Superintendent of property.....	0.8 3,150	0.7 3,555		Communication technician.....	0.7 2,692	1.3 5,469	
Flight superintendent.....	0.2 700	0.8 3,555		Associate field technician.....	4.6 17,375	1.3 5,375	
Equipment operator.....	1.6 6,875	0.8 3,555		Chemical engineer.....	0.5 2,000	0.5 2,250	
Aircraft mechanic.....	1.2 5,169	0.3 1,240		Flight engineer.....	1.4 5,192	0.8 3,375	
Chief shop mechanic.....	1 4,200	0.7 3,555		Junior communication engineer.....	1 3,800	0.5 2,150	
Chief airline accountant.....	0.7 2,975			Senior fiscal accountant.....	2 8,400	0.5 2,250	
Senior head fiscal accountant.....	0.2 938			Chief accountant.....	0.3 1,000	1 4,500	
Radio mechanic.....	1.6 6,950			Chief of section.....	1.1 4,617		
Mechanic.....	0.9 3,636			Principal fiscal accounting clerk.....	1 3,642	1 4,300	
Flight mechanic.....	0.1 375			Supervising clerk.....	3.3 12,300	0.3 1,075	
Associate flight technician.....	1.8 7,731			Grade foreman.....	1.1 4,275	0.8 3,225	
Chief mechanic.....	1.5 6,511			Welding and shipfitting foreman.....	0.4 1,500	0.7 3,375	
Senior auditor.....	0.1 342			Warehouse superintendent.....	0.5 2,058	0.7 3,225	
Assistant traffic specialist.....	0.4 1,686			Assistant communication superin-			
Commodity specialist.....	1 4,595			.....tendent.....	0.4 1,425	1 4,300	
Commercial assistant.....	0.5 2,288			Operator.....	0.5 1,900	1 4,300	
Navigator.....	0.8 3,418			Secretary.....	2 7,875	0.5 2,250	
Electrical engineer.....	1 4,467			Bookkeeper.....	0.1 398		
Assistant electrical engineer.....	0.9 3,558			Assistant warehouse chief.....	0.5 1,900		
Counsel.....	1.7 7,500			Assistant warehousing specialist.....	0.4 1,425		
Sales representative.....	0.8 3,500			Freight traffic supervisor.....	0.2 666		
Rubber and warehouse inspector.....	0.3 1,175			Materials analyst.....	0.2 653		
Warehouse specialist.....	0.5 2,319			Rubber inspector.....	0.3 1,100		
Scrapyard supervisor.....	1.1 4,597			Division engineer.....	1.3 5,067		
Transportation specialist.....	0.2 717			Head warehouseman.....	1 3,833		
Assistant warehouse chief.....	0.5 2,100			Negotiator.....	0.2 686		
Construction foreman.....	0.5 1,925			Small superintendent.....	0.1 246		
Fiscal analyst.....		0.3 1,356	0.5 2,200	Associate construction engineer.....	0.1 308		
Grade 13. Rate of \$4,500.....				Aeronautical advisor.....	0.3 971		
Administrative assistant.....	9.3 36,136	11.8 51,670	10.1 44,751	Commercial assistant.....	0.2 656		
Principal technical assistant.....	1.6 6,124	3 13,350	2.5 11,020	Chief of division.....	0.6 2,217		
Senior technical assistant.....	36.9 138,978	34.5 121,247	6.7 29,333	Assistant placement supervisor.....	0.9 3,500		
Technical assistant.....	8.6 32,879	16 69,368	3.4 15,528	Assistant flight engineer.....	0.4 1,488		
Research assistant.....			1 4,500	Assistant records supervisor.....	0.8 3,008		
Personnel assistant.....	0.5 1,742	0.5 2,250	1 4,500	Construction superintendent.....	0.4 1,479		
Statistician.....		0.7 3,220	1.5 6,435	Communications engineer.....	0.5 1,994		
Assistant budget officer.....			1 4,500	Flight superintendent.....	0.8 3,167		
Technical representative.....	0.8 3,134			Rubber and warehouse inspector.....	5.8 22,495		
Attorney.....	11.3 44,562	13.5 60,615	19.5 87,550	Flight radio operator.....	0.1 11,125		
Statistician.....	8.9 35,111	5.3 22,748	4 17,227	Plant representative.....	0.1 386		
Expeditor.....		4.7 3,191	4 2,250	Deputy chief of division.....		0.3 1,290	1 4,300
Head of section.....	1 4,000	1 4,500	1 4,500	Fiscal analyst.....		0.6 2,580	1.5 6,450
Assistant chief clerk.....			1 4,500	Grade 12. Rate of \$4,100.....			
Assistant chief of section.....	1.9 7,283	3.2 14,425	3.7 16,675	Principal technical assistant.....	16.1 56,238	6.2 25,065	3.5 13,425
Industrial analyst.....	1.2 4,697			Principal technical assistant.....		2.3 9,047	1.8 7,070
Commodity analyst.....			1 4,300	Senior technical assistant.....	18.2 62,325	17 67,340	5.7 21,985
Commercial analyst.....	0.1 358			Staff assistant.....	7 24,000	1 3,690	1 3,690
Finance analyst.....	0.4 4,000	1 4,500	1 4,500	Technical assistant.....	7.8 27,680	0.8 3,591	7.5 30,775
Priority specialist.....	0.1 758	1 4,300	1 4,300	Placement assistant.....		0.7 3,075	1 4,100
Traffic specialist.....	0.5 1,742	1 4,300	0.8 3,217	Traffic assistant.....	2 7,127	1.5 6,905	0.6 1,995
Commercial economist.....	1 4,000	1 4,350	1 4,500	Assistant budget officer.....			1 4,100
Chief medical technician.....	0.4 1,425		0.3 1,075	Attorney.....	6 21,390	5.3 21,528	8.3 33,813
Rubber technician.....	0.1 450	0.5 2,250	1 4,500	Statistician.....	0.3 1,187	0.7 3,075	1 4,100
Field technician.....	0.7 2,504	0.5 2,170	1 4,300	Librarian.....		0.7 2,993	1 3,990
Chemist.....		2 7,500	2 9,000	Assistant head of section.....		1 3,750	1 3,750
Field inspector.....	2.8 10,733	2 8,800	2 8,800	Assistant chief of section.....	1 3,500	1 4,100	0.3 1,025
Aircraft inspector.....	0.8 3,069			Assistant analyst.....			1 4,100
Inspector.....	1.5 5,882			Commercial accountant.....	2 7,200	1 3,860	1 3,860
Supervising engineer.....	216.5 832,284	144.8 637,836	40.6 178,325	Commercial examiner.....	1 3,600	1 3,750	1 3,750
Senior engineer.....			0.7 3,375	Commercial analyst.....		0.5 2,050	1 4,100
Associate engineer.....	1 3,600	0.7 3,375	2 9,000	Business analyst.....	11.5 40,650	4 15,075	1.5 5,600
Control engineer.....	4.1 15,926	6.5 28,600	2 8,650	Reports analyst.....	9.2 32,080	1 3,860	1 3,860
Engineer.....	9.7 37,044	74 321,321	40 172,367	Production specialist.....		0.7 3,075	0.3 1,025
Classification examiner.....	1 2,722		1 4,300	District traffic specialist.....	0.3 1,050		
Principal classification examiner.....	1 3,950		1 4,600	Traffic specialist.....	2.8 9,816	3 11,910	0.5 1,985
Reports examiner.....	0.8 3,124			Aircraft inspector.....			1 4,100
Junior examiner.....	0.8 3,167	1 4,300	3.7 16,675	Resident inspector.....		0.5 2,050	
Examiner.....	12.4 48,307	12.7 57,175	10.5 46,959	Inspector.....	0.6 1,925		
Assistant cost accountant.....	0.3 1,267			Supervising engineer.....	0.6 2,075	2.5 9,857	1 4,100
Principal accountant.....	0.7 2,667		1 4,500	Assistant supervising engineer.....	1 3,600	0.5 2,050	1 4,100
Associate accountant.....			0.5 2,145	Associate engineer.....	38 135,252	20.5 83,546	5 20,789
Cost accountant.....	1.7 6,591	0.5 2,250	2.7 12,375	Chemical engineer.....	0.5 1,800	0.5 2,050	1 4,100
Accountant.....	17 66,266	7.7 33,777	4.5 19,850	Engineer.....	2.4 8,367	4.5 18,450	4.5 18,300
Principal auditor.....	6.6 25,698	9.6 41,060	7 30,823	Classification examiner.....	0.1 425		2 7,980
Senior auditor.....	4.7 18,527	21.5 95,872	221,681	Junior examiner.....	1.9 6,620	2.5 9,955	2.3 8,936
Program auditor.....	6.1 24,400	1 4,300	1 4,300	Reports examiner.....	0.8 2,996		
Auditor.....	55.1 208,837	70.6 302,268	43 182,965	Examiner.....	9.8 36,252	10.4 42,098	8.5 33,720
Principal fiscal accountant.....	10.1 38,838	5.6 24,578	3.8 15,775	Cost accountant.....	0.3 971	2 7,830	1 3,860
Head fiscal accountant.....		1.7 7,875	2 9,000	Associate accountant.....		0.7 2,993	0.5 1,995
Assistant fiscal accountant.....		1 4,300	1.3 5,365	Accountant.....	4.4 15,549	6.8 22,097	4.2 16,939
Junior fiscal accountant.....	1.8 6,983	4 18,000	3.5 15,344	Associate auditor.....	14.7 49,346	61.0 234,454	35 133,568
Fiscal accountant.....	11.2 42,738	15 65,459	14 60,232	Auditor.....	99.7 342,289	75.8 300,064	49.3 197,357
Unit supervisor.....	7.4 28,349	8.3 36,275	7 30,400	Associate fiscal accountant.....	1.6 6,892	1.3 4,995	1.7 6,880
Assistant unit supervisor.....	5.3 19,017	6.3 32,690	7.5 32,290	Assistant fiscal accountant.....	1.8 6,158	3.5 13,620	2.7 10,597
Reporter.....		1.6 6,880	1 4,300	Junior fiscal accountant.....	4.2 13,577	4.5 17,330	3.8 14,778
Acting secretary.....		1 4,410	1 4,410	Fiscal accountant.....	26.8 92,997	28.2 111,574	14.7 57,020
Construction supervisor.....	9.8 37,417	7.7 33,965	4 17,468	Unit supervisor.....	0.5 2,913	0.5 2,913	3.2 12,990

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—con.			
Executive order grades—Continued			
Grade 12. Rate of \$4,100—Continued			
Assistant unit supervisor	7.1 324,041	9.1 335,723	4.5 317,447
Construction supervisor	0.6 2,250	1.7 7,175	1 4,100
Associate construction supervisor	8.1 29,048	3.5 14,350	2 8,200
Assistant training supervisor			1 4,100
Aircraft supervisor	0.9 3,208		
Senior clerk-stenographer	1.1 3,683	2 7,893	3 11,955
Telegraph operator	0.8 2,850	1 4,100	1 4,100
Aviation mechanic	4 14,115	4 16,400	0.3 1,025
Principal technical clerk		0.5 2,050	1 4,100
Technical clerk	0.4 1,417	1 3,860	1 3,860
Principal accounting clerk			1 4,100
Fiscal accounting clerk		1 3,860	1 3,860
Senior rate clerk	0.3 900	1 4,100	1 3,900
Rate clerk	0.1 452	0.5 3,970	1 3,970
Supervising clerk	1.4 4,400	2.5 10,120	2 8,156
Principal clerk	1.5 5,183		0.7 2,250
Senior clerk	1 3,300	1 3,860	1 3,860
Statistical clerk		1 3,880	1 3,880
Project clerk		1 3,750	1 3,750
Clerk	4.9 17,293	7.3 29,249	5.7 23,263
Commodity specialist	9 32,400	2 8,000	2 8,000
Senior clerk-stenographer	0.9 3,253	1 3,860	1 3,860
Personnel assistant	0.3 900	0.5 2,050	
Rubber technician	0.2 560	0.5 2,050	
Resident engineer	0.6 2,115	0.3 1,025	
Principal fiscal accountant	0.8 2,606	1 4,100	
Senior fiscal accountant	0.8 2,833	0.7 3,075	
Assistant construction superintend-ent	1 3,450	0.8 3,075	
Commissary superintendent	0.2 600		
Chemist	3.6 12,625	2.5 10,000	
Expediter	0.8 2,692	0.3 965	
Chief of division	1 3,600	0.7 3,075	
Mechanic		0.3 993	
Draftsman	0.5 1,760		0.8 3,075
Foreman			1 4,100
Operator	1.2 4,345	1 4,100	
Assistant chief clerk	0.3 960		
Assistant comptroller	1 3,792		
Assistant placement supervisor	0.1 425		
Special assistant	0.2 600		
Assistant supply specialist	0.3 1,111		
Procurement supervisor	0.2 756		
Transportation analyst	0.5 1,782		
Rubber and warehouse inspector	0.2 550		
Foreman	0.6 2,250		
Reporter	1 3,600		
Priorities specialist	0.9 2,933		
Associate technical assistant	2 6,932		
Commodity specialist	0.1 465		
Assistant construction supervisor	1.9 6,852		
Supervisor	0.9 3,150		
Field inspector	0.4 1,350		
Chief of section	0.1 150		
Assistant traffic specialist	0.4 1,227		
Senior meteorologist	0.8 2,789		
Plant representative	0.2 583		
Material dispatcher	0.5 1,533		
Sawmill superintendent	0.8 3,000		
Chief accountant	0.8 2,700		
Chief foreman	1 4,450		
Master mechanic	0.8 2,745		
Senior mechanic	0.1 168		
Mechanic	0.5 1,800		
Grade inspector	0.5 1,769		
Acting secretary	1 3,500		
Field engineer	0.7 2,293		
Assistant chief rate clerk	0.8 2,550		
Principal fiscal accounting clerk	1.4 4,500		
Stock clerk	0.8 3,020		
Classification analyst		0.3 1,125	1 3,750
Grade 11. Rate of \$3,650.	383	365	324.5
Grade 10. Rate of \$3,300.	1,192,241	1,302,380	1,158,036
Grade 9. Rate of \$3,000.	901,149	921,203	940,193
Grade 8. Rate of \$2,650.	437.3	466.7	469.2
Grade 7. Rate of \$2,300.	1,084,262	1,388,766	1,371,119
Grade 6. Rate of \$2,000.	511.7	968.5	857.6
Grade 5. Rate of \$1,900.	1,120,602	2,476,098	2,172,794
Grade 4. Rate of \$1,700.	1,405,170	1,778,159	1,640,654
Grade 3. Rate of \$1,500.	657.4	1,162.8	729.
Grade 2. Rate of \$1,300.	1,167,621	2,380,962	1,494,300
Grade 1. Rate of \$1,100.	369.9	866.8	549.7
Grade 4. Rate of \$1,700.	583,211	1,632,148	1,030,850
Grade 3. Rate of \$1,500.	114.2	121.7	85.6
Grade 2. Rate of \$1,300.	163,641	203,116	157,974
Grade 1. Rate of \$1,100.	1.6 2,046		
Total permanent, departmental	6,182.1	7,535.6	5,914.8
Temporary employment, departmental	20,400,082	25,580,066	20,190,553
Part-time employment, departmental	67,540	280,123	301,481
W. A. E. employment, departmental	14.8 21,079	4.3 7,025	12 21,772
Overtime pay, departmental	8.36 2,983,189	9.9 47,850	8.4 41,450
All personal services, departmental	6,242.6	7,680	6,085.2
	23,463,127	26,279,414	20,555,256

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, FIELD			
Executive order grades:			
Grade 19. Rate over \$8,855:			
Manager	11.7	16.8	19.5
Assistant manager	\$106,651	\$166,563	\$190,620
Agency counsel	3 27,375	3.7 34,874	6.7 62,910
Assistant agency counsel	1.3 11,063	2 10,013	2 10,013
Office counsel	0.5 4,125	2 18,284	2 18,284
Counsel	1 8,833	1 10,000	1.5 14,500
Examiner	0.3 3,300		
Special representative	0.8 7,007		
Grade 18. Rate of \$8,750:			
Manager	11.2 83,895	8.6 73,720	8 69,215
Assistant manager	11.8 87,247	7.8 65,271	6.3 52,459
Agency counsel	0.8 6,000		0.5 4,112
Assistant agency counsel	0.9 5,950		1.5 12,000
Office counsel		1.7 14,068	2 16,190
Counsel	0.2 1,500	0.5 4,245	1.5 12,735
Examiner	2 15,172	2 17,500	3 25,023
Grade 17. Rate of \$8,000:			
Manager	5.9 38,762	4.6 34,637	3.5 26,473
Assistant manager	7.1	16.1	15.6
Special assistant to the manager	43,749	120,629	114,966
Acting assistant manager		0.5 3,535	2 15,150
Agency counsel		2.5 17,332	1.5 11,550
Assistant agency counsel	1.4 9,425	2 14,976	26,000
Office counsel	0.9 5,950	1.3 9,024	2 15,826
Counsel	2.1 13,385	1.5 11,130	5 34,881
Attorney	0.8 4,923	2.5 18,750	4 29,896
Examiner	8.5 54,341	7.2 62,066	10.5 74,294
Regional loan agent		4.8 35,280	10.8 79,580
Grade 16. Rate of \$6,650:			
Manager	2 11,965		
Special assistant to the manager	1 6,333		
Assistant manager	7 38,807		
Acting assistant manager		6.7 42,723	5.9 38,534
Chief of division		1.5 9,650	1 6,650
Agency counsel	2 11,200	1 6,020	2 12,040
Office counsel	1.1 6,750		2 12,470
Assistant office counsel	0.9 4,900	1 6,230	2 12,460
Counsel	4 23,208	2.5 16,440	3 19,635
Attorney	4.5 24,369	4.4 27,552	5.9 37,326
Examiner			1.3 1,183
Appraiser	16.1 90,699	14.4 90,510	14.7 89,858
Engineer	0.1 143	1.2 7,775	1.9 12,068
Field representative	1.5 5,600	0.3 1,610	1 6,650
Assistant agency counsel	0.6 3,267		
Regional loan agent		0.8 5,068	1.8 11,403
Assistant regional loan agent		0.4 2,580	0.9 62,055
Regional loan engineer		0.4 2,492	0.9 5,607
Business specialist		0.4 2,576	0.9 5,796
Regional engineer		0.4 2,576	0.9 5,796
District loan agent		0.4 2,492	0.9 5,607
Deputy regional director		0.4 2,492	0.9 5,607
Liaison procurement officer		0.4 2,576	0.9 5,796
District manager		15.2 95,704	34.2 215,334
Grade 15. Rate of \$5,800			
Assistant manager	5.9 29,449	2 11,337	1.5 8,700
Chief of division		1 5,615	2 10,070
Office counsel	1 4,800	2 11,190	2 11,200
Counsel	1.5 5,200	1.5 8,700	2 11,600
Attorney	3.8 18,640	8.1 44,660	10.7 59,850
Chief of section			2.2 13,200
Examiner	84.8	47.5	46.2
Special representative	411,063	260,740	253,678
Engineer	1 5,200	1 5,800	5 27,450
Appraiser	4.2 22,023	9 47,376	2 10,980
Active chief of section	1.2 5,625	1 5,600	1 5,600
Field representative	0.5 1,233	0.3 1,450	
Assistant office counsel	0.1 600		
Principal accountant	0.1 128		
Liaison specialist		6.8 35,644	15.3 80,199
Liaison and procurement officer		0.8 4,298	1 8 9,324
Procurement specialist		1.2 6,216	2.7 13,986
Contract specialist		2.4 12,681	5.4 28,539
Agency liaison specialist		0.4 2,156	0.9 4,851
Business specialist		11.6	26.1
District loan agent		15.2	136,521
Assistant district loan agent		7.9 39.6	179.991
Fiscal analyst		0.4 2,072	0.9 4,662
Loan examiner		1.6 8,372	3.6 18,837
Assistant regional counsel		0.4 2,072	0.9 4,662
District recon version specialist		0.8 4,144	1.8 9,524
Loan examiner		2 10,612	4.9 23,877
Loan engineer		0.4 2,156	0.9 4,851
District manager		18	40.5
Assistant district manager		94,836	213,341
Industrial specialist		1.6 8,298	3.6 18,645
Control specialist		0.4 2,156	0.9 4,851
Contract settlement specialist		0.4 2,072	0.9 4,662
Grade 14. Rate of \$5,100:			
Chief of division	0.6 2,900	1.4 7,054	3 14,965
Office counsel		0.5 2,445	2 9,780
Field representative		8.8 43,814	1 4,880
Attorney		0.8 43,814	7.3 36,116
Chief of section		0.8 3,972	1.5 7,620

By accounts	1945, actual	1946, estimated	1947, estimated	By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, FIELD—continued				PERSONAL SERVICES, FIELD—continued			
Executive order grades—Continued	Man-years Amount	Man-years Amount	Man-years Amount	Professional services on a fee basis.....	\$2,554,602	\$2,361,400	\$1,359,547
Grade 14. Rate of \$5,100—Continued				01 Personal services (net).....	8,808 3	11,915 4	10,351 4
Examiner.....	98 6	77 5	75 6		\$4,517,030	46,701,779	34,590,663
Personnel officer.....	\$428,007	\$377,266	\$365,374				
Appraiser.....		2 9,950	1 5 7,050	OTHER EXPENSES			
Acting chief of section.....	3 3 14,442	0 7 3,637	0 9 4,068	02 Travel.....	2,346,426	2,626,597	2,083,308
Liaison specialist.....		0 4 1,808	0 9 4,068	03 Transportation of things.....	189,106	53,425	69,621
Fiscal analyst.....		0 4 1,808	0 9 4,068	04 Communication services.....	993,542	1,071,204	1,001,796
Loan engineer.....		7 6 34,352	17 1 77,292	05 Payment for penalty mail.....	106,438	131,230	115,150
Engineer.....		0 8 3,616	1 8 8,136	06 Rents and utility services.....	2,696,163	2,226,371	2,229,440
Business specialist.....		1 2 5,424	2 7 12,204	06 Printing and binding.....	338,264	306,300	182,605
District manager.....		0 4 1,808	0 9 4,068	07 Other contractual services:			
Contract settlement specialist.....		0 4 1,808	0 9 4,068	Other.....	935,974	950,677	1,147,370
District loan agent.....		0 4 1,808	0 9 4,068	Repairs to furniture and fixtures.....		29,020	35,100
Specialist.....		0 4 1,808	0 9 4,068	08 Supplies and materials.....	333,979	408,867	340,066
Grade 13. Rate of \$4,500:				Newspapers and periodicals.....	1,014	1,700	650
Chief of division.....		1 4 6,445	2 2 9,915	Custodian and fiscal agents.....	3,829,395	3,403,013	2,962,001
Assistant chief of division.....		0 8 3,375	1 4 5,500				
Office counsel.....	1 2 4,983	0 5 2,250	2 8 580	Total other expenses.....	11,110,301	11,230,224	10,217,110
Field representative.....	1 7 3,800	1 7 7,717	2 8 580	Grand total expenses.....	45,627,331	51,932,003	44,816,773
Attorney.....	8 3 31,888	5 5 24,530	7 5 33,421	Nonadministrative expense.....	-4,420,260	-12,048,549	-5,378,000
Chief of section.....		1 2 5,490	1 4 5,500	Reimbursements for services performed.....	-4,559,931	-3,290,544	-1,303,773
Examiner.....	173 7	86 2	80 9	Transferred to—			
Personnel officer.....	667,288	381,312	356,811	“Administrative expense, Federal Loan Agency”.....	+25,000	+91,000	+118,000
Clerk.....		0 5 2,250	1 5 6,750	“Administrative expense, Department of Agriculture”.....		+125,000	
Liaison specialist.....		3 6 15,480	8 1 34,830	Net total expenses.....	1 31,672,140	36,808,610	37,553,000
Fiscal analyst.....		9 2 33,550	20 7 89,010	Unobligated balance of authorization.....	2,046,670	509,411	
Loan examiner.....		2 4 10,408	5 4 23,418	Payable from funds of the Corporation.....	1-33,718,810	3-37,315,021	-37,553,000
Engineer.....		0 8 3,440	1 8 7,740	Total estimate or appropriation.....			
Contract specialist.....		2 4 10,320	5 4 23,220				
Business specialist.....		11 6 49,850	26 1 112,220	BY PROJECTS AND FUNCTIONS			
District manager.....		0 8 3,440	1 8 7,740	Reconstruction Finance Corporation:			
District loan agent.....		0 4 1,720	0 9 3,870	Loan and general activities.....	\$7,967,248	\$9,619,255	\$13,235,067
Specialist.....		0 4 1,720	0 9 3,870	Defense plants program.....	6,668,608	12,002,692	10,193,000
Control specialist.....		0 8 3,440	1 8 7,740	Strategic supplies program.....	3,754,670	3,718,627	4,498,129
Grade 12. Rate of \$4,100:				Rubber program.....	1,880,168	2,310,949	2,250,000
Assistant manager.....	0 2 708	2 2 9,050	1 8 7,369	Strategic metals program.....	1,704,654	1,896,232	1,774,172
Chief of division.....	1 7 5,937	0 3 9,050	2 8 2,000	Servicing Smaller War Plants Corporation assets.....		1,221,121	683,000
Attorney.....	4 14,278	3 2 13,160	5 20,131	RFC Price Adjustment Board.....	571,085	624,569	575,000
Chief of section.....		0 7 3,075	2 8 2,000	Subtotal, Reconstruction Finance Corporation.....	22,641,683	31,396,345	33,160,368
Administrative assistant.....		1 3 880	1 4 600	The RFC Mortgage Company.....	707,841	689,176	550,000
Examiner.....	107 5	122 488,575	113 8 463,903	Federal National Mortgage Association.....	429,357	321,448	350,000
Accountant.....		1 4,100	1 3 5,125	War Damage Corporation.....	375,620	539,294	850,000
Appraiser.....	2 4 8,412	0 5 2,050	2 8,200	Rubber Development Corporation.....	846,303	635,670	785,922
Personnel officer.....		0 4 1,500	0 9 3,375	U. S. Commercial Company.....	3,332,899	2,582,945	1,836,710
Clerk.....		0 4 1,500	1 4,100	Overtime pay.....	3,341,437	445,732	
Specialist.....		181 8	181 8 1,877,133	Total.....	31,672,140	56,808,610	37,553,000
Grade 11. Rate of \$3,650.....	201 4	533 3	520 8	Reimbursable work and nonadministrative expense.....	13,955,191	15,123,303	7,263,773
Grade 10. Rate of \$3,300.....	97 3	181 8	191 623,855	Grand total expenses.....	45,627,331	51,932,003	44,816,773
Grade 9. Rate of \$3,000.....	174 1	179 8	191 623,855	Adjustments (see objects schedule for detail).....	-45,627,331	-51,932,003	-44,816,773
Grade 8. Rate of \$2,650.....	137 7	196 526,026	190 4 554,635	Total estimate or appropriation.....			
Grade 7. Rate of \$2,300.....	175 5	458 8	482 5				
Grade 6. Rate of \$2,100.....	318 9	786 2	763 1				
Grade 5. Rate of \$1,900.....	400 9	1,609,871	1,555,076				
Grade 4. Rate of \$1,700.....	301 2	1,624,923	1,340,896				
Grade 3. Rate of \$1,500.....	85 4	103 1	98 3				
Grade 2. Rate of \$1,300.....	103,991	150,161	142,589				
Grade 1. Rate of \$1,000.....	17 4 18,388	19 24,380	12 15,248				
	1 6 1,373	0 5 500					
Total permanent, field.....	2,533 3	4,207 6	4,245 7				
Temporary employment, field.....	6,616,362	11,786,482	12,642,721				
Part-time employment, field.....	21 6 31,547	23 8 44,981	16 5 32,239				
W. A. E. employment, field.....	10 8 18,219	4 9,840	4 9,900				
Overtime pay, field.....	0 1 240						
	1,532,633	219,662					
All personal services, field.....	2,565 8	4,235 4	4,266 2				
	8,199,301	12,060,965	12,684,860				
Total, departmental and field.....	8,808 3	11,915 4	10,351 4				
	31,662,428	38,340,379	33,240,116				

¹ Expenses for the fiscal year 1945 are on an accrued basis, while those for subsequent years are on a cash basis.
² Of this amount \$1,500,000 was approved by Congress for the administrative expenses of the Reconstruction Finance Corporation and the RFC Mortgage Company while the remainder was approved by the Bureau of the Budget pursuant to E. O. 9159, dated May 11, 1942. For the fiscal year 1946, the entire amount required for administrative expenses was approved by Congress.
³ Excludes (1) actual and recommended rescissions of \$6,461,500 and (2) \$275,000 of the U. S. Commercial Company authorization transferred to the Commodity Credit Corporation pursuant to E. G. 9630, dated Sept. 27, 1945.

NATIONAL HOUSING AGENCY

INTRODUCTORY STATEMENT

The National Housing Agency was created by Executive Order 9070, issued February 24, 1942, and represented a consolidation of the civilian housing programs previously vested in 16 Government agencies.

The Agency consists of: The Office of the Administrator, which is responsible for assisting in the formulation of Federal housing programs, for supervising the execution of national housing policy, and for over-all coordination of the Agency's activities; the Federal Home Loan Bank Administration, with responsibilities for the supervision of building and loan and similar financial institutions and the establishment of credit facilities to protect their liquidity; the Federal Housing Administration, with statutory powers to insure mortgage loans made by private financial institutions on privately constructed and owned dwellings; and the Federal Public Housing Authority, which provides financial assistance, pursuant to the United States Housing Act of 1937, in the construction and maintenance of low-rent slum-clearance housing projects and supervision in varying degrees over their management, and is also engaged in reerection, management, and disposition of temporary emergency housing under the veterans housing and the public war housing programs.

The Office of the Housing Expediter was established by Executive Order 9686, January 26, 1946, to correct the critical housing shortage which has particularly affected the veteran. This office has powers to direct positive Federal Government action to meet shelter needs—particularly those of the veteran. Upon appointment of the present Housing Expediter to the office of National Housing Administrator in February 1946, the Housing Expediter merged his staff with that of the Administrator, and now exercises his functions with a single staff, the Office of the Administrator, National Housing Agency.

The long-term failure of residential building in the United States to keep pace with increased population and family formation was brought to a crisis during the war by the necessity for channeling building construction materials into purposes other than residential. As a result, the returning veteran faced the most acute housing shortage ever experienced by this country. The veterans emergency housing program calls for the construction of 2,700,000 dwelling units by December 31, 1947. With the exception of approximately 200,000 temporary structures reerected from salvaged military camps and temporary war housing, and 50,000 trailers, all of these dwelling units will be a privately financed permanent addition to the Nation's housing.

The only budget estimate of the Agency herein presented which requires a direct appropriation from the

Treasury is that for annual contributions by the Federal Public Housing Authority to local housing authorities in connection with low-rent housing. The remaining items are subject to a limitation by the Congress on the amount of corporate or other available funds which may be used for the payment of administrative expenses or, in the case of the Federal Housing Administration, of certain losses from premium income.

The Agency includes several activities which have been defined by section 101 of the Government Corporation Control Act as wholly owned Government corporations subject to the provisions of that act; namely, the Federal Savings and Loan Insurance Corporation, the Home Owners' Loan Corporation, and the United States Housing Corporation, which are administered within the Federal Home Loan Bank Administration; the Defense Homes Corporation; and the Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof. Accordingly, business-type budget programs have been submitted for these activities. Also included in this presentation are estimates in customary form for the following noncorporate activities of the Agency: Office of the Administrator and Expediter; the Administrative Department and Federal Home Loan Bank System, of the Federal Home Loan Bank Administration; and the Federal Housing Administration. The unity of the National Housing Agency budget is thus preserved, in accordance with the expressed wishes of the Congress. The programs and estimates are based on presently authorized functions, and make no allowance for additional activities which would result from enactment of pending legislation.

The budget programs and estimates of the Agency, included in this presentation, are as follows:

- Office of the Administrator and Expediter.
- Federal Home Loan Bank Administration:
 - Administrative department, Federal Home Loan Bank Administration.
 - Federal Home Loan Bank System.
 - Federal Savings and Loan Insurance Corporation.
 - Home Owners' Loan Corporation.
 - United States Housing Corporation.
- Federal Housing Administration.
- Federal Public Housing Authority:
 - Public war housing program.
 - Homes conversion program.
 - Veterans housing program.
 - Defense Homes Corporation.
 - Corporate program.
 - Farm Security Administration program.
 - Administrative expenses, Federal Public Housing Authority.

OFFICE OF THE ADMINISTRATOR AND EXPEDITER

The Housing Expediter, in executing the broad powers conferred upon him, has proposed the veterans emergency housing program, approved by the President on February 8, 1946, which calls for throwing the full resources of the country into the production of an unprecedented number of dwellings. The planning, supervision, and coordination of the widespread activities necessitated by the emergency program have been made the responsibility of this Office, which in addition will conduct its normal functions of assisting the Congress and the President in the formulation of Federal housing programs and of supervising the execution of national housing policy.

The veterans emergency housing program will be the primary factor in determining the activities of this Office in fiscal year 1947. This budget has been prepared on the assumption that priorities and allocation powers will continue available through fiscal year 1947. The financing of proposed additional functions now before the Congress, such as incentive premium payments and market guarantees, has not been taken into account in arriving at these estimates.

Of the total estimate for the Office of \$8,100,000 for 1947, \$450,000 would be derived from funds made available to the constituent units for administrative expenses, \$7,375,000 from appropriations already available for construction of war housing and for recreation of veterans housing, and \$275,000 from war housing rental receipts already available for disposition expenses.

The Expediter's program, approved by the President, sets a goal of 2,700,000 homes to be started by December 31, 1947. The coming fiscal year, therefore, will be the crucial period for the accomplishment of a program which calls for housing production at a rate one and one-half times greater than the country has ever attained, and many times greater than the current rate. To reach the goal, an expansion of materials and equipment production, the residential construction labor force, site development activities, and private home building organizations, equalled only by our best achievements in war production, must be obtained. The major activities of this Office will be directed toward these ends. Action on the part of the constituent administrations of the National Housing Agency and of many other Federal agencies is required. The magnitude of the task and the diversity of its elements call for central direction and continual review and adjustment of individual agency programs.

The cooperation and assistance of the local communities is of fundamental importance in meeting the schedule, and in assuring that homes built form an orderly addition to the communities' stock of permanent, desirable dwellings. The major concern of the field organization is to secure this cooperation and assistance, and in turn to make available to the builders and the communities Federal assistance in establishing local goals, breaking bottlenecks, securing financing, and other elements necessary to accomplish the task.

Activities of the Office relating to the veterans housing emergency will be financed from funds appropriated under titles I and V of the Lanham Act. It is estimated that a total of \$7,375,000 will be necessary from these sources in fiscal year 1947, of which \$2,000,000 is available from balances of title I appropriations, and \$5,375,000 is available from funds already appropriated under title V. The total is \$4,892,131 greater than the 1946 estimate of amounts to be derived from these sources.

The supervisory functions of the Office include over-all direction and review of constituent operations. Closely related is the responsibility for policy research and for assisting the Congress and the Administration in the formulation of long-range Federal housing programs. These activities are financed by transfers from the constituent organizations. The estimate for 1947 is \$450,000, about the same as for fiscal year 1946. These transfers must be specifically authorized by the Congress annually; funds from the remaining sources are made available for administrative expenses by the Lanham Act.

Although the severe shortage limits the extent to which federally owned temporary war housing can be dismantled, there are a number of areas where the volume of out-migration has been so great that part of the war housing has or will soon become surplus. In other localities, the communities are anxious to develop their plans now for the eventual disposition of public war housing. Responsibility for its disposition is placed upon the National Housing Administrator by title III of the Lanham Act, which also makes moneys derived from rental receipts available for disposition expenses. To discharge this responsibility, it is estimated that \$275,000 will be required in fiscal 1947. The decrease of \$546,209 results from the shift in emphasis from disposition occasioned by the severity of the shortage.

LANGUAGE

OFFICE OF THE ADMINISTRATOR AND EXPEDITER

Salaries and Expenses, Office of Administrator, National Housing Agency—

Salaries and expenses: In addition to the amounts available by or pursuant to law (which shall be transferred to this authorization) for the administrative expenses of the Office of the Administrator, National Housing Agency, in carrying out duties imposed by or pursuant to law, such amounts, not exceeding ~~[\$400,000]~~ \$450,000, as the Administrator determines are required for the expenses of the Office of the Administrator in the performance of administrative and supervisory services relating to the constituent units of said Agency shall be transferred, from the funds available for the administrative expenses of such constituent units for the fiscal year [1946] 1947, to this authorization for expenditure hereunder, and all such amounts shall be available for all necessary expenses of said Office of the Administrator, including personal services and rent in the District of Columbia; printing and binding; purchase and exchange of lawbooks, books of reference; periodicals and newspapers (not to exceed ~~[\$500]~~ \$1,000); preparation, mounting, shipping, and installation of exhibits (not to exceed \$500); purchase of sixteen (including one at not to exceed \$1,800), maintenance, repair, [and] operation, and rental of [motor-propelled] passenger [carrying vehicles] automobiles; [not to exceed \$5,000 for] temporary employment of persons or organizations, by contract or otherwise, for research work, and for engineering, technical, legal, or other special services including stenographic reporting services, without regard to section 3709 of the Revised Statutes and the civil-service and classification laws; expenses of attendance at meetings of organizations concerned with the work of the Agency, when specifically authorized by the Administrator; [and] reimbursement for the actual cost of ferry fares and bridge, road, and tunnel tolls; payment of not to exceed three cents per mile to employees or others rendering service to the Government for use by them of privately owned automobiles for transportation on official business within the limits of their official stations; and purchase of teletype news services (not to exceed \$1,000): Provided, That section 7 of the First Deficiency Appropriation Act, 1936, shall continue to apply to administrative expenses of and for the constituent units of the National Housing Agency mentioned in said section 7 and shall also apply to such expenses of said National Housing Agency in connection with the functions and purposes of said constituent units, and none of the funds made available by this Act for such administrative expenses shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Ac-

counting Act, as amended: *Provided further*, That the Administrator may, with the approval of the President of the United States, transfer to this authorization or to an authorization of a constituent unit from funds available for administrative expenses of the constituent units or the Office of the Administrator such additional sums as represent a consolidation in the Office of the Administrator or in a constituent unit of any of the administrative functions of the National Housing Agency; but no such transfer of funds shall be made unless the consolidation will result in a reduction in manpower and a savings in administrative expenses, which savings shall not be used for administrative expenses but instead shall be returned to or remain in the funds from which administrative expenses are drawn under this authorization: *Provided further*, That a report of such transfers and the savings effected thereby shall be submitted to Congress in the annual budget. (42 U. S. C. 1521; Act of May 3, 1916, Public Law 49.)

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL			
Clerical, administrative, and fiscal service—Grade 16. In excess of \$9,500: Administrator-expediter.....	1	1.3	1
Grade 15. Range \$8,750 to \$9,500: Assistant to administrator-expediter.....	1	0.8	2
Information director.....	1	0.6	1
Labor branch director.....	0.4	0.2	1
Employment and training director.....	0.3	0.2	1
Industrial labor adviser.....	0.2	0.1	1
Credits labor adviser.....	0.2	0.2	1
Materials production director.....	0.2	0.4	1
Assistant materials production director.....	0.4	0.3	1
Prefabrication production director.....	0.3	0.3	1
Community action director.....	0.3	1.3	1
Field operations director.....	1.3	1.1	1
Land and governmental services director.....	0.3	0.2	1
Assistant administrator.....	2.9	1.3	2
Grade 14. Range \$7,175 to \$8,225: Assistant to administrator-expediter.....	0.8	1.3	2
Production and services director.....	0.3	0.3	1
Operations director.....	1.3	0.9	1
Labor specialist.....	0.4	0.2	1
Chief materials specialist.....	0.8	0.6	2
Chief distribution section.....	0.4	0.4	1
Deputy community action director.....	0.2	0.2	1
Racial relations director.....	0.3	0.2	1
Assistant field operations director.....	0.7	0.4	1
Assistant to assistant administrator.....	0.1	0.3	1
Budget and accounting director.....	0.5	1.7	1
Administrative relations director.....	1	1.7	1
Personnel officer.....	0.3	0.3	1
Administrative services director.....	0.3	0.3	1
Housing analyst.....	1	0.6	1
Homes use director.....	0.7	0.4	1
Conversion specialist.....	0.1	0.1	1
Grade 13. Range \$6,530 to \$7,070: Chief, publications section.....	0.3	0.2	1
Chief, field section.....	1	0.6	1
Chief, graphic and film section.....	0.3	0.3	1
Chief, advertising section.....	2	1.0	1
Chief, press section.....	1	0.6	1
Chief, radio section.....	0.3	0.3	1
Chief, magazine section.....	0.2	0.2	1
Information specialist.....	0.2	0.2	1
Chief, reports and inquiries section.....	0.3	0.2	1
Chief, FHBA information section.....	1	0.6	1
Chief, FHFA information section.....	1	0.5	1
Liaison representative.....	0.3	0.3	1
Executive assistant.....	1	0.6	1
Assistant to deputy expediter.....	0.5	0.2	1
Industrial economist.....	1	0.4	1
Labor specialist.....	0.7	0.3	1
Materials representative.....	4.1	2.7	1
Community specialist.....	1.2	1.2	1
Assistant prefabrication production director.....	0.2	0.2	1
Priorities expediter.....	0.2	0.2	1
Marketing specialist.....	1	0.7	1
Homes use specialist.....	0.4	1.2	1
Community relations specialist.....	0.2	0.2	1
Racial relations adviser.....	0.4	0.4	1
Program analyst.....	1	0.6	1
Assistant to assistant administrator.....	0.3	0.2	1
Budget analyst.....	2	1.4	1
Organization officer.....	0.8	0.9	1
Procedures officer.....	1	0.3	1
Training officer.....	1	0.7	1
Chief, budget and procedures section.....	1	0.3	1
Chief, personnel section.....	0.3	0.2	1
Housing representative.....	0.8	0.4	1
Assistant to information director.....	0.8	0.8	1
Deputy information director.....	0.8	0.8	1
Grade 12. Range \$5,180 to \$6,020: Information specialist.....	2.5	4.6	9
Editor, inactive mortgage portfolio.....	0.4	0.3	1
Editor, FHLB review.....	0.4	0.4	1

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Clerical, administrative, and fiscal service—Continued			
Grade 12. Range \$5,180 to \$6,020—Con.			
Chief, FHBA information section.....	0.9	1	1
Community relations adviser.....	1	0.4	1
Labor specialist.....	0.4	0.4	1
Materials representative.....	0.6	0.2	1
Commodity specialist.....	0.3	0.3	1
Priorities expediter.....	0.4	0.2	1
Homes use specialist.....	2.8	0.5	1
Community relations specialist.....	0.1	0.1	1
Area analyst.....	2.8	2.8	9
Chief, budget and procedures section.....	1	0.4	1
Accounting analyst.....	0.3	0.1	1
Assistant personnel officer.....	0.8	0.6	1
Administrative analyst.....	1.2	0.5	1
Chief, budget and procedures section.....	1	0.7	1
Budget and procedures analyst.....	0.6	0.2	1
Classification officer.....	0.3	0.2	1
Placement officer.....	0.3	0.3	1
Chief, FHBA information section.....	1	0.4	1
Chief, news section.....	0.9	1	1
Housing representative.....	2	0.2	1
Marketing specialist.....	0.2	0.2	1
Grade 11. Range \$4,300 to \$5,180: Administrative assistant.....	0.3	0.3	1
Visual aids specialist.....	1	1	1
Information specialist.....	3.8	5	7
Labor specialist.....	5	24	20
Information specialist.....	1	0.4	1
Homes use specialist.....	0.8	0.7	1
Community relations specialist.....	0.2	0.2	1
Procedures specialist.....	4	4	4
Accounting analyst.....	0.8	1.5	1
Administrative analyst.....	0.8	0.8	1
Budget and procedures analyst.....	1.4	1.4	2
Chief, finance section.....	0.5	0.1	1
Classification officer.....	1	1	1
Placement officer.....	0.8	0.8	1
Housing representative.....	1	1	1
Budget analyst.....	0.3	0.3	1
Program analyst.....	1	1	1
Editor, FHLB review.....	0.1	0.1	1
Grade 9. Range \$3,640 to \$4,300: Community relations assistant.....	0.5	1.1	1
Photographer.....	0.3	0.3	1
Information specialist.....	1.9	1.1	1
Assistant editor, FHLB review.....	0.1	0.1	1
Technical editor.....	0.6	0.7	1
Administrative analyst.....	2.2	1.6	2
Budget and procedures analyst.....	0.6	0.6	1
Placement officer.....	1.3	1.3	1
Classification officer.....	0.6	0.2	1
Training and employees' service officer.....	1	1	1
Chief, office services section.....	1	0.6	1
Editor, FHLB review.....	0.7	0.7	1
Commercial specialist.....	0.7	0.7	1
Administrative assistant.....	0.2	0.2	1
Grade 7. Range \$2,980 to \$3,640.....	14.4	19.3	35
Grade 6. Range \$2,650 to \$3,310.....	10.2	10.5	16
Grade 5. Range \$2,320 to \$2,980.....	27.9	41.8	65
.....	55.073	100.085	150.540
Grade 4. Range \$2,100 to \$2,490.....	62.9	68.1	112
.....	115.730	230.195	290.819
Grade 3. Range \$1,902 to \$2,298.....	31	28.4	66
Grade 2. Range \$1,704 to \$2,100.....	10.4	3	7
Professional service:			
Grade 8. Range \$8,750 to \$9,500: Assistant to administrator.....	0.4	1	1
General counsel.....	1	1	1
Technical research director.....	1	1	1
Standards and review director.....	0.2	0.2	1
Materials and construction director.....	0.3	0.3	1
Codes and costs director.....	0.3	0.3	1
Program requirements director.....	0.3	0.3	1
Statistics and control director.....	0.3	0.3	1
Urban planning director.....	0.3	0.3	1
Housing finances director.....	0.3	0.3	1
Urban development director.....	0.6	0.6	1
Grade 7. Range \$7,175 to \$8,225: Assistant general counsel.....	3	3	3
Architectural engineer.....	0.2	0.2	1
Construction engineer.....	1.2	1.2	2
Production engineer.....	1	1	1
Chief, building codes section.....	1	1	1
Chief, cost analysis section.....	0.2	0.2	1
Chief, production service section.....	1	0.2	1
Site development director.....	0.3	0.3	1
Municipal services director.....	0.5	0.5	1
Land director.....	0.3	0.3	1
Chief, materials requirements section.....	1	0.6	1
Chief, labor requirements section.....	0.3	0.3	1
Chief, statistics section.....	0.6	0.6	1
Chief, control section.....	1	1	1
Market analyst.....	1.3	0.9	2
Chief, housing economics section.....	0.3	0.6	1
Chief, credit and finance section.....	0.8	0.5	1
Chief, market research section.....	0.6	0.6	1
Assistant housing market service director.....	0.5	0.5	1
Urban development specialist.....	1	1	1
Chief, site and dwelling standards section.....	1	1	1
Industrial economist.....	0.9	0.9	1

OFFICE OF THE ADMINISTRATOR—Continued
Salaries, and Expenses, Office of Administrator, National Housing Agency—Continued

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Professional service—Continued			
Grade 6. Range \$6,230 to \$7,070:	Man-years Amount	Man-years Amount	Man-years Amount
Attorney	2,7 \$14,933	2,1 \$13,654	3 \$19,110
Architectural engineer	0.3 1,867	2,7 16,873	6 37,380
Mechanical engineer	0.3 1,400	1 6,290	1 6,230
Chemical engineer		0.2 1,246	1 6,230
Electrical engineer		0.2 1,246	1 6,230
Structural engineer	0.3 1,400	1 6,290	1 6,230
Construction engineer	2,2 12,233	1,1 7,187	1 7,070
Production engineer		0.2 1,246	1 6,230
Site planning advisor		0.2 1,246	1 6,230
Site utilities specialist		0.1 8,869	1 6,230
Community facilities adviser		0.2 1,246	1 6,230
Municipal planning adviser		0.2 1,246	1 6,230
Transportation specialist		0.2 1,246	1 6,230
Land use specialist		1 6,440	1 6,440
Urban land economist		1 7,070	1 7,070
Program analyst		0.2 1,246	1 6,230
Materials allocation specialist		0.6 3,738	2 12,440
Labor analyst		0.7 4,361	1 6,230
Statistician		0.4 2,492	2 12,440
Housing economist	3,3 18,667	4,5 28,073	8 50,295
Financial analyst		1 6,440	1 6,440
Credit and finance specialist		0.2 1,246	1 6,230
Chief, statistics section	0.4 2,333		
Urban development specialist	2,7 15,926		
Construction economist	0.3 1,400		
Industrial economist	0.9 5,184		
Chief, program review section	0.9 5,133		
Grade 5. Range \$5,180 to \$6,020:		1,8 9,491	3 15,750
Attorney	1,1 5,033		
Construction engineer	0.5 2,300	0.1 648	1 5,180
Architectural engineer	0.7 3,100	0.4 2,375	3 15,540
Mechanical engineer	0.7 3,200	0.1 648	1 5,180
Chemical engineer		0.1 648	1 5,180
Electrical engineer		0.1 648	1 5,180
Cost analyst		1 5,180	1 5,180
Production engineer	0.5 2,317	0.2 863	1 5,180
Community facilities adviser		0.1 518	1 5,180
Site planning adviser		0.1 518	1 5,180
Municipal planning adviser		0.2 1,036	2 10,360
Public utilities specialist		0.3 5,554	1 5,180
Urban land economist		1,0 6,050	3 15,750
Local finance specialist		0.3 1,554	1 5,180
Material allocation specialist		0.6 3,108	2 10,360
Labor analyst		0.3 1,554	1 5,180
Program analyst	1,3 6,333	0.2 1,036	1 5,180
Statistician	1,2 3,367	3 15,750	3 15,750
Housing economist	1,8 9,050	2,7 14,530	9 47,470
Market analyst		1 5,792	2 10,360
Credit and finance specialist	0.3 807	2 10,139	3 15,750
Reports analyst		0.7 3,626	3 15,540
Urban development specialist	1,4 6,517		
Structural engineer	0,6 2,683		
Technical analyst	0,1 983		
Chief, internal data unit	1,2 5,367		
Grade 4. Range \$4,300 to \$5,180:	0,3 1,043	1,4 5,913	3 12,940
Attorney		0,1 588	1 4,300
Architectural engineer		0,2 1,076	2 8,600
Mechanical engineer		0,1 538	1 4,300
Community facilities adviser		0,1 430	1 4,300
Site utilities specialist		0,1 430	1 4,300
Urban development specialist		1,2 4,965	3 12,940
Materials analyst		0,3 1,356	1 4,520
Labor analyst		0,2 994	1 4,520
Housing economist	1,4 5,217	1,3 4,340	4 17,420
Statistician	0,8 3,167	0,8 3,440	3 12,900
Reports analyst		0,1 179	1 4,300
Program analyst	2 7,700		
Grade 3. Range \$3,640 to \$4,300:	2,5 8,000	1,1 4,053	2 7,390
Attorney	1,1 3,262	0,2 728	1 3,640
Statistician	1,7 5,384	2,8 10,144	4 14,750
Housing economist		0,1 383	1 3,640
Market research assistant		2,9 3,337	1 3,640
Architect	1,3 4,283		
Urban development specialist	0,8 2,933		
Grade 2. Range \$2,930 to \$3,640:	5,3 13,538	5,2 15,218	9 27,040
Grade 1. Range \$2,320 to \$2,980:	1,6 3,167	1 2,430	1 2,430
Crafts, protective, and custodial service:	2,1 3,125	2 3,678	2 3,696
Grade 4. Range \$1,770 to \$2,160:	10,4 14,300	12,2 18,474	15 21,420
Grade 2. Range \$1,440 to \$1,770:	1,2 1,400	1,3 2,000	3 4,440
Total permanent, departmental	285,3	336,4	638
Part-time employment, departmental	1,3 3,622	2 11,868	8 32,600
Overtime pay, departmental	139,923	74,700	60,644
All personal services, departmental	286,6	338,4	646
PERSONAL SERVICES, FIELD	1,026,264	1,391,254	2,652,000
Clerical, administrative, and fiscal service:			
Grade 15. Range \$8,750 to \$9,800:			
Regional expediter	7,2 57,625	7,3 66,159	9 80,853

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, FIELD—continued			
Clerical, administrative, and fiscal service—Continued			
Grade 14. Range \$7,175 to \$8,225:			
Deputy regional expediter	2,4 \$14,933	4,2 \$29,778	9 \$64,575
Assistant regional expediter		2,6 18,776	18 129,150
Grade 13. Range \$6,230 to \$7,070:			
Area housing specialist	6,7 36,721	9,2 55,971	29 181,300
Community organization specialist	0,7 3,733	2,1 12,329	9 46,280
Labor adviser		1,3 8,018	9 56,070
Labor adviser		1,4 8,566	9 56,070
Construction aids specialist		1,1 7,166	8 49,840
Local housing expediter		0,7 9,813	15 95,450
Information specialist		0,1 779	1 6,230
Grade 12. Range \$5,180 to \$6,020:			
Community organization specialist	3,6 16,549	0,4 1,813	3 15,511
Materials expediter		2,3 11,755	10 51,800
Labor adviser		0,5 2,375	4 20,720
Construction aids specialist		21,4	
Housing representative	44,4	115,216	
Local housing expediter	204,224	24,5	128
Information specialist		130,412	671,440
Racial relations adviser		1,2 5,563	8 41,440
Administrative officer	1 4,600	1,3 6,606	9 46,620
Grade 11. Range \$4,300 to \$5,180:			
Administrative officer		1,4 6,019	9 38,700
Reports analyst		3,1 12,766	9 38,720
Housing representative	2,6 9,500	0,8 8,225	
Local housing expediter		3,9 16,484	21 90,300
Homes use specialist	1 3,483		
Grade 9. Range \$3,640 to \$4,300:			
Information specialist		0,1 303	1 3,640
Research assistant	0,5 1,600	1,3 4,518	4 14,670
Administrative assistant	0,5 1,600	1,5 5,910	6 21,840
Grade 7. Range \$2,980 to \$3,640:			
Information specialist	3,6 9,100	3,3 9,950	14 41,940
Grade 6. Range \$2,650 to \$3,310:			
Information specialist	2,8 6,300	7 18,820	10 36,720
Grade 5. Range \$2,320 to \$2,980:			
Grade 4. Range \$2,100 to \$2,496:			
Grade 3. Range \$1,902 to \$2,298:	27,8	49,742	203
Grade 2. Range \$1,704 to \$2,100:	32,5 51,915	25,1 49,209	63 121,372
Grade 1. Range \$1,440 to \$1,902:	9,7 13,560	8 3,14,511	28 48,150
Professional service:			
Grade 6. Range \$6,230 to \$7,070:			
Site specialist	0,2 2,933	1,1 5,867	8 49,840
Housing economist	2,4 12,483	2,1 13,553	9 56,280
Grade 5. Range \$5,180 to \$6,020:			
Site specialist		1,4 7,398	8 15,540
Housing economist	3 13,417	3 13,605	9 47,040
Technical adviser		0,1 648	1 5,180
Attorney		2,7 13,765	9 46,830
Grade 4. Range \$4,300 to \$5,180:			
Housing economist	1,5 5,700	0,2 2,686	1 4,300
Site specialist		2,6 8,968	9 38,700
Grade 3. Range \$3,640 to \$4,300:			
Housing market analyst	0,3 1,067		
Grade 2. Range \$2,980 to \$3,640:			
Economist		0,5 1,615	2 5,960
Grade 1. Range \$2,320 to \$2,980:			
Crafts, protective, and custodial service:			
Grade 3. Range \$1,572 to \$1,902:	1 1,290	1,1 1,769	2 3,210
Total permanent, field (excluding War Housing Centers)	165,2	219,8	728
Part-time employment, field	539,619	851,294	2,861,782
Overtime pay, field (excluding War Housing Centers)	80,936	48,615	5 19,700
All personal services, field (excluding War Housing Centers)	165,2	221	733
PERSONAL SERVICES, WAR HOUSING CENTERS	620,555	904,221	2,949,000
PERSONAL SERVICES, WAR HOUSING CENTERS	376,5	66,8	
Overtime pay, War Housing Centers	663,541	169,477	
	133,364	11,710	
Total permanent, War Housing Centers	376,5	66,8	
	798,905	181,187	
01 Personal services (net)	828,3	626,2	1,379
	2,445,724	2,476,662	5,601,000
OTHER OBLIGATIONS			
02 Travel	111,544	120,050	301,740
03 Transportation of things	4,899	20,917	12,050
04 Communication services	76,398	95,033	237,035
05 Rents and utility services	121,660	157,786	333,200
06 Printing and binding	23,136	81,300	89,000
07 Other contractual services			
Miscellaneous contractual services	76,926	113,204	124,375
Employment without regard to sec. 3709 of the Revised Statutes		1,644	80,000
Special priority work	1,261,776		
Special studies	184,337	307,300	862,500
Technical research	70,000		350,000
Newspapers and periodicals	254	500	1,000
Exhibits	224	500	10,000
08 Supplies and materials	8,063	15,251	24,140
09 Equipment	9,022	357,200	43,960
Total, other obligations	1,949,623	1,274,241	2,484,000
Grand total obligations	4,395,347	3,750,903	8,085,000

By objects	1945, actual	1946, estimated	1947, estimated
Transferred to "Penalty mail costs, National Housing Agency".....	+\$6,938	+\$6,075	+\$15,000
Received by transfer from—			
"National defense housing, Office of Administrator, National Housing Agency".....	-3,263,510	-1,000,869	-2,000,000
"Veterans housing, Office of Administrator, National Housing Agency".....		-1,482,000	-5,375,000
"Operation, maintenance, etc., National defense housing, National Housing Agency, Federal Public Housing Authority".....	-641,824	-821,209	-275,000
Net total obligations (payable from constituents).....	496,951	452,900	450,000
Received by transfer from—			
"Salaries and expenses, National Housing Agency, Federal Home Loan Bank Administration".....	-124,238	-99,992	-67,500
Excess of obligations over authorization due to Public Law 106.....		-13,234	
"Salaries and expenses, National Housing Agency, Federal Housing Administration".....	-146,903	-119,988	-180,000
Excess of obligations over authorization due to Public Law 106.....		-15,881	
"Salaries and expenses, National Housing Agency, Federal Public Housing Authority".....	-225,810	-180,020	-202,500
Excess of obligations over authorization due to Public Law 106.....		-23,785	
Total estimate or appropriation.....			

National Defense Housing, Office of Administrator, National Housing Agency—

【War Housing: For an additional amount to carry out the purposes of title I of the Act of October 14, 1940, as amended (42 U. S. C., ch. 9), and subject to the applicable provisions of the joint resolution approved October 14, 1940 (54 Stat. 1115), \$84,373,000, of which amount not to exceed \$1,000,000 shall be available for administrative expenses, to remain available during the continuance of the unlimited national emergency declared by the President on May 27, 1941, but not to be available for obligation for new projects after June 30, 1945: *Provided*, That all obligations of this additional appropriation for projects in which (1) the War Department has a paramount interest, shall first be jointly authorized in writing by the Secretary of War and the Director of the Bureau of the Budget, (2) the Navy Department has a paramount interest, shall first be jointly authorized in writing by the Secretary of the Navy and the Director of the Bureau of the Budget: *Provided further*, That \$18,373,000 of such sum of \$84,373,000 shall not be obligated unless subsequently authorized by other law.】 (Act of Apr. 25, 1945, Public Law 40.)

【War housing: Subject to the other limitations under this head in the First Deficiency Appropriation Act, 1945, the availability of the appropriation "War housing", National Housing Agency, for obligation for new projects is hereby extended to December 31, 1945: *Provided*, That as to any project in which the War Department or the Navy Department does not have a paramount interest, no obligation shall be incurred unless and until the Director of the Bureau of the Budget shall have determined its essentiality to the prosecution of the war.】 (Act of July 5, 1945, Public Law 152.)

By objects	1945, actual	1946, estimated	1947, estimated
Transferred to—			
"Salaries and expenses, Office of Administrator, National Housing Agency".....	+\$3,263,510	+\$1,000,869	+\$2,000,000
"National defense housing, Office of Administrator, National Housing Agency (transfer to Federal Public Housing Authority)".....	+104,411,730		
"Salaries and expenses, National Housing Agency, Federal Housing Administration".....		+975,000	
"National defense housing, Office of Administrator, National Housing Agency (transfer to Navy)".....	+167,613		
"Expediting production of equipment and supplies for national defense," War Department.....		+1,023,497	
"Public works, Bureau of Yards and Docks," Navy Department.....		+2,874,381	
Received by transfer from—			
"National defense housing, Office of Administrator, National Housing Agency (transfer to Federal Public Housing Authority)".....		-31,648,473	
"National defense housing, Office of Administrator, National Housing Agency (transfer to War)".....	-346,000	-43,372	

By objects	1945, actual	1946, estimated	1947, estimated
Received by transfer from—Continued			
"Expediting production of equipment and supplies for national defense," War Department.....	-\$14,052,922		
"Public works, Bureau of Yards and Docks," Navy Department.....	-38,130,000		
"Aviation, Navy".....	-20,000		
"National defense housing, Office of Administrator, National Housing Agency (transfer to Navy)".....		-\$223,285	
1944 balance available in 1945.....	-6,234,548		
1945 balance available in 1946.....	+50,313,617	-50,313,617	
1946 balance available in 1947.....		+2,000,000	-\$2,000,000
Estimated savings, unobligated balance.....		74,355,000	
Total estimate or appropriation.....	99,373,000		

War Housing in and Near the District of Columbia, Office of Administrator, National Housing Agency—

By objects	1945, actual	1946, estimated	1947, estimated
Transferred to "War housing in and near the District of Columbia, Federal Public Housing Authority".....	+\$2,324,293		
Received by transfer from—			
"War housing in and near the District of Columbia, Office of Administrator, National Housing Agency (transfer to War)".....	-55,635		
"War housing in and near the District of Columbia, Federal Public Housing Authority".....		-\$2,994,309	
Prior year balance available in 1945.....	-2,646,349		
1945 balance available in 1946.....	+377,691	-377,691	
Estimated savings, unobligated balance.....		3,372,000	
Total estimate or appropriation.....			

Veterans' Housing, Office of Administrator, National Housing Agency

【Veterans' housing: To enable the National Housing Administrator to carry out the purposes of title V of the Act of October 14, 1940, as amended (42 U. S. C. 1501), \$191,900,000, to remain available until expended: *Provided*, That, without regard to the provisions of any other law, but subject to the removal provisions of section 313 of said Act, said Administrator may transfer, for such consideration and subject to such terms and conditions as he deems feasible under the circumstances, any temporary housing (intact or in panels suitable for reuse) under his jurisdiction to any educational institution, State or political subdivision thereof, local public agency, or nonprofit organization, for use or reuse in providing temporary housing for families of servicemen and for veterans and their families, or, in the discretion of the Administrator, for single veterans attending educational institutions.】 (Act of Dec. 28, 1945, Public Law 269.)

Appropriated 1946, \$191,900,000

By objects	1945, actual	1946, estimated	1947, estimated
Transferred to—			
"Salaries and expenses, Office of Administrator, National Housing Agency".....		+\$1,482,000	+\$5,375,000
"Veterans housing, Office of Administrator, National Housing Agency (transfer to Federal Public Housing Authority)".....		+432,715,000	
"Salaries and expenses, National Housing Agency, Federal Housing Administration".....			+2,435,000
"Veterans housing, Office of Administrator, National Housing Agency (transfer to Civilian Production Administration)".....		+3,320,000	
"Veterans housing, Office of Administrator, National Housing Agency (transfer to Department of Labor)".....		+300,000	
1946 balance available in 1947.....		+7,810,000	-7,810,000
Excess of obligations over appropriation due to H. J. Res. 328.....		-283,727,000	
Total estimate or appropriation.....		191,900,000	

OFFICE OF THE ADMINISTRATOR—Continued

National Defense Housing, Temporary Housing, Office of Administrator, National Housing Agency—

By objects	1945, actual	1946, estimated	1947, estimated
Transferred to "National defense housing, temporary housing, Office of Administrator, National Housing Agency (transfer to Federal Public Housing Authority)"			
Reappropriation of prior year balance in 1945	+\$7,500,000		
	-7,500,000		
Total estimate or appropriation			

Emergency Fund for the President, National Defense Housing (Allotment to National Housing Agency)—

By objects	1945, actual	1946, estimated	1947, estimated
Transferred to "Emergency fund for the President, national defense housing (transfer to Federal Public Housing Authority)"			
Prior year balance available in 1945	+\$84,250		
	-84,250		
Total estimate or appropriation			

Cooperation With the American Republics (Transfer to National Housing Agency, Office of Administrator)—

By objects	1945, actual	1946, estimated	1947, estimated
02 Travel		\$1,500	
Received by transfer from "Cooperation with the American Republics"		-1,500	
Total estimate or appropriation			

Cultural Relations With China and the Neighboring Countries and Countries of the Near East and Africa (Transfer to National Housing Agency, Office of Administrator)—

By objects	1945, actual	1946, estimated	1947, estimated
07 Other contractual services		\$11,500	

By objects	1945, actual	1946, estimated	1947, estimated
Transferred to "Cultural relations with China and the neighboring countries and countries of the Near East and Africa (transfer to Department of Agriculture, Bureau of Agricultural Economics, working funds)"			
Received by transfer from "Cultural relations with China and the neighboring countries and countries of the Near East and Africa"		+\$4,500	
		-16,000	
Total estimate or appropriation			

Penalty Mail Costs, National Housing Agency—

Penalty mail costs: For deposit in the general fund of the Treasury for costs of penalty mail of the National Housing Agency as required by the Act of June 28, 1944 (Public Law 364), [S241,905] not to exceed \$295,600, said sum to be derived by transfer of the unobligated balances, as of July 1, 1946, of the funds made available for penalty mail costs by the First Supplemental Appropriation Act, 1945, and the Independent Offices Appropriation Act, 1946, and by transfer from the funds of the constituent units of said Agency available for administrative expenses [as follows], in not to exceed the following amounts: Office of the Administrator, [S6,075] \$15,000; Federal Home Loan Bank Administration, [S124,410] \$111,000; Federal Housing Administration, [S49,500] \$130,000; and Federal Public Housing Authority, [S61,920] \$39,600: Provided, That in no event shall any moneys in excess of the costs of penalty mail allocable, respectively, to said Office of the Administrator and each of the aforesaid constituent units of the National Housing Agency be transferred hereunder. (Act of May 3, 1945, Public Law 49.)

By objects	1945, actual	1946, estimated	1947, estimated
04 Penalty mail costs	+\$221,097	+\$241,905	+\$295,600
Received by transfer from—			
"Salaries and expenses, Office of Administrator, National Housing Agency"	-6,938	-6,075	-15,000
"Salaries and expenses, National Housing Agency, Federal Home Loan Bank Administration"	-150,247	-124,410	-111,000
"Salaries and expenses, National Housing Agency, Federal Housing Administration"	-37,000	-49,500	-130,000
"Salaries and expenses, National Housing Agency, Federal Public Housing Authority"	-22,015	-21,420	-27,600
"Operation, maintenance, etc., National defense housing, National Housing Agency, Federal Public Housing Authority"	-83,250	-40,500	-12,000
Estimated savings, unobligated balance	78,353		
Total estimate or appropriation			

Statement of proposed expenditures for purchase, maintenance, repair, and operation of passenger-carrying vehicles for the fiscal year ending June 30, 1947

OFFICE OF THE ADMINISTRATOR, NATIONAL HOUSING AGENCY

Appropriation	Vehicles (motor unless otherwise indicated) to be purchased		Old vehicles to be exchanged		Net cost of vehicles to be purchased	Old vehicles still to be used	Total maintenance, repair, and operation, all vehicles	Public purpose and users
	Number	Gross cost	Number	Allowances (estimated)				
Administrative expenses, Office of the Administrator, National Housing Agency.	2	\$2,850	2	\$1,100	\$1,750	1	\$770	For use of the Administrator-Expediter, his immediate staff, and other supervisory officials in the central office, in maintaining necessary contact with officials of constituent and other Federal agencies concerned with the emergency housing problem and for transportation of special interoffice mail. The Office of the Administrator-Expediter and the constituent agencies are located in 7 widely scattered buildings.
Do	14	14,700	1	500	14,200	4	4,490	For use of regional expeditors and other members of the field staff, in facilitating contacts with community officials and representatives of the building industry and the constituent agencies. The emergency housing program will require constant liaison between the Agency's representatives and public officials and industry groups in the field as in Washington.
Total	16	17,550	3	1,600	15,950	5	5,260	

FEDERAL HOME LOAN BANK ADMINISTRATION

INTRODUCTORY STATEMENT

The Federal Home Loan Bank Administration was created by Executive Order 9070 to administer the functions, powers, and duties of: (1) the Federal Home Loan Bank Board, created by the Federal Home Loan Bank Act of 1932 (12 U. S. C. 1421-1449), and of its members; (2) the board of trustees of the Federal Savings and Loan Insurance Corporation; (3) the board of directors of the Home Owners' Loan Corporation; and (4) certain functions, powers and duties with respect to the United States Housing Corporation which was established to provide housing in World War I, and which is now fully liquidated.

By reorganization plan No. 1 which became effective July 1, 1939, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation and the Home Owners' Loan Corporation were grouped with other agencies in the Federal Loan Agency where they remained until the issuance of Executive Order 9070.

The Federal Home Loan Bank Administration is administered by the Federal Home Loan Bank Commissioner. Under the commissioner, the operations of the Federal Home Loan Bank System are directed by a governor and those of the Federal Savings and Loan Insurance Corporation and the Home Owners' Loan Corporation are each directed by a general manager.

Heretofore, a consolidated estimate of administrative expenses has been submitted for the units comprising the Federal Home Loan Bank Administration. For the fiscal year 1947, budget estimates are being submitted separately for the following units of the Federal Home Loan Bank Administration:

Administrative Department.
Federal Home Loan Bank System.
Federal Savings and Loan Insurance Corporation.
Home Owners' Loan Corporation.

The estimates for the Federal Savings and Loan Insurance Corporation and the Home Owners' Loan Corporation are being submitted in the form of corporation budget programs, in accordance with the provisions of the Government Corporation Control Act (Public Law 248, 79th Congress).

LANGUAGE

FEDERAL HOME LOAN BANK ADMINISTRATION

Salaries and Expenses, National Housing Agency, Federal Home Loan Bank Administration—

Salaries and expenses: Not to exceed a total of [\$7,490,127] \$1,602,000, to be derived from the same sources as the funds made available for administrative expenses of the Federal Home Loan Bank Administration, including the Federal Savings and Loan Insurance Corporation and the Home Owners' Loan Corporation, by the Independent Offices Appropriation Act, 1945, special deposit account established under the provisions under the head "Federal Home Loan Bank Administration" in the Independent Offices Appropriation Act, 1944, and from receipts of the Federal Home Loan Bank Adminis-

tration or the Federal Home Loan Bank Board for the fiscal year 1947 and prior fiscal years, shall be available during the fiscal year [1946] 1947 for administrative expenses of the Federal Home Loan Bank Administration (Executive Order 9070 of February 24, 1942), [which term and the term Administration, wherever used herein, shall unless otherwise qualified include and apply to said corporations but shall be exclusive of any corporation organized in pursuance of authority contained in the Act of May 16, 1918 (40 Stat. 550), and any amendments thereof,] and said Administration may transfer to a separate authorization (which is hereby authorized to be established), for expenditure by the Administration thereunder, not to exceed such amounts, from funds available for administrative expenses of the Federal Home Loan Bank Administration, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation, as said Administration may deem necessary or advisable to be so transferred for administrative expenses of or relating to any department or unit of said Administration providing services or facilities also to the Federal Savings and Loan Insurance Corporation and the Home Owners' Loan Corporation; all the foregoing including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833) and the act of February 14, 1931, as amended (5 U. S. C. 73a); printing and binding; law-books, books of reference, [and not to exceed \$1,250 for] periodicals, and newspapers; rent in the District of Columbia; maintenance, repair, and operation of [motor-propelled] passenger-carrying vehicles; automobiles; and use of [the] services and facilities of the Federal home-loan banks, Federal Reserve banks, Federal Savings and Loan Insurance Corporation and the Home Owners' Loan Corporation and other agencies of the Government, [including the use of serv. s and facilities within the Administration;] the amounts so derived to be credited upon the books of the Treasurer of the United States in such account or accounts as [the] said Administration may determine, and the Administration in its discretion may utilize the facilities of the Division of Disbursement of the Treasury Department for the disbursement of funds in or derived from such account or accounts relating to said corporations; Provided, That [(1)] all necessary expenses in connection with the [liquidation] conservatorship of [insured] institutions; (2) all necessary expenses (including services performed on a force account, contract or fee basis, but not including other personal services) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to the Home Owners' Loan Corporation or in which it has an interest; [insured by the Federal Savings and Loan Insurance Corporation and [(3)] all necessary expenses (including services performed on a contract or fee basis, but not including other personal services) in connection with the handling, including the purchase, sale, and exchange, of securities on behalf of Federal home-loan banks, and the sale, issuance, and retirement of, or payment of interest on, debentures or bonds, under the Federal Home Loan Bank Act, as amended, shall be considered as nonadministrative expenses for the purposes hereof: Provided further, That [except as herein otherwise provided] notwithstanding any other provisions of this Act, except for the limitation in amount hereinbefore specified, the administrative expenses and other obligations of the Administration shall be incurred, allowed, and paid in accordance with the provisions of the Federal Home Loan Bank Act of July 22, 1932, as amended (12 U. S. C. 1421-1449) [the Home Owners' Loan Act of 1933, as amended (12 U. S. C. 1461-1468), and title IV of the National Housing Act of June 27, 1934, as amended (12 U. S. C. 1724-1730)].

[Salaries and expenses: In addition to the funds made available to the Federal Home Loan Bank Administration by the Independent Offices Appropriation Act, 1946, for "Salaries and expenses", there is hereby made available to said Administration not to exceed \$150,000 from the sources specified under said head.] (Act of May 3, 1945, Public Law 49; Act of Dec. 28, 1945, Public Law 269.)

ADMINISTRATIVE DEPARTMENT, FEDERAL HOME LOAN BANK ADMINISTRATION

Prior to July 1, 1944, personnel rendering services to more than one unit of the Federal Home Loan Bank Administration were carried on the pay rolls of the several units, their salaries being apportioned among said units. On July 1, 1944, the Commissioner transferred the major portion of such personnel to an Administrative Department of the Federal Home Loan Bank Administration. The amount which each unit of the Federal Home Loan Bank Administration contributes toward defraying the expenses of the Administrative Department is based upon a calculation of the time rendered by each of the employees of the Administrative Department to each of said units.

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL	Man-years Amount	Man-years Amount	Man-years Amount
Statutory:			
Commissioner	1 \$10,000	1 \$10,000	1 \$10,000
Clerical, administrative, and fiscal service:			
Grade 15. Range \$8,750 to \$9,800:			
Executive assistant to the Commissioner	1.5 16,481	1 9,800	1 9,800
Assistant to the Commissioner		1 8,750	1 8,750
Grade 14. Range \$8,175 to \$8,225:			
Secretary to the Federal Home Loan Bank Administration	0.1 78	1 7,700	1 7,700
Director of personnel	0.1 906	1 8,225	1 8,225
Assistant to the Commissioner	0.1 83		
Grade 13. Range \$6,230 to \$7,070:			
Assistant director of personnel	0.1 67	1 6,755	1 6,860
Assistant budget officer			1 6,230
Grade 12. Range \$5,150 to \$6,020:			
Assistant secretary, Federal Home Loan Bank Administration	0.1 58	1 6,020	1 6,020
Assistant to director of personnel	0.1 111	2 11,305	2 11,410
Administrative assistant		1 5,390	1 5,390
Supervisor, classification section	0.9 4,801	1 5,600	1 5,930
Assistant to executive assistant to the Commissioner	1 4,600		
Grade 11. Range \$4,300 to \$5,180:			
Budget analyst			2 8,600
Training assistant	0.1 44	1 4,740	1 5,180
Assistant budget officer	1 3,800	1 4,520	
Personnel assistant		0.3 1,290	
Administrative analyst	0.8 3,008		
Classification review examiner	0.5 2,383		
Grade 10. Range \$3,970 to \$4,630:			
Administrative analyst		0.1 331	
Grade 9. Range \$3,640 to \$4,300:			
Personnel assistant		0.8 2,912	
Administrative analyst	0.2 667	2 7,610	
Budget analyst	2 6,725	2 7,727	
Associate administrative analyst	1.3 4,069		
Assistant secretary to Federal Home Loan Bank Administration	0.1 559		
Grade 8. Range \$3,310 to \$3,970:			
General counsel	0.1 39	1 3,970	3 11,580
Grade 7. Range \$2,980 to \$3,640:			
Personnel assistant	3.5 9,330	8 26,073	6 19,640
Grade 6. Range \$2,650 to \$3,310:			
Personnel assistant	3.5 8,709	3 9,160	3 9,160
Grade 5. Range \$2,320 to \$2,980:			
Personnel assistant	9.7 19,638	17.5 45,099	17 43,840
Grade 4. Range \$2,100 to \$2,496:			
Personnel assistant	14.4 27,499	20.7 47,369	21 48,060
Grade 3. Range \$1,902 to \$2,298:			
Personnel assistant	17.4 20,092	27 33,653	28 55,698
Grade 2. Range \$1,704 to \$2,100:			
Personnel assistant	3.7 5,170	7 12,588	7 12,588
Professional service:			
Grade 9. In excess of \$9,800:			
General counsel	0.1 111	1 10,000	1 10,000
Grade 7. Range \$7,175 to \$8,225:			
Assistant general counsel	0.1 147	2 14,875	2 14,875
Grade 6. Range \$6,230 to \$7,070:			
Principal attorney	0.1 62	1 6,230	1 6,230
Senior economic analyst	1 4,600	1 5,390	1 5,390
Grade 4. Range \$4,300 to \$5,180:			
Attorney	0.3 1,225		1 4,740
Grade 3. Range \$3,640 to \$4,300:			
Economic analyst			1 3,640
Associate attorney		0.8 2,912	1 3,640
Grade 2. Range \$2,980 to \$3,640:			
Attorney	0.5 1,221	2 6,070	1 2,980
Subprofessional service:			
Grade 6. Range \$2,320 to \$2,980:			
Personnel assistant	0.1 200	1 2,331	1 2,430
Grade 5. Range \$2,100 to \$2,496:			
Personnel assistant	0.5 1,008	1.5 3,216	1 2,166
Grade 4. Range \$1,902 to \$2,298:			
Crafts, protective, and custodial service:			
Grade 3. Range \$1,672 to \$1,902:			
Personnel assistant	1.3 1,732	1 1,572	
Grade 2. Range \$1,440 to \$1,770:			
Personnel assistant	0.9 1,019	1 1,506	1 1,506

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Executive order grades:	Man-years Amount	Man-years Amount	Man-years Amount
Grade 19. Rate over \$8,000:			
Assistant to the Commissioner	0.9 88,900		
General counsel	0.9 9,889		
Grade 18. Rate of \$8,000:			
Director of personnel	0.9 6,344		
Secretary to the Federal Home Loan Bank Administration	0.1 19		
Grade 17. Rate of \$6,800:			
Assistant general counsel	1.9 12,908		
Assistant director of personnel	0.9 5,933		
Secretary to the Federal Home Loan Bank Administration	0.8 6,410		
Grade 16. Rate of \$6,000:			
Head attorney	0.9 5,340		
Assistant to director of personnel	0.9 5,538		
Grade 15. Rate of \$5,200:			
Acting supervisor of classification	0.1 625		
Assistant to director of personnel	0.9 4,549		
Assistant secretary to Federal Home Loan Bank Administration	0.9 5,142		
Grade 14. Rate of \$4,500:			
Senior attorney	0.3 1,313		
Grade 13. Rate of \$4,000:			
Personnel assistant	0.9 3,956		
Grade 12. Rate of \$3,600:			
Secretary to commissioner	1 3,568		
Associate attorney	0.3 933		
Personnel assistant	0.7 2,000		
Grade 10. Rate of \$2,900:			
Personnel assistant	1.4 3,960		
Grade 9. Rate of \$2,600:			
Personnel assistant	3.4 8,583		
Grade 8. Rate of \$2,300:			
Personnel assistant	4 8,611		
Grade 7. Rate of \$2,000:			
Personnel assistant	8.1 17,370		
Grade 6. Rate of \$1,800:			
Personnel assistant	5.8 10,128		
Grade 5. Rate of \$1,620:			
Personnel assistant	0.7 1,197		
Grade 4. Rate of \$1,440:			
Personnel assistant	1.1 1,540		
Total permanent, departmental	106.9	114.7	112
Overtime pay, departmental	305,395	\$360,685	\$357,928
	49,384	5,439	
01 Personal services (net)	106.9	114.7	112
	354,779	366,134	357,928
OTHER OBLIGATIONS			
07 Other contractual services		1,928	6,001
08 Supplies and materials		1,146	2,285
		2,285	2,072
Total other obligations		3,074	8,286
Grand total obligations		357,853	374,420
Received by transfer from:			364,000
Home Owners' Loan Corporation	-34,206	-33,337	
Federal Home Loan Bank System	-6,505		
Transferred to—			
Home Owners' Loan Corporation	+17,108	+18,064	
Federal Home Loan Bank System	+14,668	+16,461	
Federal Savings and Loan Insurance Corporation	+10,900	+11,325	
Net total obligations	359,318	386,933	364,000
Unobligated balance of authorization		3,125	
Total	362,943	386,933	364,000
Advanced from—			
Home Owners' Loan Corporation	-145,504	-153,911	-142,688
Federal Home Loan Bank System	-124,744	-138,923	-136,136
Federal Savings and Loan Insurance Corporation	-92,695	-94,099	-85,176
Total, Administrative Department, Federal Home Loan Bank Administration			
BY PROJECTS OR FUNCTIONS			
1. Administration	\$74,879	\$73,500	\$73,042
2. Legal	65,854	64,407	65,753
3. Personnel	79,916	82,750	73,043
4. Budget	14,900	15,292	17,150
5. Secretary	119,230	130,185	128,940
6. Other obligations	3,074	8,286	6,072
* Grand total obligations	357,853	374,420	364,000
Adjustments (see objects schedule for detail)	-357,853	-374,420	-364,000
Total, Administrative Department, Federal Home Loan Bank Administration			

FEDERAL HOME LOAN BANK SYSTEM

Under the provisions of the Federal Home Loan Bank Act approved July 22, 1932 (47 Stat. 725), Congress created a reservoir of credit from which home-financing institutions might secure funds to meet the reasonable withdrawal requests of their investors and supplement the savings ordinarily received from individual citizens to meet the home-financing needs of their communities. The 12 Federal Home Loan Banks, which were created under the act, and the building and loan associations, savings and loan associations, cooperative banks, homestead associations, insurance companies, and savings banks, which are members of these banks, constitute the Federal Home Loan Bank System. It was designed to stabilize and strengthen the agencies promoting private thrift and individual home ownership. It performs substantially the same function in the field of home mortgage credit which the Federal Reserve System performs as a credit reserve for commercial banks, and the Federal land banks perform in the field of farm finance.

The 12 Federal Home Loan Banks, defined as mixed-ownership corporations, obtain their funds chiefly from subscriptions to capital stock, the issuance of their own obligations, and deposits of member institutions. The capital stock of the banks consists of subscriptions of the United States Government and of member institutions. The Secretary of the Treasury was authorized by the Federal Home Loan Bank Act to subscribe to the capital stock of the 12 banks up to the total amount of \$125,000,000. The amount thus subscribed and paid in full aggregated \$124,741,000, of which \$231,100 was retired during the fiscal year 1945. The Government stock is now held by the Reconstruction Finance Corporation under the provisions of the act of June 25, 1940 (54 Stat. 572). As of June 30, 1945, total paid-in capital stock of the banks amounted to \$193,712,400, of which \$124,509,900 was held by the Reconstruction Finance Corporation and \$69,202,500 was held by member institutions. It is estimated that during the fiscal year 1946 approximately \$1,000,000 will be repaid by the banks to the Reconstruction Finance Corporation and \$500,000 during the fiscal year 1947.

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL			
Clerical, administrative, and fiscal service: Grade 16. In excess of \$9,800:			
Governor	0.1 \$111	1 \$10,000	1 \$10,000
Grade 15. Range \$8,750 to \$9,800:			
Assistant governor	0.2 189	2 18,650	3 27,300
Associate general counsel	0.1 89		
Grade 14. Range \$7,175 to \$8,225:			
Chief supervisor	1 7,312	1 8,225	1 8,225
Comptroller	0.1 83	1 8,225	1 8,225
Chief examiner	1 7,600	1 8,225	1 8,225
Assistant governor of operating statistics	0.9 7,292		
Grade 13. Range \$6,230 to \$7,070:			
Deputy comptroller	0.1 71	1 7,070	1 7,070
Chief, review and analysis	1 6,400	1 7,070	1 7,070
Special representative	0.1 67	1 6,400	1 6,400
Assistant chief supervisor	1 5,600	1 6,440	1 6,440
Assistant chief examiner	1 5,600	1 6,440	1 6,440
Assistant supervisor	0.2 1,400	1.7 10,591	2 12,460
Chief, division of operating statistics	0.2 633		
Director, operating statistics	0.2 933		
Head attorney	0.1 62		
Grade 12. Range \$5,180 to \$6,020:			
Chief, bank operations section	1 5,200	1 5,810	1 5,810
Chief bank examiner	1 5,200	1 5,810	1 5,810
Principal review examiner	4.7 22,866	5 25,900	6 31,290
Chief, division of operating statistics	0.3 1,942		
Senior economic analyst	0.5 2,492		

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Clerical, administrative, and fiscal service—Continued:			
Grade 11. Range \$4,300 to \$5,180:			
Assistant to comptroller, fiscal officer	1 \$4,600	1 \$5,180	1 \$5,180
Principal accountant	1 4,600	1 5,180	1 5,180
Senior review examiner	6.8 26,956	4.9 22,390	6 27,120
Investment and statistical analyst	0.5 2,200	1 4,960	1 4,960
Bank examiner	0.5 2,125	0.9 4,244	1 4,740
Senior bank examiner	0.4 2,070	0.7 3,010	1 4,300
Senior investment and statistical analyst	0.5 2,100		
Economic analyst	0.3 1,108		
Attorney	0.2 96		
Grade 9. Range \$3,640 to \$4,300:			
Accountant	1 3,250	0.2 760	
Bank examiner	0.5 1,696		1 3,640
Assistant fiscal officer		0.8 2,912	1 3,640
Economic analyst	1.7 5,200		
Associate economic analyst	0.3 1,733		
Associate statistical analyst	0.5 1,733		
Associate attorney	0.1 154		
Grade 8. Range \$3,310 to \$3,970:			
Assistant general counsel	1 3,100	0.9 3,045	
Grade 7. Range \$2,980 to \$3,640:			
Assistant general counsel	7.1 18,248	5 15,010	5 15,010
Grade 6. Range \$2,650 to \$3,310:			
Assistant general counsel	5.0 13,490	5 13,910	6 13,910
Grade 5. Range \$2,320 to \$2,980:			
Assistant general counsel	10.8 23,227	15.4 36,828	18 43,740
Grade 4. Range \$2,100 to \$2,496:			
Assistant general counsel	24.9 45,787	26.9 67,928	28 60,252
Grade 3. Range \$1,902 to \$2,298:			
Assistant general counsel	13.6 22,404	14.6 27,830	17 32,598
Grade 2. Range \$1,704 to \$2,100:			
Assistant general counsel	4.8 6,874	1.5 2,656	5 9,043
Professional service:			
Grade 8. Range \$8,750 to \$9,800:			
Associate general counsel		1 8,750	1 8,750
Grade 6. Range \$6,230 to \$7,070:			
Head attorney		1 6,398	1 6,440
Chief, division of operating statistics		1 6,230	1 6,230
Grade 5. Range \$5,180 to \$6,020:			
Economic analyst			1 5,990
Grade 4. Range \$4,300 to \$5,180:			
Economic analyst		1 4,300	1 4,300
Attorney		1 4,520	1 4,520
Grade 3. Range \$3,640 to \$4,300:			
Associate attorney		1 4,201	1 4,300
Economic analyst		2 7,500	3 11,470
Grade 2. Range \$3,020 to \$3,640:			
Attorney		6 18,100	6 18,100
Executive order grades:			
Grade 19. Rate over \$8,000:			
Governor	0.9 9,889		
Assistant governor	0.9 9,800		
Grade 18. Rate of \$8,000:			
Comptroller	0.9 7,911		
Associate general counsel	0.9 6,982		
Grade 17. Rate of \$6,800:			
Deputy comptroller	0.9 6,675		
Grade 16. Rate of \$6,000:			
Special representative	0.9 5,933		
Head attorney	0.9 5,538		
Grade 14. Rate of \$4,500:			
Senior attorney	0.6 3,137		
Grade 13. Rate of \$4,000:			
Attorney	0.9 3,855		
Grade 11. Rate of \$3,200:			
Attorney	0.2 933		
Grade 8. Rate of \$2,300:			
Attorney	0.5 1,497		
Grade 6. Rate of \$1,800:			
Attorney	1.8 3,024		
Total permanent, departmental	108.4 337,867	112.5 398,285	129 454,043
Temporary employment, departmental		2.2 4,184	3 5,706
Overtime pay, departmental		54,183	6,901
All personal services, departmental	108.4 392,050	114.7 409,373	132 459,749
PERSONAL SERVICES, FIELD			
Clerical, administrative, and fiscal service:			
Grade 13. Range \$6,230 to \$7,070:			
District examiner	12 67,199	12 74,760	12 74,760
Grade 12. Range \$5,180 to \$6,020:			
Appraisal examiner	0.1 639	1.3 7,637	1 6,020
Assistant district examiner	1.8 8,433	2.6 13,972	2 10,360
Head appraisal adviser	2.9 10,914		
Appraisal adviser	0.1 67		
Grade 11. Range \$4,300 to \$5,180:			
Examiner	0.9 2,941		
Grade 10. Range \$3,970 to \$4,630:			
Examiner	20.1 78,455	22.1 98,264	23.5 104,680
Grade 9. Range \$3,640 to \$4,300:			
Examiner	15.9 55,221	17.7 71,127	22 88,660
Grade 8. Range \$3,310 to \$3,970:			
Examiner	36.5 116,588	41.7 155,451	50 186,840
Grade 7. Range \$2,980 to \$3,640:			
Appraisal examiner	0.3 1,067		
Examiner	46 122,890	43.8 134,704	50 150,349
Grade 5. Range \$2,320 to \$2,980:			
Examiner	25.8 85,167	27.9 71,273	29 74,870
Grade 4. Range \$2,100 to \$2,496:			
Examiner	11.5 20,949	10.9 23,286	11 23,496

By objects	1945, actual	1946, estimated	1947, estimated	By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, FIELD—continued							
Man-years Amount	Man-years Amount	Man-years Amount	Man-years Amount	Transferred to—Continued	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service—Continued				"Penalty mail costs, National Housing Agency"	+89,701	+110,163	+110,100
Grade 3. Range \$1,902 to \$2,298	13.2 \$22,045	15.7 \$30,522	16 \$30,993	"Administrative Department, Federal Home Loan Bank Administration"	+6,505		
Grade 2. Range \$1,704 to \$2,100	20.5 30,363	19.5 34,020	19 33,168	Received by transfer from Administrative Department, Federal Home Loan Bank Administration	-14,668	-16,461	
Executive order grade:				Advanced to Administrative Department, Federal Home Loan Bank Administration	+124,744	+138,923	+136,136
Grade 14. Rate of \$4,500:				Net total obligations	1,431,428	1,455,132	1,602,000
Assistant district examiner	0.2 683			Unobligated balance of authorization	121,046		
Total permanent, field	207.8	215.2	234	Excess of obligations over authorization due to Public Law 106		-21,700	
Temporary employment, field	0.5 593,711	715,016		Total, Federal Home Loan Bank System	1,552,474	1,433,432	1,602,000
Overtime pay, field	0.5 110,668	12,549					
All personal services, field	208.3	215.2	234				
	705,043	727,565	784,196				
01 Personal services (net)	316.7	329.9	366				
	1,097,093	1,136,938	1,243,945				
OTHER OBLIGATIONS				By PROJECTS OR FUNCTIONS			
02 Travel	192,152	200,277	204,500	1. Administration	\$241,767	\$237,539	\$284,237
03 Transportation of things	442	811	810	2. Supervision	94,414	106,745	114,495
04 Communication services	12,167	14,265	14,000	3. Examination	731,506	768,262	811,263
05 Rents and utility services	75,689	75,044	82,200	4. Legal	29,406	34,392	33,950
06 Printing and binding	379	1,225	1,225	5. Travel	192,152	200,277	204,500
07 Other contractual services	28,998	20,015	17,800	6. Other obligations	129,275	129,275	131,035
08 Supplies and materials	8,084	13,009	10,000				
09 Equipment	1,159	4,915	5,000	Grand total obligations	1,416,153	1,466,490	1,579,480
Total other obligations	319,060	329,552	335,535	Adjustments (see objects schedule for detail)	+136,321	-33,058	+22,520
Grand total obligations	1,415,103	1,466,490	1,579,480	Total, Federal Home Loan Bank System	1,552,474	1,433,432	1,602,000
Reimbursements for services performed	-129,644	-163,231	-138,947				
Transferred to—							
"Salaries and expenses, Office of Administrator, National Housing Agency"	+18,637	+16,998	+15,231				
Excess of obligations over authorization due to Public Law 106		+2,250					

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

CREATION AND PURPOSE

The Federal Savings and Loan Insurance Corporation was established under title IV of the National Housing Act of June 27, 1934 (48 Stat. 1246), as a means of restoring and maintaining confidence in the thrift and home-financing institutions of the savings and loan type. Recognizing the importance of available credit for purposes of stimulating recovery from heavy depression and of providing a permanent and reliable source of funds for economical home financing, the Congress provided the safety of insurance up to \$5,000 for each account of investors in approved institutions.

Like any insurance operation, the Corporation is engaged in the business of safeguarding and absorbing the inevitable losses resulting from risk. By its very nature risk is the result of hazards and uncertainties which are not subject to accurate prediction. A severe drought may seriously upset financial institutions which are dependent upon business and agricultural conditions. Similarly the ups and downs of business generally, or of more limited conditions such as industrial inactivity, may greatly affect the stability of financial institutions. Prior to the early thirties, the resulting losses of innocent small savers were heavy and burdensome but today, they have available to them the protection of insurance.

Because of the uncertainties both as to time and scope, it is important that the Federal Savings and Loan Insurance Corporation have a high degree of flexibility in its operations to meet any possible demand. Failure to respond quickly would not only weaken the public respect for insurance but it could also serve to unsettle business conditions by destroying confidence in financial institutions. Recognizing such potentialities, the Corporation was given additional powers in 1935 (49 Stat. 298), including authority to prevent default or to restore an insured institution in default to normal operations by means of a loan, purchase of assets, or a contribution. In conjunction with these broad powers for use in times of emergency the Corporation was authorized to determine its necessary expenditures and the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditure of public funds.

Originally the Corporation was under the direction of a board of trustees whose membership was identical to that of the Federal Home Loan Bank Board. As a result of reorganization plan No. 1, which took effect on July 1, 1939, the Corporation was grouped with other organizations under the Federal Loan Agency. On February 24, 1942, the Board was vacated under the terms of Executive Order 9070 and all of its duties and powers were transferred to the Federal Home Loan Bank Administration, which was made one of the three constituent units of the National Housing Agency. In this reorganization the corporate entity remained intact and its functions and purposes continued without change.

FINANCIAL ORGANIZATION

The authorized and paid-in capital stock of the Corporation amounts to \$100,000,000 and is held by the Home

Owners' Loan Corporation in accordance with an act of Congress (48 Stat. 1246). The Home Owners' Loan Corporation is entitled to dividends on this stock at a rate equal to the interest rate on the bonds received in payment therefor, such dividends to be cumulative. Dividends were paid from June 27, 1934, to June 30, 1935, since which time they have been accumulated at the rate of \$3,000,000 per year. Deferment of dividend payments was for the purpose of accelerating the building of loss reserves with resulting strengthening of the insurance program. Because of the dividend obligation as well as the basic insurance liability of \$4,817,285,000 on 2,471 insured savings and loan associations as of June 30, 1945, the Corporation does not contemplate the return of any Government capital during 1947.

For the purpose of carrying out the provisions of title IV of the National Housing Act, the Corporation has authority to borrow money, and to issue notes, bonds, debentures, or other such obligations upon such terms and conditions as the board of trustees may determine. As of June 30, 1945, there were no securities of the Corporation of these types outstanding.

Section 404a of the National Housing Act requires the Corporation to accumulate a reserve fund equivalent to 5 percent of all insured accounts and creditor obligations of all insured institutions. As of June 30, 1945, this reserve was equal to 0.57 percent of the insured accounts and creditor obligations as of that date. A statement of condition of the Corporation is shown in exhibit C.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

In considering the budgetary requirements of the Corporation for the fiscal year 1947, recognition must be given to the hazards and economic conditions which produce emergencies requiring prompt and effective action in order to limit losses and maintain public confidence. As discussed previously, business fluctuations cannot be accurately predicted and indicate a need for a high degree of flexibility in the organization and operation of the Corporation. Fluctuations in the housing and real-estate market also affect the programs of the Corporation through their effect on the financial condition of insured institutions which are engaged primarily in the financing of small homes.

As a part of its responsibility of encouraging economical home financing, the Corporation insures accounts up to \$5,000 in Federal savings and loan associations, State-chartered building and loan associations, savings and loan associations, homestead associations, and cooperative banks. Insurance is compulsory for all Federal savings and loan associations and optional for other institutions.

If an insured savings and loan association is in default the Corporation may be appointed as conservator or receiver and as such may:

1. Take over the assets and operate the institution.
2. Take action necessary to place it in a sound and solvent condition.
3. Merge it with another insured institution.
4. Organize a new Federal savings and loan association.
5. Liquidate the assets.

Although the Corporation must, in accordance with title IV of the National Housing Act, be appointed as receiver in the event a Federal savings and loan association is placed in liquidation, appointment as receiver of State-chartered associations rests with the State authorities. If the Corporation should not be appointed receiver, it may:

1. Bid for the assets of the association.
2. Negotiate for a merger with another insured association.
3. Make any other disposition deemed advisable.

In order to prevent a default, the Corporation is authorized to make loans to, purchase the assets of, or make contributions to an insured institution.

In the event an insured institution is liquidated, the Corporation must pay insurance up to \$5,000 on each account as provided by title IV of the National Housing Act.

Since the major activities of the Corporation in the past have been in the fields of granting insurance of accounts to eligible institutions, the payment of insurance, the liquidation of Federal associations declared in default, and the rehabilitation of insured institutions through contributions to prevent a default, the estimates for 1947 as reflected in the statement of sources and application of funds (exhibit A) have been restricted to these fields. The assumptions upon which these estimates are based are discussed in the following description of insurance operations.

INSURANCE OPERATIONS

1. *Payment of insurance to institutions in liquidation.*—In the event of default of an insured institution, each insured investor has the option under title IV of the National Housing Act, as amended, of either (1) a new account in an insured institution not in default, or (2) 10 percent of his insured account in cash and the balance of 90 percent in negotiable noninterest-bearing debentures, one-half due within 1 year and one-half within 3 years from the date of default.

Since its organization the Corporation has made payment of insurance on seven institutions with 7,705 investors' accounts amounting to \$7,557,214, after eliminating those accounts of investors which were offset against obligations to the institutions. 7,646 of these accounts (or 99.23 percent) with balances of \$6,411,842 (84.84 percent) were fully covered by insurance. The other 59 accounts were partially covered by insurance to the amount of \$295,000. Thus, the total insurance payable on the 7,705 accounts amounted to \$6,706,842 (88.75 percent) of which 7,161 accounts in the amount of \$6,688,424 had been presented and paid, leaving 544 claims of \$18,418 not yet presented as of June 30, 1945.

During 1945, the Corporation paid out \$1,557 on accounts of investors in the seven institutions presented for payment, as reflected in the statement of sources and application of funds (exhibit A). The Corporation was also in the process of liquidating four of these institutions, for which it was receiver, with assets aggregating approximately \$8,668,000 at the time they were placed in liquidation. This function produced liquidating dividends during 1945 on the shares assigned to the Corporation in connection with the payment of insurance in the amount of \$1,002,066, as shown in exhibit A. Although the losses on liquidations are not yet finally determined, it is estimated they will amount to approximately \$643,000 of which \$25,000 has been absorbed, \$615,520 appears as an allowance for losses on subrogated shares in exhibit C as of June 30, 1945, and over \$2,000 in loss will be incurred

if outstanding shares in these institutions are presented for payment of insurance. The fact that no insured institutions were placed in liquidation during 1945 may be primarily attributed to the war period which increased the incomes of a majority of the population.

As the insurance losses of the Corporation depend largely upon the course of economic conditions and the existence of potential hazards, neither of which can be accurately predicted, it is reasonable to assume that some trouble cases will make their appearance during the fiscal year 1947. The Corporation believes that with flexibility of operations the resulting losses can be absorbed without any difficulty and would expect to meet the resulting problems with vigor and dispatch. Delay in meeting these problems promptly could be the cause of a rupture of public confidence by allowing isolated cases of failure to gather momentum of a full depression.

Although it is impossible to predict accurately the number of loss cases to be received during the fiscal years 1946 and 1947, and the manner in which they will be handled, estimates have been made based on certain assumptions. For the purpose of making these assumptions the Corporation used as a basis the losses experienced during the 3 years prior to the war, 1939 to 1941, inclusive. During this period the Corporation was required to assist an average of seven insured institutions a year. Therefore, it was assumed that it might be called upon to handle this number in 1947. Believing that the high incomes of the war period would carry over to some extent in 1946, only five cases were assumed for the current fiscal year. The estimate of seven cases for 1947 was divided into three contributions and four liquidations and the five cases in 1946 into three contributions and two liquidations.

Using the average size of approximately \$2,250,000 of insured institutions as of June 30, 1945, as a base, and assuming that the insured share liability will aggregate approximately 85 percent of the average assets, it is assumed that based upon past experience the Corporation will disburse \$3,418,000 in the payment of insurance on two liquidations in 1946 and \$7,179,000 on four liquidations in 1947. If such disbursements should be made, the Corporation could expect to receive liquidating dividends on shares subrogated to it in the process of paying insurance of \$1,082,000 in 1946 and \$1,440,000 in 1947. The effect of this function may be observed in the statement of sources and application of funds (exhibit A). It is estimated that the assets involved in the institutions placed in liquidation would aggregate in excess of \$15,000,000.

2. *Rehabilitation of insured institutions.*—Of the 38 insured institutions experiencing some difficulty up to June 30, 1945, 7 were placed in liquidation, 3 required no financial assistance and 28 were made whole by contributions under section 406f of the National Housing Act. These 28 institutions required disbursements by the Corporation of \$5,374,125 of which \$183,862 has been recovered, leaving a net loss of \$5,190,263, all of which has been charged against the reserve fund as provided by law. Outstanding commitments for additional payments to these institutions totaled \$54,148 as of June 30, 1945, and are reflected as a liability in exhibit C.

During the fiscal year 1945, the Corporation received one new insurance case which required a contribution of \$50,909, made additional contributions and payments on contingent commitments of \$72,196, or a total of \$123,105. It obtained recoveries aggregating \$41,845 on previous contributions to seven institutions, all of which appear in

the statement of sources and application of funds (exhibit A).

Based upon the assumptions set forth above under payment of insurance, the Corporation may make contributions to three insured institutions in 1946 and three in 1947. Based upon past experience which indicates an average loss of 10 percent on the assets of each insurance case, the Corporation would be required to disburse \$728,000 in 1946, which includes the outstanding commitments of approximately \$54,000 on June 30, 1945, and \$674,000 in 1947. These amounts are reflected as expenditures in exhibit A and as charges to the reserve fund as provided by law in the analysis of surplus reserves in exhibit B.

Although the Corporation is prepared to meet the challenge of the postwar period and is in a position to absorb anticipated losses, it must be recognized that losses are minimized through the ability to move rapidly and select the most advantageous course of action.

Attention should also be called to the fact that there are over 75 insured institutions, each of which has assets in excess of \$10,000,000. The failure of any one of these larger associations would seriously affect the estimates presented in the statement of sources and application of funds (exhibit A). Another factor which may cause the estimates to vary is the use of a 10-percent loss ratio. It should be recognized that the Corporation received the benefit of a rising market during the war period which probably reduced anticipated losses.

Although the experience of the Corporation in handling insured institutions in difficulty has been entirely with liquidations and contributions, it is conceivable that the loss cases assumed for the fiscal year 1947 may be settled through a loan or purchase of assets, if circumstances should warrant.

3. *Income from insurance operations.*—During the war period the Corporation limited its program in keeping with the needs of the emergency period. As a result the growth in membership has not been large during the last 4 years although resources of the insured members have increased substantially. As of June 30, 1945, there were 2,471 insured institutions with assets of approximately \$5,500,000, an increase of 21 percent since the beginning of the fiscal year.

Mostly of a mutual type, insured savings and loan associations are developing in stature and now occupy a recognized place in the financial economy. These institutions have increased from an average size of \$520,000 in 1935 to approximately \$2,250,000 as of June 30, 1945. By comparison, commercial banks had an average size of slightly less than \$3,900,000 as of December 31, 1944, if the 288 banks having deposits in excess of \$50,000,000 are omitted from the approximately 13,000 banks insured by the Federal Deposit Insurance Corporation.

The postwar period will present a distinct challenge. New homes should provide much in the way of employment and strengthen the roots of our national stability. To indicate the part which insured savings and loan associations can play in the development of these objectives, more than 1,300,000 families are presently financed through this source representing an amount of more than \$3,400,000,000. Of significance also, approximately 4,250,000 investors have savings in insured associations, with a gross investment of almost \$4,800,000,000.

The continued growth in the size and number of insured institutions has produced a constant increase in the amount of premiums received by the Corporation since 1934. The present annual rate of one-eighth of 1 percent of insured

accounts and creditor obligations has furnished the Corporation with a total income from premiums since organization of over \$29,000,000. Income from invested capital and earnings and other sources has produced an additional income of approximately \$40,000,000. After deduction of operating expenses, earnings have been credited to a reserve for the purpose of absorbing losses as required by title IV of the National Housing Act.

In the fiscal year 1945, income from insurance premiums and admission fees totaled \$5,087,324 and interest earned on investments totaled \$3,549,465. Estimating that the growth in savings in insured institutions during 1946 would be approximately 60 percent of the growth during 1945, the premium income of the Corporation will aggregate around \$5,510,000. Excess funds above the amount needed for projected losses and the payment of insurance will be invested in United States Government obligations or obligations guaranteed as to principal and interest by the United States and will produce an income of approximately \$3,718,000. (See exhibit B.)

For 1947, vigorous effort needs to be resumed in further development of the important savings-and-loan field. Almost 1,200 institutions, which are members of the Federal Home Loan Bank System, have assets of approximately \$1,475,000,000 and still remain uninsured. Insurance among this group should add much to the stability of the financial system, afford expected protection to small investors and accelerate the further development of adequate and economical home financing.

Assuming that the rate of growth of savings in insured institutions would slacken in 1947 but that the aggregate outstanding insured accounts would be increased by the entrance of presently uninsured institutions into membership, the Corporation estimates a premium income of \$5,770,000 in 1947. It is expected that the investment of excess cash, assuming that estimated losses will not be exceeded, should increase the annual interest earned by the Corporation to \$3,810,000. The effect of these estimates on the condition of the Corporation may be observed in exhibits A and B.

OPERATING RESULTS

During the fiscal year 1945, the operations of the Corporation resulted in a net income before provisions for reserves of \$8,181,997. In accordance with section 404a of the National Housing Act, all of this income was transferred to reserves. However, since adjustments to reserves because of recoveries on contributions and reductions in previously estimated losses of \$142,015 exceeded actual and estimated losses of \$110,838 incurred during the year, reserves increased \$8,213,174. For the fiscal year 1946, it is estimated that net income will aggregate \$8,661,540, but because of estimated losses, reserves will increase by \$7,650,760. For the fiscal year 1947, net income before provision for losses is estimated at \$8,995,540. Allowing for estimated charges against reserves of \$674,000 for contributions to insured institutions and \$718,000 in estimated losses on subrogated shares, less adjustments of previously estimated losses, the net increase in reserves would amount to \$7,648,000. (See exhibits B and C.)

Legislation pending before the Congress would provide for a reduction in the premium rate from one-eighth of 1 percent to one-twelfth of 1 percent of accounts of insured members and creditor obligations of each insured institution. Should this legislation become law, the Corporation's premium income would be reduced approximately one-third. It is obvious that under such circumstances the estimates for the fiscal year 1947 would be materially altered.

FINANCIAL CONDITION

Assets.—As of June 30, 1945, the assets of the Corporation totaled \$160,262,497, as reflected in exhibit C. The reported value of these assets was determined on an accrual basis with specific reserves for any asset with an actual value below that recorded on the books. Because of the nature of its operations, the assets of the Corporation must be held in a liquid condition. The cash and Government bonds owned by the Corporation amount to 3.6 percent of its potential liability on the insured accounts and creditor obligations of 2,471 member institutions. Relating these conditions to the estimates of possible difficulty, it is obvious that the Corporation should have no trouble in meeting its obligations in the postwar era.

Investments.—All funds of the Corporation not necessary for current expenditures are invested in obligations of the United States, or in obligations guaranteed as to interest and principal by the United States, in accordance with section 402d of the National Housing Act. As of June 30, 1945, the Corporation held Government obligations of \$155,483,101 (exhibit C), representing approximately 97 percent of total assets. This not only provides a source of income but makes funds available in a safe and comparatively liquid form for use in the event of emergencies. The market value of these securities as of June 30, 1945, was \$157,915,047. Based upon the assumptions previously made, it is anticipated that the total investments will increase approximately \$6,000,000 in 1946, and \$3,137,000 in 1947.

Accounts receivable.—The accounts receivable consist principally of insurance premiums and admission fees due from insured institutions. (See exhibit C.) Annual insurance premiums at the rate of one-eighth of 1 percent of insured accounts and creditor obligations are paid in semiannual installments, one-half at the beginning of each insurance year, and the remaining half 6 months later. As of June 30, 1945, this receivable consisted of \$14,712 in premiums due and payable as of that date and \$1,391,002 which became due during the 6 months' period ending December 31, 1945, plus admission fees of \$129. In accordance with section 403d of the National Housing Act, each institution approved for insurance after the first year of operation of the Corporation pays an admission fee consistent with the reserve fund of the Corporation. The present rate is 4 cents per \$100 of the total amount of all accounts of the insured members plus creditor obligations.

Subrogated accounts.—Title IV of the National Housing Act provides that the surrender and transfer to the Corporation through payment of insurance of an insured account in an association in default shall subrogate the Corporation with respect to such account. To June 30, 1945, the Corporation has been subrogated to accounts aggregating \$6,688,424, of which \$25,040 has been charged off and \$4,494,335 received in liquidating dividends, leaving a balance of \$2,169,049 as reflected by exhibit C. The allowance for losses on subrogated accounts in the amount of \$615,520 as of June 30, 1945, represents an estimate of the ultimate loss on subrogated accounts still on the books, based upon the total estimated capital losses at the time of default plus or minus any estimated profit or loss.

Liabilities.—The Corporation has no outstanding obligations except current liabilities. The undisbursed commitments for contributions to insured institutions reported in exhibit C as of June 30, 1945, were charged

against reserves at the time a contribution was approved and will be disbursed upon the establishment of losses and expenses incurred by an insured institution in connection with the disposition of certain slow assets.

Deferred income.—Premiums billed to insured institutions are credited to a deferred income account and are taken into earnings over the insurance year of each institution.

Reserve fund as provided by law.—As of June 30, 1945, the legal reserve of the Corporation amounted to \$27,492,780, while the 5-percent reserve of all insured accounts and creditor obligations of all insured institutions, as specified by section 404a of title IV of the National Housing Act, amounted to \$240,864,250. The amount of this potential liability on 2,471 insured institutions is \$4,817,285,000. Therefore, for each dollar of capital and total reserves the Corporation has a potential liability of \$30.58.

In considering these facts relating to the liability of the Insurance Corporation, it is important to make reference to the financial position of insured members. With cash and Government bonds equal to approximately 40 percent of their savings accounts and creditor obligations, and combined reserves and undivided profits of 10.4 percent of all their mortgage loans, it is clear that the over-all picture gives evidence of being basically sound. (See exhibit C.)

On the negative side, there is probably larger risk in the mortgage loan portfolios of insured institutions today as compared with that of the prewar period. While it is difficult to measure the risk, the Corporation recognizes that there are some associations which have financial positions of less than average strength. Therefore, a policy of preparedness and a condition of flexibility are essential if the Corporation is to fulfill its function of helping to stabilize the financial economy.

Special reserve for contingencies.—This reserve which amounted to \$30,000,000 on June 30, 1945, is equivalent to the unpaid cumulative dividends on the capital stock of the Corporation since June 30, 1935, which stock is held by the Home Owners' Loan Corporation. Legislation is now pending before the Congress which would provide for a reduction in the present 3 percent dividend rate after June 30, 1945, to the average interest rate on the bonds of the Home Owners' Loan Corporation outstanding during the period with respect to which the dividends are paid or accumulate. If no dividends are paid, this reserve would amount to \$36,000,000 as of June 30, 1947 (exhibit C).

BOND AUTHORIZATION

Although the Corporation has authority to borrow money as previously described, the projected program for 1947, as presented in exhibit A, does not include the issuance of any obligations. However, in the event an economic crisis of sufficient magnitude should develop in the future, the Corporation may find it necessary to issue obligations for the purpose of providing sufficient funds to meet its insurance liability. Under present authority securities must be sold in the private market which, in a period of stress, may not offer favorable opportunities for the sale of such obligations. Considering these long-term contingencies and recognizing the importance of the public interest, it would seem that the Corporation should have the right to sell debentures to the Treasury in times of emergency. Legislation is now pending before the Congress which would provide this authority.

ADMINISTRATIVE EXPENSES

This expense covers the general supervisory staff engaged in over-all supervision of the programs carried on by the Corporation. It does not include expenses in connection with liquidation of insured institutions, liquidation or handling of assets of or derived from insured institutions, payment of insurance, and action for or toward avoidance, termination, or minimizing of losses. During the war period the Corporation necessarily and quite properly operated on a minimum basis. During the fiscal year 1945, the administrative staff expended 42.8 man-years of personal service, which, with other related costs of administration, resulted in a total expenditure of \$418,357. Now there is need for the Corporation to discharge its full public trust by developing its functions for the promotion of thrift and encouragement of economical home financing, both of which are of major importance in our present economy. In 1946 much headway is being made in catching up the slack of the war period.

For the fiscal year 1946, the Corporation estimates expenditures of \$531,000 for administrative expenses. The

authorizing language implementing the Corporation's budget for the fiscal year 1947 includes a limitation of \$532,000 for administrative expenses.

LANGUAGE

The types of programs set forth in the 1947 budget of the Federal Savings and Loan Insurance Corporation, within the funds available to it, are approved, including the use of services and facilities of the Federal home-loan banks, Federal Reserve banks, and agencies of the Government, including the Federal Home Loan Bank Administration and the Home Owners' Loan Corporation: Provided, That not to exceed \$532,000 of such funds shall be available for administrative expenses (as shown in its statement of income and expenses), which shall be on an accrual basis and shall be exclusive of interest paid, depreciation, properly capitalized expenditures, and expenses in connection with liquidation of insured institutions, liquidation or handling of assets of or derived from insured institutions, payment of insurance, and action for or toward the avoidance, termination, or minimizing of losses in the case of specific insured institutions: Provided further, That notwithstanding any other provisions of this Act, except for the limitation in amount hereinbefore specified, the administrative expenses and other obligations of said Corporation shall be incurred, allowed, and paid in accordance with title IV of the Act of June 27, 1934, as amended (12 U. S. C. 1724-1730). (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To insurance operations:			
Payment of insurance claims	\$1,557	\$3,418,000	\$7,179,000
Rehabilitation of insured institutions	123,105	728,000	674,000
	\$124,662	\$4,146,000	\$7,853,000
To purchase of investments: Government securities	10,300,693	7,500,000	9,000,000
To operating expenses:¹			
Administrative expenses	418,357	531,000	532,000
Liquidation and other expenses	32,010	35,400	51,000
	450,367	566,400	583,000
To purchase furniture, fixtures, and equipment	5,348	600	2,000
To increase (or decrease²) working capital (see schedule A-1)	420,553	*402,460	*554,460
Total funds applied	11,501,623	11,810,540	16,883,540
FUNDS PROVIDED			
By recoveries on insurance operations:			
Liquidating dividends on subrogated shares	1,002,066	1,082,000	1,440,000
Recoveries on contributions to insured institutions	41,845	1,043,911	1,440,000
	1,043,911	1,082,000	1,440,000
By sale of investments: Government securities	1,620,000	1,500,000	5,863,000
By operating income:			
Insurance premiums and admission fees earned	5,087,324	5,510,000	5,770,000
Interest earned on U. S. Government securities	3,549,465	3,718,000	3,810,000
Miscellaneous income	251	40	40
	8,637,040	9,228,040	9,580,040
By nonoperating income: Adjustment of net income for prior years	672	500	500
Total funds provided	11,301,623	11,810,540	16,883,540

²Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B).

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Insurance premiums and admission fees earned.....	\$5,087,324	\$5,510,000	\$5,770,000
Interest earned on investments.....	3,549,465	3,718,000	3,510,000
Miscellaneous income.....	251	40	40
Total operating income.....	8,637,040	9,228,040	9,580,040
Operating expenses:			
Administrative expenses (see schedule B-1).....	418,357	531,000	532,000
Liquidation and other expenses.....	32,010	35,400	51,000
Depreciation of furniture, fixtures, and equipment.....	5,348	600	2,000
Total operating expenses.....	455,715	567,000	585,000
Net operating income.....	8,181,325	8,661,040	8,995,040
Nonoperating income (and expenses)*: Adjustment of net income for prior years.....	672	500	500
Net income before provisions for reserves.....	8,181,997	8,661,540	8,995,540

ANALYSIS OF SURPLUS RESERVES

RESERVE FUND AS PROVIDED BY LAW			
Balance at beginning of fiscal year.....	\$22,279,606	\$27,493,000	\$32,144,000
Add:			
Recoveries on contributions to insured institutions.....	41,845		
Allocation of net income for fiscal year.....	5,181,997	5,661,540	5,995,540
Adjustment of allowance for losses on subrogated shares.....	86,607	5,000	44,000
Adjustment of undisbursed commitments for contributions.....	13,503		
	27,603,618	33,159,540	38,183,540
Deduct:			
Approved contributions to insured institutions.....	110,550	674,000	674,000
Allowance for losses on subrogated shares.....	288	342,000	718,000
Balance at close of fiscal year.....	27,492,780	32,143,540	36,791,540
SPECIAL RESERVE FOR CONTINGENCIES			
Balance at beginning of fiscal year.....	27,000,000	30,000,000	33,000,000
Add: Allocation of net income for fiscal year.....	3,000,000	3,000,000	3,000,000
Balance at close of fiscal year.....	30,000,000	33,000,000	36,000,000
Total surplus reserves at close of fiscal year.....	57,492,780	65,143,540	72,791,540

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash: With U. S. Treasury.....	\$1,000,372	\$1,643,643	\$1,444,539	\$1,097,039
Investments: U. S. Government obligations and securities fully guaranteed by United States.....	146,802,408	155,483,101	161,482,500	164,619,500
Accounts receivable:				
Insurance premiums and admission fees.....	1,177,035	1,405,843	1,667,500	2,188,500
Due from receiver for institutions in liquidation.....	1,652	1,771	500	1,500
Miscellaneous.....	346	11,574	10,000	10,000
Total accounts receivable.....	1,179,033	1,419,188	1,678,000	2,200,000
Accrued interest receivable: Accrued interest on investments.....	181,978	163,035	162,500	162,500
Acquired security:				
Subrogated accounts in institutions in liquidation.....	3,169,558	2,169,049	4,500,000	10,130,000
Less: Allowance for losses (see schedule C-1).....	701,839	615,520	946,000	1,511,000
Total.....	2,467,719	1,553,529	3,554,000	8,619,000
Furniture, fixtures, and equipment.....	11,506	16,854	17,454	19,454
Less: Reserve for depreciation.....	11,505	16,853	17,453	19,453
Total.....	1	1	1	1
Total assets.....	151,631,511	160,262,497	168,321,540	176,698,040
LIABILITIES				
Accounts payable.....	21,694	10,775	10,000	10,000
Accrued liabilities: Salaries and current expenses.....		34,536	30,000	29,500
Funds held in trust for employees.....	9,742	8,096	8,000	10,000
Undisbursed commitments for contributions to insured institutions.....	80,266	54,148		
Deferred income: Unearned insurance premiums.....	2,240,203	2,662,162	3,130,000	3,857,000
Total liabilities.....	2,351,905	2,769,717	3,178,000	3,906,500
CAPITAL				
Capital stock.....	100,000,000	100,000,000	100,000,000	100,000,000
Surplus Reserves:				
Reserve fund as provided by law.....	22,279,606	27,492,780	32,143,540	36,791,540
Special reserve for contingencies.....	27,000,000	30,000,000	33,000,000	36,000,000
Total surplus reserves.....	49,279,606	57,492,780	65,143,540	72,791,540
Total liabilities and capital.....	151,631,511	160,262,497	168,321,540	176,698,040

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash: With U. S. Treasury.....	\$643,271	*\$199,000	*\$347,500
Accounts receivable:			
Insurance premiums and admission fees.....	228,808	262,000	521,000
Due from receiver for institutions in liquidation.....	119	*1,000	540
Miscellaneous.....	11,228	*1,600	
Accrued interest receivable: Accrued interest on investments.....	*18,943	*500	
Current liabilities (increase* or decrease):			
Accounts payable.....	10,919	540	
Accrued liabilities.....	*34,536	5,000	500
Funds held in trust for employees.....	1,646	100	*2,000
Deferred income.....	*421,959	*468,000	*727,000
Increase in working capital.....	420,553		
Decrease in working capital.....		402,460	554,460

*Deduct.

SCHEDULE B-1

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945,	1946,	1947,
	actual	estimated	estimated
PERSONAL SERVICES			
	Man-years Amount	Man-years Amount	Man-years Amount
General manager	1.2 \$9,505	1 \$10,000	1 \$10,000
Acting general manager	0.1 185		
Deputy general manager	0.7 4,896	1 9,275	1 9,275
Assistant general managers	2 14,000	2 15,925	3 23,100
Comptroller	1 6,200	1 7,175	1 7,175
Associate general counsel	1 7,169	1 8,750	1 8,750
General manager's office	4 7,425	6 16,714	6 17,132
Division of underwriting and rehabilitation:			
Home office	6.6 21,508	10 34,925	10 35,226
Field	1.3 2,963	1 1,902	3 10,244
Division of claims and adjustments	2 4,115	3 6,762	4 9,063
Division of liquidations and recoveries	4.3 15,082	8 32,624	8 32,556
Division of analysis and reporting	2.8 6,173	5 12,691	5 16,044
Comptroller's division	10.1 26,141	15 47,732	16 49,742
Legal department	5.7 12,921	7 21,202	7 22,114
Total	42.8 138,183	61 225,697	66 250,441
Overtime pay	21,282	2,650	
Total (see schedule B-2)	42.8 159,465	61 228,347	66 250,441
OTHER EXPENSES			
Travel	2,536	6,000	10,000
Transportation of things	3	705	500
Communication services	4,197	4,552	4,600
Postage and mail	1,162	1,072	900
Rents and utility services	23,882	26,285	28,000
Printing and binding	685	2,560	2,500
Miscellaneous expenses	3,575	5,576	6,338
Supplies and materials	742	850	850
Payment for services received:			
General Accounting Office: For audit of accounts		5,000	5,000
Federal Home Loan Bank System: For supervision of insured institutions	129,644	155,255	132,388
Administrative Department, Federal Home Loan Bank Administration: For services of administrative staff	81,795	82,774	85,176
Home Owners' Loan Corporation: For personnel services	4,682	4,099	
Office of the Administrator, National Housing Agency: For administrative and supervisory services	16,249	7,925	5,307
Total administrative expenses	418,357	531,000	532,000

¹ Adjusted to \$6,211; refund of \$38, received by the corporation during fiscal year 1946, has been credited to its reserve fund as provided by law.

SCHEDULE B-2

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By grades	1945,	1946,	1947,
	actual	estimated	estimated
PERSONAL SERVICES, DEPARTMENTAL			
	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service: Grade 16. In excess of \$9,800:			
General manager	0.1 \$111	1 \$10,000	1 \$10,000
Grade 15. Range \$7,750 to \$9,800:			
Deputy general manager	0.1 994	1 9,275	1 9,275
Grade 14. Range \$7,175 to \$8,225:			
Assistant general manager	2 14,000	2 15,926	2 15,926
Comptroller	0.6 4,333	1 7,175	1 7,175
Assistant general manager			1 7,175
Grade 13. Range \$6,230 to \$7,070:			
Assistant to general manager	0.1 70	1.9 12,821	2 13,300
Principal field representative		1.2 7,476	1 6,230
Special representative		1 6,230	2 12,460
Deputy comptroller, disbursing officer	0.6 3,733	1 6,230	1 6,230
Comptroller	0.4 1,867		
Acting assistant general manager		0.9 5,751	

By grades	1945,	1946,	1947,
	actual	estimated	estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.			
	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service—Continued			
Grade 12. Range \$5,180 to \$6,020:			
Administrative assistant		1 \$5,180	2 \$10,360
Principal examiner, field representative		1 5,180	1 5,180
Liquitor at large		1 5,180	1 5,180
Real estate adviser	0.3 \$1,458	0.1 447	
Special representative	1 5,150		
Senior field representative	0.4 1,996		
Principal field representative	0.4 1,917		
Assistant comptroller, disbursing officer	0.4 1,533		
Grade 11. Range \$4,300 to \$5,180:			
Chief, receivership accounting and share settlement section		1 4,520	1 4,520
Assistant to the comptroller		1 4,300	1 4,300
Chief, accounting and fiscal operations and deputy fiscal officer		1 4,300	1 4,300
Liquitor at large	1.1 4,793		
Administrative assistant	0.6 2,217		
Grade 10. Range \$3,970 to \$4,630:			
Associate administrative analyst			1 3,970
Chief, administrative accounts section and deputy disbursing officer	0.3 1,021		
Acting chief, administrative accounts section and deputy disbursing officer	0.5 1,750		
Grade 9. Range \$3,640 to \$4,300:			
Assistant chief, receivership accounting and share settlement section		1 3,750	1 3,750
Assistant chief, accounting and fiscal operations section	0.7 2,267	1 3,640	1 3,640
Examiner			1 3,640
Associate administrative analyst	0.6 1,947	1 3,640	
Grade 8. Range \$3,310 to \$3,970:			
Grade 7. Range \$2,980 to \$3,640	1 2,789	3 9,160	3 8,940
Grade 6. Range \$2,650 to \$3,310	3.4 7,767	4 10,963	6 16,230
Grade 5. Range \$2,320 to \$2,980	4.8 10,125	9 21,430	8 18,890
Grade 4. Range \$2,100 to \$2,486	8 14,650	11.4 24,804	13 27,696
Grade 3. Range \$1,902 to \$2,298	3.5 6,283	9 17,472	7 13,380
Grade 2. Range \$1,704 to \$2,100	0.6 940		
Professional service:			
Grade 8. Range \$8,750 to \$9,800:			
Associate general counsel	0.1 89	1 8,750	1 8,750
Grade 4. Range \$4,300 to \$5,180:			
Attorney			1.6 7,892
Attorney			0.8 1,856
Executive order grades:			
Grade 19. Rate over \$8,000:			
General manager	1.1 9,394		
Acting general manager	0.1 185		
Deputy general manager	0.2 1,676		
Grade 18. Rate of \$8,000:			
Deputy general manager	0.4 3,125		
Associate general counsel	1 7,169		
Grade 17. Rate of \$6,800:			
Assistant to the general manager	1 6,550		
Grade 13. Rate of \$4,000:			
Attorney	0.6 2,461		
Grade 11. Rate of \$3,200	0.1 267		
Grade 8. Rate of \$2,300	2 4,600		
Grade 7. Rate of \$2,000	2.3 4,405		
Grade 6. Rate of \$1,800	0.6 1,010		
Total permanent, departmental	41.5 135,220	60 228,795	63 240,197
Overtime pay, departmental			2,650
All personal services, departmental	41.5 155,916	60 226,445	63 240,197
PERSONAL SERVICES, FIELD			
	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service:			
Grade 12. Range \$5,230 to \$7,070:			
Principal field representative			1 6,440
Grade 9. Range \$3,640 to \$4,300:			
Associate field representative	0.5 1,748	1 1,902	2 3,804
Grade 3. Range \$1,902 to \$2,298	0.8 1,215		
Total permanent, field	1.3 2,963	1 1,902	3 10,244
Overtime pay, field			586
All personal services, field	1.3 3,549	1 1,902	3 10,244
Personal services (net)	42.8 159,465	61 228,347	66 250,441

SCHEDULE C-1
ALLOWANCE FOR LOSSES ON SUBROGATED SHARES

[Fiscal years 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
At beginning of fiscal year.....	\$701,839	\$615,500	\$946,000
Reductions:			
Transferred to reserve fund as provided by law.....	86,607	5,000	44,000
Subrogated shares written off.....		6,500	109,000
Addition: Estimated losses on shares subrogated during the year.....	288	342,000	718,000
At close of fiscal year.....	615,520	946,000	1,511,000

HOME OWNERS' LOAN CORPORATION

CREATION AND PURPOSE

The Home Owners' Loan Corporation was established under the act of June 13, 1933 (48 Stat. 128), as an emergency instrumentality of the Federal Government for the purpose of refinancing the mortgages of distressed urban home owners and to stem the flood of foreclosures resulting from the unprecedented economic collapse of the early thirties. In 1933, hundreds of thousands of home mortgages were in default. Home owners throughout the country had already lost their properties through foreclosure, or were in imminent danger of doing so. Financial institutions were threatened with irreparable losses and deflation was rapidly destroying all property values. As a result, Congress created the Home Owners' Loan Corporation and charged it with the responsibility of taking over mortgages on small nonfarm homes, the owners of which were in actual default and who could not otherwise escape foreclosure.

The authority of the Corporation to acquire mortgages of distressed home owners and other obligations and liens secured by real estate in exchange for cash or bonds of the Corporation expired June 12, 1936. Since that time the principal function of the Corporation has been to service the loans and to take over properties where necessary and dispose of them to the best interests of the Corporation. Through this process the Corporation is and has been proceeding with a rapid and orderly liquidation of its assets. Its objectives are to assist as many borrowers as possible to preserve and ultimately own their homes free and clear of debt and to conclude its operations, if possible, without loss to the Federal Government and the taxpayers.

Originally the Corporation was under the direction of a board of directors, the membership of which was identical to the Federal Home Loan Bank Board. As a result of reorganization plan No. 1, which took effect on July 1, 1939, the Corporation was grouped with other organizations under the Federal Loan Agency. On February 24, 1942, under terms of Executive Order 9070, the Board was vacated and all of its duties, powers, and functions were transferred to the Federal Home Loan Bank Administration under the direction of a single commissioner and was made one of the three constituent units of the National Housing Agency. In this reorganization the corporate entity remained intact and its functions and purposes continued without change.

FINANCIAL ORGANIZATION

All activities of the Corporation from its inception to date have been financed from funds received from the following sources: (a) Sale of capital stock, (b) issuance of bonds, and (c) income received from its operations.

The Corporation's authorized capital, as provided for in section 4b of the Home Owners' Loan Act of 1933, amounted to \$200,000,000. The total amount was subscribed and paid for by the Secretary of the Treasury. Under the terms of the original act, bonds, guaranteed as to interest only by the Federal Government, were authorized for issue in an aggregate amount of \$2,000,000,000. By an amendment approved April 27, 1934

(48 Stat. 643), bonds of the Corporation were guaranteed by the Federal Government both as to principal and interest. A subsequent amendment contained in title V of the National Housing Act, approved June 27, 1934 (48 Stat. 1246), increased the authorized issue of bonds to \$3,000,000,000, exclusive of certain bonds issued for refunding purposes. By a further amendment in the act of May 28, 1935 (49 Stat. 293), the authorized issue was further increased to \$4,750,000,000, exclusive of certain bonds issued for refunding purposes.

Of the total amount authorized, \$2,688,215,850 was exchanged for mortgages, \$100,000,000 was invested in the capital stock of the Federal Savings and Loan Insurance Corporation under authority of an act of Congress (48 Stat. 1246), and \$701,237,700 was sold to provide capital, making a total of \$3,489,453,550 of bonds issued for value. As of June 30, 1945, there remained a balance of \$1,260,546,450 available for issue.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

In appraising the budgetary requirements of the Corporation for the fiscal year 1947, it is necessary to recognize that the level of its activities depends largely upon economic conditions and the extent to which changes which may occur will affect the Corporation's activities presently restricted to realization and liquidation. For this reason, it is necessary to make certain assumptions with respect to conditions during the fiscal year 1947 as a basis of projecting the activities for this period. These assumptions are discussed below in connection with the respective programs.

The level at which these activities were carried on during the fiscal year 1945 and the projected level for the fiscal years 1946 and 1947 are shown in the statement of sources and application of funds in the financial statement immediately following the narrative. (See exhibit A.)

Mortgage loans and vendee accounts.—Mortgage loans are original loans made by the Corporation during its lending period from June 13, 1933, through June 12, 1936. Vendee accounts are represented by sale of the Corporation-owned properties acquired through foreclosure.

The Corporation has taken full advantage of the improved economic conditions prevailing by encouraging its borrowers:

1. To pay off their indebtedness to the Corporation in full and become the owners of their homes free of debt.
2. To pay more each month on their loan accounts than is called for under their contractual obligations and thus build up in good times a substantial equity to serve as a bulwark against subsequent periods of unemployment or depression.

During the fiscal year 1945, a total of 93,378 original loans and 19,166 vendee accounts amounting to \$325,208,287 were paid in full. Based on the experience of prior years, it is estimated that during the fiscal year 1946, 93,695 loans, both original and vendee, will be paid in full. During the year 1947, it is estimated that 90,000 loans, both original and vendee, will be paid in full. During the fiscal year 1945, \$45,004,797 was collected from borrowers in excess of their contractual obligations, exclusive of loans paid in full.

It is essentially the duty and responsibility of the Corporation's borrowers to pay their own taxes, insurance, and the cost of repairs. The establishment of the tax and insurance account for the convenience of many of its borrowers whereby they include with their monthly payments an amount equal to $\frac{1}{2}$ of their annual taxes and $\frac{1}{36}$ of a 3-year insurance premium has materially assisted them in discharging this obligation without undue burden. In order to protect its interest the Corporation must pay the taxes and insurance for those borrowers who have not availed themselves of the advantages of establishing a tax and insurance account and are financially unable to meet such payments when due. It is also required to make necessary repairs for those borrowers who are financially unable to do so themselves. During the fiscal year 1945, \$1,477,065 was paid and charged to the borrowers' accounts as advances. Based on the record of past experience and predicated upon the continuation of the same conditions, it is estimated that during the fiscal year 1946 it will be required to pay \$1,310,000. During the fiscal year 1947, it is estimated that it will be required to advance \$1,210,000. (See exhibit A.)

After acquisition of property by the Corporation, it is generally necessary to make certain expenditures to put the property in condition for sale. Such expenditures are capitalized. During the fiscal year 1946, the number of properties owned will be materially reduced and it is estimated that \$37,000 will be required for property expenditures. During the fiscal year 1947, based on a further reduction of the number of properties owned, it is estimated that \$30,000 will be required. (See exhibit A.)

Foreclosure costs which, like property expenditures, are capitalized amounted to \$158,707 during the fiscal year 1945. For the fiscal year 1946, it is estimated that \$135,000 will be required and for the fiscal year 1947, \$115,000 will be required. The estimates here presented are calculated on the basis of the reduced number of loans outstanding. Consideration has also been given to the increasing equity of the borrowers in their homes. (See exhibit A.)

Section 4k of the act, as amended, provides that all payments upon the principal of the loans made by the Corporation shall under regulations made by the Corporation be applied to the retirement of bonds of the Corporation. Certain other receipts, such as amounts received by the Corporation from the repurchase of shares purchased by the Corporation in savings and loan associations, are also applied to the retirement of bonds of the Corporation.

During fiscal year 1945, \$324,018,000 was applied to the retirement of bonds held by the United States Treasury, and \$803,045,975 was applied to the retirement of bonds held by the public. During the fiscal year 1946, it is estimated that \$247,982,000 will be applied to the retirement of bonds held by the Treasury, and \$9,000,000 will be applied against the bonds held by the public. During the fiscal year 1947, it is estimated that the sum of \$180,000,000 will be applied against the retirement of bonds held by the United States Treasury, and \$1,000,000 will be applied against bonds held by the public. The bonds of the Corporation now held by the public represent issues which have matured and which it is anticipated will be presented for payment during the fiscal years stated. (See exhibit A.)

Repayments of principal of loans outstanding, both mortgage loans and vendee accounts, during the fiscal year 1945, amounted to \$272,530,818. For the fiscal year 1946, it is estimated that such repayments will amount to \$209,485,000. For the fiscal year 1947, it is

estimated that repayments of principal of loans outstanding, both mortgage loans and vendee accounts, will amount to \$155,815,000. (See exhibit A.)

Properties.—During the past fiscal year the Corporation disposed of 4,991 properties for which it received \$19,871,703, of which \$17,463,930 was represented by purchase money obligations acquired and \$2,407,773 was represented by cash. These properties were carried on the books of the Corporation at a capitalized value of \$33,680,652. The number of properties remaining on hand totaled 901. During the fiscal year 1946 it is estimated that the number of properties on hand and in process of acquiring title will increase by 120 new acquisitions and decrease by an estimated 781 sales, leaving on hand and in process as of June 30, 1946, 240 properties. It is estimated that the Corporation will receive \$2,274,000 for the estimated 781 sales, of which \$1,650,000 will be represented by purchase money obligations acquired and \$624,000 will be represented by cash. During the fiscal year 1947 it is estimated that the 240 properties on hand and in process at the beginning of the year will increase by 100 new acquisitions and decrease by an estimated 250 sales, leaving on hand and in process as of June 30, 1947, 90 properties. It is estimated that the Corporation will receive \$640,000 for the estimated 250 sales, of which \$485,000 will be represented by purchase money obligations acquired and \$155,000 will be represented by cash. (See exhibit A.)

These estimates, as previously stated, have been predicated upon a continuance of favorable economic conditions. It is obvious that any adverse change in the general economic level will materially affect the estimates now submitted for the fiscal year 1947.

OPERATING RESULTS

During the fiscal year 1945, the operations of the Corporation resulted in a net income of \$27,997,750, after provision for all losses and adjustment of reserves. Due to the normal liquidation of the Corporation's assets, it is but natural to anticipate that its net income will be proportionately less each year. For the fiscal year 1946, it is estimated that the net income will amount to \$23,940,000. For the fiscal year 1947, it is estimated that the operations of the Corporation will result in a net income of \$17,760,000. The anticipated net income for the fiscal years 1946 and 1947 will decrease the Corporation's deficit from \$106,088,580 as of June 30, 1945, to \$64,389,000 as of June 30, 1947. (See exhibits B and C.)

FINANCIAL CONDITION

As previously stated, the establishment of the tax and insurance account is for the convenience of the Corporation's borrowers. Amounts paid in by borrowers are credited to their respective tax and insurance accounts and allowed to accumulate until payments therefrom become due. As of June 30, 1945, the sum of \$23,195,169 was on deposit by borrowers for this purpose. As of June 30, 1946, it is estimated that the sum of \$22,000,000 will be on deposit. As of June 30, 1947, it is estimated that the sum of \$20,000,000 will be on deposit for the payment of taxes and insurance. A portion of these funds which would otherwise remain idle pending the payment of taxes and/or insurance have been utilized by purchasing short-term investments in United States Government securities. On June 30, 1945, this investment amounted to \$15,000,000. It is estimated that the same amount will

remain invested at the end of the fiscal years 1946 and 1947. (See exhibit C.)

Section 4n of the Home Owners' Loan Act of 1933, as added by the act of May 28, 1935 (49 Stat. 293), authorizes the Home Owners' Loan Corporation to make certain investments, including investments in both Federal and State-chartered savings and loan associations. On June 30, 1945, investments in these associations amounted to \$26,232,950. During the fiscal year 1946, it is estimated that repurchases of shares by these associations will reduce the amount of this investment to \$18,233,000. During the fiscal year 1947, it is estimated that further repurchases by these associations will reduce the amount of this investment at June 30, 1947, to \$14,333,000. (See exhibit C.)

Mortgage loans and vendee accounts.—On June 30, 1945, there were 532,495 mortgage loans and vendee accounts outstanding, amounting to \$964,615,333. Of this number, 11,405 were delinquent in their payments to the extent of 3 months or more. As of June 30, 1946, it is estimated that the number of outstanding accounts will be reduced to 432,990, amounting to \$757,698,000. At the end of the fiscal year 1947, it is estimated that the number of outstanding accounts will aggregate 343,090, amounting to \$603,263,000. The above figures represent the value of the outstanding accounts before the application of reserve for losses. (See exhibit C.)

Acquired security.—As of June 30, 1945, there were 901 properties owned and in process of acquiring title having a capitalized value of \$4,611,883. Depending largely upon a continuation of favorable economic conditions during the fiscal years 1946 and 1947, it is estimated that there will be as of June 30, 1946, a total of 240 properties having a capitalized value of \$1,136,000. On June 30, 1947, it is estimated that there will be 90 properties owned and in process of acquisition having a capitalized value of \$391,000. (See exhibit C.)

Interagency proprietary interests.—Section 402b of the National Housing Act, approved June 27, 1934 (48 Stat. 1246), authorized and directed the Corporation to subscribe for the total amount of the capital stock of the Federal Savings and Loan Insurance Corporation. Pursuant thereto, the Corporation invested the sum of \$100,000,000. It is anticipated that there will be no change in this proprietary interest in 1946 or 1947. (See exhibit C.)

Bonds outstanding.—Of the total amount of bonds issued for value, there remained outstanding as of June 30, 1945, \$1,026,239,700 of which \$1,009,982,000 was held by the United States Treasury, and \$16,257,700, representing matured issues not yet presented for retirement, was held by the public. Because of the liquidating operation of the Corporation, it is not contemplated that it will increase its outstanding bonds during the fiscal years 1946 or 1947. On the contrary, it is estimated that as of June

30, 1946, the total amount of bonds outstanding will be \$769,258,000. As of June 30, 1947, it is estimated that a total of \$588,258,000 will be outstanding. (See exhibit C.)

Return of capital funds to the Treasury.—On June 30, 1945, the Corporation's deficit amounted to \$106,088,580. By the application of net income after provision for losses, it is estimated that this deficit will be reduced to \$82,149,000 as of June 30, 1946. It is estimated that this deficit will be further reduced to \$64,389,000 as of June 30, 1947. Under the above stated circumstances, the Corporation does not contemplate the return of any capital in 1946 or 1947. Moreover, since practically all of its acquired properties have now been disposed of, the major portion of its net income will continue to be applied against its deficit. For this reason, it does not recommend that its actual or estimated impairment of capital be restored by the use of Treasury funds. (See exhibit C.)

ADMINISTRATIVE EXPENSES

This expense covers the general supervisory staff engaged in over-all supervision of the programs carried on by the Corporation. It does not include expenses (including services performed on a force account, contract, or fee basis, but not including other personal services) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to the Corporation, or in which it has an interest, or legal fees and expenses.

During the fiscal year 1945, the administrative staff expended 2,021.5 man-years of personal service which with other related costs of administration resulted in the total expenditure of \$6,944,556. The liquidation of the Corporation's assets permits a reduction in its supervisory staff during the fiscal year 1946 to an estimated 1,565.7 man-years, and a further reduction to an estimated 1,390 man-years for the fiscal year 1947 which with other related costs of administration will amount to \$5,179,000. For further details see statement of income and expenses (exhibit B).

LANGUAGE

The types of programs set forth in the 1947 budget of the Home Owners' Loan Corporation, within the funds available to it, are approved, including the use of services and facilities of the Federal home loan banks, Federal Reserve banks, and agencies of the Government, including the Federal Home Loan Bank Administration and the Federal Savings and Loan Insurance Corporation: Provided, That not to exceed \$5,179,000 of such funds shall be available for administrative expenses (as shown in its statement of income and expenses) which shall be classified as such in a manner consistent with prior years and shall be on an accrual basis, and shall be exclusive of interest paid, depreciation, and properly capitalized expenditures: Provided further, That notwithstanding any other provisions of this Act, except for the limitation in amount hereinbefore specified, the administrative expenses and other obligations of said Corporation shall be incurred, allowed, and paid in accordance with the Home Owners' Loan Act of 1933, as amended (12 U. S. C. 1461-1468). (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To protect Corporation's interest in loans and vendee accounts: Advances for taxes, insurance, repairs, etc.	\$1,477,065	\$1,310,000	\$1,210,000
To protect Corporation's interest in acquired security: Property expenditures capitalized.	117,272	37,000	30,000
To acquire property securing defaulted loans: Foreclosure costs capitalized.	158,707	135,000	115,000
To retire outstanding bonds payable:			
Held by U. S. Treasury	\$324,018,000	\$247,982,000	\$180,000,000
Held by public	803,045,975	9,000,000	1,000,000
	1,127,063,975	256,982,000	181,000,000
To operating expenses: ¹			
Bond interest	14,511,637	8,892,000	6,835,000
Administrative expenses (see schedule B-2)	6,944,556	5,754,000	5,179,000
Fee service	63,990	119,000	67,000
Maintenance and operation of acquired property	956,104	117,000	55,000
	22,476,287	14,882,000	12,136,000
To nonoperating expenses and losses:			
Fidelity and casualty losses	22,099	25,000	15,000
Losses from fire and other hazards	21,499	4,000	-----
	43,598	29,000	15,000
To purchase furniture, fixtures and equipment	24,188	4,000	15,000
To increase (or decrease*) working capital	*51,110,658	*15,218,000	*2,900,000
Total funds applied	1,100,250,434	258,161,000	191,615,000
FUNDS PROVIDED			
By repayments of principal of loans:			
Mortgage loans	199,565,287	146,640,000	105,000,000
Vendee accounts	72,965,531	62,845,000	50,815,000
	272,530,818	209,485,000	155,815,000
By sale of security acquired on defaulted loans:			
Property at book value	33,680,652	4,084,000	1,240,000
Less:			
Loss on sale (gross)	*13,808,949	*1,810,000	*600,000
Purchase money obligations acquired	*17,463,930	*1,650,000	*485,000
	2,407,773	624,000	155,000
Less: Commissions and selling expenses	*1,394,038	*150,000	45,000
	1,013,735	474,000	-----
By sale of investments: Repurchases of shares by savings and loan associations	20,296,100	8,000,000	3,900,000
By borrowings: From U. S. Treasury	754,000,000	-----	-----
By operating income:			
Interest on loans	49,136,010	38,485,000	30,525,000
Interest on special investments	131,332	130,000	130,000
Dividends on investments in savings and loan associations	988,871	543,000	385,000
Rental of acquired property	838,446	114,000	50,000
Miscellaneous	840,363	640,000	650,000
	52,035,022	39,912,000	31,740,000
By sale of furniture, fixtures, and equipment: Profit on sale of fully depreciated items	374,759	290,000	50,000
Total funds provided	1,100,250,434	258,161,000	191,615,000

*Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B).

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on loans.....	\$49,136,010	\$38,485,000	\$30,525,000
Interest on special investment.....	131,352	130,000	130,000
Dividends on investments in savings and loan associations.....	988,871	543,000	385,000
Rents.....	938,446	114,000	50,000
Miscellaneous (see schedule B-1).....	840,363	640,000	650,000
Total operating income.....	52,035,022	39,912,000	31,740,000
Operating expenses:			
Interest on bonded indebtedness.....	\$14,511,637	\$8,892,000	\$6,835,000
Administrative expenses (see schedule B-2).....	6,944,536	5,754,000	5,179,000
Fee service.....	63,990	119,000	67,000
Depreciation on building and equipment.....	77,897	58,000	69,000
Maintenance and operation of acquired property (see schedule B-4).....	956,104	117,000	55,000
Total operating expenses.....	22,554,184	14,940,000	12,205,000
Net operating income.....	29,480,838	24,972,000	19,535,000
Nonoperating income (or loss*):			
Loans receivable charged off.....	*37,528	*11,000	*10,000
Loss on acquired security.....	*13,808,949	*1,810,000	*600,000
Commission and selling expenses.....	*1,394,038	*150,000	*45,000
Losses—Fidelity and casualty.....	*22,099	*25,000	*18,000
Fire and other hazards.....	*21,499	*4,000	-----
Sale of furniture, fixtures and equipment.....	374,759	290,000	50,000
Net nonoperating income (or loss*).....	*14,909,354	*1,710,000	*620,000
Net income before adjustment of valuation reserves.....	14,571,484	23,262,000	18,915,000
Adjustments of reserves:			
Reserve for losses on loans, interest and property.....	13,440,515	171,000	*1,145,000
Reserve for losses, fire and other hazards.....	7,740	517,000	-----
Reserve for losses, accounts receivable.....	*21,989	*10,000	*10,000
Net adjustments.....	13,426,266	678,000	*1,155,000
Net income.....	27,997,750	23,940,000	17,760,000

ANALYSIS OF DEFICIT ACCOUNT

Balance at beginning of fiscal year.....	\$134,086,330	\$106,088,580	\$82,149,000
Net income for year (above).....	27,997,750	23,940,000	17,760,000
Adjustments (net).....	-----	420	-----
Balance at end of fiscal year.....	106,088,580	82,149,000	64,389,000

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash:				
On hand and in banks.....	\$724,620	\$747,290	\$700,000	\$650,000
With U. S. Treasury.....	99,637,058	43,376,543	26,395,000	21,415,000
	\$100,361,678	\$44,123,833	\$27,095,000	\$22,065,000
Appropriated funds: Allotments from emergency fund, defense housing.....	32,905			
Investments:				
Public Debt obligations of the United States.....	15,000,000	15,000,000	15,000,000	15,000,000
Savings and loan associations.....	46,524,250	26,232,950	18,233,000	14,333,000
Securities issued by Government agencies, guaranteed.....		200		
	61,529,250	41,233,150	33,233,000	29,333,000
Loans receivable:				
Loans to aid home owners:				
Mortgage loans and advances.....	847,179,749	647,023,619	501,028,000	396,672,000
Vendee accounts and advances.....	372,926,075	317,591,714	256,670,000	206,591,000
Total.....	1,220,105,824	964,615,333	757,698,000	603,263,000
Less: Reserve for losses (see note).....	26,431,419	12,990,904	12,820,000	13,965,000
	1,193,674,405	951,624,429	744,878,000	589,298,000
Accounts receivable:				
Government agencies.....	155,970	142,507	120,000	115,000
Others.....	53,712	66,280	65,000	80,000
Total.....	209,682	208,787	185,000	195,000
Less: Reserve for losses.....	31,231	53,220	63,000	73,000
	178,451	155,567	122,000	122,000
Accrued interest receivable:				
Interest on public debt obligations.....	50,679	50,760	51,000	50,000
Interest on loans (see note).....	3,206,584	2,495,456	2,390,000	2,270,000
	3,257,263	2,546,216	2,441,000	2,320,000
Land, structures, and equipment:				
Home office land and building, at cost.....	2,987,830	2,987,820	2,988,000	2,988,000
Furniture, fixtures, and equipment, at cost.....	1,800,304	1,423,528	1,052,000	997,000
Total.....	4,788,124	4,411,348	4,040,000	3,985,000
Less: Reserve for depreciation.....	2,225,880	1,902,813	1,586,000	1,585,000
	2,562,244	2,508,535	2,454,000	2,400,000
Acquired security: Properties owned and in process of acquiring title (see note).....	36,063,492	4,611,883	1,136,000	391,000
Deferred and unapplied charges:	50,850	26,399	10,000	10,000
Interagency proprietary interests: Capital stock, Federal Savings and Loan Insurance Corporation.....	100,000,000	100,000,000	100,000,000	100,000,000
Total assets	1,497,710,538	1,146,830,012	911,369,000	745,939,000
LIABILITIES				
Accounts payable:				
Interest on bonds.....	1,360,708	713,091	485,000	400,000
Other.....	456,070	149,070	131,000	126,000
	1,816,778	862,161	616,000	526,000
Accrued liabilities:				
Interest on bonds.....	943,630			
Other.....	165,863	322,419	267,000	250,000
	1,109,493	322,419	267,000	250,000
Trust and deposit liabilities:				
Federal tax withheld.....	288,838	159,653	90,000	80,000
Funds held for borrowers.....	24,782,052	23,195,169	22,000,000	20,000,000
National Housing Agency, homes conversion program.....	1,218,000	677		
Other.....	766,418	196,692	123,000	100,000
	27,055,308	23,552,191	22,213,000	20,180,000
Bonds payable:				
Held by U. S. Treasury.....	580,000,000	1,009,982,000	762,000,000	582,000,000
Held by others.....	819,303,675	16,257,700	7,258,000	6,258,000
	1,399,303,675	1,026,239,700	769,258,000	588,258,000
Deferred and unapplied credits:				
Prepayments by borrowers on installment accounts not due.....	913,319	750,811	500,000	500,000
Other.....	789,921	423,581	414,000	364,000
	1,703,240	1,174,392	914,000	864,000
Total liabilities	1,430,988,494	1,052,150,863	793,208,000	610,078,000

NOTE.—Reserve is applicable to losses on loans, interest, and property.

EXHIBIT C—Continued
COMPARATIVE STATEMENT OF FINANCIAL CONDITION—Continued

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
CAPITAL				
Paid-in capital: Capital stock	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000
Earned surplus:				
Reserve for losses, fidelity and casualties	\$250,000	\$250,000	\$250,000	\$250,000
Reserve for losses, fire and other hazards	525,469	517,729	-----	-----
	775,469	767,729	250,000	250,000
Deficit*	*134,686,330	*106,088,550	*82,149,000	*64,389,000
	*133,310,861	*105,320,851	*81,899,000	*64,139,000
Total capital	66,689,139	94,679,149	118,101,000	135,861,000
UNEXPENDED APPROPRIATIONS				
Unobligated appropriations	32,905	-----	-----	-----
Total liabilities, capital, and unexpended appropriations	1,497,710,538	1,146,830,012	911,369,000	745,939,000

*Deduct.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL
[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash	*\$56,270,750	*\$17,029,000	*\$5,030,000
Appropriated funds	32,905	-----	-----
Accounts receivable	*895	*24,000	10,000
Accrued interest receivable	*621,123	*50,000	*76,000
Deferred and unapplied charges	*24,451	*16,000	-----
Current liabilities (increase* or decrease):			
Accounts payable	954,617	246,000	90,000
Accrued liabilities	787,074	56,000	17,000
Trust and deposit liabilities	3,503,117	1,339,000	2,033,000
Deferred and undistributed credits	528,848	260,000	50,000
Decrease in working capital	*51,110,658	15,218,000	2,806,000

*Deduct.

SCHEDULE B-1
OPERATING INCOME—MISCELLANEOUS
[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Miscellaneous income:			
Rental income, Federal Home Loan Bank Administration Building	\$364,359	\$363,000	\$363,000
Rental income—leaseholds	183,926	172,000	190,000
Stock Company Association	215,527	70,000	64,000
Forfeited deposits, etc.	76,551	35,000	33,000
Total	840,363	640,000	650,000

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES			
	Man-years Amount	Man-years Amount	Man-years Amount
General manager.....	1 \$10,000	1 \$10,000	1 \$10,000
Home office:			
Administrative Section.....	57.6	42.8	41
Comptroller's Division.....	58.4	49	44
Treasurer's Division.....	137,027	144,347	132,271
Auditing Department.....	24.3 53,957	17.2 47,584	16 45,394
Personnel Department.....	314,077	274,928	263,892
Legal Department.....	30.7 63,807	28.5 71,031	18.2 47,904
Secretary's Office.....	77.6 204,232	185,452	116,382
Field:	25.3 45,780	23.4 50,394	23.2 50,396
Administrative Section.....	63.2	44.8	41
Loans and Properties Division.....	161,711	145,029	137,423
Regional Comptroller's Division.....	668.9	493.1	448.6
Personnel Department.....	1,508,254	1,286,782	1,173,054
Legal Department.....	806.3	651.6	594.1
Overtime pay.....	1,406,746	1,358,141	1,245,234
Total (see schedule B-3).....	26.3 58,579	18.9 44,812	11 29,612
Total (see schedule B-3).....	64.9	55.3	35
Total (see schedule B-3).....	188,478	182,689	132,260
Total (see schedule B-3).....	862,974	93,400	
Total (see schedule B-3).....	2,021.5	1,565.7	1,390
Total (see schedule B-3).....	5,167,463	4,018,228	3,501,085
OTHER EXPENSES			
Travel expenses.....	132,765	144,254	130,000
Freight and express.....	6,577	16,000	6,000
Communication:			
Penalty mail.....	139,444	113,175	100,000
Other.....	58,666	52,347	50,000
Rents and utility services.....	750,277	740,750	710,027
Repairs and alterations.....	52,353	36,000	41,000
Supplies and materials.....	48,891	45,000	43,000
Printing and binding.....	76,136	68,400	65,000
Transportation within official station.....	25,861	19,000	18,000
Newspapers and periodicals.....	14	500	500
Miscellaneous expenses.....	44,457	31,643	27,738
Payments for services received:			
U. S. Treasury:			
For handling retirement of existing securities.....	31,608	26,309	28,000
For handling of checks and bond coupons.....	15,960	8,661	6,919
Public Buildings Administration:			
For maintenance and operation of Federal Home Loan Bank Administration Building.....	196,574	218,300	234,000
Fiscal agents (Federal Reserve Banks):			
Authorized depository.....	43,024	36,000	28,500
Office of the Administrator, National Housing Agency, for administrative and supervisory services.....	93,390	86,053	46,962
Administrative Department, Federal Home Loan Bank Administration:			
For services of administrative staff.....	162,602	169,184	142,658
General Accounting Office: For audit of accounts.....			50,000
Total.....	1,891,199	1,811,606	1,728,334
Less reimbursements received: Various Government agencies for services rendered.....	7,058,662	5,829,834	5,229,419
Total administrative expenses.....	114,106	75,834	50,419
Total administrative expenses.....	6,944,556	5,754,000	5,178,000

By grades	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Clerical, administrative, and fiscal service—Continued			
Grade 15. Range \$6,230 to \$7,070:			
Assistant to the general manager.....	1.1 86,917	1 87,070	1 87,070
Treasurer.....	0.1 280	1 7,070	1 7,070
Deputy comptroller.....	0.2 933	1 6,368	1 6,230
Assistant auditor.....		1 6,230	1 6,230
Member, home office property committee.....	1.2 7,573		
Appraisal assistant to the general manager and member home office property committee.....	0.2 1,260		
Principal administrative analyst.....	0.1 533		
Assistant comptroller.....	0.1 262		
Assistant auditor.....	1 6,075		
Grade 14. Range \$5,180 to \$6,020:			
Principal administrative assistant.....	0.6 2,875	0.5 2,590	1 6,020
Assistant treasurer.....	0.1 225	1 6,020	1 6,020
Chief, home office audit division.....	1 4,650	1 5,390	1 5,390
Financial analyst.....	1 4,600	1 5,130	1 5,130
Chief accountant.....		1.8 10,164	2 11,200
Chief, field audit division.....	0.6 2,773		
Supervising auditor.....	0.8 4,067		
Assistant to deputy general manager.....	0.1 575		
Chief accountant.....	0.1 225		
Principal administrative officer.....	0.9 4,275		
Senior appraisal supervisor.....	0.1 791		
Assistant to deputy general manager in charge property management.....	0.1 383		
Grade 11. Range \$4,300 to \$5,180:			
Supervising auditor.....	7.4 32,791	6.5 32,856	6 30,420
Assistant auditor.....	0.4 1,667	1.2 5,000	1 4,740
Administrative assistant.....	1 4,642	1 4,520	1 4,520
Classification review examiner.....	1.2 4,568	1 4,410	1 4,520
Field audit supervisor.....	1.1 3,897	1 4,600	1 4,520
Principal accountant.....	0.9 3,968	1.2 5,204	1 4,500
Supervisor, purchase and supply.....		1 4,300	1 4,300
Chief, preaudit division.....	0.2 792	1 4,300	1 4,300
Special agent.....	0.1 180	0.5 2,480	
Supervisor, administrative section.....	1 3,909	0.3 1,556	
Accountant.....	0.1 476		
Principal examiner.....	0.1 511		
Assistant supervisor, sales and management section.....	0.1 475		
Administrative analyst.....	0.4 1,575		
Principal accountant and auditor.....	0.9 3,225		
Grade 10. Range \$3,970 to \$4,630:			
Administrative assistant.....	0.1 153	1 4,300	1 4,300
Senior accountant.....	1.6 5,640	1 4,300	1 4,300
Administrative officer.....	0.2 750	1 4,135	1 4,190
Assistant field audit supervisor.....	0.1 3,354	1 4,047	1 4,080
Accountant and auditor.....		0.8 3,176	1 3,970
Accountant.....	0.1 317		
Senior administrative audit assistant.....	0.7 2,642		
Assistant regional personnel supervisor.....	0.2 618		
Assistant supervising auditor.....	0.8 2,904		
Grade 9. Range \$3,640 to \$4,300:			
Field auditor.....	2.9 9,180	1.1 4,092	2 7,390
Administrative assistant.....	1.1 3,330	1 3,673	1 3,750
Accountant.....	1.9 5,467	1 3,640	1 3,640
Associate financial analyst.....	0.9 2,800	1 3,640	1 3,640
Classification examiner.....			1 3,640
Accountant and auditor.....	8.5 28,135	10.7 41,071	10 38,710
Claims investigator.....	0.1 158	0.1 430	
Supervisor, expense account audit section.....	0.8 2,562		
Supervisor, procedure and forms unit.....	0.9 2,800		
Supervisor, general ledger audit.....	0.8 2,562		
Grade 8. Range \$3,310 to \$3,970:			
Principal accountant.....	3.7 11,104	5.1 17,343	4 13,800
Grade 7. Range \$2,980 to \$3,640:			
Supervisor.....	25.6 71,884	19.9 65,572	15 50,090
Grade 6. Range \$2,650 to \$3,310:			
Supervisor.....	25.7 64,013	18.4 56,117	19 56,070
Grade 5. Range \$2,320 to \$2,980:			
Supervisor.....	33.5	101,891	33 91,550
Grade 4. Range \$2,100 to \$2,496:			
Supervisor.....	63.5	141,513	118,346
Grade 3. Range \$1,902 to \$2,298:			
Supervisor.....	53.4	104,805	43.1 86,899
Grade 2. Range \$1,704 to \$2,100:			
Supervisor.....	40.5 60,868	19.8 35,837	15 27,408
Grade 1. Range \$1,506 to \$1,902:			
Supervisor.....	3.1 4,212	2 3,012	2 3,012
Professional service:			
Grade 8. Range \$3,750 to \$9,800:			
Associate general counsel.....	0.1 310	1 8,750	1 8,750
Grade 7. Range \$7,175 to \$8,225:			
Assistant general counsel.....	0.1 286	1 7,963	1 7,963
Assistant to the general counsel.....		1 8,225	1 8,225
Reconditioning assistant to the general counsel.....	0.1 320		
Grade 6. Range \$6,230 to \$7,070:			
Principal auditor.....	0.1 719	1.5 9,618	1 6,230
Assistant director of reconditioning section.....	0.1 607		
Grade 5. Range \$5,180 to \$6,020:			
Senior attorney.....	0.3 1,281	6.2 35,791	4 23,240
Principal attorney.....		0.5 3,010	
Grade 4. Range \$4,300 to \$5,180:			
Attorney.....	0.1 377	2 10,250	1 4,960
Statistical.....	0.3 1,045		
Senior technical assistant.....	0.5 1,818		
Grade 3. Range \$3,640 to \$4,300:			
Associate attorney.....	0.2 633	4.8 20,464	1 4,300
Subprofessional service:			
Grade 6. Range \$2,320 to \$2,980:			
Supervisor.....	0.7 1,480	2.1 5,202	2 4,970
Grade 6. Range \$2,100 to \$2,496:			
Supervisor.....	0.7 1,480	1 2,166	1 2,166
Grade 4. Range \$1,902 to \$2,298:			
Supervisor.....	0.2 614	1 2,232	1 2,232

SCHEDULE B-3

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By grades	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL			
	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service:			
Grade 16. In excess of \$9,800:			
General manager.....	0.1 \$94	1 \$10,000	1 \$10,000
Grade 15. Range \$8,750 to \$9,800:			
Deputy general manager.....	0.1 719	2 18,812	2 18,812
Grade 14. Range \$7,175 to \$8,225:			
Comptroller.....	0.1 329	1 8,225	1 8,225
Auditor.....	0.1 583	1 7,700	1 7,700
Chief, home office property committee.....	0.2 1,198		

FEDERAL HOME LOAN BANK ADMINISTRATION

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By grades	1945, actual	1946, estimated	1947, estimated	By grades	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.				PERSONAL SERVICES, FIELD—Continued			
Crafts, protective, and custodial service—Continued	Man-years Amount	Man-years Amount	Man-years Amount	Clerical, administrative, and fiscal service—Continued	Man-years Amount	Man-years Amount	Man-years Amount
Grade 6. Range \$2,166 to \$2,562	2 83,736	2 81,332	2 84,332	Grade 11. Range \$4,300 to 5,180—Con.			
Grade 8. Range \$3,572 to \$3,022	0.1 2,261	5 9,180	5 9,180	Assistant regional treasurer and cashier		1 4,300	1 4,300
Grade 2. Range \$1,440 to \$1,770	3.3 4,295	3 4,782	3 4,782	Supervisor, accounting section	0.8 2,850	1 4,300	1 4,300
Executive order grades:				Regional personnel supervisor	0.8 2,789	0.2 346	
Grade 19. Rate over \$8,000:				Regional cashier and assistant regional treasurer	0.8 2,850		
General manager	1 8,864			Property management zone supervisor	3.2 12,486		
Deputy general manager in charge property management	0.2 1,771			Insurance supervisor	0.3 1,533		
Deputy general manager in charge loan services	0.2 1,823			Supervisor, sales section	0.1 251		
Deputy general manager	1.5 12,337			Supervisor, management section	0.6 2,498		
Grade 18. Rate of \$8,000:				Appraisal supervisor	0.3 1,458		
Comptroller	1 7,667			Deputy assistant regional manager in charge loan service	0.4 1,425		
Financial adviser	0.1 356			Deputy assistant regional manager	0.7 3,086		
Reconditioning assistant to the general manager	0.8 5,802			Appraisal assistant	0.1 350		
Director of reconditioning section	0.2 1,563			Assistant manager, loans and properties	1 3,850		
Auditor	0.9 2,308			Assistant regional appraiser	0.7 2,834		
Associate general counsel	1 6,948			Regional treasurer	0.4 1,736		
Grade 17. Rate of \$6,800:				Manager, loans and properties	5.2 2,061		
Treasurer	1 6,617			Administrative assistant and assistant regional treasurer	0.5 2,192		
Deputy financial adviser	0.1 451			Grade 10. Range \$3,970 to \$4,630:			
Assistant to general manager	0.1 690			Supervisor, control and field sections		1 3,970	1 3,970
Assistant comptroller	0.9 4,948			Assistant real estate supervisor	0.8 3,167	1 4,190	1 4,190
Assistant general counsel	1 6,517			Analyst	2 8,620	1 4,620	1 4,620
Grade 16. Rate of \$6,000:				Loan service analyst		1.6 6,924	1 4,410
Administrative assistant	0.1 450			Loans and properties analyst		2 8,270	2 8,270
Manager, insurance section	0.5 3,000			Accountant	6.2 22,458	3 12,790	3 12,790
Head attorney	3.6 20,290			Supervisor, treasury section		1 4,630	1 4,630
Assistant accountant	1 4,725			Accountant and assistant regional treasurer		3.3 13,794	3 12,570
Assistant treasurer	1 5,175			Regional cashier and regional treasurer	1.1 4,146		
Grade 15. Rate of \$5,200:				Supervisor, control section	0.7 2,333		
Chief accountant	0.1 433			Regional cashier and assistant regional treasurer	0.1 146		
Principal attorney	4.8 23,941			Supervisor, analysis section	0.2 749		
Grade 14. Rate of \$4,500:				Assistant property management zone supervisor	1.5 5,581		
Special agent	0.9 3,404			Assistant regional accountant	0.2 2,043		
Special attorney	1 4,212			Real estate supervisor	0.8 3,083		
Senior attorney	2.2 9,508			Property management supervisor	0.2 754		
Grade 13. Rate of \$4,000:				Analyst, loans and properties	6.9 24,641		
Special agent	0.2 667			Administrative assistant	1 3,994		
Attorney	4.9 18,589			Accountant and assistant regional treasurer	0.4 1,350		
Head claims investigator	0.1* 3,483			Supervisor, maintenance operating division	0.2 596		
Grade 12. Rate of \$3,600:				Assistant regional accountant and supervisor, control and reports section	0.1 390		
Placement officer	0.7 2,400			Grade 9. Range \$3,640 to \$4,300:			
Superintendent, Federal Home Loan Bank Board Building	1 3,450			Assistant supervisor, control and field sections		1 3,640	1 3,640
Principal claims investigator	0.1 142			Loan service analyst	9.1 31,374	6.5 26,025	6 23,930
Grade 11. Rate of \$3,200:	1.3 3,808		260.3	Supervisor, tax section	6.2 21,170	4 16,100	4 16,100
Grade 10. Rate of \$2,900:	1.8 4,833		783.502	Tax supervisor		1.3 4,831	1 3,640
Grade 9. Rate of \$2,600:	3.5 8,276			Sales supervisor	0.9 2,609	0.4 1,544	
Grade 8. Rate of \$2,300:	3.5 7,153			Zone management supervisor	1.9 6,256	0.6 2,316	
Grade 7. Rate of \$2,000:	21.1 40,131			General field representative		1 3,970	1 3,970
Grade 6. Rate of \$1,800:	17.2 29,904			General field representative and administrative assistant	0.8 2,667	0.3 1,092	
Grade 5. Rate of \$1,620:	11.2 17,692			General field supervisor in charge	0.4 1,988		
Grade 4. Rate of \$1,440:	2.5 3,545			Control and tax supervisor	0.2 800	1 3,750	1 3,750
Grade 3. Rate of \$1,200:	0.2 364			Assistant cashier		1 3,640	1 3,640
Total permanent, departmental	392.1	304.6	260.3	Supervisor, control and reports section	0.6 1,875	1 3,640	1 3,640
Overtime pay, departmental	980,721	907,765	783,502	Supervisor, tabulating service section	1.1 3,294	1 3,640	1 3,640
All personal services, departmental	185,065	20,220		Cashier	0.1 353	1 4,300	1 4,300
	392.1	304.6	260.3	Cashier and assistant regional treasurer	2.1 6,677	1 4,300	1 4,300
	1,165,786	927,595	783,502	Accountant	3.8 13,004	3.3 12,551	3 11,360
				Regional cashier and assistant regional treasurer	0.4 1,280	0.6 2,184	1 3,640
				Deputy supervisor, maintenance operating division	0.1 150		
				Zone sales supervisor	1.9 6,308		
				Supervisor, property and miscellaneous section	0.4 1,298		
				Field supervisor	0.7 2,308		
				Special representative	0.6 2,227		
				Examiner	0.8 2,465		
				Property appraiser and property management representative	0.8 2,611		
				Property appraiser	8 27,793		
				Senior examiner	0.4 1,467		
				Senior appraisal assistant	0.6 1,940		
				Assistant regional cashier	0.2 1,600		
				Supervisor, control section	0.2 745		
				Analyst	1 3,524		
				Assistant regional treasurer and cashier	1.7 5,830		
				Regional cashier and regional treasurer	0.9 2,767		
				General field supervisor	1 4,344		
				Appraisal assistant	0.1 308		
				Assistant regional cashier and regional treasurer	0.1 417		
				Supervisor, insurance section	1 3,300		
				Senior service representative and administrative assistant	0.2 633		

UNITED STATES HOUSING CORPORATION

The United States Housing Corporation was organized under the laws of the State of New York in 1918 as a result of an Act of Congress approved May 16, 1918 (40 Stat. 550), as amended and supplemented by the Act of June 4, 1918 (40 Stat. 594), in order to provide housing and community utilities for war workers of World War I.

Liquidation of the Corporation was provided for by the Act of July 19, 1919 (41 Stat. 163), and later enactments. Powers and duties vested in the President by the above-cited acts of 1918 were assigned first to the Secretary of Labor and subsequently transferred successively to the Secretary of the Treasury and the Federal Works Administrator. Executive Order 9070 transferred these powers and duties to the Federal Home Loan Bank Administration.

When the Federal Home Loan Bank Administration undertook, in 1942, to wind up the affairs of the Corporation, one of the major tasks which remained was the disposition of the litigation and other legal complications which existed with respect to the Corporation's property interests. The bulk of the properties were located in Philadelphia, Pennsylvania, and New Brunswick, New Jersey, and had been the subject of legal controversy between the Corporation, local taxing authorities, and

contract vendees of the various properties for approximately twenty years. Through the efforts of the Federal Home Loan Bank Administration and the Department of Justice, which handled the litigation, these legal matters, representing controversies which had existed for many years, were brought to a conclusion, and the disposition of all properties was completed in May 1945.

The residual funds of the Corporation have been covered into the Treasury as miscellaneous receipts. The Federal Home Loan Bank Administration will take the necessary steps to effect the formal dissolution of the Corporation.

EXPENSES OF LIQUIDATION, UNITED STATES HOUSING CORPORATION

By objects	Obligations		
	1945, actual	1946, estimated	1947, estimated
Grand total obligations.....	\$48,369	.....	.....
Prior year balance available in 1945.....	-138,396	.....	.....
Unobligated balance of authorization.....	90,027	.....	.....
Total estimate or appropriation.....	.....	.....	.....

FEDERAL HOUSING ADMINISTRATION

INTRODUCTORY STATEMENT

The Federal Housing Administration was established June 27, 1934 under provisions of the National Housing Act (12 U. S. C. 1701), to encourage improvement in housing standards and conditions and to promote a stable mortgage market through a system of mutual mortgage insurance for private mortgage loan institutions. Under this Act, title I provides principally for insurance of loans for repair and modernization of existing residential properties. These as a general rule are short term unsecured character loans. Title II provides insurance for long term mortgage loans on residential construction. The legal authorization for insurance of mortgages on existing structures expires June 30, 1946, and from that date all insurance under title II will apply to new construction. On March 28, 1941, title VI was added to provide authority for insuring mortgages on privately financed war housing. As of June 30, 1945, the Administration had insured loans and mortgages under all three titles in a face amount of 8,597 million dollars, of which 4,569 million dollars were still outstanding.

Provision has been made in 1947 for the insurance of 850,000 loans for renovation and repair of existing structures under title I, an increase of 375,000 over the estimate for fiscal year 1946. The volume of activity estimated for 1947 under this title is higher than the prewar level, the accumulated need for long-delayed repairs and improvements being greater than at any previous time. Defaulted title I notes have been paid off in recent years at a favorable rate and the volume of new defaults is not large; however, the number and value of defaulted notes held for collection are expected to increase slightly based upon the increased volume. Premium receipts and cash recoveries under this title are expected again to exceed the amount of claims paid plus administrative expenses. A request for authorization of 3 million dollars for payment of losses has been included in the budget, such payments to be made from the title I revolving fund, the net worth of which, as of June 30, 1945, amounted to nearly 8.2 million dollars.

Fiscal year 1947 estimates assume (1) FHA insured loans will cover 210,000 privately financed urban dwelling units started in that year and (2) foreclosure of 20,000 mortgages due to defaults of title VI war housing. This level of activity will require sales and management operations on the foreclosed property and processing of 314,500 applications for title II insurance in addition to the maintenance workload for all outstanding accounts—including premium collections and accounting as well as audits of large rental projects. The basis for these estimated levels of activity is the general assumption that without the enactment of legislation now pending, fiscal year 1947 will see 600,000 privately financed non-farm dwelling units started and that 35 percent of these (the average for immediate prewar years) will be financed with mortgages insured by FHA. These figures compare with assumptions of 175,000 private housing starts, 60 percent insured by Federal Housing Administration, involving 125,000 applications, upon which the authorization of

funds for fiscal year 1946 was predicated, or a workload increase for 1947 exceeding 150 percent.

On March 31, 1945, the Congress increased the title VI authorization by 100 million dollars to its present total of 1.8 billion dollars, and extended authorization to insure under this title to June 30, 1946. The authorized amount was nearly all used or committed at the time of the Japanese surrender and acceptance of new applications was discontinued as of September 10, 1945. Legislation is now pending to extend title VI and to authorize an additional \$2,000,000,000 of insurance.

Because of the greatly increased workload for fiscal year 1947, based on the expected Nation-wide expansion of the private building industry, the budget estimate for administrative expenses of the Federal Housing Administration for fiscal year 1947 provides for a total of \$17,624,000, an increase of approximately 50 percent over fiscal year 1946, financed out of receipts of the various insurance funds.

This estimate has been prepared on the basis of existing authorized functions and activities and gives no effect to pending legislation, enactment of which would materially affect the estimate, both as to title VI resumption, and as to increased total new residential construction volume, which would affect title II and the reimbursable activity for processing of priorities for veterans seeking to build homes.

LANGUAGE

FEDERAL HOUSING ADMINISTRATION

Salaries and Expenses, National Housing Agency, Federal Housing Administration—

Salaries and expenses: In addition to the amounts available by or pursuant to law (which shall be transferred to this authorization) for the administrative expenses of the Federal Housing Administration in carrying out duties imposed by or pursuant to law, not to exceed **[\$10,250,000]** *\$17,624,000* of the various funds of the Federal Housing Administration as follows, (1) the mutual mortgage insurance fund, (2) the housing insurance fund, (3) the account in the Treasury comprised of funds derived from premiums collected under authority of section 2 (f), title I of the National Housing Act, as amended (12 U. S. C. 1701), and (4) the war housing insurance fund shall be available for expenditure, in accordance with the provisions of said Act for the administrative expenses of the Federal Housing Administration, including: Personal services in the District of Columbia; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833), but there may be allowed, in addition to mileage at a rate not to exceed 4 cents per mile for travel by motor vehicle, reimbursement for the actual cost of ferry fares and bridge, road, and tunnel tolls, and employees engaged in the inspection of property, servicing of loans, or the liquidation of delinquent accounts, may be paid an allowance not to exceed 4 cents per mile for all travel performed in privately owned automobiles within the limits of their official posts of duty when such travel is performed in connection with such inspection, servicing, or liquidation; printing and binding; lawbooks, books of reference, and not to exceed \$1,500 for periodicals and newspapers; not to exceed \$1,500 for contract actuarial services; maintenance, repair, and operation of two **[motor-propelled]** passenger-**[carrying vehicles]** *automobiles*; and rent in the District of Columbia: *Provided*, That all necessary expenses of the Administration (including services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, protection, completion, operation, maintenance, improvement, or disposition of real or personal property of the Administration acquired under authority of titles I, II, and VI of said National Housing Act, shall be considered as

nonadministrative expenses for the purposes hereof: *Provided further*, That, except as herein otherwise provided, the administrative expenses and other obligations, including nonadministrative expenses, of the Administration shall be incurred, allowed, and paid in accordance with the provisions of said Act of June 27, 1934, as amended (12 U. S. C. 1701).

Salaries and expenses: In addition to the funds made available to the Federal Housing Administration by the Independent Offices Appropriation Act, 1946, for "Salaries and expenses", there is hereby made available to said Administration not to exceed \$1,000,000 from the sources specified under said head. **I** (*Act of May 3, 1945, Public Law 49; Act of Dec. 28, 1945, Public Law 269.*)

By objects	1945, actual		1946, estimated		1947, estimated	
	Man- years	Total salary	Man- years	Total salary	Man- years	Total salary
PERSONAL SERVICES, DEPARTMENTAL						
Clerical, administrative, and fiscal services—Continued						
Grade 16. In excess of \$9,800: Federal housing commissioner.....	1.3	\$15,600	1	\$12,000	1	\$12,000
Deputy commissioner and first assistant commissioner.....	1	10,000	1	10,000	1	10,000
Comptroller.....	1	9,000	1	9,800	1	9,800
Grade 15. Range \$8,750 to \$9,800: Assistant to commissioner.....	1	9,000	1	9,800	1	9,800
Zone commissioner.....	3.9	33,112	4	37,100	4	37,100
Assistant deputy commissioner.....	1	8,000	1	8,750	1	9,013
Assistant commissioner, title I.....	1	9,000	1	9,800	1	8,750
Assistant to commissioner, rental housing.....	1	9,000	1	9,800	1	9,800
Assistant commissioner, underwriting.....	1	9,000	1	9,800	1	9,800
Assistant to assistant commissioner, underwriting.....	1	8,000	1	8,750	1	8,750
Assistant commissioner, administrative services.....	1	8,000	1	8,750	1	9,276
Grade 14. Range \$7,175 to \$8,225: Assistant to assistant commissioner.....	1	7,250	1	7,700	1	8,225
Budget officer.....	1	6,500	1	7,175	1	7,175
Assistant to comptroller.....	1	6,500	1	7,175	1	7,175
Director, finance and industry.....	0.2	1,300	1	7,175	1	7,175
Assistant to assistant commissioner, title I.....	1	6,750	1	7,438	1	7,700
Property manager.....	1.6	10,697	1	7,438	1	7,438
Urban planning adviser.....	0.8	5,425	1	8,225	1	8,225
Assistant zone commissioner, rental.....	1	6,500	1	8,225	4	29,226
Assistant to deputy commissioner.....	0.2	1,358	1	7,175	1	7,175
Rental property manager.....	1	6,750	1	7,438	1	7,700
Director of personnel.....	1	6,750	1	7,438	1	7,700
Grade 13. Range \$6,750 to \$7,070: Underwriting supervisor.....	14.5	86,455	17	116,620	17	111,160
Investigator.....	0.5	2,886	2	13,300	2	13,510
Property manager.....	1	6,200	1	6,750	1	6,750
Director of personnel.....	1	5,800	1	6,250	1	6,250
Office manager.....	0.5	3,000	1	6,250	1	6,440
Accountant.....	0.7	3,979	1	6,440	1	6,440
Assistant director, finance and industry.....	1	6,000	1	6,650	1	6,650
Assistant to assistant commissioner, title I.....	2.3	13,152	3	18,690	3	18,690
Urban planning adviser.....	1.7	9,660	1	6,230	1	6,650
Assistant zone commissioner.....	1	6,000	1	6,440	1	6,440
Organizational and procedural analyst.....	2.8	13,250	2	12,850	2	12,850
Assistant to deputy commissioner.....	0.8	3,680	20	109,900	24	127,650
Land use planner.....	12	56,760	1	5,390	1	5,180
Grade 12. Range \$5,180 to \$6,020: Director of finance and industry.....	0.9	4,434	1	5,390	1	5,180
Underwriting supervisor.....	12	56,760	20	109,900	24	127,650
Construction supervisor.....	0.9	4,434	1	5,390	1	5,180
Investigator.....	0.9	4,434	1	5,390	1	5,180
Organizational and procedural analyst.....	0.4	1,840	1	5,180	1	5,180
Executive secretary.....	1	5,400	1	6,020	1	6,020
Chief budget analyst.....	1	4,900	1	5,600	1	5,600
Administrative analyst.....	0.1	540	1	5,180	1	5,180
Cost accountant.....	0.1	540	2	10,360	3	16,170
Accountant.....	2.8	13,250	1	5,180	1	5,180
Audit supervisor.....	0.1	540	1	6,020	1	6,020
Chief of title I, liquidation section.....	1	5,400	1	5,600	1	5,600
Chief of title I, operations section.....	4.8	22,263	4	21,140	4	21,140
Assistant to zone commissioner.....	0.2	944	1	5,390	1	5,390
Field examiner.....	3	14,250	3.5	18,093	3.7	17,100
Property manager.....	3	14,250	1	5,180	1	5,180
Reconditioning inspector.....	0.5	2,590	1	5,180	1	5,180
Mortgage service representative.....	1	5,180	1	5,180	1	5,180
Chief of industry section.....	1	5,180	1	5,180	1	5,180
Assistant to assistant deputy commissioner.....	1	5,180	1	5,180	1	5,180
Chief, copy section.....	1	5,180	1	5,180	1	5,180
Chief, radio and motion-picture section.....	1	5,180	1	5,180	1	5,180
Chief, newspaper advertising section.....	1	5,180	1	5,180	1	5,180
Chief, exhibits section.....	1	5,180	1	5,180	1	5,180
Grade 11. Range \$4,300 to \$5,180: Underwriting supervisor.....	1.2	5,280	2	10,140	2	10,140
Investigator.....	0.1	460	1	4,300	2	8,600
Procedural analyst.....	1	3,800	1	4,300	1	4,520
Purchasing officer.....	2.5	9,537	1	4,300	1	4,520
Placement officer.....	0.1	380	1	4,300	1	4,520
Cost accountant.....	0.9	3,529	1	4,300	1	4,300
Assistant office manager.....	0.2	800	1	4,300	1	4,300
Purchasing property officer.....	0.2	760	1	4,300	1	4,300
Assistant to chief, title I liquidation section.....	1	3,800	1	4,300	1	4,300
PERSONAL SERVICES, DEPARTMENTAL—Con.						
Clerical, administrative, and fiscal services—Continued						
Grade 11. Range \$4,300 to \$5,180—Con.						
Chief of tabulating section.....	1	\$3,900	1	\$3,900	1	\$4,740
Accountant.....	2.4	9,219	3	\$13,120	3	15,040
Audit supervisor.....	1.9	7,343	4	17,420	1	4,520
Title I representative.....	1	3,800	1	4,300	1	4,520
Copywriter.....	1	4,300	1	4,300	1	4,300
Assistant to chief, exhibits section.....	3.8	15,195	6	25,800	6	27,780
Title I financial representative.....	0.6	2,387	1	4,300	1	4,300
Assistant to commissioner.....	1	4,200	2	9,040	1	4,960
Field examiner.....	1	4,000	1	4,520	1	4,740
Property manager.....	1.9	7,712	5.5	24,255	1	4,300
Mortgage service representative.....	1	3,800	1	4,520	2	8,820
Property management representative.....	1.6	6,389	1	4,520	1	4,300
Rental project supervisor, corporate relations.....	0.4	1,608	1	4,520	4	18,300
Rental project supervisor.....	1.2	5,000	1	4,520	1	4,520
Reconditioning inspector.....	1.5	5,813	2.5	11,025	2	4,700
Construction supervisor.....	0.4	1,708	1	4,300	2	8,820
Personnel officer.....	3	12,900	1	4,520	1	4,520
Chief, classification section.....	1	4,300	1	4,300	1	4,300
Budget analyst.....	1	4,300	1	4,300	1	4,300
Special accounts assistant.....	1	4,300	1	4,300	2	8,600
Field relations representative.....	1	4,300	1	4,300	2	8,600
Assistant chief, newspaper advertising section.....	1	4,300	1	4,300	1	4,300
Grade 10. Range \$3,970 to \$4,630: Valuator.....	0.1	373	1	3,750	1	3,750
Personnel officer.....	0.8	2,800	1	3,750	1	3,970
Accountant.....	0.8	2,936	1	3,750	1	3,970
Audit supervisor.....	1	3,750	1	3,750	2	8,600
Field examiner.....	4	14,320	7	28,670	7	28,670
Executive secretary to deputy commissioner.....	1	4,080	1	4,080	1	4,080
Mortgage service representative.....	4	15,850	1	4,080	1	4,080
Grade 9. Range \$3,640 to \$4,300: Assistant to director, research and statistics.....	1	3,400	1	3,640	1	3,640
Assistant to chief of operations section.....	1	3,300	1	3,640	1	3,640
Underwriting examiner.....	1	3,500	1	4,080	3	11,910
Valuator.....	1	3,500	1	3,970	1	4,080
Cost estimator.....	0.8	2,560	1	3,750	1	3,860
Assistant to commissioner.....	1	3,250	1	3,750	1	3,860
Investigator.....	1.6	5,201	4	14,780	3	11,030
Personnel officer.....	1.4	4,780	3	10,920	4	14,780
Position classifier.....	0.1	320	1	3,200	3	11,030
Assistant placement officer.....	1	3,200	1	3,640	1	3,640
Chief of duplicating section.....	1	3,400	1	4,080	1	4,190
Purchasing property officer.....	0.6	2,000	1	3,640	1	3,640
Printing and binding officer.....	0.7	2,391	1	3,640	1	3,640
Supervisor, machine operator tabulating.....	0.8	2,830	1	3,750	1	3,750
Mortgage service representative.....	1	3,640	1	3,640	1	3,640
Procurement officer.....	1	3,640	1	3,640	1	3,640
Copywriter.....	7.7	25,408	10	37,940	11	40,920
Accountant.....	1.2	4,105	4	14,560	2	7,610
Audit supervisor.....	1	3,200	1	3,640	1	3,750
Chief of current collection unit.....	0.1	553	1	3,640	1	3,640
Chief of field supervision unit.....	1	3,200	1	3,640	1	3,750
Chief of correspondence unit.....	1	3,200	1	3,640	1	3,750
Examiner, credit.....	1	3,200	1	3,640	1	3,750
Mortgage examiner.....	0.2	649	1	3,640	1	3,640
Property manager.....	1.1	3,719	4	14,670	1	3,750
Construction examiner.....	0.3	1,001	1	3,640	1	3,640
Actuary assistant.....	1	3,640	1	3,640	1	3,640
Chief of credit unit.....	1	3,640	1	3,640	1	3,640
Engineer, structural.....	1	3,750	1	3,750	1	3,640
Accountant, budget.....	1	3,640	1	3,640	1	3,640
Chief of secured accounts unit.....	1	3,640	1	3,640	1	3,640
Employee relations officer.....	1	3,640	1	3,640	1	3,640
Title I representative.....	12	40,380	12	40,380	12	40,380
Grade 8. Range \$3,310 to \$3,970.....	40	120,925	47.5	145,784	51.3	158,500
Grade 7. Range \$2,980 to \$3,640.....	45	120,925	39	146,178	63	158,500
Grade 6. Range \$2,650 to \$3,310.....	102.6	211,604	114	207,492	155	174,100
Grade 5. Range \$2,320 to \$2,980.....	225.5	413,098	260	579,485	359	694,636
Grade 4. Range \$2,100 to \$2,496.....	235.5	385,964	276.5	557,993	359	699,318
Grade 3. Range \$1,902 to \$2,298.....	205.9	300,112	276.5	480,226	257.3	445,805
Grade 2. Range \$1,704 to \$2,100.....	5.6	7,246	7	10,676	5	7,228
Grade 1. Range \$1,506 to \$1,902.....	1	9,000	1	9,800	1	9,800
Professional services—Continued						
Grade 9. In excess of \$9,800: General counsel.....	1	9,000	1	9,800	1	9,800
Grade 8. Range \$8,750 to \$9,800: Attorney.....	1	8,000	1	9,013	1	9,013
Grade 7. Range \$7,175 to \$8,225: Technical director.....	0.4	3,000	1	8,225	1	8,225
Land planning director.....	0.2	1,500	1	8,225	1	8,225
Attorney.....	1	6,750	1	7,438	1	7,438
Director, research and statistics.....	1	6,750	1	7,438	1	7,700
Assistant general counsel.....	1	6,750	1	7,438	1	7,438
Grade 6. Range \$6,230 to \$7,070: Architect.....	2	11,450	2	12,880	2	13,000
Engineer.....	1	5,800	1	6,440	1	6,660
Engineer, land planning.....	0.9	4,900	1	6,440	1	6,250
Engineer, mechanical.....	1	5,800	2	12,460	1	6,440
Attorney.....	2	12,000	2	13,300	3	19,950
Economist, housing.....	2	11,900	2	13,090	2	13,510
Grade 5. Range \$5,180 to \$6,020: Architect.....	3	15,200	5	26,950	3	17,010
Engineer, architectural.....	3.2	16,265	3</			

FEDERAL HOUSING ADMINISTRATION

By objects	1945,	1946,	1947,	By objects	1945,	1946,	1947,
	actual	estimated	estimated		actual	estimated	estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.				PERSONAL SERVICES, FIELD—CONTINUED			
Professional service—Continued				Clerical, administrative, and fiscal service—Continued			
Grade 5. Range \$5,180 to \$6,620—Con.				Grade 10. Range \$3,970 to \$4,630:			
Engineer, cost	5 \$24,660	1 \$5,810	1 \$5,810	State director	0.4 \$1,560	1 \$4,190	
Engineer, structural	1 4,600		1 5,390	Valuator	36.5	123.7	79.3
Engineer, land planning	2.2 10,679	4 20,720	3 15,750			491,639	\$325,821
Engineer, mechanical	0.4 1,920	1 5,180	5 25,000	Mortgage risk examiner	3.7 13,918		
Engineer, valuating	1 5,490	6 6,020	1 6,020	Mortgage credit examiner	4	34	31.7
Attorney	2.8 12,550	3 15,750	3 16,500	Cost estimator	15 5,834	1 136,520	4 127,169
Economist, housing	1.8 8,640	2 10,360	3 15,750	Construction cost examiner	6.3 24,009	1 3,970	4 16,100
Engineer, construction		5 27,160	4 22,820	Construction examiner	9 38,498		32 130,120
Underwriting supervisor		1 5,600			29.9	104.6	105
Chief, arts section			1 5,180	Underwriter	109 40,403	415,812	424,000
Grade 4. Range \$4,300 to \$5,180:				Property manager	2 9 11,100	6 25,900	16 34,540
Architect	0.1 380			Property management representative	0.7 2,616		21 85,530
Engineer, architectural	2.8 11,290	3 13,340	1 4,740	Assistant to district director	0.1 410		
Engineer, structural	1 4,000	1 4,720	1 4,740	Assistant to State director	0.9 3,374	1 4,630	1 4,080
Engineer, land planning	3.7 14,890	3 13,340	3 13,560	Office manager		1 4,080	
Engineer, mechanical	0.7 3,022	1 4,520		Grade 9. Range \$3,640 to \$4,300:			
Attorney	4.9 19,842	5 22,160	6 27,120	Underwriter	2.2 7,847	5 19,190	7 2,780
Statistical service	1 3,800	2 3,300	2 8,820	Cost examiner	17.1 58,638	14 55,140	14 54,040
Engineer, construction	1 4,000	1 4,520	1 4,740	Mortgage risk examiner	20.3 70,803		7 25,810
Engineer, sanitary		1 4,740		Construction inspector	6.2 21,115		2 5,654
Illustrator			1 4,300	Valuator	141.9	252.8	699
Grade 3. Range \$3,640 to \$4,300:				Property manager	7.7	476,564	26 920,192
Architect	0.1 320	1 3,770	1 3,860	Mortgage credit examiner	21.3 27,410		84.5
Engineer, architectural	1 3,300	1 3,770	1 3,860	Property management representative	16.8 57,969		312,860
Engineer, cost	1 3,300	1 3,770	1 3,860	Mortgage service representative	0.2 646		1 3,640
Engineer, land planning	1.2 4,200	2 4,720	1 3,640	Construction cost estimator	71.4	242.8	502
Engineer, valuating	1 3,500	1 3,970	1 4,080	Construction examiner			1,845,869
Attorney	1.9 6,235	3 11,140	1 3,750	Cost estimator	17 59,710	36 138,190	12 44,230
Economist, housing	0.5 1,600	1 3,640	2 7,280	Title I representative	6.7 33,855	1 3,640	25 83,860
Illustrator	1 3,400	1 3,860	1 3,640	Assistant territorial director	1.6 5,428		3 11,640
Mathematician, financial	0.2 567		1 3,750	Reconditioning inspector	0.3 975		1 3,750
Grade 2. Range \$2,880 to \$3,640:	4 11,341	4 12,800	5 16,220	Rental project supervisor	4.4 15,288		15 57,020
Grade 1. Range \$2,320 to \$2,880:	2 9,246	2 4,640	2 4,640	Construction cost examiner	0.6 2,161		1 3,640
Subprofessional service:				Maintenance manager	2 4 1,280		1 3,650
Grade 6. Range \$2,320 to \$2,880	0.1 240	1 2,430	1 2,430	Construction supervisor	2.4 1,330	5 19,190	
Grade 5. Range \$2,100 to \$2,496	2.6 6,020	2 4,398	2 4,376	Assistant to State director	0.4 7,888	4 14,230	1 3,420
Grade 4. Range \$1,902 to \$2,298	3 5,100	4 8,204	3 5,838	Grade 8. Range \$3,310 to \$3,970:	18.4	69.6	227.9
Crafts, protective, and custodial service:				Grade 7. Range \$2,980 to \$3,640:	546,359	223,957	704,222
Grade 8. Range \$2,540 to \$3,200:	1 2,660	1 2,980	1 3,200	Grade 6. Range \$2,650 to \$3,310:	12.9 32,945	12 36,444	28 75,850
Grade 7. Range \$2,364 to \$2,870:	9 27,640	9 22,002	9 22,640	Grade 5. Range \$2,320 to \$2,980:	55.9 189,259	67 117,492	192,523
Grade 6. Range \$2,166 to \$2,562:	2 4,031	1 2,232	2 4,838	Grade 4. Range \$2,100 to \$2,496:	67.8	64	168
Grade 5. Range \$1,908 to \$2,364:	0.9 1,836	2 4,332		Grade 3. Range \$1,802 to \$2,298:	323.4	323 138,624	691 359,928
Grade 4. Range \$1,770 to \$2,166:	10.9 17,464	12 22,302	11 21,272	Grade 2. Range \$1,704 to \$2,100:	285.1	547,952	635,664
Grade 3. Range \$1,572 to \$1,902:	13.8 19,477	15 24,636	17 28,572	Grade 1. Range \$1,506 to \$1,902:	34.7 46,627	52 675,506	872,422
Grade 2. Range \$1,440 to \$1,770:	34.7 42,481	35 51,070	43 64,692	Professional service:		52 82,940	15.7 25,096
Total permanent, departmental	1,153.8	1,376.5	1,587.6	Grade 6. Range \$2,650 to \$3,310:	546,359	223,957	704,222
Temporary employment, departmental	2,672,125	3,632,168	4,199,580	Grade 5. Range \$2,320 to \$2,980:	55.9 189,259	67 117,492	192,523
Part-time employment, departmental	16.4 25,184	18.6 32,251	16.4 29,028	Grade 4. Range \$2,100 to \$2,496:	67.8	64	168
Over-time pay, departmental	4.3 6,145	2.5 4,260	4.3 7,327	Grade 3. Range \$1,802 to \$2,298:	323.4	323 138,624	691 359,928
	520,815	61,788		Grade 2. Range \$1,704 to \$2,100:	285.1	547,952	635,664
All personal services, departmental	1,174.5	1,397.6	1,608.3	Grade 1. Range \$1,506 to \$1,902:	34.7 46,627	52 675,506	872,422
	3,224,269	3,730,467	4,235,044	Professional service:		52 82,940	15.7 25,096
PERSONAL SERVICES, FIELD				PERSONAL SERVICES, FIELD—CONTINUED			
Clerical, administrative, and fiscal service:				Clerical, administrative, and fiscal service—Continued			
Grade 15. Range \$8,750 to \$9,800:				Grade 10. Range \$3,970 to \$4,630:			
State director	4 33,000	4 36,052	4 36,050	State director	0.4 \$1,560	1 \$4,190	
District director	3 39,120	3 26,250	4 35,000	Valuator	36.5	123.7	79.3
Grade 14. Range \$7,175 to \$8,225:					135,250	491,639	\$325,821
State director	3 3,226,613	3 2,837	3 23,101	Mortgage risk examiner	3.7 13,918		
District director	3 21,775	3 23,100	4 30,800	Mortgage credit examiner	4	34	31.7
Grade 13. Range \$6,230 to \$7,070:				Cost estimator	15 5,834	1 136,520	4 127,169
State director	21.1	20	21	Construction cost examiner	6.3 24,009	1 3,970	4 16,100
District director	11 125,483	8 133,420	10 140,910	Construction examiner	9 38,498		32 130,120
Assistant State director	0 6 3,516	8 54,250	14 92,100	Underwriter	109 40,403	415,812	424,000
Chief underwriter	10 59,103	9 58,800	5 31,150	Property manager	2 9 11,100	6 25,900	16 34,540
Assistant district director	0.3 1,920		10 54,950	Property management representative	0.7 2,616		21 85,530
Grade 12. Range \$5,180 to \$6,020:				Assistant to district director	0.1 410		
State director	4 2 21,252	5 28,420	7 38,150	Assistant to State director	0.9 3,374	1 4,630	1 4,080
Assistant to district director	1.6 7,850	3 15,750	14.7 76,956	Office manager		1 4,080	
Chief manager	1 4,600		1 5,180	Grade 9. Range \$3,640 to \$4,300:			
Underwriter	39 191,550	34 188,930	4 24,920	Underwriter	2.2 7,847	5 19,190	7 2,780
Mortgage risk examiner	2.6 13,192			Cost examiner	17.1 58,638	14 55,140	14 54,040
Mortgage credit examiner	7.4 33,710	4 21,140	11 58,870	Mortgage risk examiner	20.3 70,803		7 25,810
Valuator	7 435,780	7 38,360	10 54,950	Construction inspector	6.2 21,115		2 5,654
Construction examiner	3 6 4,456		10 56,420	Property manager	7.7	476,564	26 920,192
Property management supervisor	0 5 2,435	1 5,180		Mortgage credit examiner	21.3 27,410		84.5
Assistant district director	2.3 11,200		2 10,970	Property management representative	16.8 57,969		312,860
Chief underwriter	1 5,030		42 234,150	Mortgage service representative	0.2 646		1 3,640
Assistant State director	1 4,930		15 77,910	Construction cost estimator	71.4	242.8	502
Territorial director	2 10,200	2 11,410	2 11,620	Construction examiner			1,845,869
Assistant to State director	0.8 3,935	3 17,010		Cost estimator	17 59,710	36 138,190	12 44,230
District director		1 5,810		Title I representative	6.7 33,855	1 3,640	25 83,860
Grade 11. Range \$4,300 to \$5,180:				Assistant territorial director	1.6 5,428		3 11,640
State director			1 5,180	Reconditioning inspector	0.3 975		1 3,750
Assistant district director	2.9 12,352	5 22,820		Rental project supervisor	4.4 15,288		15 57,020
Chief manager	2 8 15,834	8 18,780	5 22,390	Construction cost examiner	0.6 2,161		1 3,640
Underwriter	20.9 86,773	25 119,600	41 185,980	Maintenance manager	2 4 1,280		1 3,650
Mortgage risk examiner	17.8 73,273	23 102,420	37 168,560	Construction supervisor	2.4 1,330	5 19,190	
Mortgage credit examiner	11.4 49,541	32 146,400	45 205,160	Assistant to State director	0.4 7,888	4 14,230	1 3,420
Valuator	37.4	32	45	Grade 8. Range \$3,310 to \$3,970:	18.4	69.6	227.9
Property manager	151,958	146,400	18 80,590	Grade 7. Range \$2,980 to \$3,640:	546,359	223,957	704,222
Construction examiner	3 9 16,117	5 21,720	53 243,960	Grade 6. Range \$2,650 to \$3,310:	55.9 189,259	67 117,492	192,523
Property management representative	14.5 59,765			Grade 5. Range \$2,320 to \$2,980:	67.8	64	168
Assistant State director	3 6 15,031		7 30,640	Grade 4. Range \$2,100 to \$2,496:	323.4	323 138,624	691 359,928
Assistant to district director	2 10,015			Grade 3. Range \$1,802 to \$2,298:	323.4	323 138,624	691 359,928
Construction cost examiner	3 1 3,880			Grade 2. Range \$1,704 to \$2,100:	285.1	547,952	635,664
Assistant to State director	1 9 7,400	6 28,000		Grade 1. Range \$1,506 to \$1,902:	34.7 46,627	52 675,506	872,422
Underwriting supervisor	0.1 460			Professional service:		52 82,940	15.7 25,096
Construction supervisor	49 189,153	5 22,600		Grade 6. Range \$2,650 to \$3,310:	546,359	223,957	704,222
Assistant to State director		3 13,560		Grade 5. Range \$2,320 to \$2,980:	55.9 189,259	67 117,492	192,523
				Grade 4. Range \$2,100 to \$2,496:	67.8	64	168
				Grade 3. Range \$1,802 to \$2,298:	323.4	323 138,624	691 359,928
				Grade 2. Range \$1,704 to \$2,100:	285.1	547,952	635,664
				Grade 1. Range \$1,506 to \$1,902:	34.7 46,627	52 675,506	872,422
				Professional service:		52 82,940	15.7 25,096
				Grade 6. Range \$2,650 to \$3,310:	546,359	223,957	704,222
				Grade 5. Range \$2,320 to \$2,980:	55.9 189,259	67 117,492	192,523
				Grade 4. Range \$2,100 to \$2,496:	67.8	64	168
				Grade 3. Range \$1,802 to \$2,298:	323.4	323 138,624	691 359,928
				Grade 2. Range \$1,704 to \$2,100:	285.1	547,952	635,664
				Grade 1. Range \$1,506 to \$1,902:	34.7 46,627	52 675,506	872,422
				Professional service:		52 82,940	15.7 25,096
				Grade 6. Range \$2,650 to \$3,310:	546,359	223,957	704,222
				Grade 5. Range \$2,320 to \$2,980:	55.9 189,259	67 117,492	192,523
				Grade 4. Range \$2,100 to \$2,496:	67.8	64	168
				Grade 3. Range \$1,802 to \$2,298:	323.4	323 138,624	691 359,928
				Grade 2. Range \$1,704 to \$2,100:	285.1	547,952	635,664
				Grade 1. Range \$1,506 to \$1,902:	34.7 46,627	52 675,506	872,422
				Professional service:		52 82,940	15.7 25,096
				Grade 6.			

FEDERAL HOUSING ADMINISTRATION—Continued
Salaries and Expenses, National Housing Agency, Federal Housing Administration—Continued

By objects	1945, actual	1946, estimated	1947, estimated
OTHER OBLIGATIONS—Continued			
08 Supplies and materials	\$38,040	\$70,032	\$120,000
09 Equipment	33,784	26,000	125,000
Total other obligations	1,711,051	1,887,232	2,904,459
Grand total obligations	11,477,276	12,704,896	19,818,016
Reimbursements for services performed	-1,494,739	-404,063	-132,014
Transferred to—			
“Salaries and expenses, Division of Disbursement, Treasury Department”	+24,275	+38,433	+55,897
Excess of obligations over authorization due to Public Law 106		+9,359	
“Printing and binding, Division of Disbursement, Treasury Department”	+1,565	+1,624	+2,006
“Salaries and expenses, Office of Treasurer of United States”	+3,400	+3,400	+4,895
Excess of obligations over authorization due to Public Law 106		+657	
“Printing and binding, Office of Treasurer of United States”	+100	+125	+200
“Contingent expenses, Office of Treasurer of United States”	+400		
“Salaries and expenses, Office of Administrator, National Housing Agency”	+146,903	+119,988	+180,000
Excess of obligations over authorization due to Public Law 106		+15,881	
“Penalty mail costs, National Housing Agency”	+37,000	+49,500	+130,000
Received by transfer from—			
“National defense housing, Office of Administrator, National Housing Agency”		-975,000	
“Veterans housing, Office of Administrator, National Housing Agency”			-2,435,000
Net total obligations	10,196,189	11,564,800	17,624,000
Excess of obligations over authorization due to Public Law 106		-314,800	
Unobligated balance of authorization	288,455		
Total authorization	10,484,635	11,250,000	17,624,000
Allotted from—			
“Title I insurance fund, Federal Housing Administration revolving fund”	-863,503	-730,000	-1,222,361
“Mutual mortgage insurance fund, Federal Housing Administration revolving fund”	-4,326,695	-7,988,423	-11,927,277
“Housing insurance fund, Federal Housing Administration revolving fund”	-113,743	-142,830	-612,074
“War housing insurance fund”	-5,180,694	-2,088,738	-3,832,288
Total estimate or appropriation			
BY PROJECTS OR FUNCTIONS			
1. Commissioner's office	\$40,712	\$34,559	\$37,148
2. Executive secretary and correspondence	23,682	20,039	26,911
3. Legal division	159,517	185,968	209,234
4. Office of assistant commissioner, administrative services	32,310	38,620	52,181
5. Personnel division	130,107	139,911	182,939
6. Budget division	37,100	45,794	45,561
7. Washington office management division	789,107	788,677	911,840
8. Comptroller's division	1,074,099	1,271,313	1,557,742
9. Research and statistics division	127,975	152,033	179,909
10. Finance and industry division	15,889	414,048	134,829
11. Title I division	357,623	414,048	434,586
12. Office of the deputy commissioner	488,063	578,499	690,077
13. Underwriting division	449,938	586,894	575,758
14. Rent, departmental	256,779	245,183	357,519
15. Field insuring offices	7,106,325	8,017,180	14,143,870
16. Field land planners	126,352	136,810	152,902
17. Field construction supervisors	227,847	23,368	
18. Equipment	33,784	26,000	125,000
Grand total obligations	11,477,276	12,704,896	19,818,016
Adjustments (see objects schedule for detail)	-992,641	-1,454,896	-2,194,016
Total authorization	10,484,635	11,250,000	17,624,000
Allotted from (see objects schedule for detail)	-10,484,635	-11,250,000	-17,624,000
Total estimate or appropriation			

Renovation and Modernization Insurance, Title I, Premiums, National Housing Agency, Federal Housing Administration—

Payment of losses: Not to exceed **[\$2,500,000] \$3,000,000** of the funds (after allowance for salaries and expenses as authorized under the heading, “Salaries and expenses, National Housing Agency, Federal Housing Administration”) in the account in the Treasury comprised of premiums collected under authority of section 2 (f), title I, of said Act, shall be available for the payment of losses under insurance granted under section 2 and section 6, title I, of said Act. (Act of May 3, 1945, Public Law 49.)

By objects	1945, actual	1946, estimated	1947, estimated
12 Pensions, annuities, and insurance losses	\$1,702,286	\$2,500,000	\$3,000,000
Allotted from title I insurance, Federal Housing Administration, revolving fund	-5,000,000	-2,500,000	-3,000,000
Unobligated balance of authorization	3,297,714		
Total estimate or appropriation			

Trust accounts:

Unearned Collections, Title I, National Housing Act, as Amended—

Represents funds collected by the Federal Housing Administration in error or in excess of amounts due; available for the refunding thereof. (*48 Stat. 1232.*)

Appropriated 1946, **\$15,000** Estimate 1947, **\$12,000**
 Revised 1946, **\$4,000**

By objects	1945, actual	1946, estimated	1947, estimated
13 Refunds, awards, and indemnities	\$618	\$10,768	\$12,000
Prior year funds available in 1945	-4,836		
1945 funds available in 1946	+11,763	-11,768	
1946 funds available in 1947		+5,000	-5,000
1947 funds available in 1948			+5,000
Total estimate or appropriation	8,000	4,000	12,000

Expenses on Real Properties Acquired Under Insurance Granted Prior to July 1, 1939, Title I, National Housing Act—

Represents funds collected by the Federal Housing Administration for the payment of taxes, hazard insurance, etc., on real properties acquired and subsequently sold under title I of the National Housing Act.

Appropriated 1946, **\$10,000** Estimate 1947, **\$10,000**

By objects	1945, actual	1946, estimated	1947, estimated
07 Other contractual services	\$5,606	\$10,975	\$10,000
Prior year funds available in 1945	-5,581		
1945 funds available in 1946	+5,975	-5,975	
1946 funds available in 1947		+5,000	-5,000
1947 funds available in 1948			+5,000
Total estimate or appropriation	6,000	10,000	10,000

Total, Federal Housing Administration, trust accounts:

Appropriated 1946, **\$25,000** Estimate 1947, **\$22,000**
 Revised 1946, **\$14,000**

STATEMENT OF PROPOSED EXPENDITURES FOR PURCHASE, MAINTENANCE, REPAIR, AND OPERATION OF PASSENGER-CARRYING VEHICLES FOR THE FISCAL YEAR ENDING JUNE 30, 1947

Appropriation	Vehicles (motor unless otherwise indicated) to be purchased		Old vehicles to be exchanged		Net cost of vehicles to be purchased	Old vehicles still to be used	Total maintenance, repair, and operation, all vehicles	Public purpose and users
	Number	Gross cost	Number	Allowance (estimated)				
Salaries and expenses, National Housing Agency, Federal Housing Administration.						2	\$800	1 car for use of the Commissioner, and 1 car for use of officers of the Federal Housing Administration.

FEDERAL PUBLIC HOUSING AUTHORITY

INTRODUCTORY STATEMENT

The Federal Public Housing Authority is one of the three constituent units of the National Housing Agency provided for by Executive Order 9070, issued February 24, 1942, under authority contained in title I of the First War Powers Act, 1941. Under the Executive order, the functions of a number of agencies concerned with defense and low-rent housing were consolidated into the Federal Public Housing Authority, with responsibility for the development and management of housing built with public funds.

The agencies and activities included in the consolidation were—

- The United States Housing Authority.
- The division of defense housing of the Federal Works Agency.
- The division of mutual ownership of the Federal Works Agency.
- The defense housing program of the Public Buildings Administration.
- The housing of the War and Navy Departments (except projects on military and naval reservations).
- The nonfarm housing of the Farm Security Administration.
- The Defense Homes Corporation.

The creation and purpose of each of these components may be briefly outlined as follows:

The United States Housing Authority.—The nucleus of this concentration of public housing activities was the low-rent program of the United States Housing Authority established pursuant to the United States Housing Act of 1937 (42 U. S. C. 1401). Under this act the assistance of the Federal Government was pledged to local housing agencies to enable them to build and operate large scale housing projects to house families in the lowest income groups.

The division of defense housing of the Federal Works Agency.—The Federal Works Agency originally administered through its own organization and allotments to other agencies, defense housing activities under the authorizations contained in the basic defense housing act, the Lanham Act (42 U. S. C. 1521) and the Temporary Shelter Acts (55 Stat. 14, 197, 810).

The division of mutual ownership of the Federal Works Agency.—Projects were developed under the Lanham Act by the Mutual Ownership Defense Housing Division of the Federal Works Agency. It was contemplated that these projects would be sold to nonprofit corporations organized by the residents of the project in accordance with the provisions of the Lanham Act relating to the disposition of housing.

The defense housing program of the Public Buildings Administration.—Defense housing projects were initiated by the Public Buildings Administration from Lanham Act funds (42 U. S. C. 1521). These projects consisted of dormitories for the District of Columbia and family dwelling projects in various States.

The housing of the War and Navy Departments (except projects on military and naval reservations).—The Second Supplemental National Defense Appropriation Act, 1941 (54 Stat. 872, 883, 884), appropriated funds for war housing to the War and Navy Departments. The Lanham Act provided that these funds could be transferred for

expenditure in accordance with the provisions of that act. The defense housing transferred to Federal Public Housing Authority excluded units located on military or naval reservations, posts or bases.

The nonfarm housing of the Farm Security Administration.—These projects were developed out of funds appropriated by the National Recovery Act of 1933 (40 U. S. C. 401-414) and the Emergency Relief Appropriation Act of 1935 (49 Stat. 115). Projects consist of (1) subsistence homesteads, or groups of homes with garden plots for urban families of low income; and (2) green towns, or model suburban developments for lower-salaried office workers.

The Defense Homes Corporation.—The Defense Homes Corporation was organized in October 1940, as a Maryland corporation, by direction of the President contained in a letter dated October 18, 1940. The Corporation provided permanent housing in centers of war activity where private capital was unable to provide sufficient housing and where there would be a continuing need for such housing after the war. This housing consisted of large-scale housing projects, dormitories, and groups of individual houses. Under Executive Order 9070 the functions, powers, and duties of the Corporation are administered by the commissioner of the Federal Public Housing Authority. The Corporation has been in liquidation since January 1, 1945.

In addition to the above activities, mention should be made of several important supplemental programs which were either included in the original consolidation or were added subsequently. These are:

The original slum-clearance projects developed by the Public Works Administration under the National Industrial Recovery Act and transferred to the United States Housing Authority at the time of its formation.

In June 1940, Congress passed the defense amendment to the United States Housing Act which authorized the use of United States Housing Authority low-rent and slum-clearance funds to provide housing for defense workers (42 U. S. C. 1501).

There was transferred from the Farm Security Administration, in addition to the subsistence homesteads and green towns projects, defense housing developed under the Lanham Act (42 U. S. C. 1521) and the Temporary Shelter Acts (55 Stat. 14, 197, 810) in outlying areas. Stopgap housing (trailers) made up a large part of this housing.

Federal Public Housing Authority received additional allocations of funds, after the consolidation, authorized by the basic public defense housing legislation known as the Lanham Act (42 U. S. C. 1521) adopted October 14, 1940. This act called for the provision of housing for persons engaged in national defense activities in those localities in which an acute shortage of housing existed, or impended, which would impede national defense activities and where private capital could not provide such housing.

Federal Public Housing Authority also received additional allocations authorized by the Temporary Shelter Acts enacted in 1941 to provide temporary and immediate stopgap shelter for defense workers (55 Stat. 14, 197, 810).

The United States Maritime Commission constructed with its own funds dormitory and family dwelling unit projects to further the defense activities of commercial shipbuilding concerns engaged in Government work. Most of these projects were transferred to Federal Public Housing Authority on June 30, 1944.

In October 1942, the homes conversion program was inaugurated by the Home Owners' Loan Corporation, under the provisions of the Lanham Act, whereby the Government leased existing structures and remodeled them into apartments to house war workers, thus assuring that maximum use would be made of the existing building supply at the same time every effort was being made to construct new war housing. Management of this program was transferred to the Federal Public Housing Authority on August 1, 1944.

Title V was added June 23, 1945 to the Lanham Act (59 Stat. 260), authorizing the use of war housing and war housing funds to provide housing for veterans and for families of servicemen. This title was amended December 31, 1945 (59 Stat. 674) and March 28, 1946 (Public Law 336, 79th Cong.), and appropriations of \$445,627,000 were made available for the relocation or conversion of approximately 200,000 units of surplus war housing and other facilities for transfer to universities and local bodies for housing veterans.

On August 18, 1945, the War Relocation Authority transferred to the Federal Public Housing Authority the responsibility for rehousing approximately 10,000 Japanese-Americans prior to their reabsorption into normal civilian life.

The National Housing Agency has designated the Federal Public Housing Authority to act in the disposition of surplus housing property of other agencies in accordance with the Surplus Property Act of 1944 (58 Stat. 765). The activities under this authorization and the cost thereof are not included in this budget presentation but are reported separately to the War Assets Administration for inclusion in its budget.

On December 28, 1944, the Foreign Economic Administration assigned to Federal Public Housing Authority the program of producing 30,000 houses for the United Kingdom and 4,500 barracks for France. On VJ-day the United Kingdom cancelled the remainder of its program including 8,110 partially-completed units which were then declared surplus and later sold to the French Government.

PENDING LEGISLATION

No allowances for pending legislation have been included in this budget presentation. At the time of its preparation Senate Bill 1592, which contains broad provisions for aid to urban and rural localities in slum-clearance and low-rent housing, was pending in the Congress, which, if enacted, will have a marked effect on the operations of the Federal Public Housing Authority.

1947 BUDGET PROGRAMS

Under the provisions of the Government Corporation Control Act, budget programs for the fiscal year 1947 are required to be submitted to the Congress by the Defense

Homes Corporation and by the "Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof."

The various Federal Public Housing Authority activities have been classified for purposes of budgeting, accounting, and reporting into seven major groups based on the purpose of the program and the methods of financing, development, and management, as follows:

1. *Public war housing program.*—This program includes all the housing under Federal Public Housing Administration developed under the basic Defense Housing Act (the Lanham Act), the Temporary Shelter Acts, and the War and Navy Department Second Supplemental National Defense Appropriation Act of 1941, and the United States Maritime Commission projects. It excludes war housing administered under the homes conversion program and the veterans housing program.

2. *Homes conversion program.*—This program covers buildings and homes leased by the Federal Government as authorized by the Lanham Act and converted into dwelling units.

3. *Veterans housing program.*—The operations included under this program are limited to those covered by title V of the Lanham Act. It should be noted that much of the housing originally constructed for war workers has been opened to veterans and their families but where it continues in use at its original site and is administered by Federal Public Housing Authority, rather than by local bodies and educational institutions, it is reported under the war housing program.

4. *Defense Homes Corporation.*—This program includes all the housing developed and operated by this corporation.

5. *Corporate program.*—This program includes the low-rent housing program under the United States Housing Act, the war housing developed as a result of the defense amendment, and the slum-clearance projects developed by the Public Works Administration. There is included in the budget submission for this program the annual appropriation request to Congress to cover subsidy payments which the Federal Government has contracted to pay to local authorities. These payments, in the form of annual contributions, assist in financing the operations of locally owned low-rent projects.

6. *Farm Security Administration Program.*—This program covers the subsistence homestead and green town projects constructed by the Farm Security Administration.

7. *Administrative expense.*—This presentation covers the total administrative expense requirements of the Federal Public Housing Authority, with the exception of the Defense Homes Corporation, and distributes these expenses to the various programs on the basis of workload. Much of the effectiveness of the Federal Public Housing Authority arises from the fact that it is operated as a single homogeneous organization, instead of being subdivided into separate organizations to administer each program. The authority for the establishment of a single administrative expense account was contained in the Independent Offices Appropriation Acts of fiscal years 1944, 1945, and 1946.

PUBLIC WAR HOUSING PROGRAM

CREATION AND PURPOSE

In order to sustain the defense production program, the Congress during 1940 enacted the following legislation authorizing the provision of housing for defense workers: The Second Supplemental National Defense Appropriation Act, 1941, Public Law 781, approved September 9, 1940 (54 Stat. 872, 883, 884); and the Lanham Act, Public Law 849, approved October 14, 1940 (42 USC. 1521). Subsequently, authorization and appropriations for temporary shelter for defense workers and immigrant war workers were provided by Public Laws 9, 140, 375, 73, and 353 (55 Stat. 14, 197, 810). These acts provided for financing the required emergency housing entirely from Federal funds, in those localities in which an acute shortage of housing existed or impended, which might impede the war program and where such housing would not be provided by private capital when needed because of the investment risk involved.

Executive Order 9070 of February 24, 1942, transferred to the National Housing Agency for administration by the Federal Public Housing Authority nearly all war housing functions previously administered by other Federal agencies except those of the War and Navy Departments with respect to housing located on military or naval reservations. Since this Executive order, the Federal Public Housing Authority has been responsible for development and management of practically the entire public war housing program of the Federal Government.

FINANCIAL ORGANIZATION

Titles I and IV of the Lanham Act, as amended, authorized \$1,530,000,000 in appropriations for the development of war housing, and additional authorizations of \$320,000,000 were made under Public Law 9 as amended. As of June 30, 1945, allotments amounting to \$1,644,000,000 had been made to the Federal Public Housing Authority from appropriations under these authorizations. Section 303 of the Lanham Act, as amended, authorized the use of income derived from project operations to pay expenses for project operation and maintenance. It also provided for the establishment of a 25 million dollar reserve for expenses of disposition, to be set up from the net income from project operations and sales proceeds from the disposition of terminated war housing. Of this reserve 20 million dollars is applicable to this program and 5 million dollars to the Homes Conversion Program.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The war housing program is divided into three major activities: development, management, and disposition.

DEVELOPMENT

The National Housing Administrator, after considering local war housing needs and taking steps to have these needs met in so far as possible through privately financed construction and the utilization of existing housing, assigned public war-housing projects for development to

the Federal Public Housing Authority. A series of standard plans for war housing construction were developed, to provide economies and save time in planning and obtaining materials and equipment. Most of the projects are of temporary construction built on leased land, and consist of family dwelling units and dormitories. Some trailers and trailer parks were also provided as stopgap housing.

After the surrender of Japan construction of all war housing was stopped immediately. Projects not under construction, as well as those which had not reached an advanced stage of construction, were cancelled. Therefore, the present development operations are confined, largely, to the clean-up of construction on those projects programmed for completion. As shown in exhibit A, \$67,126,182 will be expended for this purpose in fiscal year 1946, and \$5,713,774 in 1947 as final claims are settled.

MANAGEMENT OPERATIONS

The war housing program is managed under Federal Public Housing Authority supervision as a consolidated program as provided for under section 303 of the Lanham Act as amended which reads as follows:

"Moneys derived from rental or operation of property shall be available for expense of operation and maintenance * * *: *Provided*, That moneys derived by the Administrator * * * from the rental or operation of any such property may be deposited in a common fund account or accounts in the Treasury: *And provided further*, That except for necessary reserves authorized by this Act * * * the unobligated balance of the moneys deposited into the Treasury from the rental or operation of such property shall be covered at the end of each fiscal year into miscellaneous receipts."

Section 304 of the Lanham Act permits the Federal Public Housing Authority to operate war housing projects directly or through qualified public or private agencies on a rental, lease, or other basis.

With a few exceptions, projects not directly operated by Federal Public Housing Authority are managed by local housing authorities under lease. The lease provides for payment to Federal Public Housing Authority of the excess of income over expense for the period, or payment by Federal Public Housing Authority of any operating deficit. The lessee deposits receipts in its own bank account, pays all expenses, and returns the net revenue for each quarter to the Federal Public Housing Authority. Approximately 60 percent of all war housing under management is now being managed by local agencies under lease.

Annual project operating budgets are prepared for both directly managed and locally managed projects. They include provision for both projects in active operation and projects in inactive status (i. e., deactivated following the surrender of Japan and now held in custody pending either reuse or final disposition). These budgets are submitted by the project manager to the regional office where they are consolidated and forwarded to the central office. They are reviewed and approved in sufficient time for the

project to receive an allotment of operating funds prior to the beginning of each fiscal year.

The 1946 and 1947 estimates were based on the following assumptions and qualifications:

1. Lanham Act housing, as vacated by war workers, will be made available to returning war veterans and their families, thereby increasing the occupancy ratio and at the same time bringing about some reduction in average rental income as a result of prospective rent adjustments in hardship cases.

2. Operating expenses for 1946 and 1947 are predicated upon a continuation of the 1945 level for the cost of wages, materials, and equipment.

3. All dwelling units required for veterans will be kept in repair, and maintenance standards will be at approximately the same level as during the war fiscal year of 1944 and the first months of fiscal year 1945.

4. Operating improvements will be limited to those essential to the health and safety of the tenants and those effecting a net saving.

5. Vacancy loss will fall to approximately 5 percent on family dwelling units in 1947 and 15 percent on dormitory and stopgap accommodations.

6. Temporary war housing, wherever available, will be transferred to the veterans program for reutilization under title V of the Lanham Act.

The extent of management activity during the 3 fiscal years under consideration is shown in the following table in terms of the average number of dwelling units in active management.

	1945, actual	1946, estimated	1947, estimated
Directly operated:			
Family dwelling units.....	141,210	132,860	108,466
Dormitory.....	28,780	22,804	20,660
Stopgap.....	16,275	11,264	8,005
Total.....	186,265	166,918	137,131
Leased:			
Family dwelling units.....	233,367	216,772	176,972
Dormitories.....	33,335	26,770	24,253
Stopgap.....	11,317	7,821	5,562
Total.....	278,019	251,363	206,787
All projects:			
Family dwelling units.....	374,577	349,632	285,438
Dormitory.....	62,115	49,574	44,913
Stopgap.....	27,592	19,075	13,567
Total.....	464,284	418,281	343,918

On the basis of past experience and the assumptions stated above, the income and expense factors used in developing the estimates for fiscal years 1946 and 1947 are shown in the following table. These factors are expressed in terms of income and expense per dwelling unit per month, for units in active management.

	1945, actual	1946, estimated	1947, estimated
Directly operated projects:			
Family dwelling units:			
Income.....	\$29.35	\$28.75	\$29.75
Expense.....	15.69	17.65	17.65
Net income.....	13.66	11.10	12.10
Dormitory units:			
Income.....	13.58	13.50	16.65
Expense.....	14.98	16.40	16.40
Net income.....	-1.40	-2.90	.25
Stopgap units:			
Income.....	18.16	20.20	22.45
Expense.....	18.18	20.00	20.00
Net income.....	-.02	.20	2.45

	1945, actual	1946, estimated	1947, estimated
Leased projects:			
Family dwelling units:			
Income.....	\$32.63	\$31.75	\$32.60
Expense.....	18.76	20.55	20.55
Net income.....	13.87	11.20	12.05
Dormitory units:			
Income.....	12.71	12.65	15.15
Expense.....	15.73	18.75	18.75
Net income.....	-3.02	-6.10	-3.60
Stopgap units:			
Income.....	19.09	23.30	24.80
Expense.....	17.20	19.80	19.80
Net income.....	1.89	3.50	5.00

The increased expense per dwelling unit per month noted in the above table is attributable largely to the fact that many projects previously scheduled for early demolition or disposition are now to be maintained for continued occupancy during the present critical housing shortage and therefore will require rehabilitation.

The estimated financial results of the projected management activity and unit costs shown in the foregoing tables, plus the cost of custodial management of inactive units, are reflected in exhibit A. Operating income of \$72,783,100 is shown for fiscal year 1946, and \$63,468,400 for 1947. Operating expenses are estimated at \$46,241,526 for 1946, and \$38,528,106 for 1947. These figures represent the combined results of directly operated and leased projects, the separate results for each category being shown in exhibit B. It is anticipated that all management operations will result in an estimated net operating income of \$26,541,574 in fiscal year 1946, and \$24,940,294 in fiscal year 1947.

DISPOSITION

All temporary housing, whether constructed under the Lanham Act, Public Law 9, or Public Law 781, must be removed not later than 2 years after the emergency is over with the exception only of such housing as is found, after consultation with local communities, to be still needed in the interest of orderly demobilization. Permanent projects constructed under the Lanham Act must also be disposed of as expeditiously as possible but subject to the following proviso in title I, section 4 of the Lanham Act, as amended:

"That in disposing of said housing consideration shall be given to its full market value and said housing or any part thereof shall not, unless specifically authorized by Congress, be conveyed to any public or private agency organized for slum clearance or to provide subsidized housing for persons of low income."

Upon determination by the National Housing Administrator that a project can be terminated, the Federal Public Housing Authority undertakes to dispose of it by transfer to other Government agencies, by sale, or by demolition. Leased land is returned to the owner and FPHA-owned land is declared surplus to the War Assets Administration for disposal pursuant to its regulations. Surplus personal property, supplies, equipment, scrap, and salvage are likewise transferred to the War Assets Administration for disposal.

At the present time, all terminated temporary housing is being made available for transfer to the veterans housing program under title V of the Lanham Act. Because of this reuse of housing, no estimates are included in this Budget for disposal of temporary housing during fiscal year 1946 and 1947.

Permanent war housing facilities, however, will be sold or transferred, as required by the Lanham Act. It is estimated that 11,122 dwelling units will be sold in fiscal year 1946, and 44,488 in fiscal year 1947, having an asset value of \$48,936,800 and \$195,747,200, respectively (exhibit B). Expenses in connection with the sale of this property are estimated at an average of \$600 per unit which would result in expenses of \$6,673,200 for fiscal year 1946 and \$26,692,800 for fiscal year 1947. (See exhibits A and B.) The \$600 per unit estimate covers costs of reconditioning projects prior to sale including alterations to comply with local building codes, fee appraisals and surveys, and advertising and selling expenses. No Federal Public Housing Authority administrative expenses are included. Based on conformity with applicable provisions of the Lanham and surplus property acts, it is estimated that the average gross proceeds per unit through sale to private investors will be \$3,000. On this basis it is estimated that gross proceeds (cash) from the disposition of permanent war housing will be \$33,366,000 in fiscal year 1946, and \$133,464,000 in fiscal year 1947.

The disposition program as projected in the Budget anticipates a recapture of original wartime investment for permanent war housing at approximately 68 percent of expenditures for that purpose. After application of expenses in connection with the disposition program, the net recapture is estimated at 60 percent.

It is estimated that 55,000 dwelling units, in addition to 15,000 trailers from the war housing program, will be reused in connection with title V veterans' housing during fiscal year 1946 and 41,830 units in 1947. The asset value to be written off by this program with this transaction is \$88,200,000 in fiscal year 1946 and \$41,928,600 in 1947 (exhibit B).

The difference between the asset values written off through sales and transfers, and the proceeds of sale, represents the estimated net disposition cost of \$110,444,000 and \$130,904,600 for fiscal years 1946 and 1947, respectively. With respect to both expenses and proceeds, experience to date is inadequate for evaluating the average unit estimates.

Two other types of disposition action scheduled during fiscal years 1946 and 1947 are not reflected in the statement of income and expense since they involve merely the transfer of assets from this program at their full development cost and thus do not occasion any loss to this program:

1. In those cases where local governing bodies determine that a Federal Public Housing Authority permanent war housing project would best be disposed of by transferring title to a local agency for the purpose of housing low-income families, the request will be submitted to the Congress for approval pursuant to the provisions of title I, section 4 of the Lanham Act. The asset value of the units involved in this conveyance will be transferred to the low-rent program and so will effect a reduction in assets and capital in the war housing program. It is estimated that 2,780 units, valued at \$12,232,000, and 11,120 units, valued at \$48,928,000, will be so transferred in fiscal years 1946 and 1947, respectively.

2. In the removal of the 55,000 dwelling units in 1946 for the veterans program, some 3,925 acres of FPHA-owned land will become vacant. The removal of 41,830 units in 1947 will vacate approximately 789 acres. The declaration of this land as surplus, and its transfer to the War Assets Administration for disposal in accordance with the Surplus Property Act of 1945, will occur in fiscal year 1947. The asset value of this land, \$2,376,500, is shown in exhibit C as a reduction of paid-in capital.

OPERATING RESULTS

For the fiscal year 1946, it is estimated that war housing will show operating net income of \$26,541,574 (exhibit B). This figure reflects a loss in occupancy due to cessation of hostilities and closing of plants engaged in war work. In many instances, these factories were built in communities where employment is normally small. With the closing of these plants, the immigrant workers for whom the war housing was constructed tend to return to their home communities. Where this has occurred, many temporary war housing projects have been completely vacated or show very low occupancy. The current critical housing shortage, and the economic uncertainties and difficulties attending reconversion, operate to mitigate the loss in occupancy.

The total net operating income for fiscal year 1947 will be \$24,940,294. The lowered net income is accounted for by the relatively smaller number of units in the latter year.

FINANCIAL CONDITION

Reference to the comparative statement of financial condition (exhibit C) discloses a continual decrease in assets projected from June 30, 1945. Similarly, capital declines in amount over the same period. These declines reflect the programmed reduction in the inventory of war housing through disposition and transfer to other programs for reuse.

Appropriated funds.—Appropriated funds decrease as of June 30, 1946, and then increase from that base. Reductions in appropriated funds result from expenditures for completing development, and from return of funds to the Treasury. Pursuant to amendment of the Lanham Act contained in Public Law 301, approved February 18, 1946, \$50,000,000 of accumulated management net income, which had been reserved for disposition purposes, is to be deposited to miscellaneous receipts of the Treasury during fiscal year 1946 (exhibit A). Also the termination of war housing construction makes it possible to return \$39,582,685 of allocated funds to the National Housing Administrator. Increases are derived from the realization of management net income and the proceeds of disposition. The net effect of these transactions is to reduce the balance of appropriated funds at the close of 1946 to \$100,449,953 (exhibit C), of which it is anticipated that \$55,365,421 will be returned to the Treasury in 1947 (exhibit A). Similarly the balance as of June 30, 1947, of \$167,644,409 (exhibit C) would include approximately 130 million dollars for return to the Treasury in 1948, based on present assumptions.

Fixed assets.—The disposals and transfers discussed above under Disposition account for the decrease of fixed assets shown in exhibit C. A net decrease of \$82,242,618 is budgeted for 1946 and \$283,266,526 for 1947, making the balance at the end of those years \$1,405,570,102 and \$1,122,303,576, respectively.

Revenue receipts and general fund receipts.—Revenue receipts act to reduce the degree to which the program is capitalized from expended appropriations. Hence, the gross collections from management and disposition operations are shown on exhibit C under the caption Revenue receipts as offsets to expended appropriations which represent gross expenditures for development, management and disposition operations. By June 30, 1946, these funds are expected to total 14.5 percent of the amount expended and a year later they would equal 21.7 percent.

The funds budgeted for transfer to miscellaneous receipts of the Treasury are reflected in general fund receipts

in the cumulative amounts of \$60,109,714 and \$115,475,135 at the end of fiscal years 1946 and 1947, respectively.

Earned surplus (or net cost of program).—The earned surplus of \$99,476,923, as of June 30, 1945, decreases in fiscal year 1946 and becomes a deficit of \$91,560,309, as of June 30, 1947 (exhibit C).

Total capital.—The capital investment of the Government in this program, amounting to \$1,489,125,306, as of June 30, 1945, is expected to decline to \$1,123,280,586 by June 30, 1947, as a result of the programmed development, management, and disposition operations.

ADMINISTRATIVE EXPENSES

Estimated administrative expenses in fiscal year 1946 consist of \$9,038,826 for management and disposition operations and \$2,000,000 for development operations, the latter being derived from appropriated funds and capitalized as a part of development costs. Likewise, \$9,329,406 is estimated for management and disposition operations and \$100,000 for development operations in fiscal year 1947. The basis for distributing these costs is explained in the consolidated estimate of Federal Public Housing Authority administrative expenses.

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
FUNDS APPLIED			
To completing payment of development costs.....		\$67, 126, 182	\$6, 713, 774
To operating expenses: ²			
Projects.....		\$37, 037, 100	\$29, 027, 600
Leased cafeterias (including loss).....		30, 600	21, 100
Administrative expenses.....		9, 038, 826	9, 329, 406
Excess property warehouse expense.....		135, 000	150, 000
Total operating expenses.....		46, 241, 526	38, 528, 106
To nonoperating expenses:			
Projects.....		676, 600	493, 900
Disposition expenses, P. L. 849 projects.....		6, 673, 200	26, 692, 500
Total nonoperating expenses.....		7, 349, 800	27, 186, 700
To increase (or decrease*) working capital (see schedule A-1).....		*1, 281, 019	946, 443
Total funds applied.....		119, 436, 489	72, 374, 023
FUNDS PROVIDED			
By sale of land, structures, equipment: P. L. 849 permanent projects.....		33, 366, 000	133, 464, 000
By operating income: Projects.....		72, 783, 100	63, 468, 400
By appropriations (net):			
Expenditures.....		120, 147, 738	71, 553, 523
Revenue receipts.....		*56, 860, 349	*140, 746, 479
General fund receipts.....		*50, 000, 000	*55, 355, 421
Net appropriations.....		13, 287, 389	*124, 558, 377
Total funds provided.....		119, 436, 489	72, 374, 023

*Deduct.

¹The basic accounting system maintained prior to July 1, 1945, for this program was prescribed by the Comptroller General. The primary emphasis in this system of accounting is to provide fund accountability. It did not contain the accounts necessary to reflect the financial condition and results of operations on a corporate basis. For this reason it was impossible to prepare a statement of financial condition as of June 30, 1944, and statements of application of funds and changes in working capital for the fiscal year 1945.

²Excludes expenses which do not require funds during the current year (see exhibit B).

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
Operating income:			
Projects directly operated:			
Family dwelling.....	\$49,833,947	\$45,830,800	\$38,722,500
Dormitory.....	4,650,775	3,694,200	4,127,900
Stopgap.....	3,566,143	2,728,000	2,156,400
Total directly operated.....	\$58,050,865	\$52,259,000	\$45,006,800
Leased—net:			
Family dwelling.....	37,249,184	22,115,900	19,013,400
Dormitory.....	*1,412,157	*2,086,500	*1,066,500
Stopgap.....	195,705	*60,200	327,900
Total leased.....	36,032,732	19,969,200	18,274,800
Contract managed.....		12,100	12,100
Rented projects and project property.....		542,800	174,700
Total operating income.....	94,083,597	72,783,100	63,468,400
Operating expenses:			
Projects directly operated:			
Family dwelling.....	26,658,879	28,904,000	22,973,300
Dormitory.....	5,148,888	4,850,400	4,065,700
Stopgap.....	3,386,223	3,201,000	1,921,000
Total directly operated.....	35,193,990	36,955,400	28,960,000
Contract-managed.....		11,500	11,500
Rented projects and project property.....		70,200	56,100
Total projects.....	35,193,990	37,037,100	29,027,600
Cafeteria leases—net loss.....		30,600	21,100
Administrative expense.....	5,918,649	9,038,826	9,329,406
Excess property warehouse expense.....		135,000	150,000
Total operating expenses.....	41,112,639	46,241,526	38,628,106
Net operating income.....	52,970,958	26,541,574	24,840,294
Nonoperating income and expenses:*			
Projects directly operated:			
Family dwelling.....	956,626	*566,200	*441,500
Dormitory.....	227,445	*36,200	*24,900
Stopgap.....	369,092	*74,200	*27,500
Total (nonoperating income (or expenses*)).....	1,553,163	*676,600	*493,900
Disposition cost to program:*			
Development cost:			
Property reused for veterans' housing program.....		*88,200,000	*41,928,600
Property sold.....	*613,250	*48,936,800	*195,747,200
Total development cost.....	*613,250	*137,136,800	*237,675,800
Disposition expenses.....	*49,476	*6,673,200	*26,092,800
Proceeds of sale.....	29,851	33,356,000	133,464,000
Net disposition cost to program*.....	*632,874	*110,444,000	*130,904,600
Net income (or cost of program*) for the year.....	53,921,247	*84,579,026	*106,458,206

ANALYSIS OF EARNED SURPLUS (OR NET COST OF PROGRAM)*

	1945, actual ¹	1946, estimated	1947, estimated
Balance at beginning of fiscal year.....	()	\$99,476,923	\$14,897,897
Net income (or cost of program*) for year (above).....	()	*84,579,026	*106,458,206
Balance at end of fiscal year.....	\$99,476,923	\$14,897,897	*\$91,660,309

*Deduct.

¹ The figures shown in the actual 1945 column represent data available (including estimates), which was taken from records maintained separately from general books of account and not coordinated therewith. See footnote on exhibit A.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
ASSETS			
Current assets:			
Cash.....	\$2,564,338	\$1,946,017	\$1,556,017
Appropriated funds.....	204,431,736	100,449,953	167,644,409
Accounts receivable, due from Government agencies.....	33,543		
Due from veterans' housing program.....		616,741	2,634,884
Local housing authorities:			
Rents.....	5,939,280	4,992,300	4,568,700
Other.....	459,332	400,000	350,000
Cafeteria operators.....	1,724		
Others.....	25,594	25,000	25,000
Tenants' accounts receivable:			
Currently collectible.....	(2)	475,000	425,000
Uncollectible.....	189,243	316,643	423,743
Reserve for uncollectible.....	*189,243	*316,643	*423,743
Unbilled.....	2,194	2,000	2,000
Miscellaneous.....	208,123	125,000	75,000
Advances:			
Local housing authorities.....	3,615,001	3,300,000	3,000,000
Cafeteria operators.....	80,144	49,544	28,444
Stores inventories.....	375,874	300,000	275,000
Total current assets.....	\$217,731,883	\$112,681,555	\$180,584,454
Fixed assets:			
Land, structures and equipment.....	1,487,812,720	1,405,570,102	1,122,303,576
Deferred charges:			
Prepaid expenses:			
Payments in lieu of taxes.....	1,574,788	1,425,000	1,375,000
Land rental.....	16,483	15,000	12,000
Undistributed debits.....	399,736	399,736	399,736
Total deferred charges.....	1,991,007	1,839,736	1,786,736
Total assets.....	1,707,535,610	1,520,091,393	1,304,674,766
LIABILITIES			
Current liabilities:			
Accounts payable.....	14,685,421	16,000,000	15,000,000
Trust and deposit liabilities:			
Tenants' security deposits.....	940,940	940,000	900,000
Miscellaneous.....	1,033,792	500,000	250,000
Deferred credits:			
Prepaid rents.....	*18,644	300,000	300,000
Undistributed credits.....	295,931	295,931	295,931
Total liabilities.....	16,974,728	17,035,931	16,745,931
CAPITAL			
Paid-in-capital:			
Expended appropriations:			
Expenditures.....	1,589,998,295	1,710,146,033	1,781,699,556
Revenue receipts.....	*190,240,198	*247,100,547	*387,847,026
General fund receipts.....	*10,109,714	*60,109,714	*115,475,135
Assets transferred to corporate program.....		*12,232,000	*61,160,000
Assets transferred to other Federal agencies for disposition.....			*2,376,600
Total paid-in capital.....	1,389,648,383	1,390,703,772	1,214,840,895
Earned surplus (or net cost of program*).....	99,476,923	14,897,897	*91,560,309
Total capital.....	1,489,125,306	1,405,601,669	1,123,280,586
UNEXPENDED APPROPRIATIONS			
Unexpended appropriations.....	201,543,576	97,453,793	164,648,249
Total liabilities, capital and unexpended appropriations.....	1,707,535,610	1,520,091,393	1,304,674,766

*Deduct.

¹ The figures shown in the actual 1945 column represent data available (including estimates) which was taken from records maintained separately from the general books of account and not coordinated therewith. See footnote on exhibit A.

² Tenants' accounts receivable and prepaid rent were not shown separately on regional trial balances as of June 30, 1945.

SCHEDULE A-1
COMPARATIVE STATEMENT OF CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash		*\$618,321	*\$390,000
Appropriated funds		*103,981,783	67,194,456
Accounts receivable:			
Due from Government agencies		*33,543	
Due from veterans' housing program		616,741	2,018,143
Receivables from lessees and contractors:			
Rents receivable from LHA		*946,980	*423,600
Other receivables from LHA		*59,332	*50,000
Cafeteria operators		*1,724	
Others		*594	
Tenants' accounts receivable:			
Currently collectible		475,000	*50,000
Unbilled accounts receivable		*194	
Miscellaneous		*78,123	*50,000
Advances:			
Local bonding authorities		*315,001	*300,000
Cafeteria operators		*30,600	*21,100
Stores inventory		*75,874	*25,000
Deferred charges:			
Prepaid expense:			
Payments in lieu of taxes		*149,788	*50,000
Land rentals		*1,483	*3,000
Current liabilities (increase* or decrease):			
Accounts payable:			
Management		*314,579	
Trust and deposit liabilities:			
Security deposits		940	40,000
Other		533,792	250,000
Deferred credits:			
Prepaid rents		*281,356	
Unexpended appropriations		103,981,783	*67,194,456
Increase in working capital			945,443
Decrease in working capital		1,281,019	

* Deduct.

¹ Absence of 1945 actual data explained in footnote in exhibit A.

HOMES CONVERSION PROGRAM

CREATION AND PURPOSE

The homes conversion program was originated in calendar year 1942, under the provisions of the Lanham Act (42 U. S. C. 1521), and initiated by the Home Owners' Loan Corporation.

Development activities were largely completed prior to the transfer of this program to the Federal Public Housing Authority. Management responsibility was so transferred on August 1, 1944, and concluding development responsibility on July 1, 1945.

The purpose of the program was to provide urgently needed additional housing for war workers by remodeling existing structures, such as large single-family residences, warehouses, factory buildings, and similar structures, into multiple-unit family dwellings, with a minimum expenditure of critical war materials and manpower.

FINANCIAL ORGANIZATION

The program was financed in the development stage entirely from war housing appropriations, at a cost of approximately 90 million dollars. Since physical development activities have been completed, there will be no further use of war housing appropriations except to settle existing obligations. Section 303 of the Lanham Act, as amended, authorizes the use of operating income to meet all operating expenses and to establish a reserve for disposition. Of the total reserve of 25 million dollars so authorized, 5 million dollars has been apportioned to this program. Operating income is adequate to meet all operating expenses and to return to the Treasury a substantial portion of the Government's initial outlay.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budget program falls naturally into three categories—development (improvement of leaseholds), management, and disposition—which are separately described below.

Development.—Development activities consisted of negotiating leases on suitable structures and remodeling them into apartments. The leases generally run for 7 years, with the right on the part of the Government to cancel on 30 days' notice. Approximately 50,000 dwelling units were provided. Initial development costs aggregated \$90,154,460, or an average of \$1,822 per unit provided. These costs include not only the contract costs of remodeling (\$1,538), but also overdue taxes and mortgage payments, and rent, taxes, and administrative overhead expenses during the construction period. As shown in exhibit A, \$6,616,400 was applied in fiscal year 1945 to acquisition of leaseholds, improvements, and equipment. Of this amount, \$6,422,423 came from development funds, and \$193,977 for operating improvements came from management funds. No further obligations will be incurred from development funds. It is estimated, however, that \$400,000 per year will be required for operating improvements in 1946 and 1947. Operating improvements are major physical improvements such as new heating systems.

Management.—Management of the properties is conducted through 353 contract managers (rental agents). The agent manages and maintains the property, collects rents, and pays operating and maintenance costs. Payments to lessors and mortgagees, and for taxes and insurance, are made directly by the Federal Public Housing Authority. The agent is required to render monthly statements of account and to remit the rents collected less expenses and commissions.

As explained in greater detail under, "Disposition," it is assumed that a number of leases will be cancelled. Realization of current estimates would result in the reduction of units under management from 49,485 at the beginning of fiscal year 1946 to 44,468 at the end of that fiscal year, and to 34,580 at the end of fiscal year 1947. It is further assumed that rental income and all other income and expenses will continue through fiscal year 1947 at approximately the present rates per unit, and that the percentage of occupied units to the total units available will remain at the present level of 96.5 percent. These assumptions indicate that net income from rental agents and operating expenses, as shown in exhibit A, will result in the following net operating income:

	Fiscal year 1946	Fiscal year 1947
Net income from rental agents.....	\$13,487,100	\$11,123,400
Operating expenses.....	8,046,100	6,656,400
Net operating income available for amortization of investment.....	5,441,000	4,467,000

Disposition.—It is the policy of the Federal Public Housing Authority to negotiate cancellations of leases on properties no longer needed to house veterans or war workers, when—

- (1) The property cannot be made to produce a net profit before charges for amortization of capitalized cost; or
- (2) The owner desires to obtain cancellation and is willing to purchase the unexpired lease term at a price satisfactory to the Government.

Wherever cancellations are negotiated, a stipulation is made which requires continued occupancy preference for veterans.

This budget assumes, on the basis of present limited experience, that leases on properties containing 5,017 units will be cancelled in fiscal year 1946, and on 9,888 units in 1947. Cancellations to date have been quite satisfactory considering the type of property involved. The proceeds from lease cancellations have averaged approximately 33 percent of the original contract costs of remodeling and are expected to continue on this basis for cancellations effected during fiscal years 1946 and 1947. Exhibit A, therefore, shows \$2,171,759 in proceeds from cancellation of leases in the 1946 fiscal year, and \$4,280,317 in 1947.

The lease requires, upon expiration, that the Government redecorate the vacant portions of the property, and the 5-million-dollar reserve apportioned to the program will be used for this purpose.

OPERATING RESULTS

During the fiscal year 1945, the net operating income before provision for amortization and depreciation amounted to \$9.58 per unit per month or \$5,254,698 (exhibit B). In 1946, it is estimated that net operating income will amount to approximately \$5,441,000, or \$9.53 per unit per month. The reduction is due largely to reductions of rent ceilings by the Office of Price Administration, which became effective in December 1945. In 1947, the estimate of \$4,467,000 will produce approximately \$9.72 per unit per month, or an increase of 19 cents. The increase is estimated on the basis of current efforts to dispose of unprofitable properties. (See exhibit B.)

Development costs are amortized by a charge to operations over the lease period of 7 years and the un-amortized balances of costs of cancelled leases are charged off during the year in which cancellation occurs. Accordingly, the derivation of the net cost of program (exhibit B) is as shown in the following table:

	Fiscal year 1946	Fiscal year 1947
Net loss on leaseholds cancelled	\$3,589,429	\$5,146,243
Provision for amortization and depreciation	12,625,228	10,415,300
Subtotal	16,214,657	15,561,543
Less: Net operating income	5,441,000	4,467,000
Net cost of converted housing allocable to the fiscal year.....	10,773,657	11,094,543

FINANCIAL CONDITION

The large decline in balances of cash and appropriated funds (exhibit C) between June 30, 1944, and June 30, 1945, was occasioned chiefly by expenditures on develop-

ment contracts. The estimated balances of 13 million dollars on June 30, 1946, are entirely composed of management and disposition funds. These funds, under section 303 of the Lanham Act, must be returned at the end of the fiscal year to the Treasury, with the exception of operating balances and the \$5,000,000 reconditioning reserve previously mentioned. In fiscal year 1947, accordingly, \$7,233,817 is estimated to be returned to the Treasury as a partial return of appropriated funds invested in this program. Similarly, \$8,447,671 will be returned in fiscal year 1948, if present estimates are realized.

Fixed assets are estimated at a total cost of \$91,148,437 at June 30, 1947. This amount consists of the \$90,154,460 of initial development costs, plus \$993,977 which is estimated to be expended to that date for operating improvements to properties. Cost of these improvements will be paid from operating income and capitalized.

Amortization and depreciation applicable to operations to June 30, 1947, will aggregate \$58,955,229 at that date, leaving a net value for fixed assets of \$32,193,208 per exhibit C. Cumulative net operating income to June 30, 1947, from the program will amount to \$22,685,891, leaving a cumulative net cost of program per exhibit C of \$36,377,964. This amount represents the estimated cost to June 30, 1947, of providing nearly 50,000 units of housing for in-migrant war workers under this program.

ADMINISTRATIVE EXPENSES

The administrative expenses as set forth in the income and expense statement are payable from rental income. The justification of the amounts charged to this program and an explanation of the basis of cost distribution are contained in the consolidated estimate of Federal Public Housing Authority administrative expenses.

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To acquisition of leaseholds, improvements, and equipment:			
Leasehold improvement.....	\$6,146,890		
Operating improvement.....	193,977	\$400,000	\$400,000
Equipment.....	108,442		
Furniture.....	167,091		
Total acquisition.....	\$6,616,400	\$400,000	\$400,000
To operating expenses:			
Fixed expenses.....	6,441,887	6,836,300	5,501,800
Administrative expenses.....	11,202,764	1,160,000	1,114,500
Miscellaneous.....	52,815	49,800	40,100
Total operating expenses.....	7,697,466	8,046,100	6,656,400
To nonoperating expenses: ² Property damage.....	6,174		
To increase (or decrease*) working capital (see schedule A-1).....	18,527,043	695,353	*100,354
Total funds applied	32,847,083	9,141,453	6,956,046
FUNDS PROVIDED			
By proceeds from leaseholds settlements		2,171,759	4,280,317
By net income from contract managers:			
Operating income.....	22,496,562	23,712,800	19,431,300
Less contract managers operating expense.....	9,544,398	10,225,700	8,307,900
Net income contract managers.....	12,952,164	13,487,100	11,123,400
By appropriations (net):			
Appropriation expenditures.....	31,864,749	9,162,264	7,016,300
Revenue receipts.....	*11,969,830	*15,679,670	*8,230,154
General fund receipts.....			*7,233,817
Net appropriations.....	19,894,919	*6,517,306	*8,447,671
Total funds provided	32,847,083	9,141,453	6,956,046

*Deduct.

¹ Administrative expenses adjusted to \$1,311,390 by redistribution subsequent to June 30, 1945. Difference of \$108,626 included in fiscal year 1946 adjustments to surplus.

² Excludes expenses which do not require funds during current year (see exhibit B).

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Dwelling rent schedule.....	\$24,380,620	\$24,485,200	\$20,053,100
Less: Dwelling vacancy loss.....	1,927,964	857,000	702,000
Dwelling rents.....	22,452,656	23,628,200	19,351,100
Furniture rentals.....	40,728	63,700	60,400
Other income.....	3,178	20,900	19,800
Total operating income.....	22,496,562	23,712,800	19,431,300
Contract managers operating expenses:			
Legal, fiscal and other fees.....		800	600
Management fees.....	1,853,768	1,775,400	1,428,900
Janitorial services.....		2,102,700	1,692,300
Heating.....		1,218,500	1,004,800
Other utilities.....	6,266,156	3,219,700	2,591,300
Repairs, maintenance and replacement.....	1,424,474	1,878,600	1,590,000
Total contract managers operating expenses.....	9,544,398	10,225,700	8,307,900
Net income from contract managers.....	12,952,164	13,487,100	11,123,400
Fixed operating expenses:			
Insurance.....	32,500	31,300	25,200
Rental payments to lessors.....	3,765,007	3,807,800	3,064,600
Payment to mortgages.....	1,220,504	1,216,000	978,600
Taxes.....	1,423,876	1,781,200	1,433,400
Total fixed operating expenses.....	6,441,887	6,836,300	5,501,800
Net income directly allocated to properties.....	6,510,277	6,650,800	5,621,600
Indirect operating expenses:			
Administrative expenses.....	1,202,764	1,160,000	1,114,500
Liability and personal injury insurance.....	21,393	16,400	13,200
Collection losses.....	31,422	33,400	26,900
Total indirect operating expenses.....	1,255,579	1,209,800	1,154,600
Net operating income before provisions for amortization and depreciation.....	5,254,698	5,441,000	4,467,000
Nonoperating expenses:			
Property damage:			
Losses and replacements.....	52,874		
Less insurance recoveries.....	46,700		
Net property damage.....	6,174		
Loss on leaseholds cancelled:			
Development costs.....	78,022	9,130,940	17,996,160
Less allowance for prior amortization.....	19,505	3,369,752	8,569,600
Unamortized value.....	58,517	5,761,188	9,426,560
Less proceeds from lease settlements.....		2,171,759	4,280,317
Net loss on leaseholds cancelled.....	58,517	3,589,429	5,146,243
Total nonoperating expenses.....	64,691	3,589,429	5,146,243
Net income or (cost of program*) before provisions for amortization and depreciation.....	5,190,007	1,851,571	*679,243
Provision for amortization and depreciation:			
Leaseholds and improvements.....	12,966,263	12,541,201	10,334,600
Equipment.....	29,039	20,327	20,300
Furniture.....	40,728	63,700	60,400
Total provision for amortization and depreciation.....	13,036,030	12,625,228	10,415,300
Net cost of program* for the year.....	*7,846,023	*10,773,657	*11,094,543

ANALYSIS OF COST OF PROGRAM

Balance at beginning of fiscal year.....	*\$6,532,104	*\$14,399,528	*\$25,283,421
Adjustment to beginning balance.....	*21,401	*110,236	
Net cost of program* for year above.....	*7,846,023	*10,773,657	*11,094,543
Balance at end of fiscal year.....	*\$14,399,528	*\$25,283,421	*\$36,377,964

*Deduct.

† Administrative expenses adjusted to \$1,311,390 by redistribution subsequent to June 30, 1945. Difference of \$108,626 included in fiscal year 1946 adjustments to surplus.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Current assets:				
Cash	\$58,691	\$770,461	\$750,000	\$750,000
Appropriated funds	18,650,742	5,838,158	12,240,817	13,454,671
Accounts receivable:				
Tenants accounts:				
Collectible	59,177	135,177	137,723	130,560
Uncollectible	2,203	33,625	67,025	93,925
Allowance for uncollectible	*2,203	*33,625	*67,025	*93,925
Due from contract managers	¹ 1,323,231	420,056	377,491	293,600
Total current assets	20,091,841	7,163,852	13,506,031	14,628,831
Fixed assets:				
Cost:				
Leasehold improvements	83,608,302	89,755,191	89,755,191	89,755,191
Operating improvements		193,977	593,977	993,977
Equipment	94,830	203,272	203,272	203,272
Furniture	17,741	195,997	195,997	195,997
Total cost	83,720,873	90,348,437	90,748,437	91,148,437
Allowance for amortization:				
Active leaseholds and indirect costs	*7,609,838	*20,556,595	*29,728,044	*31,493,044
Leaseholds cancelled		*78,022	*9,208,962	*27,205,122
Allowance for depreciation	*790	*92,336	*176,363	*257,063
Net fixed assets	76,110,245	69,621,484	51,635,068	32,193,208
Deferred charges:				
Prepaid insurance		24,305	35,600	22,400
Undistributed debits		16,699	16,699	16,699
Total deferred charges		41,004	52,299	39,099
Total assets	96,202,086	76,826,340	65,193,398	46,861,138
LIABILITIES				
Current liabilities:				
Accounts payable	19,249,803	624,338	7,000	7,000
Accrued insurance		10,695		
Deferred credits:				
Prepaid rents	72,319	80,869	74,600	70,700
Undistributed credits		7,041	7,041	7,041
Total liabilities	19,322,122	722,943	88,641	84,741
CAPITAL				
Paid-in capital:				
Expended appropriations:				
Expenditures	69,013,181	100,877,930	110,040,194	117,056,494
Less receipts:				
Revenue receipts	*4,254,498	*16,224,328	*31,903,998	*40,134,152
Deposits to general funds receipts				*7,233,817
Net appropriation expenditures	64,758,683	84,653,602	78,136,196	69,688,525
Paid-in surplus (transfers from other programs)		11,165	11,165	11,165
Total paid-in capital	64,758,683	84,664,767	78,147,361	69,699,690
Net cost of program*	*6,532,104	*14,399,528	*25,283,421	*36,377,964
Total capital	58,226,579	70,265,239	52,863,940	33,321,726
UNEXPENDED APPROPRIATIONS				
Unexpended appropriations	18,653,385	5,838,158	12,240,817	13,454,671
Total liabilities, capital and unexpended appropriations	96,202,086	76,826,340	65,193,398	46,861,138

*Deduct.

¹ Includes amounts due from debtors other than contract managers. Segregation was not maintained as of June 30, 1944.

SCHEDULE A-1
COMPARATIVE STATEMENT OF CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash.....	\$711,770	*\$20,461	
Appropriated funds.....	*12,812,584	6,402,659	\$1,213,854
Accounts receivable:			
Tenants accounts.....	76,000	2,546	*7,163
Contract managers.....	¹ *903,175	*42,565	*83,891
Deferred charges:			
Prepaid insurance.....	24,305	11,295	*13,200
Undistributed debits.....	16,699		
Current liabilities (increase* or decrease):			
Accounts payable.....	18,625,087	617,338	
Accrued insurance.....	*10,695	12,305	
Accrued administrative expense.....		108,626	
Deferred credits:			
Prepaid rents.....	*8,550		
Undistributed credits.....	*7,041	6,269	3,900
Unexpended appropriations.....	12,815,227	*6,402,659	*1,213,854
Increase in working capital.....	18,527,043	695,353	
Decrease in working capital.....			100,354

*Deduct.

¹ Includes changes in amounts due from debtors other than contract managers. Segregation was not maintained as of June 30, 1945.

VETERANS' HOUSING PROGRAM

CREATION AND PURPOSE

The acute housing shortage, which became a grave national emergency with the return of millions of men from the armed forces, is creating severe hardship for veterans and their families unable to obtain shelter. It is also causing distress to families of servicemen, and to veterans unable to secure the educational benefits provided by law because of the lack of housing at schools and colleges. The Congress therefore added title V to the Lanham Act on June 23, 1945 (59 Stat. 260), and amended that title December 31, 1945 (59 Stat. 674). An additional authorization to provide temporary housing for veterans was granted in Public Law 336, approved March 28, 1946. Under the authority contained in title V, the Federal Public Housing Authority is providing temporary housing for veterans and servicemen to local governments, educational institutions, local public agencies, and nonprofit organizations. This is accomplished by relocation or conversion of existing federally owned structures, including Federal Public Housing Authority temporary war housing and surplus facilities, such as barracks and garrison huts obtained from other Federal agencies without reimbursement. Reuse makes temporary housing available quickly and at a minimum cost, and conserves new building materials for permanent residential construction. Reimbursement is made under title V to local bodies that had incurred relocation expenses in providing temporary housing for veterans' reuse prior to the act of December 31, 1945.

FINANCIAL ORGANIZATION

To carry out the purposes of title V, the Congress appropriated \$191,900,000 on December 28, 1945 (59 Stat. 632) to the Administrator of the National Housing Agency. Of this appropriation, \$188,900,000 has been transferred to Federal Public Housing Authority to provide approximately 100,000 dwelling units for veterans. An additional 100,000 units was provided by a further appropriation of \$253,727,000, authorized by Public Law 336. Of the latter amount, \$243,815,000 has been transferred to the Federal Public Housing Authority making a total of \$432,715,000 available in order to provide approximately 200,000 temporary dwelling units. This amount is reflected in the comparative statement of financial condition (exhibit C) as net expended appropriations as of June 30, 1947.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The activities under this program may be divided into two major categories: development operations and management operations.

DEVELOPMENT OPERATIONS

The Federal Public Housing Authority accepts applications from eligible local bodies and, based on the quotas established regionally by the National Housing Agency,

enters into contracts to provide such housing as may be available. In applying the separate regional quotas for educational institutions and local public agencies the National Housing Agency regional representative, in collaboration with the Federal Public Housing Authority regional director, establishes more refined geographic quotas by States, counties, and cities. In this way an equitable distribution of available housing is attempted. It is expected that about two-fifths of the units will be located at educational institutions.

The contracts generally provide that Federal Public Housing Authority will obtain, move, and re-erect the structures, connect the dwellings to offsite utilities, make available surplus equipment, pay all related costs including transportation, and transfer title to the local body. Local bodies agree to provide without cost to the Federal Government, the site, streets, and offsite utilities, to manage the properties, and to pay to the Federal Public Housing Authority the net income earned from the operation of the property. However, where the local body prefers and can demonstrate economy of both time and funds it may undertake the entire operation on a reimbursable basis. The contract also provides that the local body will remove the structures, in strict adherence to section 313 of the Lanham Act and regulations thereunder, after they have served their temporary purpose.

As of March 29, 1946, more than 1,900 local bodies had requested allocations for title V housing. Of these, 1,443 specified a need for almost 400,000 accommodations. The remaining 467 did not specify the number of accommodations. Requests were received from every State in the Nation. The goal is to provide, within the available funds, approximately 200,000 units through the reuse of federally owned structures. The exact number of units to be provided will depend upon the types of structures released from other needs and their relative reutilization cost. Some 15,000 units of this program had been provided, prior to the appropriation of funds for this program, to local bodies that undertook removal and reuse of structures at their own expense. It is estimated that reimbursement for these expenses, amounting to approximately \$10,000,000 will be made in fiscal year 1946. The balance of the program is so scheduled that most of the first 100,000 units should be ready for occupancy, by the end of fiscal year 1946 and 100,000 additional units by January 1947. However, final cleanup, inspection, and settlements with contractors will probably not be concluded until the close of fiscal year 1947.

In addition to the units provided under this program, approximately 200,000 families of veterans and servicemen are being accommodated in other projects under Federal Public Housing Authority jurisdiction.

The progress of the reuse program during fiscal years 1946 and 1947 is indicated by the obligations and expenditures listed in the table directly below. The rate of obligation and expenditure for direct reutilization costs is indicative of the urgency of this program.

	Obligations		Expenditures		Total fiscal years 1946 and 1947
	Fiscal year 1946	Fiscal year 1947	Fiscal year 1946	Fiscal year 1947	
Direct reutilization costs.....	\$313,894,000	\$106,327,452	\$97,049,400	\$23,172,052	\$420,221,452
Field supervision and inspection.....	6,406,000	2,169,948	6,050,000	2,525,948	8,575,948
Administrative expenses.....	1,717,700	2,199,900	1,622,000	2,295,600	3,917,600
Total.....	322,017,700	110,697,300	104,721,400	327,993,600	432,715,000

MANAGEMENT OPERATIONS

Title V housing is to be managed by participating local bodies. The management functions of Federal Public Housing Authority will be of an advisory nature. In the planning of the project and prior to the signing of the contract, Federal Public Housing Authority works out with the eligible participant a project management plan covering tenant eligibility, rentals, allowable charges to expense, and methods for determining net operating income. The project management plan is incorporated into the contract. Standards for housing accommodations are also established jointly between the Federal Public Housing Authority and the local body. Rent schedules are reviewed by Federal Public Housing Authority to determine conformance with contract provisions and to establish a basis for evaluating project income. Upon request the Federal Public Housing Authority will provide consultative services to the local bodies and institutions to give them the benefit of its broad experience in the management of temporary housing.

According to the terms of the contract the participating local body pays Federal Public Housing Authority the net proceeds from operation of the properties. No other provision is made for the repayment to the Federal Government of the original and reutilization costs of the structures. The Federal Public Housing Authority will receive annual statements of income and expense from the local bodies. These statements will be audited by the Federal Public Housing Authority in order to verify the net operating income remitted in accordance with contract terms. Net income from project operation is considered as purchase price and represents proceeds to the Federal Government from disposition of its properties. Such funds are governed by section 303 of the Lanham Act, as amended. On the basis of present estimates, income from this program will be available for return to the Treasury beginning in fiscal year 1948, since projected financial operations under the war housing and homes conversion programs will suffice to maintain the disposition reserve at the maximum level of 25 million dollars.

Estimates of net income payable to Federal Public Housing Authority in fiscal years 1946 and 1947 are based on the assumption that net operating income on family dwelling units will approximate \$8 per unit month but that net income from the management of dormitories and from trailers and other stopgap units will be negligible. This assumption is derived from a comparative analysis of income from operation of war housing which is expected to range from \$11 to \$12 per unit month for family dwelling units. Expenses of project operation in this program will be higher since it consists of many small projects, whereas the war housing program consisted of comparatively large projects. Also it is anticipated that rental levels will be lower on account of prospective rental adjustments in hardship cases.

It is estimated that of the total of 88,000 units that will be occupied by the end of fiscal year 1946, 65,700 family units will be occupied for an average of approximately 1.96 months each making 129,150 unit months yielding net income for the year. At \$8 per unit month project net income is estimated to be \$1,033,200 (exhibit A). Of the total of 200,000 units that will be occupied by the second quarter of fiscal year 1947, 166,500 will be family units occupied for an average of over 10.6 months each, making 1,733,400 unit months. The resulting net income is estimated at \$13,867,200 (exhibit A).

OPERATING RESULTS

The financial results of operations during fiscal years 1946 and 1947 are shown in exhibit B. Projected operations will result in a net program cost of \$19,409,241 during fiscal year 1946 and \$402,073,443 in fiscal year 1947, after giving effect to anticipated project net income from local bodies. Most of the program costs fall in fiscal year 1947, because reutilization costs are carried on the records as an asset until title is transferred, at which time these costs are charged to cost of program. As title transfer will not take place until all contract costs are liquidated, the cost of housing completed and available for occupancy in 1946 will not be charged to cost of program until sometime in 1947.

FINANCIAL CONDITION

The financial condition of the program as of June 30, 1946, and June 30, 1947, is shown in exhibit C. Brief comments with respect to items of major importance follow:

Reutilization costs of housing not transferred.—This asset item represents housing in various stages of preparation for reuse and title to which has not been transferred to local bodies. It is valued at the amount of expenditures for direct costs of reutilization and is exclusive of the original cost of the structures, since they were transferred from other programs or agencies without reimbursement. The amount of \$84,991,400, shown on exhibit C as of June 30, 1946, represents such housing still in the possession of the Federal Public Housing Authority at that date; as of June 30, 1947, all of this housing will have been transferred to local bodies.

Accounts receivable from local bodies.—The terms of contracts with local bodies specify that net income is payable to the Federal Public Housing Authority after the close of each Federal fiscal year. Therefore \$1,033,200 and \$13,867,200 are shown as accounts receivable in exhibit C at the close of fiscal years 1946 and 1947, respectively.

Expended appropriations (net).—This item consists of the total expenditures less cash receipts from project operation remitted to Federal Public Housing Authority by local bodies. The appropriation expenditures of \$104,817,100 shown as of June 30, 1946 (exhibit C) are not offset by any receipts from project operations since such revenues are not payable until the ensuing fiscal year. As of June 30, 1947, net expended appropriations will total \$432,715,000, consisting of accumulated expenditures of \$433,748,200 less the receipts of \$1,033,200 attributable to fiscal year 1946 operations.

ADMINISTRATIVE EXPENSES

There is no separate and distinct organization for the administration of this program within the Federal Public Housing Authority. The administrative expenses shown in exhibit B are the proportionate share of total Federal Public Housing Authority administration costs attributable to the development and management operations under this program. The basis for this distribution is explained in the consolidated estimate of Federal Public Housing Authority administrative expenses.

It is estimated that the administration of this program during fiscal year 1947 will require \$2,199,900 from development funds and \$3,051,343 from management funds.

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1946, and 1947]

	1946, estimated	1947, estimated
FUNDS APPLIED		
To preparation of housing for reuse:		
Reutilization costs.....	\$104,817,100	\$327,897,900
To operating expenses:		
Administrative expenses (management).....	616,741	3,051,343
To increase working capital (see schedule A-1).....	416,459	10,815,857
Total funds applied.....	105,850,300	341,765,100
FUNDS PROVIDED		
By operating income:		
Project net income from local bodies.....	1,033,200	13,867,200
By appropriations (net):		
Appropriation expenditures.....	104,817,100	328,931,100
Less: Revenue receipts.....	-	*1,033,200
Net appropriations.....	104,817,100	327,897,900
Total funds provided.....	105,850,300	341,765,100

* Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSE

[Fiscal years ending June 30, 1946, and 1947]

	1946, estimated	1947, estimated
Operating income:		
Project net income from local bodies.....	\$1,033,200	\$13,867,200
Operating expenses:		
Administrative expenses (management).....	616,741	3,051,343
Net operating income.....	416,459	10,815,857
Nonoperating expenses:		
Reutilization costs of housing transferred:		
Indirect costs:		
Administrative expenses.....	1,717,700	2,199,900
Field supervision and inspection.....	6,050,000	2,525,948
Direct reutilization costs.....	12,058,000	408,163,452
Total.....	19,825,700	412,889,300
Net cost of program.....	19,409,241	402,073,443
CUMULATIVE NET COST OF PROGRAM		
For the fiscal year 1946.....		\$19,409,241
For the fiscal year 1947.....		402,073,443
Cumulative net cost of program.....		421,482,684

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1946, and 1947]

	1946, estimated	1947, estimated
ASSETS		
Reutilization costs of housing.....	\$104,817,100	\$432,715,000
Reutilization costs of housing transferred (see exhibit B).....	19,825,700	432,715,000
Reutilization costs of housing not transferred.....	84,991,400	.....
Accounts receivable from local bodies.....	1,033,200	13,867,200
Appropriated funds.....	327,897,900	.....
Total assets.....	413,922,500	13,867,200
LIABILITIES		
Account payable to war housing program.....	616,741	2,634,884
CAPITAL		
Expended appropriations (net):		
Expenditures.....	104,817,100	433,748,200
Less: Revenue receipts.....	.....	1,033,200
Net expended appropriations.....	104,817,100	432,715,000
Less: Net cost of program (see exhibit B).....	19,499,241	421,482,684
Total capital.....	85,407,859	11,232,316
UNEXPENDED APPROPRIATIONS		
Unexpended appropriations.....	327,897,900	.....
Total liabilities, capital, and unexpended appropriations.....	413,922,500	13,867,200

SCHEDULE A-1

COMPARATIVE STATEMENTS OF CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1946, and 1947]

	1946, estimated	1947, estimated
Current assets (increase or decrease*):		
Appropriated funds.....	\$327,897,900	*\$327,897,900
Accounts receivable from local bodies.....	1,033,200	12,834,000
Current liabilities (increase* or decrease): Account payable to war housing program.....	*616,741	*2,018,143
Unexpended appropriations (increase* or decrease).....	*327,897,900	327,897,900
Increase in working capital.....	416,459	10,815,857

*Deduct,

DEFENSE HOMES CORPORATION

CREATION AND PURPOSE

The Defense Homes Corporation was incorporated under the laws of the State of Maryland on October 23, 1940, by direction of the President contained in a letter dated October 18, 1940. Executive Order 9070 transferred the Corporation and its capital stock to the National Housing Agency to be administered by the Federal Public Housing Authority. The purpose of this organization was to provide housing accommodations of a permanent nature in defense areas for use by defense workers during the emergency, such housing to be disposed of subsequent to the emergency at prevailing market prices.

FINANCIAL ORGANIZATION

The Corporation has an authorized capital stock of 10 million dollars all of which was issued and remains outstanding. Allocations to the Federal Loan Administrator from the emergency fund for the President were originally used to purchase the capital stock, but these funds were subsequently reimbursed from Lanham Act appropriations authorized to be used for that purpose (42 U. S. C. 1523). The Corporation was authorized to borrow not to exceed \$65,750,000 from the Reconstruction Finance Corporation. Such borrowings are to be repaid from the net income from operation of the properties during the preceding quarter after provision of adequate reserves for depreciation, vacancy losses, and the payment of all expenses, and from proceeds of disposition.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

Development.—The construction program was completed by June 30, 1945. However, correction of construction deficiencies due to wartime conditions will require \$358,000 during fiscal year 1946, as shown in exhibit A.

Management.—Management activities are carried out on a fixed-fee basis through contract managers using their own employees. At the beginning of the fiscal year 1946, a total of 24 properties containing 9,760 units were being operated. It is estimated that the number of units will be reduced to 5,273 at the end of fiscal year 1946, and that all units will be disposed of by June 30, 1947. Operating income and expenses as shown in exhibit A are expected to result in the following net income from operations:

	Fiscal year 1946	Fiscal year 1947
Operating income.....	\$6,996,000	\$3,420,000
Operating expenses.....	5,141,391	2,668,400
Net operating income before provision for depreciation.....	1,854,609	751,600

Disposition.—Present plans contemplate the disposition of 4,487 housing units in fiscal year 1946, and 5,273 units in fiscal year 1947, which, if achieved, will result in the complete liquidation of the properties by June 1947. Indications are that the sale prices will result in a profit

on all properties with the exception of two. It is believed that these two properties can be sold at a price that will result in the Corporation being able to liquidate without loss to the Government. Funds provided by the disposition of properties are estimated as follows:

	Fiscal year 1946	Fiscal year 1947
Real property at cost less depreciation (exhibit A).....	\$17,863,000	\$46,912,879
Add: Profit on sales of properties.....	2,400,000	
Less: Loss on sales of properties.....		4,466,433
Funds provided by disposition.....	20,263,000	42,446,446

These funds, together with net operating income, will be available for retirement of debt and capital stock. Estimates of recoveries are based on current market levels and do not take into consideration legislation pending before Congress, particularly legislation which would require sale of certain projects at prices lower than could otherwise be obtained.

OPERATING RESULTS

Operating income, before provision for depreciation, has been discussed under the heading of management. These results can be related to the net income (or loss*) per exhibit B, as follows:

	Fiscal year 1946	Fiscal year 1947
Net operating income before provision for depreciation.....	\$1,854,609	\$751,600
Less: Depreciation and other reserves.....	1,090,000	750,000
Net operating income (exhibit B).....	164,609	1,600

FINANCIAL CONDITION

Loans receivable.—The Corporation is authorized by its charter to make loans secured by mortgages or deeds of trust. Loans receivable, as shown in exhibit C, aggregated \$918,878 at June 30, 1945, and are estimated at \$882,878 and \$845,878 at June 30, 1946 and 1947, respectively. These receivables are considered fully collectible.

Land, structures, and equipment.—The cost value of land, structures, and equipment totaled \$70,168,583 at June 30, 1945. The program of disposition previously mentioned is expected to reduce this amount to \$49,843,379 at June 30, 1946, and to complete liquidation of these properties by June 30, 1947. Exhibit C, in which these amounts are presented, also shows the actual or estimated balances at book value of the properties at those dates.

Notes payable to Reconstruction Finance Corporation.—Notes payable to the Reconstruction Finance Corporation at June 30, 1945, are shown in exhibit C at \$56,564,360. Exhibit A presents estimates of borrowings in fiscal year 1946 of \$358,000, and repayments of \$21,829,000, which will result in a balance payable at June 30, 1946, of \$35,093,360. This amount is estimated to be fully repaid in fiscal year 1947.

The disposition of real estate and liquidation of notes payable as forecast will reduce the assets to \$9,154,122 of cash and \$845,878 of loans receivable, a total of \$10,000,000 as of June 30, 1947. Provided these loans can thereafter be sold at face value, as anticipated, the stock can be retired and the entire \$10,000,000 returned to the Treasury.

ADMINISTRATIVE EXPENSES

These expenses cover the general supervisory and supporting staff engaged in over-all administration of the program carried on by the Corporation. They do not include interest on borrowed funds, property operating expenses and cost of incidental commodities and services sold, provision for depreciation and other reserves, disposition expenses, and properly capitalized expenditures. During the fiscal year 1945, the staff included in schedule B-1 performing the functions set forth in this budget amounted to 21 man-years of personal service. Salaries and other related costs of administration amounted to a net expenditure of \$117,629. During fiscal year 1946, the administrative expenses are estimated at a slightly lower level due to elimination of the position and salary of the executive vice president and other minor adjustments.

It will be noted from schedule B-1 that the personal services are estimated for 1947 at the 1946 level in spite of the proposed disposition program. The disposition

program has, since its inception, resulted in a heavy additional workload on the staff, especially in fiscal and accounting work. To avoid a temporary increase in the accounting staff, memorandum records are being maintained on disposition, and it will be necessary to formalize these records. The personnel now engaged in accounting for operations will be shifted to this work as sales of operating properties are consummated. Adjustments in other items of expense result in an estimate of \$98,400 for fiscal year 1947 as shown in exhibit B.

LANGUAGE

The types of programs set forth in the 1947 budget of the Defense Homes Corporation, within the funds available to it, are approved: Provided, That not to exceed \$98,400 of such funds shall be available for administrative expenses (as shown in its statement of income and expenses), which shall be on an accrual basis and classified in a manner consistent with prior years, which expenses may include temporary employment of persons or organizations, by contract or otherwise, for legal or other special services, without regard to section 3709 of the Revised Statutes and the civil-service and classification laws; reimbursement for the cost of ferry fares and bridge, road, and tunnel tolls; an allowance of not to exceed 3 cents per mile for official travel in privately owned automobiles by employees within the limits of their official stations; and reimbursement at not to exceed 5 cents per mile to personnel serving without compensation from the United States for expenses of travel performed by them in privately owned automobiles away from their official stations: Provided further, That such administrative expenses shall be exclusive of interest paid, depreciation, and properly capitalized expenditures. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To repayment of borrowings:			
To Reconstruction Finance Corporation on repayment of loans	\$3,379,474	\$21,829,000	\$35,093,360
To complete construction program:	2,578,947	358,000	
To operating expenses:¹			
Property operating expenses	3,547,211	3,214,000	1,645,000
Cost of sales of commodities and services	480,620	322,000	
Interest on Reconstruction Finance Corporation loan	1,672,496	1,500,000	925,000
Administrative expenses	117,629	165,391	98,400
To prior year operating expenses:			
Paid and charged to surplus	67,418	60,000	10,000
Paid and charged to operating reserves	16,708	25,000	2,500
To increase (or decrease*) working capital	*658,401	240,000	8,129,595
Total funds applied.....	11,202,102	27,653,391	45,903,855
FUNDS PROVIDED			
By borrowing:			
Loans from Reconstruction Finance Corporation	2,295,000	358,000	
By operating income:			
Rentals	6,900,548	6,396,000	3,385,000
Sales of commodities and services	893,445	564,000	
Interest on mortgage loans	37,780	36,000	35,000
By nonoperating income:	472	391	409
By disposition of property:			
Real property at cost less depreciation	915,696	17,863,000	46,912,879
Profit (or loss*) on sales of property	124,768	2,400,000	*4,466,433
By repayments on principal of loans	34,393	36,000	37,000
Total funds provided.....	11,202,102	27,653,391	45,903,855

* Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B).

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on loans	\$37,780	\$36,000	\$35,000
Sales of commodities and services	893,445	564,000	-----
Rents	6,900,548	6,396,000	3,385,000
Total operating income	7,831,773	6,996,000	3,420,000
Operating expenses:			
Interest on borrowed funds	1,672,496	1,500,000	925,000
Cost of sales of commodities and services	480,620	322,000	-----
Administrative expenses	117,629	105,391	98,400
Property operating expenses	3,547,211	3,214,000	1,645,000
Depreciation and reserved for replacement	1,764,149	1,630,000	750,000
Reserved for vacancy losses	228,527	60,000	-----
Total operating expenses	7,810,632	6,831,391	3,418,400
Net operating income	21,141	164,609	1,600
Nonoperating income and expenses:			
Profit (or loss*) on sales of property	124,768	2,400,000	*4,466,433
Miscellaneous receipts	472	391	409
Net income (or loss*)	146,381	2,565,000	*4,464,424

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year	\$1,890,461	\$1,969,424	\$4,474,424
Net income (or loss*) for the year (above)	146,381	2,565,000	*4,464,424
Adjustments (prior year expenses)	*67,418	*60,000	*10,000
Balance at end of fiscal year	1,969,424	4,474,424	-----

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
ASSETS				
Cash:				
On hand and in banks.....	\$89,034	\$200,949	\$200,000	.....
With Treasurer of the United States.....	1,197,720	346,249	300,000	\$9,154,122
With Reconstruction Finance Corporation.....	591,771	999,400	1,000,000	.....
Total cash.....	1,878,525	1,546,598	1,500,000	9,154,122
Receivables:				
Loans receivable.....	953,271	918,878	882,878	845,878
Accounts receivable.....	36,484	28,014	14,000	.....
Total receivables.....	989,755	946,892	896,878	845,878
Accrued assets:				
Due from Government agencies.....	3,492	5,914	7,000	.....
Due from others.....	11,349	16,181	15,000	.....
Total accrued assets.....	14,841	22,095	22,000	.....
Commodities, supplies and materials:				
Held for sale.....	35,362	32,859	.....	.....
Held for use.....	13,826	13,826	15,000	.....
Total commodities, supplies, and materials.....	49,188	46,715	15,000	.....
Land, structures, and equipment.....	68,609,070	70,168,583	49,843,379	.....
Less: Reserves for depreciation and replacement.....	1,131,687	2,801,323	1,800,000	.....
Land, structures, and equipment.....	67,477,383	67,367,260	48,043,379	.....
Deferred charges.....	220,598	183,146	100,000	.....
Total assets.....	70,630,290	70,112,706	50,577,257	10,000,000
LIABILITIES				
Accounts payable:				
Due Government agencies.....	50,509	7,000	15,000	.....
Due others.....	90,861	320,844	111,473	.....
Total accounts payable.....	141,370	327,844	126,473	.....
Accrued liabilities.....	536,556	597,522	350,000	.....
Trust and deposit liabilities.....	2,000	56,308	100,000	.....
Notes payable to Reconstruction Finance Corporation.....	57,648,834	56,564,360	35,093,260	.....
Deferred credits.....	76,782	60,372	50,000	.....
Reserves for operations.....	334,287	536,881	383,000	.....
Total liabilities.....	58,739,829	58,143,282	36,102,833	.....
CAPITAL				
Paid-in capital stock.....	10,000,000	10,000,000	10,000,000	10,000,000
Earned surplus.....	1,890,461	1,969,424	4,474,424	.....
Total capital.....	11,890,461	11,969,424	14,474,424	10,000,000

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*)			
Cash.....	\$331,927	\$46,598	\$7,654,122
Accounts receivable.....	8,470	14,014	14,000
Accrued assets.....	7,254	95	22,000
Inventories.....	2,473	31,715	15,000
Deferred charges.....	37,452	83,146	100,000
Current liabilities (increase* or decrease)			
Accounts payable.....	186,474	201,371	126,473
Accrued liabilities.....	60,966	247,522	350,000
Trust and deposit liabilities.....	54,303	43,697	100,000
Deferred credits.....	16,410	10,372	50,000
Increase in working capital.....		240,000	8,129,595
Decrease in working capital.....	658,401		

* Deduct.

SCHEDULE B-1
ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated	By accounts	1945, actual	1946, estimated	1947, estimated
	Man-years	Man-years	Man-years				
	Amount	Amount	Amount				
Personal services:				Other expenses—Continued			
Officers:				Printing and binding.....	\$500	\$300	\$300
President ¹				Supplies and materials.....	350	150	150
Executive vice president ²				Equipment.....	99		
General manager.....		1 \$8,750	1 \$8,750	Payments for services received:			
Corporation counsel.....	1 \$6,464	1 6,650	1 6,650	General Accounting Office:			
Treasurer ³				For audit of accounts.....			2,500
Assistant treasurer.....	1 5,275	1 6,230	1 6,230	Federal Public Housing Authority:			
Employees:				For space, heat, light, payroll, etc....	15,771	15,000	15,000
Management.....	5 18,223	4 11,370	4 11,370	Harris, Kerr, Forster & Co.:			
Finance and accounts.....	10 26,039	11 30,705	11 28,644	For audit of accounts, fiscal year			
Development and maintenance ⁴	3 9,814	3 12,340	3 12,340	1944.....	7,400		
Legal.....	1 2,257	1 2,232	1 2,232	Reconstruction Finance Corporation:			
Total personal services (see schedule B-2).....	21 68,072	22 78,277	22 76,216	For salary of executive vice president and disposition expense.....	22,439	9,439	
				Miscellaneous services.....	1,378	1,000	1,000
Other expenses:				Total administrative expenses.....	119,755	107,991	98,400
Travel.....	3,532	3,600	3,000	Less: Expense capitalized.....	2,126	2,600	
Transportation of things.....	75	25	34	Net administrative expenses.....	117,629	\$ 105,391	98,400
Communication services.....	139	200	200				

¹ Commissioner of Federal Public Housing Authority (no compensation by Defense Homes Corporation).

² Reconstruction Finance Corporation employee on reimbursable basis. Included in Reconstruction Finance Corporation services received.

³ Director of finance, Federal Public Housing Authority (no compensation by Defense Homes Corporation).

⁴ Salary of 1 landscape architect capitalized as cost of project.

⁵ The authorization of \$96,200 for fiscal year 1946 excludes costs due to Public Law 106 amounting to \$9,200.

CORPORATE PROGRAM

CREATION AND PURPOSE

The United States Housing Authority, which was transferred to the Federal Public Housing Authority under Executive Order 9070, was created on September 1, 1937, by Public Law 412, to provide low-rent housing for families of low income who could not otherwise afford decent, safe, and sanitary dwellings. This basic act, known as the United States Housing Act of 1937 (42 U. S. C. 1401), authorized the Authority to make loans to local public housing agencies to aid in financing the development of slum-clearance and low-rent housing projects. To bring rents in the completed dwellings within financial reach of families in the lowest income groups, the Authority was authorized to make limited annual contributions, provided that contributions are also made by the community.

An important amendment was added by Public Law 671, approved June 28, 1940 (42 U. S. C. 1501). This amendment made the unused portion of the borrowing authorization under the United States Housing Act of 1937 available to construct permanent housing to be used for the duration primarily for housing war workers. In accordance with this purpose, the projects initiated under Public Law 671 have been occupied chiefly by war workers who pay rents sufficient to meet all capital and operating costs. The projects are required to be converted to low-rent use on a Presidential finding that the war need has ended. Conversion will be completed as rapidly as other housing becomes available for present occupants able to pay normal rents. When these occupants are replaced by low income families, the principal distinction between projects initiated under Public Law 412 and the Public Law 671 war amendment will disappear.

Public Law 412 also authorized the President to transfer to the Authority the public housing projects and functions of the Public Works Administration housing division, and this was done in October 1937, by Executive Order 7732. Unlike the United States Housing Authority projects, which were constructed by local agencies with the aid of loans, the Public Works Administration projects were built by the Federal Government with appropriated funds. Public Works Administration mortgage loans to private limited dividend housing corporations were transferred under the same order.

FINANCIAL ORGANIZATION

The Authority was created as a "body corporate of perpetual duration," with 1 million dollars in capital stock subscribed by the Treasury. The basic act as amended provides a borrowing and a lending power amounting to 800 million dollars. Funds borrowed under Public Law 412 were to be used for loans to local housing agencies covering not more than 90 percent of the development cost of individual housing projects. The Public Law 671 war amendment permitted loans to cover 100 percent of development cost, or direct construction by the Federal Government. By June 30, 1945, the Authority had borrowed 398 million dollars, of which 15 million dollars had been repaid, leaving 383 million dollars outstanding.

Long-term loans of \$346,893,000 had been made to local housing agencies, of which \$64,031,000 had been repaid by refunding operations. Another \$5,197,944 was outstanding on short-term advance loan notes. Thus, the outstanding balance of loans receivable from local housing authorities, as of June 30, 1945, amounted to \$288,059,944, as shown in exhibit C. \$32,460,226 had been used for direct Federal Public Housing Authority construction of war housing projects under Public Law 671. From private sources local authorities had obtained \$371,033,000. This amount is made up of \$226,769,000 in temporary loan notes, secured by a Federal Public Housing Authority pledge to redeem them at maturity, if necessary, and \$144,264,000 in bonds. The total paid-in capital of \$185,154,529 shown in exhibit C, as of June 30, 1945, consists of \$1,000,000 in capital stock, funds, and property amounting to \$140,746,283 transferred from the Public Works Administration housing division, and cumulative appropriations for the payment of annual contributions on low-rent projects of \$43,408,246. The maximum amount of annual contributions which may be contracted for by the Federal Public Housing Authority may not exceed \$28,000,000.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The major activities under the corporate program may be divided into two groups: (1) those connected with the development and capital financing of low-rent projects; and (2) those concerned with the management of projects and the payment of subsidies in the form of annual contributions. Within each group of activities, locally owned and federally owned projects present different types of problems, which are separately discussed below.

DEVELOPMENT AND CAPITAL FINANCING OPERATIONS

Locally owned projects—United States Housing Act.—The United States Housing Act is based on the principle that low-rent housing activities are primarily a subject for local determination and control, and that the role of the Federal Government should be limited to technical and financial assistance. Title and responsibility rests with local housing authorities established under the laws of the political subdivision in which they are located.

Federal assistance can be provided only under conditions prescribed by the United States Housing Act. The local authority is required to establish that the locality needs public low-rent housing; ascertain that at least 10 percent of the development cost can be financed from private capital; provide a local subsidy, usually by tax exemption, equal to at least one-fifth of the annual contribution to be provided by the Federal Public Housing Authority; assure the elimination of one slum unit for every new dwelling unit built; observe statutory dwelling cost limitations; and provide for an economical system of management operations. The local authority must also select and acquire a suitable site, secure proper zoning, prepare site and architectural plans, award the construction contract to the lowest responsible bidder, and supervise and inspect construction. The Federal Public

Housing Authority reviews and inspects the performance of the local authority to insure compliance with the act. It contracts with the local authority to provide loans bearing an interest rate $\frac{1}{2}$ of 1 percent above the going Federal rate. It also agrees to pay an annual contribution which may not exceed a percentage (determined by adding 1 percent to the going Federal rate of interest on long-term bonds at the time of the contract) of the development cost of the project.

Although the entire loan and annual contribution authorizations have been committed, construction of a number of projects was deferred because of the war. Of the deferred program, 5,800 units are scheduled to be reactivated in fiscal year 1946, and 17,600 units in 1947.

During the early development phases, financial aid is made available to local housing authorities through short-term loans. Permanent financing is accomplished by two types of bonds—A bonds for sale to private investors on the basis of competitive bids and B bonds sold to the Federal Public Housing Authority for the balance of the development cost. As a general rule, projects are not permanently financed until construction is approximately 75 percent complete. Approximately 90 percent of the short-term financing requirements during fiscal years 1946 and 1947 will be supplied by private investors, at lower interest rates than that which the Federal Public Housing Authority is required by law to charge. The Authority's participation in short-term financing is estimated to be \$3,099,236 in fiscal year 1946, and \$7,480,000 in 1947, as shown in exhibit A.

Permanent financing of reactivated projects is scheduled to result in the purchase of \$6,012,000 of B bonds in fiscal year 1947. All other transactions in B bonds refer to the refunding of projects which had already been permanently financed and the permanent financing of locally owned Public Law 671 projects held in temporary status during the war. The net effect of the transactions in B bonds, shown in exhibit A, is an increase of \$6,660,000 in fiscal year 1946 and a decrease of \$13,512,000 in fiscal year 1947, the decline being due to refunding of B bonds with the proceeds of bond sales to private investors.

Locally owned projects—Transferred permanent war housing.—This budget assumes the transfer of 53 permanent war housing projects (13,900 units) to the low-rent program. This is about one-half the number of units which local authorities have indicated a definite interest in acquiring. The Lanham Act permits such transfers for low-rent use only when specifically authorized by Congress. For such transfers congressional authorization will be requested in those cases where a local housing authority desires to take over a project suitable to meet low-rent housing needs and the local governing body has given its approval. Proposed transfers of title to local governments would take place under a contract providing, as purchase price, that the net operating income be paid to the Federal Government for a term of years representing the useful life of the project. In recording this transaction on the Federal Public Housing Authority books the asset value of the transferred projects would be shown as a loan receivable to be liquidated at least in part by the net operating income received under the contract.

Federally owned projects.—No new direct development by Federal Public Housing Authority is contemplated, but there will be a considerable outlay of funds to complete construction on projects begun during the war under Public Law 671. Some further expenditures are required to settle contracts and to correct construction deficiencies due to wartime material shortages. In comparison with

more than 29 million dollars in development expenditures during the 1945 fiscal year, exhibit A shows an estimated decline to \$12,674,690 in fiscal year 1946, and a further drop to \$2,393,240 in fiscal year 1947 as final settlements occur.

MANAGEMENT OPERATIONS

LOCALLY OWNED PROJECTS

Under the United States Housing Act of 1937.—Rental income of the projects depends upon the rent-paying ability of the tenants, and a system of graded rents varying according to family income is used. In normal low-rent operation, the rental income is not sufficient to meet project expenses, including operating costs, payment of interest, and amortization of capital costs. The Federal Government contracts with the local housing authorities to pay a portion of this deficit, with limitations on the maximum payment that can be made.

As in the case of development operations, the local housing authority is required in the management of these projects to observe certain rules established under the basic act. These rules are concerned with the eligibility of tenants, with standards of physical operation and maintenance, and with accounting practices. The Federal Public Housing Authority reviews management operations of the local housing authority and audits its books to assure compliance with these rules. There will be 496 developments containing 144,682 dwelling units under management in this program at the close of the 1946 fiscal year, and the projected reactivation of war-deferred projects will raise the total to 530 developments with 151,439 units at the end of the following year. Annual contribution requirements as shown in exhibit A, but subdivided according to the three types of contributions which must be explained in this budget, are as follows:

	1945, actual	1946, estimated	1947, estimated
First contributions.....		\$8,890	\$5,287,026
Supplemental contributions.....	\$64,359	62,392	62,264
Operating contributions.....	8,656,861	7,970,472	9,650,710
Total.....	8,721,220	8,041,754	15,000,000

The requested annual contribution appropriation for fiscal year 1947 is \$12,600,000 reflecting an estimated \$2,400,000 carry-over of unexpended balances from the appropriation for the preceding year.

The first contribution paid after the permanent financing of a project is equal to the maximum contribution established by the contract with the local housing authority. It is an amount, as has been previously stated, equal to the yield at the going Federal rate of interest at the time the contract is made, plus 1 percent, upon the total development cost of the project. The first contribution is paid in that amount since the local authority must have funds available to meet the deficit as it is incurred, and the exact amount of the deficit which will be incurred is not known at the time the first contribution is paid. At the end of the first and subsequent years of operation, the contribution is equal to the operating deficit of the project. In fiscal year 1945, no first contributions were paid; in 1946 only one project, for which permanent financing was delayed, is expected to require such a contribution amounting to \$8,890. The greatly increased 1947 estimate of \$5,287,026 includes 1 million dollars for several of the reactivated projects, and the balance is for projects on which permanent financing was delayed until the projects could go into low-rent status.

Supplemental contributions are made when there are approved increases in the development costs of projects due to such supplemental work as the correction of construction deficiencies caused by wartime material shortages. They are relatively small and are estimated to run at about the same level.

An operating contribution equals the operating deficit of a project, after giving effect to the local subsidy. The operating deficit is determined by adding operating expenses, the amounts reserved in the period for repairs, maintenance, and replacements and for vacancy and collection losses, debt service, and payments in lieu of taxes, and deducting the total project operating income from the sum thus derived. The contribution is paid in the first or second quarter following the close of the project fiscal year in which the deficit was incurred, and a project fiscal year may close at the end of any quarter of the year. It should be emphasized that annual contribution requirements in a particular Federal fiscal year are determined by the local operating experience in varied project fiscal years. For example, the annual contribution requirements in the Federal fiscal year 1947 are determined by the operating experience of projects with fiscal years ending either March 31, June 30, September 30, December 31, 1946, or March 31, 1947, depending on the annual contribution date of the particular project. This means that local project operating income and expense 3 to 15 months before the beginning of a Federal fiscal year largely determine the annual contribution requirement for that year.

In comparison with the actual experience in fiscal year 1945 it is estimated that operating contributions will decrease by \$686,389 in fiscal year 1946 and then rise by \$1,680,238 in fiscal year 1947. The low level of operating contribution requirements in fiscal year 1946 reflects the peak period of high wartime income of project tenants. The estimated contribution requirements in fiscal year 1947, on the other hand, reflect the anticipated postwar readjustment of tenant incomes. Now that active hostilities have ended, the Federal Public Housing Authority has a definite obligation to restore the program to exclusive use of low-income families, even though the present shortage of housing may delay somewhat the removal of ineligible tenants in many localities.

The estimates in this submission are based on approved budgets for each development eligible for operating contributions. In order to eliminate the effect of differences in the number of units in projects eligible for operating contributions, these budgets can best be summarized in terms of average income and expense per dwelling unit per month of operation. Tabulated averages indicate clearly the basic differences in the operations of locally owned Public Law 412 and Public Law 671 projects. In the case of Public Law 412 projects the operating income reflects the definite low-income nature of tenants and because of the low operating income of these projects their operations result in the requirement of operating contributions. In the case of Public Law 671 projects, however, operating income reflects the high level of wartime earnings of tenants in fiscal years 1945 and 1946. Because of this it was possible to operate those projects during these years with few operating contributions and in many cases with an operating gain. With the restoration of this part of the program to exclusive use of low-income families in fiscal year 1947 operating income will drop substantially and the operations of these projects will require operating contributions as well. A detailed tabulation of average income and expense per dwelling unit per month follows:

	1945, actual	1946, estimated	1947, estimated
PUBLIC LAW 412 LOCALLY OWNED PROJECTS			
Operating income (including utility charges).....	\$24.74	\$25.41	\$23.33
Operating expense:			
Excluding reserves.....	12.63	14.55	14.55
Provision for reserves:			
Repairs, maintenance, and replacement.....	2.13	.48	.58
Vacancy and collection losses.....	2.02	1.39	.40
Debt service.....	12.86	12.96	12.96
Payments in lieu of taxes.....	1.70	1.88	1.75
Nonoperating expense, accounting adjustments, etc.....	.48	.67	.66
Total expense.....	31.82	31.93	30.90
Operating contributions.....	7.08	6.52	7.57
PUBLIC LAW 671 LOCALLY OWNED PROJECTS			
Operating income (including utility charges).....	32.99	33.62	25.76
Operating expense:			
Excluding reserves.....	14.46	16.48	16.48
Provision for reserves:			
Repairs, maintenance, and replacement.....	2.36	.99	1.03
Vacancy and collection losses.....	2.12	1.91	1.02
Debt service.....	5.92	5.75	5.69
Payments in lieu of taxes.....	4.31	4.41	1.93
Nonoperating expense, accounting adjustments, etc.....	.21	.65	.65
Total expense.....	29.38	30.19	26.80
Operating gain.....	3.68	3.57	.....
Operating contributions.....	.07	.14	1.04

Transferred permanent war housing.—The discussion of development and financing operations mentioned the projected transfer to local authorities of a number of permanent war housing projects. Consideration for the transfer would be a contract to return the net operating income that would result even under low-rent operation without charges for debt service. The first income, estimated at \$890,720 and shown on exhibit A, would be received in fiscal year 1947. The estimate is based upon the forecast operating income and expense for leased permanent family dwelling units under the war housing program, with an appropriate downward adjustment in income as low-income tenants replace war workers.

FEDERALLY OWNED PROJECTS

The number of federally owned projects under management as of June 30, 1945, 1946, and 1947, is shown in the following table:

	Fiscal year 1945, actual	Fiscal year 1946, estimated	Fiscal year 1947, estimated
All projects:			
Projects.....	96	98	104
Dwelling units.....	37,998	40,330	42,487
Public Works Administration:			
Projects.....	50	50	50
Dwelling units.....	21,612	21,612	21,612
Public Law 671:			
Projects.....	14	16	22
Dwelling units.....	4,532	6,864	9,021
Public Law 412:			
Projects.....	32	32	32
Dwelling units.....	11,854	11,854	11,854

The 32 Public Law 412 projects are located in Ohio, where the Federal Government was forced to take title to projects developed by local housing authorities when a decision by the Ohio Supreme Court denying tax exemption to these projects prevented the local contributions required under the United States Housing Act. Sale of

the Public Law 671 projects to local housing authorities is planned, but a number of them may have to be retained because prior commitments on the 28 million-dollar annual contribution limitation will prevent financing.

Local housing authorities were operating 86 out of the 96 federally owned projects as of June 30, 1945, under lease agreements, and plans call for local operation of the 8 projects under construction. Only the net operating income before reserve charges actually is received by Federal Public Housing Authority under this type of management, since rents are collected and regular expenses are paid by the local housing authority.

The average operating income per unit month received by Federal Public Housing Authority on the federally owned projects declines each year as over-income families are replaced with low-income families, although there is an increase in gross rentals paid by occupants in 1946, due to recently completed projects. In this connection it should be noted that the fiscal years of federally owned projects correspond to the Federal fiscal year, so the impact of the ending of the war is felt in fiscal year 1946, whereas, in the case of the locally owned projects, annual contributions are not affected until fiscal year 1947. Trends in expenses of the federally owned projects are similar to those of the locally owned, with the primary difference being in debt service. When it became apparent that the Ohio projects and a number of the Public Law 671 projects might remain in Federal ownership for an extended period, the Federal Public Housing Authority adopted the policy of instituting debt service charges. Beginning with the 1946 fiscal year, interest is charged on the unamortized cost at the 1 percent rate currently paid by Federal Public Housing Authority, and amortization on the total development cost of the project is charged at the rate of 0.84 percent per year. The project budgets are summarized below in terms of average income and expense per dwelling unit per month:

	Fiscal year 1945, actual	Fiscal year 1946, esti- mated	Fiscal year 1947, esti- mated
Operating income (including utility charges).....	\$29.61	\$28.49	\$25.73
Operating expense:			
Excluding reserves.....	16.15	17.59	17.70
Provision for reserves.....	3.17	1.79	1.54
Debt service.....	.....	3.44	3.79
Payments in lieu of taxes.....	1.82	2.32	2.29
Nonoperating expense.....	.33	.46	.43
Total expense.....	21.47	25.60	25.85
Net income (or loss*).....	8.14	2.89	*.12

*Deduct.

OPERATING RESULTS

The net income for the corporate program is estimated at \$1,116,094 in fiscal year 1947, as compared with an estimated \$4,196,558 in fiscal year 1946 and an actual \$4,983,861 in fiscal year 1945 (exhibit B). This represents an estimated decline from fiscal year 1945 to fiscal year 1947 of nearly 4 million dollars in net income. The major factors contributing to this decline are as follows:

(a) The net operating income (before reserves and debt service) received from leased operations declines from \$3,470,448 in fiscal year 1945 to \$1,627,890 in fiscal year 1947. This is principally due to the estimated decline in project income as over-income families are replaced with low-income families.

(b) Debt service charges not set up in fiscal year 1945 are made in fiscal year 1947 in the amount of \$1,884,632 for leased Public Law 671 and Public Law 412 projects, and \$31,428 for directly operated Public Law 671 projects (included in project expenses). \$1,041,337 of this amount also appears under operating income, however, as interest charged to federally owned projects.

(c) Administrative expenses applicable to the Public Law 412 and Public Law 671 projects increase from \$2,430,200 in fiscal year 1945 to \$3,767,400 in fiscal year 1947. The bulk of this increase is attributable to administrative costs in connection with the reactivated Public Law 412 program.

FINANCIAL CONDITION

Reference to the comparative statement of financial condition (exhibit C) discloses a continual increase in assets accompanied by a decline in liabilities. The increase in assets is caused primarily by assets transferred from the war housing program. These are reflected under loans and rents receivable for Public Law 849 projects. Paid-in capital is also increased by the cost of assets transferred. The decrease in liabilities is caused primarily by the projected repayment to the Treasury in fiscal year 1947 of \$20,000,000. Brief comments on significant items shown in exhibit C follow:

Receivable from leases.—This is an item representing rents due from local authorities for leased projects at the close of the fiscal year. The sharp decrease in this item between fiscal year 1945 and fiscal year 1946 is due to a change in policy which places rent collections generally on a quarterly rather than on an annual basis.

Investments.—Additional United States Government securities of \$636,000 and \$777,000 will be purchased in fiscal years 1946 and 1947, respectively, in line with the projected increase in project-operating reserves (see exhibit A). The practice of Federal Public Housing Authority is to invest in these securities in an amount approximately equivalent to cumulative project-operating reserves.

Loans receivable.—The changes in local housing authority obligations have been discussed under development and capital financing operations. Loans receivable for Public Law 849 projects, amounting to \$60,269,280 as of June 30, 1947, arise from the transfer of permanent war housing units to local housing authorities. The projects which will be transferred are valued at \$61,160,000 and anticipated rent income of \$890,720 (see accounts receivable) from the operations of these projects is applied to reduce the loan. Should rental income in subsequent years prove less than the amount required to repay the loan during the useful life of the property, the difference will be written off as loss. The asset value of the properties transferred from the war housing program is reflected in paid-in surplus.

Deficit.—Although a continually increasing deficit is shown throughout fiscal years 1944 to 1947, cumulative undivided profits continually increase. The rate of profit, however, decreases after fiscal year 1945 due to (1) decreases in rental income on projects which are gradually being converted from high-income war worker occupancy to tenancy by families of low income, (2) increases in project operating expenses and (3) decreases in interest earnings on local housing authority obligations due to the increasing availability to the local housing authorities of private financing at lower interest rates.

The major factor contributing to the increasing deficit is the cumulative increase in subsidies through annual contribution payments.

ADMINISTRATIVE EXPENSES

Of the total administrative expenses of the Federal Public Housing Authority in fiscal year 1947, the amount of \$3,882,400 is estimated as chargeable to the corporate program. This compares with an estimated \$2,187,100 in fiscal year 1946 and an actual \$2,340,453 in fiscal year 1945. The limitation imposed by the Congress for fiscal year 1946 applied only to operations under the United States Housing Act of 1937, and excluded the expenses in connection with Public Works Administration projects. For 1947, it is proposed that the limitation be applicable to all administrative expenses of the program. The basis for distributing these expenses is explained in the consolidated estimate of Federal Public Housing Authority administrative expenses.

LANGUAGE

Annual Contributions, National Housing Agency, Federal Public Housing Authority—

Annual contributions: For the payment of annual contributions to public housing agencies in accordance with section 10 of the United States Housing Act of 1937, as amended (42 U. S. C. 1410), **[\$7,600,000]** *\$12,600,000*, together with the unexpended balance of the appropriation for this purpose for the fiscal year **[1945]** *1946: Provided*, That except for payments required on contracts entered into prior to April 18, 1940, no part of this appropriation shall be available for payment to any public housing agency for expenditure in connection with any low-rent housing project, unless the public housing agency shall have adopted regulations prohibiting as a tenant of any such project by rental or occupancy any person other than a citizen of the United States, *but such prohibition shall not be applicable in the case of a family of any serviceman or the family of any veteran who has been discharged (other than dishonorably) from, or the family of any serviceman who died in, the armed forces of the United States within four years prior to the date of application for admission to such housing. (Act of May 3, 1945, Public Law 49.)*

Annual appropriation, general account:

Estimate 1947, **\$12,600,000**

Appropriated 1946, **\$7,600,000**

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated.
FUNDS APPLIED			
To make loans to local housing authorities:			
"B" bonds	\$727,000	\$8,138,000	\$64,382,000
Advance loan notes	631,561	3,099,236	7,480,000
Total loans to local housing authorities	\$1,358,561	\$11,237,236	\$71,862,000
To development of federally owned projects:			
Development costs	29,417,512	12,674,690	2,393,240
To operating expenses:¹			
Projects	\$553,058	1,523,958	1,678,987
Interest on notes payable to U. S. Treasury	3,980,000	3,830,000	3,730,000
Administrative expenses	2,621,800	2,187,100	3,882,400
Total operating expenses	7,154,858	7,541,058	9,291,387
To nonoperating expenses:			
Projects	28,286	6,013	2,890
Annual contributions	8,721,220	8,041,754	15,000,000
Total nonoperating expenses	8,749,506	8,047,767	15,002,890
To purchase of investments:			
U. S. Government bonds	3,000,000	636,000	777,000
To retire outstanding notes payable:			
Held by U. S. Treasury	15,000,000	-----	20,000,000
To decrease* working capital (see schedule A-1):	*18,441,865	*12,505,145	*8,778,818
Total funds applied	<u>46,238,572</u>	<u>27,631,606</u>	<u>110,547,699</u>
FUNDS PROVIDED			
By repayments of principal of loans:			
Local housing authority obligations:			
"B" bonds	6,519,000	1,478,000	77,894,000
Advance loan notes	16,125,044	4,754,688	4,682,688
Total local housing authority obligations	21,644,044	6,232,688	82,576,688
Mortgage loan notes—PWA limited dividend corporations	37,737	17,666	17,666
Public Law 849 project loans	-----	-----	890,720
Total repayments	21,681,781	6,250,354	83,485,074
By appropriations:			
Expenditures	8,721,220	8,041,764	15,000,000
By operating income:			
Interest	7,926,907	8,831,736	8,774,820
Project income	4,448,897	3,732,175	2,564,686
Add: Leased project reserve funds deposited with FPHA	916,055	775,125	722,657
Amortization of premium on investments	-----	462	462
Total operating income	13,291,859	13,339,498	12,062,625
By sale of investments:			
U. S. Government bonds	2,277,734	-----	-----
By nonoperating income:			
Profit on sale of U. S. Government bonds	265,978	-----	-----
Total funds provided	<u>46,238,572</u>	<u>27,631,606</u>	<u>110,547,699</u>

*Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B).

² Administrative expenses adjusted to \$2,340,453 by redistribution subsequent to June 30, 1945. Difference of \$281,347 included in fiscal year 1946 adjustments to surplus.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating Income:			
Interest:			
U. S. Government bonds.....	\$162,734	\$194,925	\$207,645
Obligations of local housing authorities.....	7,707,042	7,584,003	7,441,182
PWA limited dividend corporations.....	57,131	86,471	84,656
Charged to federally owned projects.....		966,337	1,041,337
Total interest.....	\$7,926,907	\$8,831,736	\$8,774,820
Project income:			
Directly operated:			
PWA.....	930,691	889,648	801,300
Public Law 671.....	34,458	135,731	122,136
Total directly operated.....	965,149	1,025,379	923,436
Leased (net income):			
PWA.....	1,898,994	1,410,716	799,107
Public Law 671 (before debt service).....	323,433	259,817	87,403
Public Law 412 (before debt service).....	1,248,021	1,022,963	741,380
Total leased.....	3,470,448	2,693,496	1,627,890
Rented—PWA.....	13,300	13,300	13,300
Total project income.....	4,448,897	3,732,175	2,564,686
Total operating income.....	12,375,804	12,563,911	11,339,506
Operating Expenses:			
Project expenses:			
Directly operated:			
PWA (exclusive of reserves).....	536,007	563,757	560,542
Public Law 671 (exclusive of reserves).....	17,051	92,394	94,188
PWA provision for reserves.....	78,594	48,332	27,574
Public Law 671 provision for reserves including amortization.....	17,407	42,992	41,186
Total directly operated.....	649,059	747,475	723,490
Leased:			
Public Law 671 debt service (interest).....		289,072	445,522
Public Law 412 debt service (interest).....		578,735	578,735
Public Law 671 provision for amortization.....		242,821	374,238
Public Law 412 provision for amortization.....		486,137	486,137
Public Law 671 provision for general reserve.....	323,433		
Total leased.....	323,433	1,506,765	1,884,632
Total project operating expenses.....	972,492	2,344,240	2,608,122
Interest on notes payable to U. S. Treasury.....	3,080,000	3,830,000	3,730,000
Administrative expenses:			
USHA.....	1,243,000	2,072,200	3,767,400
PWA.....	1,191,600	114,900	115,000
Depreciation—furniture and fixtures.....	55,343		
Total operating expenses.....	7,629,635	8,361,340	10,220,522
Net operating income.....	4,746,169	4,202,571	1,118,984
Nonoperating income and expenses*:			
Expenses:			
Directly operated projects—PWA.....	*28,286	*6,013	*2,890
Annual contributions.....	*8,721,220	*8,041,754	*15,000,000
Total expenses.....	*8,749,506	*8,047,767	*15,002,890
Income:			
Gain on sales of U. S. Government Bonds.....	265,975		
Net nonoperating expenses.....	*8,483,528	*8,047,767	*15,002,890
Net income (or loss)¹ including contributions.....	*3,737,359	*3,845,196	*13,883,960
Annual contributions.....	8,721,220	8,041,754	15,000,000
Net income carried to undivided profits.....	4,983,861	4,196,558	1,116,094

*Deduct.

¹ Administrative expenses adjusted to \$2,225,311, United States Housing Authority, and \$115,142, Public Works Administration, by redistribution subsequent to June 30, 1945. Difference of \$281,347 included in fiscal year 1946 adjustments to surplus.

EXHIBIT B—Continued
 COMPARATIVE STATEMENT OF INCOME AND EXPENSES—Continued
 ANALYSIS OF UNRESERVED SURPLUS OR DEFICIT

	1945, actual	1946, estimated	1947, estimated
Cumulative grants, subsidies and contributions:			
Balance at beginning of period.....	*\$34,687,026	*\$43,408,246	*\$51,450,000
Net income (or loss*) for period (above).....	*8,721,220	*3,041,754	*15,000,000
Balance at end of period.....	*43,408,246	*51,450,000	*66,450,000
Undivided profits:			
Balance at beginning of period.....	8,549,895	14,056,476	17,828,502
Adjustment to beginning balance.....	522,720	*424,532	.....
Net income (or loss*) for period (above).....	4,983,861	4,196,558	1,116,094
Balance at end of period.....	14,056,476	17,828,502	18,944,596

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
ASSETS				
Current assets:				
Cash.....	\$42,080,911	\$22,654,546	\$13,660,544	\$4,359,611
Appropriated funds.....	2,064,054	2,841,764	2,400,000	
Accounts receivable:				
Due from other Government agencies.....	1,712	31,424		
Receivables from leases:				
Rents from local housing authorities:				
Public Law 849 projects.....				890,720
P. W. A. projects.....	2,566,043	2,221,468	430,993	247,452
Public Law 412 projects.....		1,453,271	272,883	184,888
Public Law 671 projects.....	1,686,802	195,833	163,279	155,297
Other.....			6,760	6,760
Other receivables from local housing authorities.....	809,619	301,811	16,500	1,500
Tenants accounts receivable:				
Collectible.....	20,226	3,017	3,000	3,000
Uncollectible.....			10,253	19,487
Allowance for uncollectible.....			*10,253	*19,487
Miscellaneous.....		13		
Advances to local authorities.....	58,166			
Inventories.....	12,300	14,126	15,000	16,000
Accrued interest receivable:				
U. S. Government bonds.....	26,041	68,629	68,629	68,629
Local housing authority obligations.....	3,602,161	3,635,995	3,779,393	3,676,172
Mortgage loan notes P. W. A. limited dividend corporations.....	30,807	24,936	24,721	
Mortgage loan notes.....				23,635
Investments:				
U. S. Government bonds.....	7,153,068	7,875,334	8,510,872	9,287,410
Stock in P. W. A. limited dividend corporations.....	210	210	210	210
Loans receivable:				
Local housing authority obligations.....	308,345,427	288,059,944	293,064,492	282,349,604
Mortgage loan notes P. W. A. limited dividend corporations.....	1,586,431	1,648,694	1,531,028	1,513,362
Public Law 849 projects.....			12,232,000	60,269,280
Total current assets.....	369,643,968	330,931,005	336,180,304	363,082,630
Fixed assets:				
Development costs:				
Projects.....	188,284,092	217,701,604	260,644,270	233,037,510
Furniture and fixtures.....	632,784	632,784	632,784	632,784
Total development costs.....	188,916,876	218,334,388	231,277,054	233,670,294
Allowance for debt amortization.....			*1,939,827	*2,814,550
Allowance for depreciation of furniture and fixtures.....	*577,441	*632,784	*632,784	*632,784
Total fixed assets.....	188,339,435	217,701,604	228,704,443	230,222,960
Deferred charges:				
Prepaid insurance.....	82,588	90,021	7,965	6,285
Returnable premium.....	122,534	120,836	135,030	135,030
Prepaid payment in lieu of taxes.....		218,140	220,000	220,000
Deferred operating improvement.....	20,000	3,969		
Undistributed debits.....	288,703	769,885	769,885	769,885
Total deferred charges.....	513,825	1,202,861	1,132,880	1,131,200
Total assets.....	558,397,228	649,835,460	666,017,627	694,436,790
LIABILITIES				
Current liabilities:				
Accounts payable.....	\$111,047	\$169,902	\$150,000	\$150,000
Accrued payment in lieu of taxes.....	774,935	135,868	140,000	140,000
Tenants security deposits.....	12,972	14,198	12,000	10,000
Bonds, debentures, and notes payable—U. S. Treasury series.....	398,000,000	383,000,000	383,000,000	383,000,000
Deferred credits:				
Prepaid rents.....	10,700	13,832	16,000	15,000
Total liabilities.....	398,909,654	383,333,300	383,317,000	383,315,000

*Deduct.

EXHIBIT C—Continued

COMPARATIVE STATEMENT OF FINANCIAL CONDITION—Continued

	1944, actual	1945, actual	1946, estimated	1947, estimated
CAPITAL				
Paid in capital:				
Capital stock	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Paid-in surplus:				
Assets transferred from other Federal agencies	114,830,708	114,830,708	114,830,708	114,830,708
Assets transferred from public war housing program			12,232,000	61,160,000
Expended appropriations	60,602,601	69,323,821	77,365,575	92,365,575
Total paid in capital	176,433,309	185,154,529	205,428,283	269,356,283
Earned surplus or deficit:				
Reserves:				
Repairs, maintenance and replacements	4,621,890	4,331,518	4,932,980	5,399,146
Operating improvements	242,132	2-0,765	327,765	374,765
Vacancy and collection losses	1,519,967	2,146,695	2,549,066	2,809,369
Fire and other hazards	1,000	2,300	2,800	3,400
General	77,398	418,238		
Contingency	664,355	678,531	681,231	684,231
Unreserved:				
Grants and subsidies (annual contributions)	*34,657,026	*43,408,246	*51,450,000	*66,450,000
Undivided profits	8,549,895	14,056,476	17,828,502	18,944,596
Deficit	*19,009,789	*21,494,123	*25,127,656	*38,234,493
UNEXPENDED APPROPRIATIONS				
Unexpended appropriations	2,064,054	2,841,754	2,400,000	
Total liabilities, capital, and unexpended appropriations	558,397,228	549,835,460	566,017,627	594,436,790

*Deduct.

SCHEDULE A-1
COMPARATIVE STATEMENT OF CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash.....	*\$19,426,365	*\$8,994,002	*\$9,271,033
Appropriated funds.....	777,700	*41,754	*2,400,000
Accounts receivable:			
Tenants accounts.....	*17,209	*17	
Rents due from local housing authorities.....	*299,809	*3,003,417	611,202
Other local housing authority receivables.....	*7,808	*285,311	*15,000
Due from other Government agencies.....	29,712	*31,424	
Miscellaneous.....	13	*281,360	
Advances to local housing authorities.....	*58,156		
Inventories.....	1,826	874	
Accruals:			
Interest.....	70,551	143,183	*104,307
Deferred charges:			
Prepaid insurance.....	7,433	*82,056	*1,680
Returnable insurance premium.....	*1,698	14,194	
Prepaid payments in lieu of taxes.....	218,140	1,860	
Deferred operating improvements.....	*16,031	*3,969	
Undistributed debits.....	481,182		
Current liabilities (increase* or decrease):			
Accounts payable.....	*58,855*	19,902	
Accrued payments in lieu of taxes.....	639,067	*4,132	
Tenants security deposits.....	*1,226	2,198	2,000
Deferred credits:			
Prepaid rents.....	*2,632	*1,668	
Unexpended appropriations.....	*777,700	441,754	2,400,000
Decrease in working capital.....	18,441,865	12,505,145	8,778,818

*Deduct.

FARM SECURITY ADMINISTRATION PROGRAM

CREATION AND PURPOSE

Executive Order 9070 of February 24, 1942, transferred to the National Housing Agency (Federal Public Housing Authority) "all functions, powers and duties of the Farm Security Administration relating to such housing projects as the Administration determines are for families not deriving their principal income from operating or working on a farm." The Farm Security Administration projects were developed out of funds appropriated by section 208 of the National Industrial Recovery Act of 1933 (40 U. S. C. 408) and the Emergency Relief Appropriation Act of 1935 (49 Stat. 115). The original purpose of these projects was threefold (1) to rehabilitate families in distress by providing them with a homestead on which they could supplement income received by seasonal industrial work, (2) to demonstrate a method of redistributing what was considered an overbalance of population in industrial centers by constructing small suburban communities insulated from encroachment by a greenbelt of farms and forests, and (3) to provide work relief and to increase employment by providing useful projects.

Thirty-one subsistence homestead, three greentown, and eight undeveloped projects were transferred to the Federal Public Housing Authority under Executive Order 9070. In addition a number of loans to cooperative business enterprises connected with these projects, were transferred from the Farm Security Administration. The eight undeveloped projects were immediately declared surplus and turned over to Public Buildings Administration for disposal. The interest of the Federal Public Housing Authority in 16 of the subsistence homestead projects sold to tenant associations prior to the transfer of these projects pursuant to Executive Order 9070 is represented by mortgage holdings. As of July 1, 1945 14 homestead projects and 3 greentowns were under direct operation by the Federal Public Housing Authority, 1 project having been declared surplus by the Federal Public Housing Authority during fiscal year 1945.

FINANCIAL ORGANIZATION

Development of this program was financed from appropriated funds, and assets representing \$65,906,689 of such funds were transferred to the FPHA. Administration of these projects is carried on under the terms of the Bankhead-Black Act of 1936 (40 U. S. C. 431), which provide that operating income may be used for operation and maintenance. These funds have also been used to cover disposition expenses, in accordance with annual acts appropriating these operating revenues under the title, "Liquidation and management of resettlement projects".

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES DEVELOPMENT OPERATIONS

The Federal Public Housing Authority incurred no expenses under funds appropriated by the National Industrial Recovery and the Emergency Relief Appropriation Acts inasmuch as all development activities were concluded prior to the issuance of Executive Order 9070. The Emergency Relief Appropriation Act had stipulated that the funds therein appropriated were to remain available only until June 30, 1937.

MANAGEMENT OPERATIONS

Projects which have not been sold to tenant homestead associations are operated directly by the Federal Public Housing Authority. Community managers and operating staffs, appointed through appropriate Civil Service procedures, are directly responsible to the Federal Public Housing Authority. Likewise, purchasing and contracting for service and supplies for the projects are conducted in accordance with generally applicable statutes and administrative orders.

Housing operations consist of the management of 3 greentown and 14 subsistence homestead projects comprising the active Farm Security Administration program as of June 30, 1945, containing a total of 4,227 units. The value of this property as of June 30, 1945, was \$58,092,553 (exhibit C). Included, in addition to the dwelling units, are roads, schools, utility systems, and other necessary facilities which cost \$22,122,499.

The greentown projects, consisting of 2,267 units, will represent a management program during fiscal years 1946 and 1947. However, the program covering the subsistence homestead projects of 1,960 units is transitional. These projects are being disposed of as quickly as feasible. In fiscal year 1946 it is anticipated that 1 project consisting of 249 units will be sold to a homestead association and 55 units will be sold to individuals. In fiscal year 1947 it is estimated that 4 projects of 776 units will be sold to homestead associations, 67 units will be sold to individuals, and 6 units will be declared surplus. In addition to these disposition actions, it is estimated that 125 units will be placed under lease-purchase contracts in fiscal year 1946 and 117 units in fiscal year 1947.

Funds provided by operating income from housing management activity during fiscal year 1946 will amount to \$1,767,046, as shown in exhibit A. The decline to \$1,478,551 forecast for fiscal year 1947 is based on the anticipated reductions in rental receipts from the greentowns and the disposition of subsistence homestead units. It is anticipated that operating income from greentown projects will continue to increase during fiscal year 1946 in accordance with trends established during the war years due to a disproportion of tenants paying maximum rents. A 12 percent decline in operating income is estimated in fiscal year 1947 as a result of replacement of high-income tenants as the projects are reconverted to the original purpose of providing suburban housing for moderate income families. In fiscal year 1945, net income from subsistence homestead projects was \$76,237. During 1946 and 1947 it is expected to decline to \$52,526 and \$3,812, respectively. This trend reflects accelerated disposition activities.

Additional management operations are concerned with the continuance of financing of existing cooperative enterprises and subsistence homestead associations. Interest payments on loans due from cooperative enterprises will provide \$129,100 during 1946 and \$59,700 during 1947. Repayment of principal will provide \$690,900 in 1946 and \$464,700 in 1947 (exhibits A and B). No new loans to cooperative enterprises are anticipated.

Interest payments on loans due from homestead associations will provide \$56,100 in 1946 and \$58,500 in 1947.

Repayment of principal will provide \$86,900 in 1946 and \$47,400 in 1947.

DISPOSITION OPERATIONS

Subsistence homestead projects are being sold either as units to individual tenants or in their entirety to tenant homestead associations depending on whether the maintenance and operation of community facilities are involved. Sales prices are being determined in conformity with commitments made by any agency of the Federal Government which had jurisdiction over these projects, or in the absence of such commitments, are being based on the fair market value of the property. The terms of sale provide for payment of purchase price in not to exceed 40 years with interest at 3 percent. Advance amortization is being encouraged. New loans will be made to homestead associations in the amount of \$1,968,200 representing 75 percent of the sales price of housing properties sold to these associations.

Schools, streets and other public ways will be dedicated where necessary. Contracts for disposal of utility installations and community, commercial, and service facilities owned by the Government will provide for continuing operation. Additional notes of \$250,000 will be accepted in connection with sales of nondwelling facilities to homestead associations. Unused land and certain other properties will be declared surplus to the War Assets Administration. Dedication of community facilities and public ways should be completed by the end of fiscal year 1947 as will be the disposition of other community facilities.

In the disposition of mortgage interests in cooperative enterprises, every effort will be made to provide for continued operation of enterprises essential to the economic life of homestead communities. Consumer cooperatives

in default will be disposed of to the highest responsible bidder in the light of approved appraisals.

OPERATING RESULTS

As shown in exhibit B, income from project operations and interest earnings is estimated at \$1,952,246 in fiscal year 1946 and \$1,596,751 in fiscal year 1947. Operating expenses decrease from \$1,475,313 in fiscal year 1946 to \$1,273,827 in fiscal year 1947, with resulting net operating income of \$476,933 and \$322,924 in fiscal years 1946 and 1947, respectively. This net income is more than offset by the cost of assets to be disposed of by sale and dedication. As a result, net cost of the program is estimated at \$3,435,267 in fiscal year 1946 and \$7,428,376 in 1947.

FINANCIAL CONDITION

The total paid-in capital (exhibit C) decreases from \$65,201,557 as of June 30, 1945, to an estimated \$60,262,290 as of June 30, 1947, reflecting primarily proceeds from disposition of subsistence homesteads and community facilities. Proceeds to be returned to the Treasury are estimated to reach \$2,387,346 by June 30, 1946, and \$4,441,246 by June 30, 1947. The cumulative net cost of the program is expected to increase from \$965,387 as of June 30, 1945, to \$4,400,654 by June 30, 1946, and \$11,829,030 by June 30, 1947 (see exhibit B).

ADMINISTRATIVE EXPENSES

The amount of \$163,700 is estimated as the portion of total Federal Public Housing Authority administrative expenses chargeable to the Farm Security Administration Program in fiscal year 1947. This amount is estimated at \$163,500 in fiscal year 1946, and compares with an actual charge in fiscal year 1945 of \$162,594. The basis for this distribution is explained in the consolidated estimate of FPHA administrative expenses.

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
FUNDS APPLIED			
To operating expenses:			
Project expenses.....		\$1,311,813	\$1,110,127
Administrative expenses.....		163,500	163,700
Total operating expenses.....		\$1,475,313	\$1,273,827
To nonoperating expenses:²			
Projects.....		57,000	-----
Selling expense industrial cooperatives.....		3,800	3,500
Total nonoperating expenses.....		60,800	3,500
To decrease* working capital (see schedule A-1).....		*825,510	*504,300
Total funds applied.....		710,603	773,027
FUNDS PROVIDED			
By sale of property.....		665,800	891,300
By repayments of principal of loans:			
Subsistence homestead association obligations:			
Mortgage notes.....		86,400	46,900
Moratorium notes.....		500	500
Industrial cooperative association notes.....		690,900	464,700
Total repayments of loans.....		777,800	512,100
By operating income:			
Interest.....		185,200	118,200
Projects.....		1,767,046	1,478,551
Total operating income.....		1,952,246	1,596,751
By appropriations (net):			
Expenditures.....		1,470,835	1,298,796
Revenue receipts.....		*1,768,732	*1,472,020
Deposits to general fund receipts.....		*2,387,346	*2,053,900
Net appropriations.....		*2,685,243	*2,227,124
Total funds provided.....		710,603	773,027

*Deduct.

¹ The basic accounting system maintained prior to July 1, 1945, for this program was prescribed by the Comptroller General. The primary emphasis in this system of accounting is to provide fund accountability. It did not contain the accounts necessary to reflect the financial condition and results of operations on a corporate basis. For this reason it was impossible to prepare a statement of financial condition as of June 30, 1944, and statements of application of funds and changes in working capital for the fiscal year 1945.

² Excludes expenses which do not require funds during current year (see exhibit B).

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND NET COST OF PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
Operating income:			
Interest:			
Subsistence homestead associations.....	\$61,282	\$56,100	\$58,500
Cooperative associations.....	141,074	129,100	59,700
Total interest.....	\$202,356	\$185,200	\$118,200
Project income.....	1,712,515	1,767,046	1,478,551
Total operating income.....	1,914,871	1,952,246	1,596,751
Operating expenses:			
Project expenses.....	1,306,612	1,311,813	1,110,127
Administrative expense.....	162,594	163,500	163,700
Total operating expense.....	1,469,206	1,475,313	1,273,827
Net operating income.....	445,665	476,933	322,924
Nonoperating income and net disposition cost*:			
Projects.....	2,593	*57,000	-----
Disposition cost to program*:			
Dwelling facilities:			
Development costs.....		*1,517,200	*4,715,200
Proceeds of sale.....		615,800	2,759,500
Net disposition cost.....		*901,400	*1,955,700
Nondwelling facilities:			
Development costs.....		*3,100,000	*6,142,100
Proceeds of sale.....		150,000	350,000
Net disposition cost.....		*2,950,000	*5,792,100
Selling expense—industrial cooperatives.....		*3,800	*3,500
Net disposition cost to program.....		*3,855,200	*7,751,300
Nonoperating income and expenses* and net disposition cost*.....	2,593	*3,912,200	*7,751,300
Net income (or net cost of program*) for the year.....	448,258	*3,435,267	*7,428,376

ANALYSIS OF EARNED SURPLUS (OR NET COST OF PROGRAM*)

Balance at beginning of year.....	(1)	*\$965,387	*\$4,400,654
Net income (or cost of program*) for year (above).....	(1)	*3,435,267	*7,428,376
Balance at end of year.....		*\$965,387	*\$4,400,654
		*4,400,654	*11,829,030

*Deduct.

¹ The figures shown in the actual 1945 column represent data available which was taken from records maintained separately from the general books of account and not coordinated therewith (see footnote on exhibit A).

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
CURRENT ASSETS			
Cash.....	\$1,022,965	\$189,592	\$171,092
Appropriated funds.....	836,421	1,134,318	1,307,542
Accounts receivable:			
Due from Government agencies.....	34,629	.....	.....
Miscellaneous accounts receivable.....	10,100	10,000	10,000
Tenants accounts receivable:			
Collectible.....	134,554	130,000	130,000
Uncollectible.....	2,958	5,826	12,357
Allowance for uncollectible.....	*2,958	*5,826	*12,357
Loans receivable:			
Subsistence homestead association mortgage notes.....	1,982,698	1,996,298	4,167,598
Subsistence homestead association moratorium interest notes.....	10,675	10,175	9,675
Other mortgage loan notes.....	.....	900,000	900,000
Cooperative association notes.....	4,089,810	3,061,310	2,596,610
Reserve for losses.....	*2,000,000	*2,000,000	*2,000,000
Stores inventory.....	53,663	90,000	90,000
Total current assets.....	\$6,815,515	\$5,521,693	\$7,382,517
ACCRUED ASSETS			
Interest on subsistence homestead mortgage notes.....	9,523	9,523	9,623
Interest on cooperative association notes.....	533,401	594,001	61,701
Total accrued assets.....	542,924	603,524	71,224
FIXED ASSETS			
Subsistence homesteads:			
Acquisition by transfer.....	22,203,515	22,241,115	22,241,115
Disposition by transfer.....	*283,924	*283,924	*310,824
Disposition by sale.....	.....	*4,617,200	*15,474,500
Greentown projects:			
Development cost.....	698,671	698,671	698,671
Acquisition by transfer.....	35,476,720	35,476,720	35,476,720
Allowance for depreciation.....	*2,429	*2,429	*2,429
Total fixed assets.....	58,092,553	53,512,953	42,628,753
DEFERRED CHARGES			
Prepaid expense.....	85,584	50,000	33,000
Undistributed debits.....	819,146	.....	.....
Total deferred charges.....	904,730	50,000	33,000
Total assets.....	66,355,722	59,688,170	50,120,494
LIABILITIES			
Current liabilities:			
Management accounts payable.....	226,566	215,000	175,000
Trust and deposit liabilities:			
Deposits on lease and purchase agreements.....	196,846	185,046	167,146
Deposits for maintenance and repairs.....	9,433	9,233	8,633
Miscellaneous.....	846,373	25,000	25,000
Undistributed credits.....	4,064	4,064	4,064
Total liabilities.....	1,283,282	438,343	379,843
CAPITAL			
Paid-in capital:			
Expended appropriations.....	4,178,208	5,649,043	6,947,839
Revenue receipts.....	*4,590,416	*6,368,148	*7,840,165
Assets transferred from other Federal agencies.....	65,906,689	65,906,689	65,906,689
Assets transferred to other agencies for disposition.....	*283,924	*283,924	*310,824
Deposits to general fund receipts.....	.....	*2,387,346	*4,441,246
Total paid-in capital.....	65,201,557	62,516,314	60,262,290
Net cost of program.....	*965,387	*4,400,654	*11,829,030
Total capital.....	64,236,170	68,115,660	48,433,260
UNEXPENDED APPROPRIATIONS			
Unexpended appropriations.....	836,270	1,134,167	1,307,391
Total liabilities, capital, and unexpended appropriations.....	66,355,722	59,688,170	50,120,494

*Deduct.

¹ Absence of 1944 actual data explained in footnote on exhibit A.

SCHEDULE A-1
COMPARATIVE STATEMENT OF CHANGE IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual ¹	1946, estimated	1947, estimated
Current assets (Increase or decrease*):			
Cash.....		*833,373	*818,500
Appropriated funds.....		292,427	173,224
Accounts receivable:			
Tenants accounts.....		*4,554	
Due from other Government agencies.....		*34,629	
Miscellaneous.....		*100	
Inventories.....		*3,663	
Accruals:			
Interest.....		60,600	*532,300
Deferred charges:			
Prepaid expenses.....		*25,584	*12,000
Undistributed debits.....		*819,146	
Current liabilities (Increase* or decrease):			
Management accounts payable.....		11,566	40,000
Deposits on lease and purchase agreements.....		11,800	17,900
Deposits for maintenance.....		200	600
Miscellaneous.....		821,373	
Undistributed credits.....		5,470	
Unexpended appropriations.....		*297,897	*173,224
Decrease in working capital.....		825,510	504,300

*Deduct.

¹ Absence of 1945 actual data explained in footnote in exhibit A.

ADMINISTRATIVE EXPENSES—FEDERAL PUBLIC HOUSING AUTHORITY

A single administrative expense budget is prepared for the five groups of programs administered by the Federal Public Housing Authority, namely:

- Public war housing program.
- Homes conversion program.
- Veterans housing program.
- Corporate program (low-rent, including Public Works Administration projects).
- Farm Security Administration program.

Each of these groups has been described in a separate budget program. The Federal Public Housing Authority is operated as a single homogeneous organization designed to cope with all the ramifications of these varied public housing programs. Each program bears its proportionate share of the total administrative expenses. Authority for establishment of the single administrative expense account is contained in the Independent Offices Appropriation Act, 1946, and preceding fiscal years.

MAJOR ADMINISTRATIVE ACTIVITIES

The activities of the entire organization of the Federal Public Housing Authority consisting of all staff, service, or operating divisions can be divided functionally into three major categories, i. e., development, management, and disposition.

Development.—The development activity involves such matters as analysis of local housing conditions, acquisition of land, site planning, structural planning, awarding contracts, inspections for compliance with contract terms, and the making of final settlements with contractors. The extent to which each of these activities is involved varies from program to program. These development activities require extensive negotiation with local organizations and governing bodies.

During the fiscal year 1945 the Authority was still heavily engaged in construction of war housing and at the end of that year there remained 35,545 units to be completed. Physical completion of these units and the liquidation of all contracts not finally settled constitute a major workload item during fiscal year 1946. Some of this workload will carry over into the first quarter of fiscal 1947. An important item of workload arises from the reutilization of structures to provide housing for veterans which assumed importance early in the fiscal year 1946, and which contemplates making approximately 100,000 units of veterans' housing available for occupancy by the end of that year and 100,000 additional units by January 1947. Completion of construction work and contract settlement will extend through the 1947 fiscal year. The workload is further augmented by the resumption of development of war-deferred low-rent housing projects under the United States Housing Act of 1937.

It is estimated that development of 5,800 units will be started in 1946. In 1947, it is expected that 12,600 units in urban areas and 5,000 units in rural areas will be started.

Management.—The management activity consists of directing the operations of housing projects through project housing managers, through local housing authorities, or through contract managers and local bodies participating in the veterans housing program. This activity deals with rental and occupancy, maintenance engineering, commercial facilities, utilities, taxation, insurance, and project services. The management work begins with the inception of the project and ends upon its disposition.

At the end of the fiscal year 1945 there was a total of 791,393 housing units of all kinds under management. This budget estimates that there will be approximately 757,986 at the end of 1946 and 772,814 at the end of 1947.

Disposition.—Disposition activity involves development of plans for disposal of war housing, appraisal of properties, and the financing and closing of sales. This budget contemplates that approximately 154,358 dwelling units together with the land will be disposed of or transferred for reuse during the fiscal year 1946 and approximately 113,339 during the fiscal year 1947.

Distribution by major activity.—The distribution of administrative costs to these three major activities is shown in the following table:

[Fiscal years ending June 30, 1945, 1946, and 1947]

Activity	1945, actual	1946, estimated	1947, estimated
Project development	\$5,908,733	\$4,515,994	\$3,585,714
Project management	9,076,166	10,105,053	11,971,860
Project disposition	279,380	2,608,373	4,287,826
Total	15,264,279	17,229,400	19,845,400

The costs are derived through analyses of work remaining to be done. The number and types of employees required is derived by application to estimated workload of production factors determined by study of past experience. Quarterly estimates of manpower are converted to man-years and salary costs are computed. The other expense items are directly related to man-years by the use of mathematical factors developed over a period of time. Estimates of payments for services received are derived through negotiation with other agencies rendering services to the Federal Public Housing Authority.

Distribution by program.—The distribution of costs is based on periodic surveys relating employee time consumption for the various programs to workload. The factors so developed are then applied to the projected workload in future periods. This process results in the

following distribution of costs by program and sources of funds:

[Fiscal years ending June 30, 1945, 1946, and 1947]

Program and source of funds	1945, actual	1946, estimated	1947, estimated
Public war housing program:			
Development funds	\$5,174,793	\$2,000,000	\$100,000
Management and disposition funds	5,918,649	9,038,826	9,329,406
Total	11,093,442	11,038,826	9,429,406
Homes conversion program: Management funds:			
	1,311,390	1,160,000	1,114,500
Veterans housing program:			
Development funds		1,717,700	2,199,900
Management funds		616,741	3,051,343
Total		2,334,441	5,251,243
Corporate program:			
Development funds, United States Housing Authority		1,452,761	1,281,663
Management funds, United States Housing Authority	1,847,771	1,619,489	2,485,737
Management funds, Public Works Administration projects	115,142	114,900	115,000
Total	2,340,453	2,187,100	3,882,400
Farm security program: Management funds:			
	162,594	163,500	163,700
Foreign housing (lend-lease):			
	356,400	843,533	4,151
Orsnd total	15,264,279	17,229,400	19,845,400

¹ These amounts are chargeable against the limitation of \$2,200,000 contained in the Independent Offices Appropriation Act, 1946.

No budget program is submitted for the foreign housing (lend-lease) activity, which has been completed except for settlement of contracts and closing of accounting records. This program was assigned to the Federal Public Housing Authority by the Foreign Economic Administration and involved the production of 8,599 houses for Great Britain, and 4,500 barracks and 8,110 houses for France.

Limitation.—During the fiscal year 1945, the administrative staff expended 3,518 man-years of personal service, which with other related costs of administration resulted in a total expenditure of \$15,264,279. The administrative organization will be expanded during 1946 to a level of 4,381 man-years for 1947, with total costs of \$19,845,400. Largest factor influencing this increase is expansion of disposition activity, especially in connection with the public war housing program. A smaller increase will occur in management activities incident to (1) assistance to local bodies managing veterans' housing, (2) continued occupancy of war housing, and (3) the reactivation of low-rent projects. For further details see statements of income and expense (exhibit B) for each program and schedules A and A-1, which follow. This estimate makes

no allowance for additional functions and activities which would result from enactment of pending legislation.

In previous years, a limitation has been imposed only on expenditures of the corporate program in connection with work initiated under the United States Housing Act of 1937. For 1947, it is proposed that an over-all limitation of \$19,845,400 be established covering all Federal Public Housing Authority administrative expenses, within which a subsidiary limitation of \$3,882,400 would be placed on administrative expenses of the entire corporate program.

LANGUAGE

FEDERAL PUBLIC HOUSING AUTHORITY

Salaries and Expenses, National Housing Agency, Federal Public Housing Authority—

["Salaries and"] *The types of programs set forth in the 1947 budget of the Federal Public Housing Authority, within the funds available to it, are approved. Administrative expenses:* [In addition to] *Of the amounts available by or pursuant to law for the administrative expenses of the Federal Public Housing Authority in carrying out duties imposed by or pursuant to law, [and not to exceed \$96,200 of the funds of the Defense Homes Corporation available for its administrative expenses] (all of which are hereby merged [with this authorization] into a single administrative expense account), not to exceed [\$2,200,000] \$19,845,400 [of the funds of said Authority derived from its operations under the Act of September 1, 1937, as amended (42 U. S. C. 1401),] shall be available for such expenses (including not to exceed \$3,882,400 of the funds available for administrative expenses for the corporate program as shown in its statement of income and expenses) [all necessary administrative expenses of said Authority], including [personal services and rent in the District of Columbia; maintenance, repair, and operation of motor-propelled passenger-carrying vehicles] temporary employment of persons or organizations, by contract or otherwise, for legal or other special services, without regard to section 3709 of the Revised Statutes and the civil-service and classification laws; reimbursement for the actual cost of ferry fares and bridge, road, and tunnel tolls; an allowance of not to exceed 3 cents per mile for official travel in privately owned automobiles by employees within the limits of their official stations; reimbursement of not to exceed 5 cents per mile to personnel serving without compensation from the United States for expenses of travel performed by them in privately owned automobiles away from their designated post of duty; [printing and binding; purchase of law-books, books of reference, and periodicals;] and photographing equipment; *Provided,* That all necessary expenses of providing representatives of the Authority at the sites of non-Federal projects in connection with the construction of such non-Federal projects by public housing agencies with the aid of the Authority, shall be reimbursed or paid by such agencies, and expenditures by the Authority for such purpose shall be considered nonadministrative expenses, and funds received from such payments or reimbursements may be used only for the payment of all necessary expenses of providing representatives of the Authority at the sites of non-Federal projects or for administrative expenses of the Authority not in excess of the amount authorized by the Congress. (Act of May 3, 1945, Public Law 49; Act of Dec. 6, 1945, Public Law 248.)*

SCHEDULE A
ADMINISTRATIVE EXPENSES BY FUNCTIONS AND CATEGORIES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated	By accounts	1945, actual	1946, estimated	1947, estimated
SALARIES	Man-years Amount	Man-years Amount	Man-years Amount	OTHER EXPENSES—continued	Man-years Amount	Man-years Amount	Man-years Amount
Staff offices.....	300.2	362.5	397.5	Rents and utility services.....	\$838,431	\$964,650	\$1,112,000
Legal.....	896,811	\$1,292,124	\$1,425,082	Printing and binding.....	96,210	111,660	145,600
Office of comptroller.....	559,819	689,715	780,561	Other contractual services.....	428,891	392,386	345,550
Development and reutilization.....	3,600,341	4,710,237	5,438,689	Supplies and materials.....	163,191	159,680	271,000
Project management.....	581.6	538.5	508.8	Equipment.....	104,464	288,340	127,000
Real estate and disposition.....	2,136,988	2,382,616	2,209,542	Total other expenses.....	3,083,376	3,816,956	4,569,750
Consultants.....	1,923,255	2,657,687	3,703,016	Subtotal.....	14,961,494	16,956,065	19,560,903
Total, Federal Public Housing Authority.....	3,406,796,823	3,812,512,930,893	4,381,149,911,153	Payment for services received:			
Homes conversion: Development (transferred from Home Owners' Loan Corporation).....	111.7			Office of the Administrator, National Housing Agency:			
Overtime pay.....	336,546	208,216		For general supervision.....	225,810	203,805	202,500
Total salaries (see schedule A-1).....	3,518,411,878,118	3,812,513,139,109	4,381,149,911,153	For penalty mail.....	22,015	21,420	27,600
OTHER EXPENSES				Office of the Treasurer of the United States: For custody and disbursement of funds.....	70,731	63,110	44,397
Travel.....	1,035,387	1,407,240	2,094,500	General Accounting Office: For audit of accounts.....			25,000
Transportation of things.....	61,930	61,760	60,760	Total.....	318,556	288,335	299,497
Communication services.....	354,872	431,240	412,800	Total administrative expenses before reimbursements.....	15,280,050	17,244,400	19,860,400
				Less reimbursements received for administrative services to Defense Homes Corporation.....	15,771	15,000	15,000
				Net total administrative expenses.....	15,264,279	17,229,400	19,845,400

SCHEDULE A-1

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

PERSONAL SERVICES, DEPARTMENTAL				PERSONAL SERVICES, DEPARTMENTAL—CO-OP.			
By grades	1945, actual	1946, estimated	1947, estimated	By grades	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount		Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, DEPARTMENTAL				PERSONAL SERVICES, DEPARTMENTAL—CO-OP.			
Clerical, administrative, and fiscal service—				Clerical, administrative, and fiscal service—Continued			
Grade 16. In excess of \$9,800:				Grade 9. Range \$3,640 to \$4,300—Con.			
Commissioner.....	1 \$10,000	1 \$10,000	1 \$10,000	Chief of section.....	2 1,807,703	2 \$7,390	1 \$3,640
Executive assistant to commissioner.....				Housing management adviser.....	1 6,038		
Grade 15. Range \$8,750 to \$9,800:				Racial relations adviser.....	1 2,391	0 8,292	
Comptroller.....	1 7,711	1 8,750	1 8,750	Housing management analyst.....	1 3,408	1 7,635	1 3,640
Assistant commissioner for disposition.....	0 8 5,758	1 8,750	1 8,750	Purchasing officer.....	2 6,335	0 5 1,875	
Grade 14. Range \$7,175 to \$8,225:				Plant production analyst.....	1 1,200	0 3 1,092	
Director of division.....	9 7 65,547	13 7 100,757	14 21 102,551	Fiscal accountant.....	5 2,167,617	9 34,935	9 34,253
Deputy assistant commissioner.....	0 5 3,259	2 14,875	2 14,875	Procedures accountant.....	1 3,200	1 3,640	1 3,640
Grade 13. Range \$6,230 to \$7,070:				Procedures analyst.....	1 6,520	2 7,280	2 7,280
Executive assistant to commissioner.....	1 5,600	1 6,230	1 6,230	Communications and record officer.....	15 43,333	11 59,908	12 41,590
Special assistant to commissioner.....	1 5,600	1 6,440	1 6,440	Grade 8. Range \$3,310 to \$3,970.....	14 5 43,320	51 5	50 7
Assistant director of division.....	7 2 40,547	9 57,960	9 57,960	Grade 7. Range \$2,980 to \$3,640.....	36 1	163,470	153,625
Budget analyst.....	2 5 14,176	3 19,110	3 19,110	Grade 6. Range \$2,650 to \$3,310.....	23 3 65,790	27 65,585	28 63,369
Director of division.....	0 6 3,314	1 6,440	1 6,440	Grade 5. Range \$2,320 to \$2,980.....	81	85 6	85 2
Purchasing officer.....	1 7 10,453	1 6,230	1 6,230		167,200	203,643	204,159
Cafeteria specialist.....	1 5,631	1 6,440	1 6,440	Grade 4. Range \$2,100 to \$2,496.....	151 8	178 9	174 8
Administrative analyst.....	0 2 1,142	1 6,230	1 6,230	Grade 3. Range \$1,902 to \$2,298.....	164 8	378,353	378,150
Chief accountant.....	1 2 6,409	1 6,230	1 6,230		267,172	308,128	323,548
Housing management analyst.....	2 9 16,394	2 12,440	3 18,690	Grade 2. Range \$1,704 to \$2,100.....	63 1	60 8	63
Special assistant to comptroller.....	0 7 3,920	1 6,650	1 6,650	Grade 1. Range \$1,506 to \$1,902.....	2 4 3,224	107,224	6 9,188
Disposition analyst.....	0 7 3,920	3 18,900	5 31,360	Professional service:			
Conversion management specialist.....	0 8 4,698	1 1 6,441	2 12,670	Grade 8. Range \$8,750 to \$9,800:			
Labor relations adviser.....	1 5,600	1 6,230	0 5 3,115	Special assistant to commissioner.....	0 3 2,400		
Community facilities adviser.....	1 5,600	1 6,440	1 6,440	Chief economist.....	0 4 3,200	1 8,750	1 8,750
Utilities analyst.....	0 2 1,120	1 6,440	1 6,440	General counsel.....	1 8,250	1 9,275	1 9,275
Disposition compliance officer.....		0 5 3,115	1 6,230	Assistant commissioner for development and reutilization.....	1 8,250	1 9,275	1 9,275
Sales analyst.....		1 6,230	3 3 20,560	Assistant commissioner for project management.....	1 8,169	1 9,013	1 9,013
Grade 12. Range \$5,180 to \$6,020:				Grade 7. Range \$7,175 to \$8,225:			
Special assistant to commissioner.....	0 8 4,533	1 5,180	1 5,180	Assistant to commissioner for veterans.....		1 7,175	1 7,175
Budget analyst.....	1 9 8,574	3 15,750	3 15,750	Assistant general counsel.....	1 6,100	1 7,175	1 7,175
Administrative analyst.....	4 1 18,859	5 27,435	6 31,290	Associate general counsel.....	1 8,200	1 8,225	1 8,225
Fiscal accountant.....	9 2 42,184	3 15,540	3 15,540	Associate economist.....	0 9 6,075	1 1,175	1 1,175
Housing management analyst.....	2 6 13,463			Director of division.....	5 7 50,063	6 7 50,046	6 44,888
Training specialist.....	1 4,530			Chief of development operations.....	1 7,038		
Classification technician.....	1 4,600	1 5,180	1 5,180	Deputy assistant commissioner for development and reutilization.....		1 7,700	1 7,700
Materials accountant.....	0 4 1,840			Attorney.....	2 7,438	1 7,438	1 7,438
Fiscal analyst.....		0 8 4,144	1 5,180	Grade 6. Range \$6,230 to \$7,070:			
Labor relations adviser.....	3 14,854	4 21,980	4 21,980	Racial relations adviser.....	1 5,800	1 6,650	1 6,650
Procedures analyst.....	0 5 2,058			Economist.....	1 6,200	4 25,131	4 25,130
Chief of section.....	1 1 5,125	10 7 56,683	10 52,640	Tax analyst.....	1 5,800	1 6,440	1 6,440
General service and supply officer.....		0 8 3,885	1 5,180	Architectural engineer.....	0 3 1,740		
Accounting system specialist.....	2 7 12,732	5 8 30,415	5 26,530	Attorney.....	8 9 61,238	9 8 62,423	10 63,980
Training specialist.....	1 4,600	1 5,390	1 5,390	Maintenance engineer.....	1 2 6,200	1 6,440	1 6,440
Plant production analyst.....	1 4,600	1 5,390	1 5,390	Chief of section.....	3 7 20,870	4 22,340	3 5 22,225
Assistant to director.....	1 4,600	1 5,390	1 5,390	Project planner.....	2 12,666	2 13,510	2 13,510
Purchasing officer.....	0 7 3,092			Assistant director of division.....	4 8 30,207	2 14,140	2 14,140
Assistant director of division.....	1 3 1,342	0 5 2,695	1 5,600	Construction engineer.....	1 9 10,522	6 7 44,100	6 39,270
Solid fuel specialist.....	0 1 4,813	1 5,600	1 5,600	Mechanical engineer.....	0 7 4,650	1 6,230	1 6,230
Insurance examiner.....	2 9 607			Architect.....	1 7 11,620	1 6,650	2 12,880
Fiscal examiner.....	0 5 2,300	6 31,460	4 20,680	Appraiser.....		0 5 3,115	1 6,230
Marketing analyst.....		0 7 3,626	1 5,180	Materials analyst.....	1 6,000	0 8 4,900	
Community facilities analyst.....	1 3 6,308	0 3 1,554		Civil engineer.....	1 5,800	1 6,440	1 6,440
Disposition compliance officer.....	1 8 8,701	3 5 18,130	6 31,920	Site planning architect.....	1 5,600		
Field operations coordinator.....		1 5,180	1 5,180	Structural engineer.....	1 6,321	1 6,650	1 6,650
Mortgage service officer.....		0 5 2,590	1 5,180	Development supervisor.....	0 8 4,474		
Utilities analyst.....		1 5,180	1 5,180	Construction cost analyst.....	2 11,532	2 13,900	2 13,900
Sales analyst.....		0 5 2,590	2 7 14,245	Health and sanitation analyst.....	0 3 1,740		
Grade 11. Range \$4,300 to \$5,180:				Rental and occupancy analyst.....	1 5,600	1 6,440	1 6,440
Administrative assistant.....	1 3,800			Project services analyst.....	0 3 1,890	1 7,070	1 7,070
Budget analyst.....	6 6 24,744	5 22,160	7 30,768	Grade 5. Range \$5,180 to \$6,020:			
Administrative analyst.....	2 3 8,718	2 8,600	3 12,600	Operating statistics analyst.....	3 2 14,351	4 20,720	5 25,900
Employment technician.....	1 3,916	1 4,300	1 4,300	Conversion management specialist.....	0 5 2,800		
Classification technician.....	1 6 6,219	1 4,300	2 8,600	Tax analyst.....	1 4,600	1 5,390	1 5,390
Chief of section.....	2 3 8,842	5 23,290	5 23,290	Development operations analyst.....	0 3 3,800	4 21,530	3 16,170
Financial mathematician.....	1 3,871	1 4,300	1 4,300	Leasing and occupancy analyst.....	1 4,600	1 5,390	1 5,390
Purchasing officer.....	2 6 9,412			Project services analyst.....	1 4,600	2 10,780	2 10,780
Insurance examiner.....	1 9 7,257	2 9,620	2 9,620	Rental analyst.....	0 8 4,680		
Labor relations adviser.....	2 4 8,549	1 4,620	1 4,620	Electrical engineer.....	0 8 4,480	3 15,540	2 10,360
Fiscal examiner.....	3 2 12,518	1 4,620	1 4,620	Landscape architect.....	1 5,628	1 5,810	1 5,810
Assistant director of division.....	0 2 917	1 4,620	1 4,620	Mechanical engineer.....	3 8 17,729	4 3 22,225	3 15,750
Plant production analyst.....	0 5 1,900			Maintenance engineer.....	1 5,208	2 12,840	2 12,840
Housing management analyst.....	5 4 22,091	2 10,580	5 25,740	Architectural engineer.....	4 2 20,535	3 5 17,871	1 5,390
Auditor.....	1 2 4,761	3 3 13,075	3 12,960	Architect.....	4 22,065	7 1 38,792	6 5 33,732
Executive secretary.....	0 3 950	1 4,300	1 4,300	Appraiser.....	3 3 16,752	3 5 18,550	4 21,140
Area property officer.....	2 2 8,488	4 17,420	4 17,420	Fire and safety engineer.....	0 9 4,242	1 5,180	1 5,180
Fiscal accountant.....	2 2 9,265	2 5 10,833	3 12,960	Assistant chief of section.....	7 6 36,400	6 6 33,341	12 63,738
Disposition analyst.....		2 4 9,965	3 10,930	Historian.....	1 4,600	1 5,180	1 5,180
Training specialist.....	0 8 3,338	1 8 7,938	3 13,120	Project planner.....	2 6 12,302	3 5 12,860	2 12,023
Grade 10. Range \$3,970 to \$4,630:				Materials analyst.....	4 8,000	0 5 2,800	
Fiscal examiner.....	8 29,672	5 5 22,056	5 19,970	Civil engineer.....	1 5,000	1 5,600	2 10,780
Auditor.....	0 2 741			Construction cost analyst.....	2 9,200	4 21,560	5 26,530
Grade 9. Range \$3,640 to \$4,300:				Housing facilities analyst.....	2 9,200	1 5,390	1 5,390
Budget analyst.....	3 8 12,172	6 5 24,210	7 26,030	Structural engineer.....	0 3 1,380		
Administrative analyst.....	0 5 1,448	5 18,420	6 22,060	Senior construction analyst.....	0 8 3,680		
Employment technician.....	1 8 5,826	2 5 9,100	3 10,930	Site cost analyst.....	0 2 920		
Classification technician.....	2 6,505	1 3,750	2 7,390				
Training specialist.....	2 7 8,942	3 11,140	3 11,140				
Draftsman.....	1 3,268	1 3,750	1 3,750				
Securities examiner.....	1 8 5,826	1 3,750	1 3,750				
Assistant chief of section.....	2 6,408	1 3,750	1 3,750				
Administrative assistant.....	2 6,398						
Property and supply officer.....	2 7 8,828	2 5 9,375	5 18,530				

By grades	1945,	1946,	1947,	By grades	1945,	1946,	1947,
	actual	estimated	estimated		actual	estimated	estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.				PERSONAL SERVICES, FIELD—CON.			
Professional service—Continued	Man-	Man-	Man-	Clerical, administrative, and fiscal service—	Man-	Man-	Man-
Grade 4. Range \$4,300 to \$5,180:	years	years	years	Continued	years	years	years
Attorney.....	4 4,167,720	4 7 \$20,210	4 8 \$20,640	Grade 12. Range \$5,180 to \$6,020—Con.	3 \$13,500	6 \$31,290	6 \$31,290
Statistician.....	2 9 11,145	1 5 7,525	2 8,600	Assistant financial officer.....			
Project planner.....	1 2 4,467	1 4 4,520		Assistant conversion management			
Appraiser.....		1 2 5,375	1 7 7,525	supervisor.....	3 5 16,814	1 5,180	1 5,180
Material control analyst.....	0 5 2,000			Budget and planning officer.....	1 4,536		
Architect.....	4 15,627	4 20,616	5 20,504	Area conversion manager.....	6 3 29,805	9 47,670	9 47,670
Construction engineer.....	2 7 843	2 2 9,976	2 7,604	Administrative assistant.....	0 7 3,067	1 5 7,770	1 5,180
Site planning architect.....	1 4,400	1 5 7,110	2 9,260	Deputy assistant director.....	0 4 2,044		
Construction cost analyst.....	1 6 6,202	3 8 16,340	2 8,600	Assistant statistician.....	0 3 1,380		
Mechanical engineer.....	1 4,200	1 4,300	1 4,300	Administrative assistant.....	1 4,600	1 5,180	1 5,180
Rental analyst.....	0 1 380			Housing management aide.....	0 2 1,410		
Project services analyst.....	2 8 372	4 17,640	3 13,120	Budget officer.....	0 9 4,217	1 5,180	1 5,180
Leasing and occupancy adviser.....	1 4,000	1 4,520	1 4,520	Supervising field accountant.....	0 8 3,885	1 5,180	1 5,180
Fire and safety engineer.....	1 9 8,446	1 4,740	0 3 1,290	Finance officer.....	1 4 6,683	1 5,400	1 5,400
Maintenance engineer.....	2 7 843	1 4,740	1 4,740	Operation and controls adviser.....	0 3 1,850	1 5,180	1 5,180
Commercial facilities adviser.....	1 4,000	1 4,740		Supervising auditor.....	13 4 61,748	9 48,300	9 48,300
Racial relations adviser.....	1 4,000	1 4,520	1 4,520	Regional supervisor.....	6 31,920	6 31,920	6 31,920
Economist.....	1 3 5,097	1 4,300	2 4,300	Labor relations adviser.....	8 4 39,616	8 3 41,265	8 7 46,735
Furniture specialist.....	1 5 5,792	1 4,300	0 2 890	Sales representative.....	10 5 57,205	15 77,700	15 77,700
Grade 3. Range \$3,640 to \$4,300:				Disposition analyst.....	6 2 2,590	4 2 22,020	4 2 22,020
Attorney.....	2 2 7,385	2 2 10,230	2 3 8,410	Utilities analyst.....	5 26,110	5 26,110	5 26,110
Statistician.....	2 6 8,320	3 5 12,950	4 14,780	Administrative planning officer.....	1 5,180	1 5,180	1 5,180
Project services adviser.....	1 2 3,853	1 3 4,550	1 7 6,370	Grade 11. Range \$4,300 to \$5,180:			
Furniture inspector.....	0 9 3,175			Assistant to director.....	0 8 3,667	0 2 731	1 3 5,375
Librarian.....	0 6 1,920	1 3,640	1 3,640	Assistant to regional comptroller.....	0 8 2,930	2 8,600	2 8,600
Architect.....	1 3,200			Administrative analyst.....	0 1 338	1 8,725	8 8,600
Construction cost analyst.....	0 9 2,850			Housing management adviser.....	49	68 2,400	138 2,400
Architectural engineer.....	0 6 2,100	0 8 2,912			187,987	278,135	599,810
Home economist.....	1 3 4,440	1 3,750	1 3,750	Personnel officer.....	0 2 669	1 4,300	1 4,300
Equipment specialist.....	1 5 4,995			Assistant personnel officer.....	3 11,639	5 22,600	5 22,600
Rental and occupancy analyst.....	0 5 1,600	2 7,250	3 10,920	Budget officer.....	0 1 521		
Editor.....		1 3,640	1 3,640	Chief of office service.....	2 5 956		
Appraiser.....		1 2 4,550	0 7 2,730	Assistant regional accountant.....	3 8 14,419		
Grade 2. Range \$2,980 to \$3,640:	8 2 20,582	9 29,342	10 31,090	Field accountant.....	10 3 39,905	11 111,610	12 125,800
Grade 1. Range \$2,320 to \$2,980:	8 2 17,701	5 5 15,795	6 14,470	Budget examiner.....	1 7 6,270	7 8 33,425	8 34,400
Subprofessional service:				Utilities analyst.....		1 4,300	1 4,300
Grade 8. Range \$2,980 to \$3,640:				Assistant property and procurement			
Grade 6. Range \$2,320 to \$2,980:	0 9 1,727	0 8 1,740	1 2,320	officer.....	4 5 17,323	6 26,460	6 26,460
Grade 5. Range \$2,000 to \$2,496:	3 7 6,725	4 5,552	4 8,552	Insurance adviser.....	6 2 23,370	1 4,620	1 4,620
Grade 4. Range \$1,902 to \$2,298:	1 9 3,210	2 3,804	1 1,902	Training adviser.....	3 9 15,114		
Crafts, protective, and custodial service:				Commercial facilities adviser.....	1 3,800		
Grade 7. Range \$2,364 to \$2,870:	0 2 252			Assistant area conversion manage-	0 6 1,500		
Grade 6. Range \$1,902 to \$2,298:	0 6 1,083	1 2,166	1 2,166	ment supervisor.....	1 3,500		
Grade 5. Range \$1,568 to \$2,364:	2 3,960	2 4,200	2 4,200	Auditor.....	1 9 7,296	5 21,720	5 21,720
Grade 4. Range \$1,170 to \$2,166:	1 5 2,190	3 3,510	3 5,310	Field accountant.....	1 3,800		
Grade 3. Range \$1,572 to \$1,902:	18 9 25,142	19 30,984	19 23,350	Real relations adviser.....	2 7,600	1 4,520	1 4,520
Grade 2. Range \$1,440 to \$1,770:	6 7 8,328	6 5,040	4 4,320	Accountant.....	7 26,600	8 2 36,475	8 35,060
Total permanent, departmental.....	896 2,533,882	980 3,267,371	1,004 3,373,777	Classification technician.....	5 2,000		
W. A. E. employment, departmental.....	1 3 10,883	4 4 36,060	5 40,000	Administrative planning and services			
Overtime pay, departmental.....	441,918	54,609		officer.....	0 8 2,871	1 4,300	1 4,300
All personal services, departmental.....	897 8	984 7	1,009	Disposition analyst.....	5 21,500	1 2 5,375	1 2 5,375
Deputy assistant director for admin-	2,986,683	3,357,980	3,413,777	Assistant regional finance officer.....	1 6 6,980	1 4,300	1 4,300
istraction.....				Property and procurement officer.....	1 3,800	2 8,820	2 8,820
Housing management adviser.....	19 7	33	61	Classification technician.....	0 4 1,330	2 5,600	2 5,600
Executive assistant to regional director.....	110,620			Administrative assistant.....	2 3 9,129	1 4,300	1 4,300
Finance officer.....	4 9 29,263	7 43,820	7 43,820	Assistant training adviser.....	4 17,200	8 34,400	8 34,400
Conversion management supervisor.....	3 7 20,937	1 6,230	1 6,230	Field representative.....	13 7 59,125	14 60,200	14 60,200
Assistant to the director.....	2 6 14,836	4 25,550	4 25,550	Sales representative.....	5 8 24,225	18 5 75,550	18 5 75,550
Finance and budget officer.....	1 5,400	1 6,440	1 6,440	Assistant supervising auditor.....	7 5 34,010	9 52,610	9 52,610
Disposition analyst.....	0 1 697			Grade 10. Range \$3,970 to \$4,630:			
Area supervisor.....	7 6 42,354	10 62,510	10 62,510	Auditor at large.....	12 9 5	64 5	64 5
Budget officer.....	1 2 7,000	6 3 34,265	6 37,380	Resident auditor.....	51 46,208	5 10,850	216,365
Assistant director for admin-				Field accountant.....	28 8	245,341	270,440
istration.....	1 3 7,467			Accountant.....	100 998	47 186,940	60 2,917
Assistant to regional director.....	0 9 5,133	1 6,230	1 6,230	Classification technician.....	4 9 17,899	3 11,965	2 8,270
Assistant director, special projects.....	0 1 809			Conversion management supervisor.....	0 4 1,534	1 3,970	1 3,970
Chief, rural housing.....	1 5,600	1 6,440	1 6,440	Housing management adviser.....	0 5 1,783	2 8 10,918	1 5 5,955
Budget planning and statistics officer.....	0 1 456			Budget accountant.....	1 5 5,116		
Finance and supply officer.....	0 3 1,598			Account clerk.....	4 8 14,840	1 3,970	1 3,970
Director of disposition review.....		3 5 21,805	4 24,920	Property officer.....	0 6 2,100		
Director of sales.....		2 12,662	2 24,920	Grade 9. Range \$3,640 to \$4,300:			
Regional economist.....		1 6,230	1 6,230	Assistant administrative assistant.....	0 7 2,885	1 6 5,798	2 5 9,100
Budget examiner.....		0 8 4,673	1 6,230	Housing management adviser.....	19 7 63,545	15 2 56,053	7 3 26,555
Grade 12. Range \$5,180 to \$6,020:				Administrative analyst.....	2 9 9,206	3 21,830	4 14,860
Assistant to regional director.....	5 9 26,221	5 26,530	5 31,710	Budget examiner.....	7 22,560	9 7 35,600	4 15,670
Housing management adviser.....	39	48 7	78	Accountant.....	18 5 56,000	7 7 26,988	24 2 88,628
Insurance adviser.....	180,931	256,309	407,820	Employee examiner.....	4 4 14,080	5 18,420	5 18,420
Property and procurement officer.....	1 7 8,050	7 36,290	7 36,290	Field property representative.....	36 5	47 3	81
Assistant regional accountant.....	7 1 53,641	8 42,700	8 42,700	Auditor.....	118 033	178 662	301 330
Personnel officer.....	0 9 4,242			Conversion management area super-	6 2 19,840	4 2 15,388	4 14,560
Budget officer.....	6 7 31,050	7 37,520	7 37,520	visor.....	0 5 1,650		
Budget officer.....	3 13,800	1 5,180	1 5,180	Classification technician.....	3 2 10,236	2 2 8,190	3 10,920
Regional relations officer.....	0 9 4,306	1 5,180	1 5,180	Field accountant.....	4 8 14,840	3 11,030	3 11,030
Commercial facilities adviser.....	2 9 14,022	3 15,750	3 15,750	Field supervisor.....	11 5 37,307		
Training adviser.....	0 7 3,248	2 22,575	8 41,440	Administrative assistant.....	0 6 1,760		
Accountant.....	7 7 36,727	2 10,570	2 10,570	Property officer.....	7 4 26,270	8 26,610	7 2 26,610
Area conversion management super-				Disposition analyst.....	3 3 11,830	2 6 9,464	2 6 9,464
visor.....	3 8 17,840			Insurance adviser.....	0 1 403		
				Inventory control clerk.....		2 8 10,120	3 11,030
				Sales representative.....		1 3,640	3 10,920
				Finance analyst.....		0 8 2,730	1 3,640
				Grade 8. Range \$3,310 to \$3,970:	59 5	73 7	85 8
				Assistant to regional director.....	178 332	256,085	290 433
				Grade 7. Range \$2,980 to \$3,640:	83 1	84 9	94 252 268
				Grade 6. Range \$2,650 to \$3,310:	221 623	255 681	348 94 593
				Grade 5. Range \$2,320 to \$2,980:	30 3 70 584	39 107 718	84 34 94 593
				Grade 4. Range \$2,100 to \$2,496:	240 2	240 2	331 8
					361 332 297	407 573 245	434 782 778
					624 277	880 258	921 539

PERSONAL SERVICES, FIELD—continued				PERSONAL SERVICES, FIELD—continued			
By grades	1945, actual	1946, estimated	1947, estimated	By grades	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount		Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service—Continued				Professional service—Continued			
Grade 3. Range \$1,902 to \$2,298	542.2	525.3	611.9	Grade 6. Range \$5,180 to \$6,020—Con.			
	\$84,382	\$1,023,456	\$1,177,194	Statistician	0.7 33,258	1.5 58,400	4 221,140
Grade 2. Range \$1,704 to \$2,100	213.5	153	129.2	Economist	3.6 16,560	1.6 7,770	8 41,440
Grade 1. Range \$1,506 to \$1,902	310,267	273,375	221,973	Racial relations adviser		1.6 5,180	1 5,180
Professional service:	11 13,814	4.8 7,254	3 4,518	Utilization adviser		1 6,180	2 10,360
Grade 8. Range \$8,750 to \$9,800:				Grade 4. Range \$4,300 to \$5,180:			
Regional director	8.7 69,855	9 80,326	9 80,326	Attorney	14.4 54,924	16 70,110	24 104,060
Assistant to the regional director	2.7 17,788	2 14,350	2 14,350	Construction engineer	23.4 89,717	14 62,964	16 71,678
Assistant regional director for development	7.1 47,811	7 51,638	7 51,638	Plant inspector	8.9 33,580	5.2 23,455	6.2 15,863
Assistant regional director for project management	6.7 43,548	6.8 49,483	6 43,839	Maintenance engineer	7.3 28,509	35.8 69,297	299,570
Regional counsel	8.1 52,818	8 58,713	8 58,713	Civil engineer	10.6 40,140	7.6 33,861	8.8 38,340
Area representative	0.7 4,283	1 7,175	1 7,175	Structural engineer	2.5 5,900	1 4,520	0.5 2,260
Regional director	0.1 542			Fire and safety engineer	8.4 33,151	13.8 60,225	36 155,240
Economist		1 7,438	1 7,438	Landscape architect	1 3,800		
Grade 6. Range \$6,230 to \$7,070:				Plant production engineer	0.7 2,626	1.2 5,650	
Deputy assistant director for project management	1.1 6,067	1 6,440	1 6,440	Architectural engineer	4.3 16,401	1.3 6,650	0.5 2,260
Management adviser	1.1 6,272	1 6,250	1 6,230	Area conversion supervisor	16.8 63,840		
Land appraiser	9 50,462			Rental adviser	3.2 11,991	1 4,520	
Chief of section	2 11,067	2 12,880	2 12,880	Leasing and occupancy adviser	3.6 14,136	3 13,550	3 13,550
Project services adviser	1 5,600	1 6,230	1 6,230	Area management adviser	4.3 16,340	20 86,220	55 236,720
Construction supervisor	9.9 57,939	9.7 64,313	10 65,800	Project services adviser	6.4 24,320	8.7 37,955	8 34,400
Project planner	13.4 76,054	11.5 73,220	11.5 73,220	Racial relations adviser	1.2 5,090	5.5 23,650	6 25,800
Architect	6.4 36,470	6 38,220	6 38,220	Training adviser	10 47,813	7.8 34,210	12.2 53,379
Insular representative	1 5,683	1 6,650	1 6,650	Project planner	14 64,783	4 18,300	2.6 8,410
Attorney	7 43,570	8 50,650	8 50,650	Construction cost analyst	6.7 27,190	6 26,900	4 18,850
Economist	0.1 311	4.7 29,590	5 31,150	Priorities analyst	1.6 5,065	1 4,740	
Technical adviser	1 5,750	1.8 11,214	2 12,670	Operating statistical analyst	2.1 7,950	2 8,600	2 8,600
Maintenance engineer	1 5,600	1 6,230	1 6,230	Land appraiser	3 11,705	11.5 49,450	6.2 22,575
Construction supervisor	1 5,600	8 50,650	8 50,650	Materials and equipment appraiser	0.3 1,140		
Statistician and rental analyst	1.8 10,304	1 6,440	1 6,440	Plant inspector	9.3 36,522	19.8 89,270	
Director, real estate and disposition		5 31,150	5 31,150	Architect	2.3 11,020	3 13,120	1.5 6,660
Assistant regional director for development				Landscape architect	4.9 19,148	4 17,850	4.7 21,195
Director of land and appraisal	0.1 560	2.3 14,329	3 18,900	Specifications writer	0.2 760		
Grade 6. Range \$5,180 to \$6,020:				Trailer maintenance engineer	0.4 1,554	2 8,600	1 4,300
Director	20.9	1 5,180	0.5 2,690	Fund control supervisor	0.7 3,325	1 4,300	1 4,300
Attorney	97,856	129,885	151,900	Grade 3. Range \$3,640 to \$4,300:			
Construction engineer	49.8	51.1	57.7	Attorney	6.4 17,790	4.3 15,910	5 18,640
Civil engineer	238,077	271,011	308,387	Project services adviser	6.8 28,748	6 22,843	6.2 19,110
Mechanical engineer	6 27,703	2.6 13,994	14.3 74,477	Area management adviser	1.8 6,004		
Electrical engineer	9.1 42,662	12.5 66,168	9.5 50,428	Leasing and occupancy adviser	7.7 25,077	3.7 13,697	2 7,500
Architectural engineer	8.4 38,640	10.5 54,863	7.2 37,922	Conversion supervisor	40.5	129,600	2 7,280
Structural engineer	7.9 36,340	10.5 54,863	7.2 37,922	Tax analyst	3 9,600	2 7,280	2 7,280
Assistant conversion supervisor	1.9 8,740			Statistical analyst	8.3 20,188	8.2 30,360	9 33,090
Building maintenance engineer	9.5 44,722	11 59,290	10 56,710	Tax and rental analyst	0.5 2,560		
Grounds maintenance engineer	1.9 8,817	2 10,570	2 10,570	Construction engineer	4.4 14,080	1.3 4,605	0.6 1,820
Mechanical and electrical engineer	1.1 5,175	1 5,360	1 5,360	Mechanical engineer	0.1 320	2.8 10,120	2.2 8,300
Architectural engineer	0.4 2,019	1 1,180	1 1,180	Maintenance engineer	1 3,200	1 3,750	0.5 1,875
Fire and safety engineer	4 18,471	7 36,470	7 36,470	Grounds maintenance engineer	2 8,949	3 11,250	1.5 5,370
Maintenance fire and safety engineer	0.4 1,962	1 6,020	1 6,020	Project planner	2.6 8,320	1 3,750	1 3,750
Site engineer	1 4,600	1 5,360	1 5,360	Plant inspector	2 6,656	4.5 17,370	
Construction cost engineer	6.3 25,576	13.8 72,905	7 37,370	Landscape architect	1 3,316		
Plant production engineer	0.7 3,290	0.7 4,200		Land appraiser		2.7 10,010	1.3 4,952
Chief, management services section	0.6 2,760	1 6,180	1 5,180	Grade 1. Range \$2,980 to \$3,640	18.8 61,116	26.1 78,275	31 93,480
Disposition inspector	2.6 12,061	2 10,750	3 16,170	Grade 1. Range \$2,320 to \$2,980:	12 24,174	10.5 25,262	7.3 16,810
Operating statistical analyst	2.8 12,880	3 15,750	3 15,750	Grade 4. Range \$1,770 to \$2,166	0.5 771	1 1,770	0.5 885
Tax analyst	8.7 40,998	8 42,700	8 42,700	Grade 3. Range \$1,572 to \$1,962	2.7 8,637	5 8,190	5.2 8,801
Tax and rental analyst	1.8 8,250	1 5,360	1 5,360	Grade 2. Range \$1,440 to \$1,770	18.5 22,602	16 24,096	18 26,927
Materials control analyst	1.8 8,441	1 5,360		Total permanent, field	2,620.6	2,827.8	3,372
Construction cost analyst	2.3 10,776	2 10,780	1.7 9,485	Overtime pay, field	7,473,361	9,820,553	11,670,407
Rental and occupancy adviser	3 14,030	1.6 8,190	3 15,960	Additional pay for foreign service, field	1,412,881	153,607	6,969
Project services adviser	7.7 40,607	7 37,100	8.5 44,870	All personal services, field	2,620.6	2,827.8	3,372
Land appraiser	10.6 48,838	15.3 81,407	13.5 71,945	Personal services (net)	3,618.4	3,812.6	4,381
Executive assistant	2 9,350	2 10,780	2 10,780		11,878,118	13,139,106	14,991,153
Architect	4.8 22,403	2.9 16,390	3 16,170				
Landscape architect	2 9,200	2 10,780	2 10,780				
Project planner	40	44.9	42.1				
Site planner	184,000	238,654	223,384				
Expediter	3.2 14,733	0.8 4,305	2 10,780				
	0.3 1,380	1.6 7,980	1 5,180				

SCHEDULE B

STATEMENT OF PROPOSED EXPENDITURES FOR PURCHASE, MAINTENANCE, REPAIR, AND OPERATION OF PASSENGER-CARRYING VEHICLES, FOR THE FISCAL YEAR ENDING JUNE 30, 1947

Appropriation	Vehicles (motor unless otherwise indicated) to be purchased		Old vehicles to be exchanged		Net cost of vehicles to be purchased	Old vehicles still to be used	Total maintenance, repair, and operation, all vehicles	Public purpose and users
	Number	Gross cost	Number	Allowance (estimated)				
Administrative expenses, National Housing Agency, Federal Public Housing Authority.						15	\$2,900	For use by top-ranking officials of the Federal Public Housing Authority in the central office, for the transaction of public business. For use by top-ranking officials and management advisers in the regional offices for purposes of transacting public business and visiting projects being managed by the following regional offices: Boston, Mass.; New York, N. Y.; Washington, D. C. (general field office); Atlanta, Ga.; Cleveland, Ohio; Chicago, Ill.; Fort Worth, Tex.; Seattle, Wash.; San Francisco, Calif.
Do.....						230	17,200	
Total.....						35	20,100	

¹ Includes 1 truck.
² Includes 2 trucks.

DEPARTMENT OF AGRICULTURE

INTRODUCTORY STATEMENT

The Secretary of Agriculture has under his general direction and supervision seven wholly owned Government corporations—Commodity Credit Corporation, Federal Crop Insurance Corporation, Federal Surplus Commodities Corporation, Federal Farm Mortgage Corporation, Federal Intermediate Credit Banks, Production Credit Corporations, and Regional Agricultural Credit Corporation. In addition to the wholly owned Government corporations for which business-type budgets are submitted, there are two types of corporations within the Department of Agriculture which, under the act, are termed mixed-ownership corporations—Federal land banks and banks for cooperatives. The plans of these mixed-ownership corporations for the return or retention of Government funds during the fiscal year 1947 are included in this chapter of the budget in accordance with the provisions of section 204 of the Government Corporation Control Act.

The Commodity Credit Corporation is engaged in a price support program, a subsidy program, a commodity export program, a foreign purchase program, and a supply program. The Federal Crop Insurance Corporation makes available broad protection against loss to producers of cotton, wheat, and flax. Insurance to pro-

ducers of corn and tobacco is being extended on an experimental basis. The operations of these two corporations are conducted through the Production and Marketing Administration of the Department of Agriculture. The Federal Surplus Commodities Corporation's activities as an agency of the Government were terminated June 30, 1945. No programs have been initiated since that date and the liquidation of its affairs will be administered through the Production and Marketing Administration.

The Federal Intermediate Credit Banks, Production Credit Corporations, and the Regional Agricultural Credit Corporation, together with the cooperatively owned Federal land banks and banks for cooperatives, and the closely allied Federal Farm Mortgage Corporation are engaged in providing credit to farmers and farmers' cooperatives. The operations of these corporations are supervised and examined by the Farm Credit Administration.

A budget program for the Farmers' Home Corporation, authorized as an agency of and within the Department of Agriculture by section 40a, title IV, of the Bankhead-Jones Farm Tenant Act (7 U. S. C. 1014a), is not presented. This Corporation has not been organized, nor is its activation contemplated during the fiscal year 1947.

COMMODITY CREDIT CORPORATION

CREATION AND PURPOSE

The Commodity Credit Corporation was created under the laws of the State of Delaware pursuant to Executive Order 6340, dated October 16, 1933, issued by virtue of the authority vested in the President by section 2 (a) of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 195). The act of January 31, 1935 (49 Stat. 1), directed that the Corporation should "continue until April 1, 1937, or such earlier date as may be fixed by the President by Executive order, to be an agency of the United States." The Corporation has been continued until June 30, 1947, as an agency of the United States by successive amendments to the act of January 31, 1935 (50 Stat. 5, 53 Stat. 510, 55 Stat. 498, 57 Stat. 566, 57 Stat. 643, 58 Stat. 105, 59 Stat. 50; 15 U. S. C. § 713 (1940) Supp. IV). By Section 401 of the President's reorganization plan No. 1 (5 U. S. C. § 133t, note (1940)) the Corporation was made a part of the United States Department of Agriculture, and its operations were placed under the supervision and control of the Secretary of Agriculture.

The charter of the Commodity Credit Corporation authorizes the Corporation, among other things, to engage in buying, selling, lending, and other activities with respect to agricultural commodities, products thereof, and related facilities.

These charter powers have enabled the Corporation to engage in extensive operations for the purpose of increasing production, stabilizing prices, assuring adequate supplies, and facilitating the efficient distribution of agricultural commodities, foods, feeds, and fibers to meet the needs of the war emergency. These operations of the Corporation group themselves into the following major types of programs: A price support program; a foreign purchase program; a subsidy program; a supply program; a commodity export program; and a loan program for agricultural conservation purposes. Many of the Corporation's operations have been carried out in response to specific Congressional mandates. Furthermore, in carrying out its operations, the Corporation has been subject to certain specific limitations placed upon it by the Congress.

The Corporation's price-support operations have been shaped largely by legislation making it mandatory upon the Corporation that it provide price support for certain agricultural commodities through loans, purchases, and other operations. Thus section 8 of the Stabilization Act of 1942, as amended (56 Stat. 767, 58 Stat. 643, 59 Stat. 306; 50 U. S. C. App. § 968 (1940) Supp. IV) requires, with certain exceptions, that loans be made to producers upon any crop of the basic commodities—cotton, corn, wheat, rice, tobacco, and peanuts—harvested after December 31, 1941, and before the expiration of the 2-year period beginning with the first day of January immediately following the date upon which the President, by proclamation, or the Congress, by concurrent resolution, declares that hostilities in the present war have terminated. The rate of the loan is required to be 90% of parity in the case of all of the basic commodities other than cotton and 92½% of parity in the case of cotton.

In addition, the act of July 28, 1945 (59 Stat. 506) provides a special formula for the determination of the loan rate in the case of fire-cured, dark air-cured, and Virginia sun-cured tobacco. Section 8 of the Stabilization Act of 1942, as amended (*supra*), superseded the loan provisions of the act of May 26, 1941, as amended (55 Stat. 205, 55 Stat. 860; 7 U. S. C. §§ 1330, 1340 (1940) Supp. IV), which required loans to be made at the rate of 85% of parity upon the 1941, 1942, 1943, 1944, 1945, and 1946 crops of the basic commodities.

Section 4 (a) of the act of July 1, 1941, as amended, the so-called Steagall Amendment (55 Stat. 498, 56 Stat. 768; 15 U. S. C. § 713a-8 (a) (1940) Supp. IV; 50 U. S. C. App. § 969 (1940) Supp. IV), requires the Corporation, during the same period for which loans are required to be made upon the basic commodities, to provide through loans, purchases, or other operations, price support at not less than 90% of the parity or comparable price for producers of the nonbasic agricultural commodities for which the Secretary of Agriculture, by formal public announcement, has requested an expanded production for war purposes. The "Steagall" commodities are: Hogs, eggs, chickens and turkeys, milk and butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American-Egyptian cotton, potatoes, and sweetpotatoes.

Legislation enunciating the policy of Congress with respect to price support for commodities other than basic commodities or Steagall commodities is found in section 4 (b) of the act of July 1, 1941 (55 Stat. 498; 15 U. S. C. § 713a-8 (b) (1940) Supp. IV). Section 4 (b) declares it to be the policy of Congress that the lending and purchase operations of the Department shall be carried out so as to bring the price and income of the producers of such commodities to a fair parity relationship with the basic commodities and the Steagall commodities to the extent that funds for such operations are available after taking into account the operations with respect to basic commodities and Steagall commodities and the ability of producers to bring supplies into line with demand.

Legislation placing restrictions upon the Corporation's operations has related for the most part to the disposition of agricultural commodities and to the payment of subsidies for the purpose of maintaining price ceilings.

For the last several years the annual Department of Agriculture appropriation acts have contained a provision which prohibits, with certain exceptions, the disposition by the Commodity Credit Corporation of farm commodities at less than the parity or comparable price. The latest act continuing the Commodity Credit Corporation as an agency of the United States, the act of April 12, 1945 (59 Stat. 50), imposes for a period of 2 years after the war virtually the same prohibitions as those contained in the annual agricultural appropriation act. The provisions of law which have restricted the disposition of farm commodities by the Commodity Credit Corporation have, however, also contained certain exceptions to these restrictions. They permitted the disposal of any commodity below the parity or comparable price if it has substantially deteriorated in quality or if there is danger of loss or waste through

spoilage. Also, wheat may be sold for feed at less than parity but not less than the parity price for corn. In addition, farm commodities may be sold below parity or the comparable price if they are sold for seed or are sold for new or byproduct uses or, in the case of peanuts, for the extraction of oil.

The Surplus Property Act of 1944 (58 Stat. 775; 50 U. S. C. App. § 1630 (1940) supp. IV) also contains a significant exception to the restrictions applicable to the disposition of farm commodities. That act authorizes the Corporation to dispose of or cause to be disposed of for cash or its equivalent in goods or for adequately secured credit for export only and at competitive world prices any farm commodity or product thereof without regard to restrictions with respect to the disposal of commodities imposed upon it by any other law. No food or food product may, under the act, be exported if there is a domestic shortage or need of any such food or food product.

Section 2 (e) of the Emergency Price Control Act of 1942, as amended (58 Stat. 634; 50 U. S. C. App. § 902 (e) (1940) Supp. IV), prohibited the Corporation on and after June 30, 1945, from engaging in subsidy operations for the purpose of maintaining price ceilings. This prohibition, however, was relaxed by section 3 of the act of April 12, 1945, as amended (59 Stat. 50; 59 Stat. 506), which authorized the Corporation to engage in subsidy operations within specified limitations.

The Congress has also taken action to make certain that Commodity Credit Corporation would not suffer losses in connection with its operations undertaken to supply other Government agencies with their food requirements. Thus section 4 of the act of July 16, 1943 (57 Stat. 566; 15 U. S. C. § 713a-9 (1940) Supp. IV) requires that the Corporation be fully reimbursed for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to or on behalf of any Government agency, from the appropriate funds of such agency.

A further restriction upon the Corporation's operations is the requirement contained in section 7 (a) of the act of June 22, 1936 (49 Stat. 1647; 15 U. S. C. § 712a (1940)) that the Corporation obtain an annual authorization from Congress for its administrative expenses.

In addition, the Congress has limited the period during which the Corporation is authorized to function as an agency of the United States. This restriction has made it necessary to obtain Congressional action at least every 2 years authorizing the Corporation to continue as an agency of the United States. The act of April 12, 1945 (59 Stat. 50) continued the Corporation as an agency of the United States until June 30, 1947.

The Secretary of Agriculture, who, pursuant to Executive Order 8219, issued August 7, 1939 (4 F. R. 3565), represents the United States as the sole owner of the capital stock of the Commodity Credit Corporation, establishes the bylaws of the Corporation, and elects the members of the board of directors and other officials of the Corporation. The Corporation is managed by an active board of directors, of which the Secretary of Agriculture is chairman. The activities of the Corporation are carried out through the facilities and personnel of the Production and Marketing Administration of the Department of Agriculture. The members of the board of directors, other than the Secretary of Agriculture, are the under secretary of Agriculture, the assistant secretary of Agriculture, and five policy-making officials of the Production and Marketing Administration. The officers of the Corporation are also officials occupying responsible positions in that administration.

FINANCIAL ORGANIZATION

The Commodity Credit Corporation was originally capitalized for \$3,000,000, subscribed by the Secretary of Agriculture and the Governor of the Farm Credit Administration. The funds for such subscription were derived from the appropriation authorized by Section 220 of the National Industrial Recovery Act (48 Stat. 210) and made by the Fourth Deficiency Act, fiscal year 1933 (48 Stat. 274). In accordance with the act of April 10, 1936 (49 Stat. 1191; 15 U. S. C. 713a (1940)), the Corporation's capitalization was increased to \$100,000,000, the additional \$97,000,000 of the Corporation's stock being acquired by the Reconstruction Finance Corporation. By section 3 of the act of March 8, 1938 (52 Stat. 107; 15 U. S. C. § 713a-3 (1940)), the Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Reconstruction Finance Corporation were directed to transfer the ownership of the stock of the Corporation to the United States. That section also provided that all rights of the United States arising out of the ownership of such stock should be exercised by the President of the United States or by such officers or agencies as he might designate. Executive Order No. 8219, issued August 7, 1939 (4 F. R. 3565), transferred to the Secretary of Agriculture the authority to exercise on behalf of the United States all rights arising out of the ownership of the stock of the Commodity Credit Corporation. The act of March 8, 1938, as amended (52 Stat. 107, 55 Stat. 498; 15 U. S. C. 713a-1 (1940) supp. IV), provides for an annual appraisal of the Corporation's assets by the Secretary of the Treasury. The Secretary of the Treasury is directed to restore the amount of any capital impairment disclosed by the appraisal from appropriations made for that purpose (52 Stat. 107; 15 U. S. C. 713a-1 (1940) supp. IV) and the Corporation is directed to pay into the Treasury the amount of any net worth in excess of \$100,000,000 (52 Stat. 107; 15 U. S. C. 713a-2 (1940)).

The act of March 8, 1938 (52 Stat. 108), authorized the Corporation, with the approval of the Secretary of the Treasury, to issue and have outstanding bonds, notes, debentures, and similar obligations in an aggregate amount not to exceed \$500,000,000, fully guaranteed as to principal and interest by the United States Government. The borrowing power of the Corporation was increased by successive amendments to the act of March 8, 1938 (53 Stat. 510, 54 Stat. 782, 55 Stat. 498, 57 Stat. 566, 59 Stat. 50; 15 U. S. C. 713a-4 (1940) supp. IV), and now, by virtue of the act of April 12, 1945 (59 Stat. 50), the Corporation is authorized to borrow \$4,750,000,000 on the credit of the United States. On June 30, 1945, obligations outstanding amounted to \$2,224,141,879. It is not contemplated that operations during the fiscal year 1947 will require any increase in the Corporation's borrowing powers. A statement of the condition of the Corporation is shown immediately following the textual material (exhibit C).

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budget of the Corporation is based on six distinct types of programs carried out under corporate and other specific authorities. These types of programs are:

1. Supply program.
2. Foreign purchase program.
3. Price support program.
4. Commodity export program.
5. Subsidy program.
6. Loan to the Secretary of Agriculture.

Basically these types of programs are not entirely independent. Purchases under the supply program may reduce or completely absorb the visible surplus of an individual agricultural commodity and in some instances make it unnecessary to carry out a price support operation in connection with that commodity under the price support program. The supply and commodity export programs also provide outlets for commodities acquired under the price support program which, if they were not so disposed of, would have to be held by the Corporation until suitable outlets could be developed.

During the war a large part of the operations of the Corporation consisted of the procurement of supplies of agricultural commodities and products thereof, foods, and related facilities needed for the armed services, lend-lease, and the support of our wartime economy. Wherever possible, price support operations were directed toward bringing forth the production needed to fulfill such needs. The level of support prices was established not only with a view to meeting minimum legal requirements but also to bringing about desirable shifts in production and obtaining the needed volume of production. One of the largest operations was the general commodity purchase operation under which supplies of agricultural commodities were purchased and pooled to meet the collective requirements of the military, lend-lease, Red Cross, UNRRA, and other agencies with similar requirements. It was also necessary to encourage the production of certain commodities not normally produced in the United States in great volume and to undertake purchases of agricultural commodities in foreign countries. During this period price support operations were carried out in large part by purchases rather than by loans in order that commodities to be acquired under these programs might be readily available to fill wartime needs.

BASIC ASSUMPTIONS

Budget estimates for operations of the Commodity Credit Corporation during fiscal year 1947 reflect a continuation of the current transition period from the wartime operations of the Corporation through the most acute phase of the present world food shortage and into the beginning of a period when operations of the Corporation will consist primarily of carrying out the postwar agricultural price support commitments of the Government. The wartime operations of the Corporation are being largely liquidated during fiscal year 1946. This fact, together with reduced need for price-support operations, largely accounts for a decrease of about \$716,000,000 in the application of funds in 1946 compared with 1945. The estimated application of funds for 1947 reflects a further decrease of approximately \$1,203,000,000 as compared to the aggregate for 1946, with increases in price-supporting loans about offsetting decreases in price-supporting purchases.

The budget estimates assume reasonable stability in the general level of commodity prices, both agricultural and nonagricultural, and the maintenance of a national income near the current level. If the general price level were to rise sharply and result in increases in the parity index, support prices would rise because they are required by law to be at a specified percentage of parity prices. When the general price level rises, farm prices usually rise more rapidly than do parity prices. If this should occur, the volume of commodities acquired by the Corporation under price-support programs would decline; commodities which the Corporation owns would be sold at higher prices; and the losses of the Corporation would be

reduced. Due to the higher level of support prices, however, the Corporation might need to use more funds in carrying out its purchase and loan programs. In this respect, therefore, the estimates of funds required might prove inadequate. If, on the other hand, there should be a substantial decline in national income and consumer purchasing power from current levels, the estimates probably would likewise be inadequate because the increased volume of commodities acquired under price-support operations would very likely more than offset any decline in the level of support prices. For the purpose of the budget estimates, it is also assumed that procurement of food and agricultural commodities by the Corporation for supply purposes will continue at the present level only so long as the world food supply is acutely short and foreign governments and UNRRA cannot conduct their own procurement operations as advantageously as the Corporation can do it for them. Moreover, it is assumed that before the end of fiscal year 1947 the worst phase of the world food shortage will come to an end and food supplies in this country will become sufficient to warrant termination of centralized procurement for export. Under the assumed circumstances there will be some increase in the use by farmers of the price-support program of the Corporation, and this will take the form of an increased volume of loans but a decreased volume of purchases since there will be less occasion for conducting price-support operations with a view toward helping meet supply program requirements.

SUPPLY PROGRAM

Under its general supply program the Corporation procures foods, agricultural commodities, and products thereof, and related materials for the purpose of supplying the requirements of United States Government agencies, including lend-lease, cash-paying foreign governments, American Red Cross, UNRRA, and other similar organizations. The centralization of such procurement operations in the Corporation not only has made possible increased efficiency through pooled operations but also has enabled such operations to be conducted in a manner that provides maximum benefit to American agriculture in that the procurement is closely coordinated with the price support program. The Corporation's procurement operations are conducted in accordance with procedures and policies that are calculated to assure the Corporation against loss. In this connection, the Congress by section 4 of the act of July 16, 1943 (57 Stat. 566; 15 U. S. C. § 713a-9 (1940) Supp. IV) specifically required that the Corporation be fully reimbursed for services performed, losses sustained, and operating costs incurred or commodities purchased or delivered to or on behalf of any other Government agency. The Corporation also procures or aids in the procurement of supplies and facilities needed by farmers in connection with the production, handling, and marketing of agricultural commodities and their products, such as feed, seeds, grain bins, cotton bagging, fertilizers, and insecticides. It also procures or aids in the procurement of foods, agricultural commodities, and products thereof in order to facilitate distribution or to meet anticipated requirements during periods of short supply. The Corporation's general supply program is carried out under its charter authority to purchase, sell, or otherwise deal in agricultural commodities and products thereof and related materials and to engage in activities in connection with production, handling, and marketing thereof.

The volume of purchases under the supply program declined from about \$1,191,000,000 in 1945 to an estimated

\$450,000,000 in 1946. A further decline to approximately \$357,000,000 is estimated for 1947. The decrease from 1945 has been due to the ending of procurement for lend-lease and the armed services. Current supply program procurement and that estimated for 1947 is almost entirely for foreign governments and agencies exporting to war-torn areas. Sales of commodities under the supply program amounted to \$1,730,000,000 in 1945, compared with estimates of \$737,000,000 and \$384,000,000 for 1946 and 1947, respectively. The reduction in sales reflects the change referred to above in the nature and scope of the operations and also the diminished commodity inventory of the Corporation. The inventory of commodities held under this program declined from \$667,000,000 at the beginning of 1945 to \$267,000,000 at the end of that year. Further decreases in these inventories to \$20,000,000 at the end of 1946 and \$13,000,000 at the end of 1947 are estimated.

FOREIGN PURCHASE PROGRAM

Under its foreign purchase program the Corporation purchases abroad such foods, agricultural commodities, and products thereof, and related facilities as are needed to meet emergent requirements. These purchases have consisted largely of commodities in short supply, notably fats and oils, sugar, fish, protein meals, tea, and rice. Most of the purchases implement the allocations of agricultural commodities in short world supply made by the Combined Food Board, of which the Secretary of Agriculture is the chairman. This program is carried out pursuant to the Corporation's charter authority to purchase and sell commodities both in the United States and foreign countries. The President of the United States on April 28, 1942, approved "the use by the Commodity Credit Corporation of any of its funds for the purpose of carrying out projects involving the acquisition, handling, and disposition of agricultural commodities produced in foreign countries friendly to the United States." On May 16, 1942, the Board of Economic Warfare, which had general jurisdiction over foreign economic matters, designated the Corporation, with certain exceptions, as the sole and exclusive agency for the purchase of agricultural commodities in foreign countries. The foreign purchase program of the Corporation, with the exception of purchases of sugar in Cuba and purchases of commodities in Canada, was transferred to the Foreign Economic Administration by Executive Order No. 9385 (8 F. R. 13783) dated October 6, 1943. The program was ordered returned to the Department of Agriculture by Executive Order No. 9630 (10 F. R. 12245) dated September 27, 1945.

Purchases of commodities in foreign countries increased from approximately \$71,000,000 in 1945 to an estimated \$104,000,000 in 1946. The estimate for 1947 is approximately \$101,500,000. Purchases in 1947 will consist largely of fats and oils, cocoa beans, and rice. It is anticipated that Corporation stocks of most other imported commodities, including foreign cotton, will be sold in fiscal year 1946. It is also anticipated that the foreign purchase program will be terminated during fiscal year 1947.

PRICE SUPPORT PROGRAM

Under its price-support program the Commodity Credit Corporation, through loans, purchases, and other operations, supports the prices of various agricultural commodities. The purpose of the program is to place a floor under the price of agricultural commodities by assuring farmers a minimum price. This program has been a

vital factor in obtaining the expanded production of agricultural commodities needed to meet the requirements of the war emergency. By stabilizing prices during the postwar period the program will aid farmers in reconverting from a war- to a peace-time production. The Corporation carries out its price support program by authority of its charter powers to buy, sell, lend, and engage in other activities with respect to agricultural commodities and their products. To a large extent the Congress has by specific legislation directed that these charter powers be used to support the price of certain agricultural commodities. This legislation has been discussed in some detail in that part of this narrative statement entitled "Creation and Purpose".

The price-support program may be generally divided into three categories:

(1) Mandatory loans made available upon the basic commodities—corn, cotton, peanuts, rice, tobacco, and wheat—in accordance with section 8 of the Stabilization Act of 1942, as amended (56 Stat. 767, 58 Stat. 643, 59 Stat. 306; 50 U. S. C. App. § 968 (1940) Supp. IV) and the act of July 28, 1945 (59 Stat. 506).

(2) Mandatory price support through loans, purchases, or other operations pursuant to section 4 (a) of the act of July 1, 1941, as amended, the so-called "Steagall Amendment" (55 Stat. 498, 56 Stat. 768, 15 U. S. C. § 713a-8 (a) (1940) Supp. IV; 50 U. S. C. App. § 969 (1940) Supp. IV), with respect to the following "Steagall commodities": Hogs, eggs, chickens and turkeys, milk and butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American-Egyptian cotton, potatoes, and sweetpotatoes.

(3) Price-support operations with respect to agricultural commodities other than those required to be carried out by section 8 of the Stabilization Act of 1942, as amended, the act of July 28, 1945, and section 4 (a) of the act of July 1, 1941, as amended, such as operations with respect to wool, naval stores, sugar beets, sugarcane, fruits and vegetables for processing, and many other agricultural commodities.

In carrying out its price-support program the Corporation utilizes normal trade facilities to the fullest extent practicable. Thus, where loans are made to farmers, the Corporation makes use of local banks, cooperatives, and other private lending agencies by entering into contracts with such lending agencies under which the Corporation agrees to take over loans made in accordance with the Corporation's program. In addition, the Corporation enters into contracts with processors and dealers under which they buy through normal trade channels agricultural commodities at support prices for the account of the Corporation or for their own account. In the latter event the Corporation agrees (subject to conditions established by the Corporation) to take over their inventories of such agricultural commodities or products processed therefrom or otherwise assures them of no loss because of the purchase of commodities at the support prices.

In fiscal year 1945 purchases and loans under the price-support program required approximately \$1,862,000,000. For 1946 the estimate for this program is approximately \$1,616,000,000 and for 1947 the estimate is \$1,579,000,000. The estimate for 1947 provides for a substantial increase over 1946 in the amount of price-support loans, largely offsetting a decrease in the estimate of price-support purchases. This beginning of a transition to loan rather than purchase operations is based on the assumption that some improvement in food supply conditions and diminished need for exports of food for relief purposes will occur during fiscal year 1947.

Loans.—The increase from approximately \$187,000,000 in new loans during fiscal year 1946 to approximately \$683,000,000 during 1947 is accounted for in large part by increases in loans on corn, cotton, wheat, and potatoes, but increases are also estimated for a number of other commodities, including grain sorghums, rice, peanuts, and barley. It is estimated that outstanding loans will be at the low level of \$62,000,000 at the beginning of fiscal year 1947, and will amount to \$177,000,000 at the end of the year. This compares with outstanding loans of \$438,000,000 at the beginning of the fiscal year 1945 and \$314,000,000 at the beginning of fiscal year 1946. The decrease in outstanding loans during 1946 is largely in loans on cotton. The causes of this decrease are the small cotton crop in 1945 and the movement of market prices to levels substantially above loan rates. The increase in outstanding loans during fiscal year 1947 will consist almost entirely of loans on cotton and corn. Of the settlement of loans estimated for 1947, \$525,000,000 is by repayment and \$42,000,000 by delivery of collateral to the Corporation. This will constitute a larger volume of loan settlements than that estimated for 1946 but slightly smaller than the volume settled in 1945.

Purchases.—Price-supporting purchases for fiscal year 1947 are estimated at \$896,000,000, compared with \$1,429,000,000 in 1946 and \$1,333,000,000 in 1945. The principal decrease in 1946 is reduced purchases of cotton. The decrease in cotton purchases is accounted for by an increase in market prices above the purchase schedule of the Corporation. The principal estimated increases in price-support purchases in 1946 are for chickens and eggs. Unusually heavy marketings of chickens are expected to arise from the current tight feed grain situation; yet at the same time egg production in the spring months is expected to exceed market requirements.

The decline of price-support purchases in fiscal year 1947 will be chiefly in the basic commodities, the reason for this decrease being a return to loans as the principal means of supporting prices for these commodities. It is also estimated that price-support purchases of chickens and turkeys will not continue into fiscal year 1947 but that the adjustment of flocks to feed supplies will be substantially completed in 1946. The amount estimated for purchases of wool in fiscal year 1947 is substantially lower than the estimate for 1946 because no provision is made in this estimate for purchases from the 1947 clip. On March 11 the President submitted to the Congress proposals with respect to the policy to be followed in providing a price-support program for wool (Congressional Record No. 43, pages 2211-15). Upon action by the Congress in this matter, a revision in this estimate may thereby be required.

Sales.—The volume of sales of commodities acquired under price-support loans and purchases increased from about \$1,284,000,000 in fiscal year 1945 to approximately \$1,842,000,000 in 1946. The principal cause of this increase is enlarged sales of cotton due to the small size of the 1945 crop and resulting increased demands on the stocks of the Corporation. On the other hand, sales of wool decreased substantially. In the case of wool the decrease was due to the ending of the production of woolen goods for the armed services, which called for use of domestic wool and an interval of several months before wool held by the Corporation was made available at prices more nearly in line with those of imported wool. For fiscal year 1947 it is estimated that sales of commodities acquired under the price-support program will decline further to approximately \$925,000,000. The de-

crease will be largely in sales of basic commodities. The reason for reduced sales is that stocks owned by the Corporation will be at a relatively low level at the beginning of fiscal year 1947. An increase is shown in estimated sales of wool, however, on the assumption that an operation will be in effect during the entire year under which domestic wool will be offered at prices competitive with imported wool.

Commodity stocks.—At the beginning of fiscal year 1946 stocks of commodities acquired by the Corporation under the price-support program amounted to about \$885,000,000. It is estimated that stocks remaining at the end of fiscal year 1946 will amount to \$526,000,000. The principal decreases during 1946 are in stocks of cotton and wheat and the principal increases are in stocks of wool. At the beginning of fiscal year 1947 it is estimated that 70 percent of the value of these stocks will be accounted for by cotton and wool. At the close of the fiscal year 1947 it is estimated that stocks of commodities acquired under the price-support program will in the aggregate amount to about \$339,000,000. It is estimated that decreases will occur in the stocks of practically all items, notably cotton and wool.

Losses.—Realized losses from the sale of commodities acquired under the price support program amounted to approximately \$26,000,000 in fiscal year 1945. Losses on sales of these commodities during fiscal year 1946 are estimated at \$30,000,000. The only important increases over the previous year are in losses on wool, chickens, and eggs. In the case of wool a sales project was begun in fiscal year 1946 under which the Corporation stocks are being sold at prices lower than the support level under the wool purchase project, in order that wool owned by the Corporation may move into consumption in competition with imported wool. A loss of about \$10,000,000 is estimated for eggs due to unavailability of adequate outlets at support prices for all eggs purchased under the price support program.

Estimated losses under price support program during fiscal year 1947 are estimated at \$190,000,000. Increases over losses compared with 1946 are estimated for chickens, eggs and peanuts. In addition, sales of wool will account for a significant part of the loss. In general, the reason for expecting larger aggregate losses in 1947, than in 1946, despite a lower volume of sales of price support commodities, is due to the fact that the stocks of price support commodities from which sales will be made will consist largely of commodities for which it will be difficult to find adequate outlets at prices above the support levels.

COMMODITY EXPORT PROGRAM

Under its commodity export program the Corporation exports or causes to be exported agricultural commodities and products at competitive world prices. The purpose of the program is to obtain foreign markets for agricultural commodities and foods produced in the United States and to aid in the disposal of surplus agricultural commodities. Since competitive world prices are below domestic market prices the program results in a loss to Commodity Credit Corporation. The program is conducted pursuant to section 21c of the Surplus Property Act of 1944 (58 Stat. 775; 50 U. S. C. App. § 1630 (1940) supp. IV). That section authorizes the Corporation to dispose or cause to be disposed of for cash or its equivalent in goods or for adequately secured credit, for export only, and at competitive world prices, any farm commodity or product thereof without regard to restrictions with

respect to the disposal of commodities imposed upon the Corporation by any law. No food or food product, however, may be disposed of if such food or food product is in short supply or its disposition would create a short supply. Prior to enactment of section 21c the Corporation's ability to engage in export operations was substantially limited by the statutory prohibition against sales of farm commodities below the parity or comparable price.

A cotton export project, started during fiscal year 1945, is being continued in 1946, under which cotton is made available for export at competitive world prices. The volume of these operations in fiscal year 1947 will depend largely upon the size and quality of the 1946 crop and the extent of foreign demand. Since this country normally exports a large portion of its shorter staples and lower grades of cotton, provision is made for continuing this project at the same estimated cost as during fiscal year 1946, namely, \$30,000,000. A small wheat export project was terminated during fiscal year 1946, and no estimate is included for resuming it in 1947.

SUBSIDY PROGRAM

Under its subsidy program the Corporation makes payments or purchases for resale at a loss for the purpose of maintaining price ceilings established by the Office of Price Administration. The objective of the program is to facilitate the Government's stabilization program by providing producers of agricultural commodities and foods additional returns required to obtain maximum necessary production and distribution without increasing price ceilings. Operations of the Corporation under the program are undertaken pursuant to directives issued by the Economic Stabilization Director under authority of Executive Order No. 9250.

This program is carried out pursuant to the Corporation's charter authority to purchase, sell or otherwise deal in agricultural commodities and products thereof and to engage in activities in connection with production, handling and marketing thereof. Congress has, however, specifically limited the extent to which the Corporation may conduct operations under its subsidy program. Thus, section 2e of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944 (58 Stat. 634, 59 Stat. 306; 50 U. S. C. App. § 902(c) (1940) supp. IV) prohibited Commodity Credit Corporation as well as all other Government corporations from engaging in subsidy operations on and after July 1, 1945. Section 3 of the act of April 12, 1945 (59 Stat. 50), as amended by the act of March 21, 1946 (Public Law 328, Seventy-ninth Cong.), authorized the Corporation, notwithstanding the prohibition contained in section 2e of the Emergency Price Control Act of 1942, as amended, to complete operations with respect to 1944 and prior year crop activities and to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year noncrop activities, and, in addition, to incur and pay obligations in amounts which do not involve subsidies in excess of (1) \$568,000,000 for operations during the fiscal year ending June 30, 1946, with respect to dairy production payments, (2) \$120,000,000 for operations during the fiscal year ending June 30, 1946, with respect to other noncrop activities, including the feed-wheat project, and (3) \$225,000,000 with respect to the 1945 crop operations, 1946 sugar crop operations, 1946 vegetables processed prior to July 1, 1946, and 1946 crop flaxseed harvested prior to July 1, 1946. Such amounts were authorized to be adjusted under certain conditions by not more than 10 percent. By the act of July 31, 1945 (59 Stat.

506) the Congress authorized a transfer from the Reconstruction Finance Corporation to Commodity Credit Corporation of such portion of the authority granted to the Reconstruction Finance Corporation to pay subsidies with respect to meat, flour, and butter as the Secretary of Agriculture might determine. Under this act the Reconstruction Finance Corporation's authority with respect to meat was reduced by \$36,000,000 and Commodity Credit Corporation's authority was increased by a like amount for the purpose of permitting the latter Corporation to engage in subsidy operations with respect to lambs and sheep.

At this time there is pending House bill 5270 which would authorize the Commodity Credit Corporation to engage in subsidy operations within specified limits with respect to 1946 crop activities and with respect to noncrop activities for the fiscal year ending June 30, 1947. The Corporation's budget program for the fiscal year 1947 provides for subsidy operations in amounts recommended by the Stabilization Director in connection with the hearings on that bill. The amounts are as follows:

Dairy production payments.....	\$515,000,000
Other noncrop operations.....	50,000,000
Operations on a crop year basis.....	160,000,000

The cost of these operations in the fiscal year 1945 amounted to about \$740,000,000. For the fiscal year 1946, the cost increased to about \$819,000,000. The principal increases over 1945 are in the operations for sugar, vegetables for processing, beef cattle, and sheep and lambs. During the calendar year 1945, several of these operations were discontinued, most important of which were those covering wheat for feed, Cheddar cheese, and peanut butter. In addition, termination of the beef cattle operation at the end of the fiscal year and termination of the dry edible bean operation at the end of the 1945 crop year have been announced. Also, the peanut operation, which involved a subsidy loss in fiscal years 1945 and 1946, is not shown as a subsidy operation for 1947, because it is established on the basis of support prices at 90 percent of parity. The policy of the Government is to continue to terminate these operations as rapidly as this action can be taken in harmony with the general policy of stabilizing the cost of living and the general price level. The estimate included for these operations for the fiscal year 1947 conforms with the proposal submitted to the Congress by the Stabilization Director (hearings of the Banking and Currency Committee of the House of Representatives on H. R. 5270, Mar. 6). This amount is \$725,000,000, a decrease of about \$94,000,000 from the 1946 estimate. This amount provides for continuing those subsidy operations for which termination has not been effected or announced. The Corporation has no basis for estimating how much of this amount will be unused due to termination of any of the operations before the end of the year.

LOANS TO THE SECRETARY OF AGRICULTURE FOR AGRICULTURAL CONSERVATION PURPOSES

Section 391c of the Agricultural Adjustment Act of 1938, as amended (54 Stat. 728, 7 U. S. C. § 1391 (1940)), requires the Corporation to loan to the Secretary of Agriculture during each fiscal year such sums, not to exceed \$50,000,000, as the Secretary estimates will be required during such fiscal year to make Federal crop insurance premium advances, to make advances pursuant to the applicable provisions of sections 8 and 12 of the Soil Conservation and Domestic Allotment Act, as amended, in connection with programs applicable to the

crops harvested in the calendar year in which such fiscal year ends, and to pay the administrative expenses of county agricultural conservation associations for the calendar year in which such fiscal year ends. The sum so loaned during any fiscal year is required to be transferred to the annual appropriation available for carrying out sections 7 to 17 of such act. Repayment of any such loan is directed to be made during the succeeding fiscal year from funds appropriated to carry out sections 7 to 17 of such act, with interest at a rate determined by the Secretary, but not less than the cost of money to the Corporation.

OPERATING RESULTS

During the fiscal year ended June 30, 1945, the operations of the Corporation resulted in a net loss of \$834,844,174. This is compared with the estimate of loss for the fiscal year 1946 of \$891,174,000 and for the fiscal year 1947 of \$966,529,000. The major portion of these losses resulted from the subsidy program. The comparative summary of income, expenses, and losses on the programs carried on by the Corporation (exhibit B) indicates clearly the trend in losses of the Corporation.

The operating statement (exhibit B) reflects a heavier demand for price support in the fiscal year 1947. The loss of \$2,321,814 shown in the supply program for the fiscal year 1945 resulted entirely from the liquidation of the Alaskan spruce log project, which was designed to obtain high grade spruce, hemlock, and low grade spruce logs for military purposes. This was in liquidation during the entire fiscal year 1945.

Provision has been made for the valuation of the inventories and losses on accounts and notes receivable. A reserve for loans receivable was not established since failure to pay a loan results in the acquisition of collateral at the face value of the loan. Losses on loans are therefore limited to cases where the collateral has been destroyed or for reasons of a comparable character.

It will be noted that in carrying out the programs described herein, the Corporation acquires considerable inventories and therefore must provide for storing, transporting, inspecting, processing, handling, financing, reconditioning, packaging, marketing, salvaging, insuring, and other services incident to such programs. The budget estimates for such programs include the cost of these charges, services either in the cost of purchases or as carrying charges.

During the fiscal year 1945, three factors affected the change in the deficit as shown in the statement of financial condition. These factors were (1) \$256,764,881 was appropriated for the restoration of capital, (2) a loss of \$834,844,174 resulted from operations during the year (see exhibit B), and (3) an appraisal loss of \$116,074,898 was removed from the books by surplus adjustment. As a result, the net deficit of the Corporation increased from \$456,734,911 as of June 30, 1944, to \$918,739,305 as of June 30, 1945. In the preparation of the financial statements it was not assumed that the appraised losses as of June 30, 1945, will be restored during the fiscal year 1946—thus the capital deficit in the balance sheet for June 30, 1946, was increased by the loss reflected on the operating statement for fiscal year 1946 in the amount of \$891,174,000. It has been assumed further that a restoration of capital impairment as of June 30, 1945, will be made during fiscal year 1947—thus a restoration of the appraised losses as of June 30, 1945, amounting to \$921,456,561, reduces the deficit of the Corporation to \$1,854,985,745, as of June 30, 1947 (see exhibits B and C).

FINANCIAL CONDITION

Loan accounts.—The loans that the Corporation makes are of a nonrecourse character and the Corporation accepts the chattel pledged or mortgaged as security for the loan in full payment thereof. In view of this the Corporation has not followed the policy of establishing a valuation reserve for losses on loans receivable. In the balance sheet as of June 30, 1944 (see exhibit C) a reserve for losses of \$5,685,663 was shown on the basis of the appraisal made by the appraisal committee. This reserve, however, was removed by adjustment and a similar reserve has not been established. Actual losses during the fiscal year 1945 were charged off directly against operations and consisted primarily of losses due to damage and destruction of collateral.

Commodities owned.—There has been a consistent decline in the amount and value of the commodities owned from June 30, 1944 to the present and it is estimated that this trend will continue to June 30, 1947, as reflected in the statement of financial condition. The aggregate value of commodities owned has declined and their character has changed materially. During the war years the commodities owned consisted primarily of those procured in accordance with food allocations and to meet anticipated demands of the Army, Navy, lend-lease, and other governmental agencies and foreign claimants, American Red Cross, and other similar organizations utilizing the facilities of the Department in obtaining their food and agricultural supply requirements. It is anticipated that practically all inventories of commodities owned as of June 30, 1947 will develop from the price support program and will include certain commodities in long supply; under these circumstances it will be much more difficult to move the commodities and a larger proportionate reserve for losses is therefore deemed necessary.

Borrowing authority and financing.—The programs of the Corporation are financed with funds borrowed from the United States Treasury or from private lending agencies and, in the case of most of the Corporation's loan operations, by arrangements under which the loans are made by local banks, cooperatives, and other private lending agencies upon the Corporation's guaranty to take over the loans on demand. Daily reports of disbursements and receipts are received from the Federal Reserve banks which act as the fiscal agents of the Corporation. If disbursements exceed receipts, a loan in the amount of the excess is obtained from the United States Treasury; if receipts exceed disbursements, the excess is paid to the United States Treasury as a repayment on the Corporation's loan balance. This procedure assures that the Corporation's cash balance and interest expense are kept at a minimum. Funds are borrowed from private lending agencies in cases where, in addition to obtaining funds, the Corporation desires to utilize the facilities of such lending agencies in carrying out a particular operation. For example, in the case of the wool and peanut price support operations, private lending agencies make payments on behalf of the Corporation of the purchase price of the commodity and also receive on behalf of the Corporation the proceeds from the sale of the commodity—the amounts paid out by such lending agencies constituting a loan to the Corporation and the amounts received constituting repayments of the loan. All borrowing agreements with private lending agencies are approved by the Secretary of the Treasury. In making loans to farmers on agricultural commodities the Corporation also utilizes the facilities of banks, cooperatives and other private lending agencies. This is ac-

completed by entering into agreements with such private lending agencies under which the Corporation agrees to take over upon demand loans made by such agencies in accordance with the requirements of the Corporation. Under these agreements the Corporation receives one-half of the interest collected by the private lending agency if the loan is repaid by the farmer while it is carried by the lending agency. In the event the loan is taken over by the Corporation, the Corporation pays the bank the amount of the note evidencing the loan plus one-half the accrued interest. Since loans to farmers bear interest at the rate of 3 percent per annum, private lending agencies realize 1½ percent interest per annum on loans made by them for the period during which they hold the loans.

The balance of borrowings, as the net result of operations during the fiscal year 1945, increased from \$1,904,306,702 on June 30, 1944 by \$319,835,177 to \$2,224,141,879 on June 30, 1945. During the fiscal year 1946 it is estimated that borrowings will be reduced \$54,141,879 as the result of operations. In addition it is proposed that the \$500,000,000 made available by an appropriation (Public Law 301, 79th Cong.) for postwar price support be applied to reduce borrowings, and that a reservation against the borrowing authority be established, in a like amount to assure availability of cash when needed to meet these postwar price support responsibilities.

In establishing program requirements on borrowings (schedule C-1) consideration has been given to the fact that the Corporation's responsibility in connection with the supply and the foreign-purchase programs is one of financing. In the fiscal year 1945 substantial advances were made to the Corporation from lend-lease funds to assist in financing purchases made in behalf of the lend-lease program. In the fiscal year 1946, the advances became even more substantial in relation to the size of the procurement operation carried on by the Corporation due to the liquidation of the lend-lease program, thus reducing the amount of the Corporation's funds required in the operation. During the fiscal year 1947 it is not assumed that similar advances will be made from UNRRA and other claimants, and it has therefore been estimated that funds must be made available to finance these operations on the basis that the funds will revolve three times during the year. Consideration has not been given to program receipts, except in connection with the supply and foreign purchase programs, due to the uncertainty of the date of the receipts in relation to the program requirements.

The present borrowing authority of \$4,750,000,000 is considered adequate to meet all financing requirements of the Corporation during the fiscal year 1947, and a balance of \$103,658,000 is available as a reserve for contingencies during that year.

Trust and deposit liabilities.—Due to the change in character of operations and the reduction in operations under the supply program, it is anticipated that the amounts advanced the Corporation will be liquidated either by the delivery of commodities or by the return of the funds by the close of fiscal year 1947.

Liability reserves.—Public Law 301, Seventy-ninth Congress, approved February 18, 1946, makes available to the Corporation \$500,000,000. This amount has been established on the statement of financial condition as a liability reserve for postwar price support. A policy as to the specific classes of losses or the method of charging such losses for postwar price support to this reserve has not as of this date been established.

Return of capital funds to the Treasury.—It is not anticipated that any capital funds will be returned by the Corporation to the Treasury during fiscal year 1947. As reflected in the statement of income and expenses, it is expected that substantial losses will occur during that year and capital will be impaired \$1,854,985,745 on June 30, 1947.

ADMINISTRATIVE EXPENSES

Administrative expenses cover the costs of the general supervisory and operating staff engaged in the supervision of the operation of the programs carried out by the Corporation. There are not included in administrative expenses, however, necessary expenses (including special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest. Such expenses are treated as nonadministrative expenses in accordance with the authorization which, for the last 8 years, has been contained in the Commodity Credit Corporation administrative expense item in annual appropriation acts. The language proposed in the budget program for the fiscal year 1947 authorizing expenditures for administrative expenses of the Corporation contemplates that the Corporation will, consistent with its established practice, treat as nonadministrative expense all expenses of the types which have been so treated during the 1946 fiscal year. Provision is not made for the costs of General Accounting Office audits pursuant to Public Law 248 (79th Congress) since bases for making such estimates are not available.

The work of the Corporation is performed by the employees of the Production and Marketing Administration, and the Corporation assumes its equitable share of expenses for personnel and other expenses. The expenses assumed during the fiscal year 1945 by the Corporation are reflected in schedules B-2 and B-3, and the estimates for the fiscal years 1946 and 1947 are shown on a comparable basis.

The authorizing language implementing the Corporation's budget for the fiscal year 1947 includes a limitation of \$8,760,000 for costs of administration (see statement of income and expenses, exhibit B and schedule B-2).

RESTORATION OF CAPITAL

The act of March 8, 1938 (52 Stat. 107) provided that as of March 31, of each year an appraisal of all the assets and liabilities of the Corporation for the purpose of determining the net worth of the Corporation shall be made by the Secretary of the Treasury. The legislation provided for a basis of evaluating the assets. The act further provided that should such appraisal establish the net worth of the Corporation as less than \$100,000,000, the Secretary of the Treasury, on behalf of the United States, shall restore the amount of such capital impairment by a contribution to the Corporation in the amount of such impairment. The act of April 12, 1945 (59 Stat. 50) changed the date of appraisal from March 31 to June 30, beginning with June 30, 1945. A summary of capital impairment, restoration of capital by the Secretary of the Treasury, and payments by the Corporation into the Treasury is given in schedule C-3. From this summary, it will be noted that the last restoration of capital to the

Corporation amounted to \$256,764,881 and covered the 2-year period ending March 31, 1944. The deficit in the amount of \$918,739,306, as shown on the statement of financial condition, reflects a cumulative loss from operations for the 15-month period from April 1, 1944 through June 30, 1945. The Corporation has been informed that the appraisal as of June 30, 1945 has been completed and that the estimated appraised losses for the 15-month period indicated above is \$921,456,561. The reconciliation between the figure reflected in the financial statements attached and the appraisal completed by the Secretary of the Treasury is as follows:

Capital impairment as of June 30, 1945 (See exhibit C).....	\$918, 739, 306
Estimated additional loss due to appraisal:	
On loans receivable.....	\$391, 038
On commodity inventories.....	2, 326, 217
Total.....	2, 717, 255
Total capital impairment (amount of appropriation necessary to enable the Secretary of the Treasury to discharge his responsibility under the act of March 8, 1938, as amended).....	921, 456, 561

Language to permit the Secretary of the Treasury to restore the capital impairment of the Corporation as of June 30, 1945, is included as a part of this budget submission.

LANGUAGE

COMMODITY CREDIT CORPORATION

Administrative Expenses, Commodity Credit Corporation, Department of Agriculture—

Salaries and administrative expenses: Not to exceed \$6,565,000 of the funds of the Commodity Credit Corporation shall be available for administrative expenses of the Corporation in carrying out its activities as authorized by law, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding; lawbooks and books of reference; not to exceed \$400 for periodicals, maps, and newspapers; procurement of supplies, equipment, and services; rent in the District of Columbia; and all other necessary administrative expenses: *Provided*, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That none of the fund made available by this paragraph shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Accounting Act of 1921, as amended: *Provided further*, That none of the fund made available by this paragraph shall be used for administrative expenses

connected with the sale of Government-owned or Government-controlled stocks of farm commodities at less than parity price as defined by the Agricultural Adjustment Act of 1938 or the comparable price as provided by section 4 (a) of the Act of July 1, 1941, as amended (15 U. S. C. 713a-8); and the method that is now used for the purposes of Commodity Credit Corporation loans for determining the parity price or its equivalent for 7/8-inch Middling cotton at the average location used in fixing the base loan rate for cotton shall also be used for determining the parity price for 7/8-inch Middling cotton at such average location for the purposes of this proviso: *Provided further*, That the foregoing shall not apply to the sale or other disposition of any agricultural commodity substantially deteriorated in quality (or in the case of perishable fruits, vegetables, and animal products if there is danger of deterioration or of accumulation of stocks) or sold for the purpose of feeding, or the extraction of peanut oil, or commodities disposed of for export pursuant to section 21 (c) of the Surplus Property Act of 1944 (Public Law 457) or commodities sold to farmers for seed or for new or byproduct uses, or commodities sold for the purpose of establishing claims against persons who have committed fraud, misrepresentations, or other wrongful acts with respect to such commodities: *Provided further*, That no wheat or corn shall be sold for feed at a price less than the parity price of corn at the time such sale is made: *Provided further*, That in making regional adjustments in the sale price of corn or wheat the minimum price need not be higher in any area than the United States average parity price of corn.]

Salaries and administrative expenses: For an additional amount for "Salaries and administrative expenses", Commodity Credit Corporation, fiscal year 1946, including the objects specified under this head in the Department of Agriculture Appropriation Act, 1946, \$587,500, payable from the funds of said Corporation.]

Salaries and administrative expenses: For an additional amount, fiscal year 1946, for "Salaries and administrative expenses", Commodity Credit Corporation, including the objects specified under this head in the Department of Agriculture Appropriation Act, 1946, \$762,000, payable from the funds of said Corporation.]

The types of programs set forth in the 1947 budget of the Commodity Credit Corporation, within the funds available to it, are approved: *Provided*, That not to exceed \$8,760,000 of such funds (including not to exceed \$400 for periodicals, maps, and newspapers, and not to exceed \$30,000 for deposit in the general fund of the Treasury for costs of penalty mail as required by section 2 of the Act of June 28, 1944) shall be available for administrative expenses (as shown in its statement of income and expenses) which shall be classified as such in a manner consistent with prior years and shall be on an accrual basis: *Provided further*, That none of the funds made available by this paragraph shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Accounting Act of 1921, as amended. (7 U. S. C. 1302, 1391 (c); 15 U. S. C. 712a-713a-9; 50 U. S. C. 968; Act of Feb. 28, 1944, Public Law 240; Act of June 30, 1944, Public Law 333; Act of April 12, 1945, Public Law 30; Act of May 5, 1945, Public Law 52; Act of July 5, 1945, Public Law 132; Act of Dec. 6, 1945, Public Law 248; Act of Dec. 28, 1945, Public Law 269.)

APPROPRIATION FOR RESTORATION OF CAPITAL

Restoration of Capital Impairment, Commodity Credit Corporation—

To enable the Secretary of the Treasury, on behalf of the United States, to restore the amount of the capital impairment of the Commodity Credit Corporation as of June 30, 1945, by a contribution to the Corporation as provided by the Act approved March 8, 1938, as amended (15 U. S. C. 713a-1), there is appropriated, out of any money in the Treasury not otherwise appropriated, for the Treasury Department, Office of the Secretary, \$921,456,561.10.

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

FUNDS APPLIED	1945, actual	1946, estimated	1947, estimated
To price support program:			
For loans (schedule C-2).....	\$529,334,356	\$187,005,445	\$682,865,000
For purchase of commodities (schedule B-1).....	1,332,804,333	1,429,111,628	896,243,000
For carrying charges on commodities and related expenditures (schedule B-1).....	91,232,526	86,127,700	29,239,000
Total.....	\$1,953,471,215	\$1,702,244,773	\$1,608,347,000
To supply program:			
For purchase of commodities (schedule B-1).....	1,190,643,089	450,739,500	357,210,500
For carrying charges on commodities and related expenditures (schedule B-1).....	109,992,414	40,069,200	19,466,000
Total.....	1,300,635,503	490,808,700	376,676,500
To foreign purchase program: For purchase of commodities (schedule B-1).....	70,937,031	103,916,500	101,518,000
To commodity export program ¹	993,084	260,628	30,000,000
To subsidy program: ²			
Dairy production payments.....	532,253,665	496,500,000	515,000,000
Other noncrop operations.....	100,324,407	104,895,800	50,000,000
Operations on a crop-year basis.....	614,578	162,212,000	120,000,000
Adjustment to prior-year activity.....	184,070		
Total.....	633,376,720	763,607,800	685,000,000
To loan to the Secretary of Agriculture for agricultural conservation purposes	46,000,000	9,314,528	9,000,000
Operating expenses:			
Interest on borrowed funds.....	14,238,138	16,000,000	13,500,000
Administrative expenses.....	7,385,120	9,057,500	8,760,000
Nonadministrative expenses.....	2,489,850	313,495	275,000
Total.....	24,113,108	25,370,995	22,535,000
To repayment of borrowings:			
U. S. Treasury.....	2,886,000,000	3,471,000,000	2,520,000,000
Private lending agencies.....	944,950,925	708,141,879	780,000,000
Total.....	3,830,950,925	4,179,141,879	3,300,000,000
To purchases of fixed assets	1,794,334	500,000	500,000
To increase (or decrease*) in working capital	109,911,833	*18,669,394	*80,058,339
Total funds applied	7,972,183,813	7,256,496,409	6,053,518,161

*Deduct.

¹ Analysis of charges against commodity export program:

	1945	1946	1947
Loss on sales chargeable against commodity export program.....	\$2,951,507	\$30,000,000	
Direct commodity export payments.....	993,084	260,628	\$30,000,000
Total loss on commodity export program.....	3,944,591	30,260,628	30,000,000

² Analysis of charges against subsidies:

	1945	1946	1947
Loss on sales chargeable against subsidy operations on a crop-year basis.....	\$106,180,321	\$55,500,000	\$40,000,000
Direct subsidy payments.....	633,376,720	763,607,800	685,000,000
Total loss on subsidies.....	739,557,041	819,107,800	725,000,000

EXHIBIT A—Continued
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS—Continued

	1945, actual	1946, estimated	1947, estimated
FUNDS PROVIDED			
By borrowings:			
U. S. Treasury.....	\$3,577,000,000	\$3,000,000,000	\$2,500,000,000
Private lending agencies.....	573,786,102	625,000,000	670,000,000
Total.....	\$4,150,786,102	\$3,625,000,000	\$3,170,000,000
By collections of loans:			
Secretary of Agriculture.....	20,000,000	36,000,000	9,000,000
Price-support programs (schedule C-2).....	446,638,705	356,287,165	524,558,500
Total.....	466,638,705	392,287,165	533,558,500
By sales of commodities (schedule B-1)			
Price support programs.....	1,284,268,632	1,842,167,357	925,422,100
Supply programs.....	1,730,120,929	737,204,819	383,731,500
Foreign purchase programs.....	74,715,239	146,910,071	106,849,500
Total.....	3,089,104,800	2,726,282,247	1,416,003,100
By interest income	3,539,145	5,350,000	10,500,000
By appropriations:			
For restoration of capital.....	256,764,881		921,456,561
For postwar price support.....		500,000,000	
Total.....	256,764,881	500,000,000	921,456,561
By receipts on sale of fixed assets	5,959,314	6,451,997	1,500,000
By miscellaneous income (or loss)*	*609,134	1,125,000	500,000
Total funds provided	7,972,183,813	7,256,496,409	6,053,518,161

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Loan and miscellaneous income:			
Interest income:			
Interest on loans	\$2,891,697	\$5,000,000	\$10,000,000
Other interest income	647,448	350,000	500,000
Miscellaneous income	*609,134	1,125,000	500,000
Total	\$2,930,011	\$6,475,000	\$11,000,000
Expenses:			
Interest on borrowed funds	*14,238,138	*16,000,000	*13,500,000
Administrative expenses (see schedules B-2 and B-4)	*6,771,965	*9,057,500	*8,760,000
Prior year adjustments	*613,155		
Nonadministrative expenses	*2,531,789	*350,073	*315,000
Total	*24,155,047	*25,407,573	*22,575,000
Program results:			
Price support program (see schedule B-1):			
Sales	1,284,268,632	1,842,167,357	925,422,106
Less cost of sales	1,419,367,053	1,957,331,068	1,155,566,100
Add: Transfers and adjustments	109,131,828	85,500,000	40,000,000
Net loss	*25,966,593	*29,663,711	*190,144,000
Supply program (see schedule B-1):			
Sales	1,730,120,929	737,204,819	383,731,500
Less: Cost of sales	1,700,867,626	737,117,177	383,581,500
Less: Transfers and adjustments	31,575,117		
Net gain (or loss*)	*2,321,814	87,642	150,000
Foreign purchase program (see schedule B-1):			
Sales	74,715,239	146,910,071	106,849,500
Less: Cost of sales	73,913,406	137,469,071	106,849,500
Net gain	801,833	9,441,000	
Subsidy losses (see schedule B-5):			
Direct payments	*633,376,720	*763,607,800	*685,000,000
Loss on sales	*106,180,321	*55,500,000	*40,000,000
Total	*739,557,041	*819,107,800	*725,000,000
Commodity export losses (see schedule B-6):			
Loss on sales	*2,951,507	*30,000,000	
Other losses	*693,084	*260,628	*30,000,000
Total	*3,644,591	*30,260,628	*30,000,000
Loans receivable charged off	*1,131,784		
Depreciation on fixed assets	*3,650,828	*1,920,000	*960,000
Loss on sale of fixed assets	*3,266,250	*3,000,000	*1,000,000
Total loss on programs	*779,037,068	*874,423,497	*946,954,000
Net loss before adjustment of valuation reserves	*800,262,104	*893,356,070	*958,529,000
Adjustment of valuation reserves:			
Reserve for losses on commodities owned	*34,182,070	*5,817,930	*10,000,000
Reserve for losses on accounts and notes receivable	*400,000		
Reserve for depreciation on fixed assets		8,000,000	2,000,000
Total	*34,582,070	2,182,070	*8,000,000
Net loss	*834,844,174	*891,174,000	*966,529,000

*Deduct.

EXHIBIT B—Continued
COMPARATIVE STATEMENT OF INCOME AND EXPENSES—Continued
ANALYSIS OF DEFICIT

	1945, actual	1946, estimated	1947, estimated
Balance at beginning of fiscal year.....	* 2 \$456,734,911	*\$918,739,306	*\$1,809,913,306
Net loss* for year:			
On subsidies.....	*\$739,557,041	*\$819,107,800	*\$725,000,000
On other operations.....	* 2 95,287,133	*72,066,200	*241,529,000
Total loss.....	*834,844,174	*891,174,000	*966,529,000
Balance before adjustments.....	*1,291,579,985	*1,809,913,306	*2,776,442,306
Add:			
Adjustment reversing appraisal reserves.....	116,074,898		
Net appropriation for restoration of capital.....	256,764,881		921,456,561
Balance at close of fiscal year.....	*918,739,306	*1,809,913,306	*1,854,985,745

* Deduct.

† Composed of cumulative appropriations for restoration of capital of \$143,950,524 and prior years' losses of \$600,685,435.

‡ Reconciliation between statement of financial condition and statement of income and expense for the fiscal year ended 1945 as follows:

Loss on other operations:

Per statement of financial condition—1944.....	*\$59,709,172
Per statement of financial condition—1945.....	*38,921,407

Net change during 1945 (gain)..... 20,787,765

Deduct: Adjustment reversing reserve for appraisal loss..... 116,074,898

Loss on other operations per statement of income and expense..... *85,287,133

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
ASSETS				
Cash.....	\$240,370,462	\$42,746,274	\$29,493,198	\$30,434,859
Loans receivable:				
Program loans (see schedule C-2).....	437,638,957	314,279,220	61,515,000	177,249,000
Secretary of Agriculture for agricultural conservation purposes.....	10,000,000	36,000,000	9,314,528	9,314,528
Less: Reserve for losses.....	5,685,663			
Net total.....	441,953,294	350,279,220	70,829,528	186,563,528
Commodities owned.....	1,384,036,476	1,180,521,388	552,051,100	352,303,000
Less: Reserve for losses.....	53,468,310	34,182,070	40,000,000	50,000,000
Net total.....	1,330,568,166	1,156,339,318	512,051,100	302,303,000
Accounts and notes receivable.....	616,097,972	544,327,955	300,000,000	200,000,000
Less: Reserve for losses.....		400,000		
Net total.....	616,097,972	543,927,955	300,000,000	200,000,000
Advances on purchases.....	136,347,811	63,800,634	80,000,000	80,000,000
Accrued assets:				
Accrued interest receivable.....	11,454,841	8,150,223	2,500,000	9,000,000
Accrued carrying charges on loans.....	6,933,105	473,793	500,000	1,000,000
Total.....	18,407,946	8,624,016	3,000,000	10,000,000
Fixed assets.....	28,383,227	20,951,997	12,000,000	10,000,000
Less: Reserve for depreciation.....	11,350,655	15,043,422	9,000,000	8,000,000
Net total.....	17,032,572	5,908,575	3,000,000	2,000,000
Deferred charges.....	2,325,875	90,556		
Undistributed debits.....	367,135	1,891,481	1,000,000	1,000,000
Other assets.....	207,000,545			
Less: Reserve for losses.....	18,541,679			
Net total.....	188,458,866			
Total assets.....	2,991,930,099	2,173,608,029	999,373,826	812,301,387
LIABILITIES				
Borrowed funds:				
From U. S. Treasury.....	900,000,000	1,591,000,000	1,120,000,000	1,100,000,000
From private lending agencies.....	1,004,306,702	633,141,879	550,000,000	440,000,000
Total.....	1,904,306,702	2,224,141,879	1,670,000,000	1,540,000,000
Obligations to purchase loans held by private lending agencies.....	91,092,923	86,035,259	20,000,000	125,000,000
Trust and deposit liabilities:				
Due Government agencies.....	1,004,005,097	79,871,135	40,000,000	
Advance payments on sales.....	45,024,029	5,283,610		
Due employees—bond deductions.....	22,726	21,872	20,000	20,000
Total.....	1,049,651,852	85,176,617	40,020,000	20,000
Accounts payable.....	193,825,127	437,075,208	330,000,000	250,000,000
Accrued liabilities:				
Accrued interest payable.....	4,568,445	3,667,143	1,000,000	2,500,000
Accrued carrying charges.....	14,153,026	15,163,961	7,500,000	9,000,000
Total.....	18,721,471	18,831,104	8,500,000	11,500,000
Undistributed credits.....	34,146,010	820,136	500,000	500,000
Liability reserves:				
Reserve on general commodities purchase programs.....		139,171,171	139,171,171	139,171,171
Reserve on service fees.....		1,095,961	1,095,961	1,095,961
Reserve for appraised losses.....	56,920,925			
Reserve for postwar price support.....			500,000,000	500,000,000
Total.....	56,920,925	140,267,132	640,267,132	640,267,132
Total liabilities.....	3,348,665,010	2,902,347,335	2,709,287,132	2,567,287,132
CAPITAL (OR DEFICIT)*				
Capital stock—held by U. S. Government.....	100,000,000	100,000,000	100,000,000	100,000,000
Deficit:*				
Loss* on subsidies.....	*540,976,263	*1,280,533,304	*2,099,641,104	*2,824,641,104
Loss* on other operations.....	*59,709,172	*38,921,407	*110,987,607	*352,516,607
Less: Net appropriations for restoration of capital.....	143,960,824	400,715,405	400,715,405	1,322,171,966
Net deficit.....	*456,734,911	*918,739,306	*1,809,913,306	*1,854,985,745
Total capital (or deficit).....	*356,734,911	*918,739,306	*1,709,913,306	*1,754,985,745

*Deduct.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash.....	*\$197,624,188	*\$13,253,076	\$941,661
Accounts and notes receivable.....	*71,770,017	*243,927,955	*100,000,000
Advances on purchases.....	*72,547,177	16,199,366	-----
Accrued assets:			
Accrued interest receivable.....	*3,304,618	*5,650,223	6,500,000
Accrued carrying charges on loans.....	*6,479,312	26,207	500,000
Deferred charges.....	*2,235,319	*90,556	-----
Undistributed debits.....	1,524,346	*891,481	-----
Other assets.....	*188,458,866	-----	-----
Current liabilities (increase* or decrease):			
Obligations to purchase loans held by lending agencies.....	5,057,664	66,035,259	*105,000,000
Trust and deposit liabilities:			
Due Government agencies.....	924,133,962	39,871,135	40,000,000
Advances on sales.....	40,340,419	5,283,610	-----
Due employees, bond deductions.....	854	1,872	-----
Accounts payable.....	*243,250,081	107,075,208	80,000,000
Accrued liabilities:			
Accrued interest payable.....	901,302	2,667,143	*1,500,000
Accrued carrying charges payable.....	*1,010,935	7,663,961	*1,500,000
Undistributed credits.....	33,325,874	320,136	-----
Reserve on general commodities purchase program.....	*107,596,054	-----	-----
Reserve on service fees.....	*1,095,961	-----	-----
Increase in working capital.....	109,911,893	-----	-----
Decrease in working capital.....	-----	15,669,394	80,058,339

*Deduct.

SCHEDULE B-1

SUMMARY OF SALES, COST OF GOODS SOLD, AND GAIN OR LOSS ON SALES

[Fiscal years ending June 30, 1945, 1946, and 1947]

Program	Sales	Beginning inventory	Purchases	Collateral acquired	Carrying charges	Ending inventory	Cost of goods sold	Gross gain or loss on sales	Transfers and adjustments*	Net gain or loss
Fiscal year 1945										
Price support program:										
Basic commodities.....	\$728,733,448	\$431,777,256	\$719,700,935	\$200,143,795	\$79,691,219	\$644,620,334	\$786,692,871	-\$57,959,423	\$56,751,507	-\$1,207,916
Stagall commodities.....	326,837,175	70,807,069	344,256,958	47,130	2,860,403	26,138,582	391,832,978	-64,995,803	52,790,088	-12,205,715
All other.....	228,698,009	172,726,105	268,946,440	4,732,679	8,680,904	214,244,924	240,841,204	-12,143,195	-409,767	-12,552,962
Total, price support.....	1,284,268,632	675,310,430	1,332,904,333	204,923,604	91,232,526	885,003,840	1,419,367,053	-135,098,421	109,131,828	-25,966,593
Supply program.....	1,730,120,929	666,865,600	1,190,643,089	-----	109,992,414	266,633,477	1,700,867,626	+29,253,303	-31,575,117	-2,321,814
Foreign purchase program.....	74,716,239	41,860,446	70,937,031	-----	-----	38,884,071	73,013,406	+801,833	-----	+801,833
Total, fiscal year 1945.....	3,089,104,800	1,384,036,476	2,694,484,453	204,923,604	201,224,940	1,190,521,388	3,194,148,085	-105,043,285	77,556,711	-27,486,574
Fiscal year 1946										
Price support program:										
Basic commodities.....	1,223,784,334	644,620,334	546,250,000	82,460,000	66,908,800	162,180,000	1,178,059,134	+45,725,200	30,000,000	+75,725,200
Stagall commodities.....	358,785,782	26,138,682	539,754,800	22,500	8,757,900	121,862,000	452,811,782	-94,026,000	55,500,000	-38,526,000
All other.....	299,597,241	214,244,924	343,106,828	1,000,000	10,461,000	242,352,600	326,460,182	-66,862,911	-----	-66,862,911
Total, price support.....	1,882,167,357	885,003,840	1,429,111,628	83,482,500	86,127,700	526,394,600	1,957,331,068	-115,163,711	85,500,000	-29,663,711
Supply program.....	737,204,819	266,633,477	450,739,500	-----	40,069,200	20,325,000	737,117,177	+87,642	-----	+87,642
Foreign purchase program.....	116,910,071	38,884,071	103,916,500	-----	-----	5,331,500	137,469,071	+9,441,000	-----	+9,441,000
Total, fiscal year 1946.....	2,726,282,247	1,190,521,388	1,983,767,628	83,482,500	126,196,900	552,051,100	2,831,917,316	-105,635,069	86,500,000	-20,135,069
Fiscal year 1947										
Price support program:										
Basic commodities.....	308,417,000	162,180,000	139,350,000	36,750,000	12,152,000	55,550,000	294,882,000	+13,635,000	-----	+13,635,000
Stagall commodities.....	386,198,500	121,862,000	518,593,000	6,022,500	8,236,000	63,360,000	590,353,500	-204,155,000	40,000,000	-164,155,000
All other.....	230,806,600	242,352,600	238,300,000	800,000	8,851,000	219,973,000	270,330,600	-39,524,000	-----	-39,524,000
Total, price support.....	925,422,100	526,394,600	896,243,000	42,572,500	29,239,000	338,883,000	1,155,566,100	-230,144,000	40,000,000	-190,144,000
Supply program.....	383,731,500	20,325,000	357,210,500	-----	19,466,000	15,420,000	383,581,500	+150,000	-----	+150,000
Foreign purchase program.....	106,849,500	5,331,500	101,518,000	-----	-----	-----	106,849,500	-----	-----	-----
Total, fiscal year 1947.....	1,416,003,100	552,051,100	1,354,971,500	42,572,500	48,705,000	362,303,000	1,645,997,100	-229,994,000	40,000,000	-189,994,000

* Analysis of transfers and adjustments:

Transferred from—	Transferred to—			
	Subsidy program	Export program	Reserve for general commodity purchases	Total
FISCAL YEAR 1945				
Price support program:				
Basic commodities.....	\$53,800,000	\$2,951,507	-----	\$56,751,507
Stagall commodities.....	52,790,088	-----	-----	52,790,088
All other.....	-409,767	-----	-----	-409,767
Total, price support program.....	106,180,321	2,951,507	-----	109,131,828
Supply program.....	-----	-----	-\$31,575,117	-\$31,575,117
Total, 1945.....	106,180,321	2,951,507	-31,575,117	77,556,711
FISCAL YEAR 1946				
Price support program:				
Basic commodities.....	-----	30,000,000	-----	30,000,000
Stagall commodities.....	55,500,000	-----	-----	55,500,000
Total, price support program.....	55,500,000	30,000,000	-----	85,500,000
Total, 1946.....	55,500,000	30,000,000	-----	85,500,000
FISCAL YEAR 1947				
Price support program: Stagall commodities.....	40,000,000	-----	-----	40,000,000

SCHEDULE B-1—Continued
STATEMENT OF COST OF SALES AND GROSS GAIN OR LOSS ON SALES
FISCAL YEAR 1945

Program	Sales	Beginning inventory	Purchases	Collateral acquired	Carrying charges	Ending inventory	Cost of goods sold	Gross gain or loss on sales	Transfers and adjustments	Net gain or loss
PRICE SUPPORT PROGRAM										
Basic commodities:										
Cotton.....	\$146,483,960	\$170,425,305	\$265,263,908	\$105,506,487	\$17,776,609	\$432,606,584	\$126,365,725	+\$20,118,235	\$2,951,507	+\$23,069,742
Corn.....	7,851,657	5,253,510	27,284,039	-178,704	4,519,230	19,660,122	17,217,953	-9,366,296		-9,366,296
Rice.....		3,596,279			3,596,279					
Tobacco.....	210,404,728	87,347,110	156,093,059		11,268	35,087,598	208,363,839	+2,040,889		+2,040,889
Wheat.....	363,993,103	165,155,052	271,059,929	94,816,012	57,384,112	153,669,751	434,745,354	-70,752,251	53,800,000	-16,952,251
Total, basic commodities.....	728,733,448	431,777,256	719,700,935	200,143,795	70,691,219	644,620,334	786,692,871	-57,959,423	56,751,507	-1,207,916
Steagall commodities:										
Beans, dry edible.....	53,671	69,763			4,446	18,217	55,992	-2,321		-2,321
Chickens, dressed.....										
Cotton, American-Egyptian.....	6,104,133	16,636,428			526,310	5,209,758	5,952,980	+151,153		+151,153
Flaxseed.....	77,688	172	70,792		29,296	2,116	98,144	-20,456		-20,456
Peanuts.....	17,392,200	6,604,283	20,657,235		859,186	1,608,947	26,511,757	-9,119,557	9,119,557	
Peas, dry smooth.....	28,280		953	31,880	167	4,504	28,496	-216		-216
Potatoes, white.....	2,513,503	7,244,002	6,474,445	15,250	1,113,681		14,847,378	-12,333,875		-12,333,875
Soybeans.....	300,667,700	46,252,421	317,053,533		327,317	19,295,940	344,338,231	-43,670,531	43,670,531	
Total, Steagall commodities.....	326,837,175	70,807,009	344,256,958	47,130	2,860,403	26,138,582	391,832,978	-64,995,803	52,790,088	-12,205,715
All other:										
Barley.....	359,283	226,325	1,714,625	34,883	840,827	2,440,818	375,842	-16,559		-16,559
Beans, castor.....	57,756	202,686	26,157			11	228,832	-171,076		-171,076
Cotton, Puerto Rican.....	50,884	158,967	260,295				357,552	-10,826		-10,826
Cotton linters.....	32,585,449	11,886,740	28,381,061			7,840,666	32,427,105	+158,344	158,344	
Hemp.....	5,663,249	16,545,259				20,057,271	17,126,627	-11,463,378		-11,463,378
Milkweed floss.....	448,082	76,994	974,956			201,798	850,152	-402,070		-402,070
Naval stores.....	6,054,143	7,947,451	252,347			3,217,690	4,982,108	+1,072,035		+1,072,035
Oats.....	1,538,940	1,489,973	341,560		52,313	335,684	1,548,152	-9,212		-9,212
Oils, vegetable.....	8,197,207	11,037,317	7,835,613			10,927,146	7,945,784	+251,423	251,423	
Rye.....	1,337,353	178,662	4,146,226	285	278,009	3,126,008	1,477,174	-139,821		-139,821
Seeds, miscellaneous.....	2,917,917	832,228	2,578,643	1,210,746	93,635	1,532,486	3,182,766	-264,849		-264,849
Sorghum, grain.....	288,925	194	602,228	3,486,765	736,073	4,475,197	350,063	-61,138		-61,138
Wool.....	169,198,821	118,049,929	205,287,480		6,680,047	159,732,567	270,284,859	-1,086,068		-1,086,068
Total, all other.....	228,698,009	172,726,105	268,946,440	4,732,679	8,680,904	214,244,924	240,841,204	-12,143,195	-409,767	-12,552,962
Total, price support program.....	1,284,268,632	675,310,430	1,332,904,333	204,923,604	91,232,526	885,003,840	1,419,367,053	-135,098,421	109,131,823	-25,966,593
SUPPLY PROGRAM										
Cotton bagging.....	2,991,590	3,326,392			47,826	441,802	2,932,416	+59,174		+59,174
Feed for Government facilities.....	34,836	3,864	30,512				34,376	+460		+460
Fertilizer, ammonium nitrate.....	2,669,950	594,101	2,029,891				2,623,992	+45,958		+45,958
General commodity purchase.....	1,723,625,139	662,454,728	1,185,773,197		109,940,922	266,148,825	1,692,050,022	+31,575,117	31,575,117	
Peanut bags.....	89,721	145,991			810	1,492	145,309	-55,588		-55,588
Spruce logs, Alaskan.....	681,013	307,727	2,742,248				3,049,975	-2,308,962		-2,308,962
Other.....	28,680	2,797	67,241		2,856	41,358	31,536	-2,856		-2,856
Total, supply program.....	1,730,120,929	666,865,600	1,190,643,089		109,992,414	268,633,477	1,700,867,626	+29,253,303	-31,575,117	-2,321,814
FOREIGN PURCHASE PROGRAM										
Cotton, foreign.....	11,118,616	10,246,024	7,427,079			9,352,405	8,320,698	+2,797,918		+2,797,918
Fats and oils.....	57,650,660	31,339,398	57,638,239			28,895,203	60,082,434	-2,431,774		-2,431,774
Other foreign commodities.....	5,945,963	275,024	5,871,713			636,463	5,510,274	+435,689		+435,689
Total, foreign purchase program.....	74,715,239	41,860,446	70,937,031			38,884,071	73,913,406	+801,833		+801,833
Total, all programs.....	3,089,104,800	1,384,036,476	2,594,484,453	204,923,604	201,224,940	1,190,521,388	3,194,148,085	-105,043,285	77,556,711	-27,486,574

¹ Transfer to Commodity Export Program, total \$2,951,507.

² Transfer to Subsidy Program, total \$106,180,321.

³ Transfer to Reserve for General Commodity Purchases.

SCHEDULE B-1—Continued
 STATEMENT OF COST OF SALES AND GROSS GAIN OR LOSS ON SALES—Continued
 FISCAL YEAR 1946

Program	Sales	Beginning inventory	Purchases	Collateral acquired	Carrying charges	Ending inventory	Cost of goods sold	Gross gain or loss on sales	Transfers and adjustments	Net gain or loss
PRICE SUPPORT PROGRAM										
Basic commodities:										
Cotton.....	\$478,004,584	\$432,006,584	\$55,600,000	\$82,460,000	\$18,500,000	\$135,000,000	\$463,866,584	+\$24,198,000	\$30,000,000	+\$54,198,000
Corn.....	57,296,122	19,660,122	24,750,000	.....	6,200,000	550,000	50,000,122	+7,236,000	.....	+7,236,000
Rice.....	35,666,279	3,596,279	31,500,000	.....	1,200,000	630,000	35,666,279	.....	.....	.....
Tobacco.....	181,887,598	35,087,598	155,000,000	.....	8,800	8,000,000	182,096,398	-208,800	.....	-208,800
Wheat.....	470,869,751	153,669,751	280,000,000	.....	40,700,000	18,000,000	456,369,751	+14,500,000	.....	+14,500,000
Total, basic commodities.....	1,223,784,334	644,620,334	546,250,000	82,460,000	66,908,800	162,180,000	1,178,059,134	+45,725,200	30,000,000	+75,725,200
Steagall commodities:										
Beans, dry edible.....	1,023,717	18,217	924,800	.....	45,700	68,000	920,717	+103,000	.....	+103,000
Chickens, dressed.....	7,500,000	.....	60,000,000	.....	.....	45,000,000	15,000,000	-7,500,000	.....	-7,500,000
Cotton, American-Egyptian.....	3,474,758	5,209,758	.....	.....	50,000	1,434,000	3,865,758	-391,000	.....	-391,000
Eggs.....	28,760,000	.....	94,500,000	.....	5,500,000	61,050,000	38,950,000	-10,190,000	.....	-10,190,000
Flaxseed.....	2,116	2,116	.....	.....	.....	.....	2,116	.....	.....	.....
Peanuts.....	26,008,947	1,608,947	34,370,000	.....	1,130,000	.....	37,108,947	-10,500,000	\$ 10,500,000	.....
Peas, dry smooth.....	3,983,704	4,504	3,960,000	.....	192,200	4,156,704	.....	-173,000	.....	-173,000
Potatoes, white.....	5,300,000	.....	22,000,000	.....	1,800,000	.....	23,800,000	-18,500,000	.....	-18,500,000
Soybeans.....	280,257,540	19,295,940	309,000,000	22,500	.....	3,060,000	325,257,540	-45,000,000	\$ 45,000,000	.....
Turkeys.....	1,875,000	.....	15,000,000	.....	.....	11,250,000	3,750,000	-1,875,000	.....	-1,875,000
Total, Steagall commodities.....	358,785,782	26,138,582	539,754,800	22,500	8,787,800	121,862,000	452,811,782	-94,026,000	\$ 55,500,000	-38,526,000
All other:										
Barley.....	2,690,818	2,440,818	.....	.....	250,000	.....	2,690,818	.....	.....	.....
Beans, castor.....	.....	11	.....	.....	.....	.....	11	-11	.....	-11
Cotton, Puerto Rican.....	357,552	357,552	.....	.....	.....	.....	357,552	.....	.....	.....
Cotton linters.....	35,840,696	7,840,696	28,000,000	.....	.....	.....	35,840,696	.....	.....	.....
Hemp.....	18,002,271	20,057,271	4,230,000	.....	.....	1,650,000	22,637,271	-4,635,000	.....	-4,635,000
Milkweed floss.....	201,798	201,798	.....	.....	.....	.....	201,798	.....	.....	.....
Naval stores.....	3,217,690	3,217,690	.....	.....	.....	.....	3,217,690	.....	.....	.....
Oats.....	9,850,684	335,684	9,045,000	.....	210,000	.....	9,590,684	+290,000	.....	+290,000
Oils, vegetable.....	21,427,146	10,927,146	10,700,000	.....	.....	.....	21,427,146	.....	.....	.....
Rye.....	4,656,533	3,150,068	771,825	.....	126,000	.....	4,023,833	+632,700	.....	+632,700
Seeds, miscellaneous.....	44,941,486	1,532,486	47,000,000	1,000,000	975,000	4,500,000	46,007,486	-1,066,000	.....	-1,066,000
Sorghum, grain.....	6,000,000	4,475,397	710,603	.....	900,000	306,600	5,778,000	+221,400	.....	+221,400
Vegetables, canned.....	4,688,000	.....	7,250,000	.....	.....	.....	7,250,000	-2,562,000	.....	-2,562,000
Wool.....	107,692,567	159,732,567	235,600,000	.....	8,000,000	235,896,000	167,436,567	-59,744,000	.....	-59,744,000
Total, all other.....	259,597,241	214,244,924	343,106,528	1,000,000	10,461,000	242,352,600	326,466,152	-66,862,911	.....	-66,862,911
Total, price support program.....	1,842,167,357	885,003,840	1,429,111,628	83,482,500	86,127,700	526,394,600	1,957,331,068	-115,163,711	85,500,000	-29,663,711
SUPPLY PROGRAM										
Animals, live.....	21,000,000	.....	24,000,000	.....	.....	3,000,000	21,000,000	.....	.....	.....
Cotton bagging.....	446,002	441,802	.....	.....	4,200	.....	446,002	.....	.....	.....
Fertilizer, ammonium nitrate.....	11,868,000	.....	11,094,000	.....	645,000	.....	11,738,000	+129,000	.....	+129,000
General commodity purchases.....	700,889,325	266,148,825	412,645,500	.....	39,420,000	17,325,000	700,889,325	.....	.....	.....
Peanut bags.....	1,492	1,492	.....	.....	.....	.....	1,492	.....	.....	.....
Pepper.....	3,000,000	.....	3,000,000	.....	.....	.....	3,000,000	.....	.....	.....
Other.....	.....	41,358	.....	.....	.....	.....	41,358	-41,358	.....	-41,358
Total, supply program.....	737,204,819	266,633,477	450,739,500	.....	40,069,200	20,325,000	737,117,177	+87,642	.....	+87,642
FOREIGN PURCHASE PROGRAM										
Cotton, foreign.....	10,793,405	9,352,405	.....	.....	.....	.....	9,352,405	+1,441,000	.....	+1,441,000
Fats and oils.....	82,295,203	28,895,203	45,400,000	.....	.....	.....	74,295,203	+8,000,000	.....	+8,000,000
Other foreign commodities.....	53,821,463	636,463	58,516,500	.....	.....	5,331,500	53,821,463	.....	.....	.....
Total, foreign purchase program.....	146,910,071	38,884,071	103,916,500	.....	.....	5,331,500	137,469,071	+9,441,000	.....	+9,441,000
Total, all programs.....	2,726,282,247	1,190,521,388	1,983,767,628	83,482,500	126,196,900	652,051,100	2,831,917,316	-105,635,069	85,500,000	-20,135,069

¹ Transfer to commodity export program, total \$30,000,000.

² Transfer to subsidy program, total \$55,500,000.

SCHEDULE B-1—Continued
STATEMENT OF COST OF SALES AND GROSS GAIN OR LOSS ON SALES—Continued
FISCAL YEAR 1947

Program	Sales	Beginning inventory	Purchases	Collateral acquired	Carrying charges	Ending inventory	Cost of goods sold	Gross gain or loss on sales	Transfers and adjustments	Net gain or loss
PRICE SUPPORT PROGRAM										
Basic commodities:										
Cotton.....	\$141,750,000	\$135,000,000	-----	\$36,750,000	\$6,000,000	\$47,500,000	\$130,250,000	+\$11,500,000	-----	+\$11,500,000
Corn.....	1,800,000	550,000	\$1,100,000	-----	150,000	-----	1,800,000	-----	-----	-----
Rice.....	32,265,000	630,000	29,250,000	-----	1,000,000	650,000	30,230,000	+2,035,000	-----	+2,035,000
Tobacco.....	37,602,000	8,000,000	37,000,000	-----	2,000	7,400,000	37,602,000	-----	-----	-----
Wheat.....	95,000,000	18,000,000	72,000,000	-----	5,000,000	-----	95,000,000	-----	-----	-----
Total, basic commodities.....	308,417,000	162,180,000	139,350,000	36,750,000	12,152,000	55,550,000	294,882,000	+13,535,000	-----	+13,535,000
Steagall commodities:										
Beans, dry edible.....	1,668,000	68,000	1,600,000	-----	64,000	-----	1,732,000	-64,000	-----	-64,000
Chickens, dressed.....	22,500,000	45,000,000	-----	-----	-----	-----	45,000,000	-22,500,000	-----	-22,500,000
Cotton, American-Egyptian.....	1,290,000	1,434,000	-----	-----	12,000	-----	1,446,000	-156,000	-----	-156,000
Eggs.....	52,540,000	61,050,000	94,860,000	-----	5,140,000	-----	161,050,000	-108,510,000	-----	-108,510,000
Peanuts.....	38,000,000	-----	49,500,000	5,000,000	1,600,000	4,500,000	51,600,000	-13,600,000	-----	-13,600,000
Peas, dry smooth.....	5,103,000	-----	12,933,000	-----	520,000	5,800,000	7,653,000	-2,550,000	-----	-2,550,000
Potatoes, white.....	750,000	-----	11,000,000	-----	900,000	-----	11,900,000	-11,150,000	-----	-11,150,000
Soybeans.....	258,722,500	3,060,000	298,700,000	22,500	-----	3,060,000	298,722,500	-40,000,000	\$40,000,000	-----
Turkeys.....	6,625,000	11,250,000	-----	-----	-----	-----	11,250,000	-5,625,000	-----	-5,625,000
Other Steagall commodities.....	-----	-----	50,000,000	-----	-----	50,000,000	-----	-----	-----	-----
Total, Steagall commodities.....	386,198,500	121,862,000	518,598,000	5,022,500	8,236,000	63,360,000	590,353,500	-204,155,000	40,000,000	-164,155,000
All other:										
Hemp.....	2,050,000	1,650,000	400,000	-----	-----	-----	2,050,000	-----	-----	-----
Oats.....	700,000	-----	600,000	-----	75,000	-----	675,000	+25,000	-----	+25,000
Oils, vegetable.....	10,000,000	-----	10,000,000	-----	-----	-----	10,000,000	-----	-----	-----
Seeds, miscellaneous.....	37,250,000	4,500,000	34,500,000	-----	775,000	1,750,000	38,025,000	-775,000	-----	-775,000
Sorghum, grain.....	306,600	306,600	-----	800,000	180,000	1,056,000	230,600	+76,000	-----	+76,000
Wool.....	180,500,000	235,896,000	142,800,000	-----	7,821,000	167,167,000	219,350,000	-38,850,000	-----	-38,850,000
Other.....	-----	-----	50,000,000	-----	-----	50,000,000	-----	-----	-----	-----
Total, all other.....	230,806,600	242,352,600	238,300,000	800,000	8,851,000	219,973,000	270,330,600	-39,524,000	-----	-39,524,000
Total, price support program.....	925,422,100	526,394,600	896,243,000	42,572,500	29,239,000	338,883,000	1,155,566,100	-230,144,000	40,000,000	-190,144,000
SUPPLY PROGRAM										
Animals, live.....	43,000,000	3,000,000	40,000,000	-----	-----	-----	43,000,000	-----	-----	-----
Fertilizer, ammonium nitrate.....	13,800,000	-----	12,900,000	-----	750,000	-----	13,650,000	+150,000	-----	+150,000
General commodity purchases.....	17,325,000	17,325,000	-----	-----	-----	-----	17,325,000	-----	-----	-----
General supply purchases.....	309,606,500	-----	304,310,800	-----	18,716,000	13,420,000	309,606,500	-----	-----	-----
Total, supply program.....	383,731,500	20,325,000	357,210,800	-----	19,466,000	13,420,000	383,581,500	+150,000	-----	+150,000
FOREIGN PURCHASE PROGRAM										
Fats and oils.....	45,000,000	-----	45,000,000	-----	-----	-----	45,000,000	-----	-----	-----
Other foreign commodities.....	61,849,500	5,331,500	56,518,000	-----	-----	-----	61,849,500	-----	-----	-----
Total, foreign purchase program.....	106,849,500	5,331,500	101,518,000	-----	-----	-----	106,849,500	-----	-----	-----
Total, all programs.....	1,416,003,100	552,051,100	1,354,971,500	42,572,500	48,705,000	352,303,000	1,645,997,100	-229,994,000	40,000,000	-189,994,000

¹ Transfer to subsidy program, total \$40,000,000.

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
01 Personal services (net).....	1,549.9 \$3,745,774	1,922.5 \$4,795,565	1,975.2 \$4,861,685
02 Travel.....	55,532	129,700	133,900
03 Transportation of things.....	22,692	24,300	24,035
04 Communication services.....	108,261	161,000	161,390
05 Rents and utility services.....	327,625	491,300	488,550
06 Printing and binding.....	140,226	165,900	161,250
07 Other contractual services:			
Miscellaneous contractual services.....	107,197	119,159	119,491
Alaska spruce log program.....	57,000	7,000	
08 Supplies and materials.....	65,539	74,900	75,534
09 Equipment.....	15,893	10,300	21,750
Total other obligations.....	930,025	1,183,559	1,185,900
Grand total obligations.....	4,675,799	5,979,124	6,047,685
Reimbursements for services performed.....	-3,126		
Transferred to—			
"Salaries and expenses, Office of Secretary of Agriculture".....	+61,390	+69,950	+68,480
"Penalty mail, Department of Agriculture".....	+29,070	+30,000	+30,000
"Salaries and expenses, Office of Solicitor, Department of Agriculture".....	+75,000	+85,183	+112,115
"Salaries and expenses, Office of Information, Department of Agriculture".....	+11,179	+12,854	+12,555
"Salaries and expenses, Library, Department of Agriculture".....	+750	+572	+850
"Salaries and expenses, Bureau of Agricultural Economics," economic investigations.....	+62,933	+72,500	+71,150
"Administrative expenses, sec. 392, Agricultural Adjustment Act of 1938".....	+31,667	+242,059	+127,780
"Local administration, sec. 388, Agricultural Adjustment Act of 1938".....	+1,808,333	+2,434,180	+2,284,180
"Salaries and expenses, Office of Treasurer of the United States".....	+1,050	+491	+468
"Printing and binding, Office of Treasurer of the United States".....	+50		
"Salaries and expenses, Division of Disbursement, Treasury Department".....	+9,414	+5,121	+4,701
"Printing and binding, Division of Disbursement, Treasury Department".....	+203	+136	+136
Net total obligations.....	6,763,712	8,932,500	8,760,000
Covered into Treasury as miscellaneous receipts, Public Law 529.....	-48,253		
Payable from funds of the Corporation.....	-7,208,526	-7,914,500	-8,760,000
Excess of obligations over authorization due to Public Law 106.....		-743,000	
Increase in authorization for foreign food programs.....		-275,000	
Unobligated balance of authorization.....	436,561		
Total estimate or appropriation.....			

SCHEDULE B-3

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By grades	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, DEPARTMENTAL			
Clerical, administrative, and fiscal service: Grade 15. Range \$8,750 to \$9,800.....			
Chief of division.....		0.5 \$4,275	0.7 \$6,218
Grade 14. Range \$7,175 to \$8,225: Administrative officer.....	1.8 \$11,920	1.3 5,127.4	1.3 12,774
Assistant chief of division.....		0.5 3,404	0.7 4,951
Assistant director, fruit and vegetable branch.....		0.5 4,112	0.5 4,112
Assistant director, tobacco branch.....		0.3 2,231	0.3 2,231
Chief of division.....		0.3 2,231	0.3 2,231
Chief of section.....		3.8 27,851	5.5 40,731
Investigator.....		0.4 2,975	0.4 2,975
Marketing specialist.....		2.1 15,487	2.1 15,487
Special assistant to director, budget and management branch.....		0.1 718	0.1 718
Grade 13. Range \$6,230 to \$7,070: Accountant.....	0.1 5,631		
Administrative analyst.....		0.1 623	0.1 623
Administrative officer.....	8.5 46,836	4.2 26,544	4.2 26,544
Assistant to the administrator.....	0.2 1,229	0.1 623	0.1 623
Assistant treasurer.....	0.1 233	0.9 5,607	0.9 5,607
Auditor.....	1 5,351	1 6,440	1 6,440
Chief of division.....		2 12,880	2 12,880
General traffic manager.....		0.4 2,576	0.4 2,576
Investigator.....		1 6,230	1 6,230

	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Clerical, administrative, and fiscal service—Continued			
Grade 13. Range \$6,230 to \$7,070—Con.			
Marketing specialist.....	5.1 \$28,492	5.6 \$35,812	5.6 \$35,812
Procedure analyst.....		0.5 3,220	0.5 3,220
Special representative.....	0.8 4,623		
Assistant chief of section.....		0.5 3,055	0.7 4,444
Commodity specialist.....		1.4 8,966	2.1 13,041
Grade 12. Range \$5,180 to \$6,020: Accountant.....	3.1 14,225	3.8 20,759	3.8 20,759
Administrative analyst.....	3.1 14,201	4.5 24,163	4.5 24,163
Administrative officer.....	6.8 33,360	8.2 46,032	8.4 47,305
Auditor.....	0.4 1,750	1.5 7,737	1.5 7,737
Budget analyst.....	1 4,625	1.3 6,759	1.3 6,759
Commercial specialist.....	0.2 958	0.3 1,400	0.3 1,400
Procurement officer.....		2.4 12,585	3.5 18,306
Constructive accountant.....		1 5,180	1 5,180
Fiscal analyst.....		1 5,180	1 5,180
Marketing specialist.....	4 18,309	6 31,462	6 31,462
Procurement officer.....	1.1 5,021	1.4 7,338	1.4 7,338
Grade 11. Range \$4,300 to \$5,180: Accountant.....	0.2 633	0.3 1,166	0.3 1,166
Administrative analyst.....	0.7 2,692	1.9 8,650	1.9 8,650
Administrative officer.....	7.1 27,688	10.6 45,621	10.6 46,061
Auditor.....	0.7 2,683	3.7 15,888	3.9 16,825
Constructive accountant.....		1 4,300	1 4,300
Field representative.....	2.8 10,578	3.2 15,195	3.2 15,195
Fiscal accountant.....		1 4,300	1 4,300
Marketing specialist.....		1.4 5,367	1.4 5,367
Procurement officer.....	2 7,686	2.3 9,865	2.3 9,865
Grade 10. Range \$3,970 to \$4,630: Administrative officer.....	1.5 5,290	1.3 5,250	1.3 5,250
Grade 9. Range \$3,540 to \$4,300: Accountant.....	1.5 4,953	2.7 8,028	2.7 8,028
Administrative assistant.....	9.6 31,425	12.5 47,297	11.5 44,097
Analyst.....	1.3 4,071	3.5 12,729	3.5 12,729
Auditor.....	2.8 9,487	4.9 19,239	4.9 19,239
Constructive accountant.....		1 3,640	1 3,640
Field representative.....	1 3,216	1.4 5,213	1.4 5,213
Fiscal accountant.....	1.2 3,733	2.7 9,691	2.7 9,691
Personnel technician.....	0.2 533	0.2 568	0.2 568
Procurement officer.....	1 3,258	1.4 5,281	1.4 5,281
Grade 8. Range \$3,310 to \$3,970: Grade 7. Range \$2,980 to \$3,640.....	0.7 1,949		
Grade 6. Range \$2,530 to \$3,310.....	34 88,408	27.8 85,979	28.3 89,241
Grade 5. Range \$2,100 to \$2,980.....	1.6 3,825	2.4 6,519	2.4 6,519
Grade 5. Range \$2,320 to \$2,980.....	33.3 66,688	44.8 106,624	46.3 110,125
Grade 4. Range \$2,100 to \$2,496.....	42.3 75,292	56 127,885	58 133,479
Grade 3. Range \$1,502 to \$2,298.....	43.2 67,338	43.1 85,473	42.5 85,464
Grade 2. Range \$1,704 to \$2,100.....	12.5 17,462	26.9 47,593	27.3 48,922
Professional service: Grade 7. Range \$7,175 to \$8,225: Agricultural economist.....		0.7 5,049	0.7 5,049
Assistant director, compliance and investigation branch.....		0.2 1,540	0.2 1,540
Grade 6. Range \$5,230 to \$7,070: Agricultural economist.....		2.3 12,660	3.4 21,477
Industrial engineer.....		0.7 3,764	
Information specialist.....		1 6,440	1 6,440
Price analyst.....		0.3 1,869	0.3 1,869
Grade 5. Range \$5,180 to \$6,020: Program analyst.....		0.5 2,557	0.7 3,719
Grade 4. Range \$4,300 to \$5,180: Contract officer.....		0.9 4,089	1.4 5,934
Program analyst.....		0.5 2,040	0.7 2,967
Grade 3. Range \$3,640 to \$4,300: Agricultural economist.....		0.5 1,727	0.7 2,512
Grade 2. Range \$2,980 to \$3,640: Crafts, protective, and custodial service: Grade 4. Range \$1,770 to \$2,166.....		0.5 1,413	0.7 2,056
Grade 3. Range \$1,572 to \$1,902.....	2.8 4,719	3.1 5,115	3.1 5,115
Grade 2. Range \$1,440 to \$1,770.....	8.5 11,495	3.7 5,679	3.7 5,679
Department of Agriculture grades: Grade 29. Rate of \$10,000: Deputy administrator.....		0.1 1,000	0.1 1,000
Grade 28. Range \$9,800 to \$10,000: Associate director, fruit and vegetable branch.....		0.1 1,000	0.1 1,000
Director, budget and management branch.....		0.1 980	0.1 980
Director, compliance and investigations branch.....		0.1 980	0.1 980
Director, dairy branch.....		0.2 2,000	0.2 2,000
Director, fruit and vegetable branch.....		0.2 1,960	0.2 1,960
Director, grain branch.....		0.2 2,000	0.2 2,000
Director, office of price.....		0.3 3,000	0.3 3,000
Director, sugar branch.....		0.6 5,880	0.6 5,880
Treasurer.....		0.2 1,960	0.2 1,960
View president.....		1.2 10,420	
Grade 27. Range \$9,275 to \$9,800: Assistant treasurer.....	0.5 4,486	0.8 7,420	0.8 7,420
Grade 26. Range \$8,750 to \$9,800: Assistant director, cotton branch.....		0.1 901	0.1 901
Assistant director, fiscal branch.....		0.2 1,750	0.2 1,750
Assistant director, grain branch.....		0.1 901	0.1 901
Assistant to administrator.....	0.2 1,333	0.8 7,210	0.8 7,210
Chief auditor.....		0.5 4,375	0.5 4,375
Chief of division.....		0.1 901	0.1 901
Deputy director, budget and management branch.....		0.2 1,750	0.2 1,750
Deputy director, office of price.....		0.3 2,704	0.3 2,704
Director, fats and oils branch.....	0.8 6,667	0.1 901	0.1 901
Director, special commodities branch.....		0.1 901	0.1 901
Director, tobacco branch.....		0.1 901	0.1 901
Sugar specialist.....		0.1 928	0.1 928
Treasurer.....	0.1 750		

COMMODITY CREDIT CORPORATION

By grades	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Department of Agriculture grades—Con.			
Grade 25. Range \$8,225 to \$9,275:			
Assistant auditor.....		0.5 \$4,113	0.5 \$4,113
Grade 24. Range \$7,700 to \$8,750:			
Assistant deputy director.....		0.1 770	0.1 770
Assistant director, cotton branch.....	1 \$7,000	0.4 3,080	0.4 3,080
Assistant director, duty branch.....		0.1 770	0.1 770
Assistant director, fats and oils branch.....		0.3 2,510	0.3 2,510
Assistant director, grain branch.....	1 7,010	0.2 1,592	0.2 1,592
Assistant director, poultry branch.....		0.1 770	0.1 770
Assistant director, special commodities branch.....		0.1 770	0.1 770
Assistant to administrator.....	0.8 5,954	0.5 4,113	0.5 4,113
Assistant to director, grain branch.....	1 7,125	0.2 1,592	0.2 1,592
Chief of hemp and fiber flax division.....	1 7,730	0.4 3,080	0.4 3,080
Treasurer.....	0.7 4,758		
Grade 23. Range \$7,175 to \$8,225:			
Assistant chief of division.....		0.5 3,588	0.5 3,588
Assistant director, sugar branch.....	1 6,500	0.9 6,093	0.9 6,093
Assistant to director, cotton branch.....	1 6,500	0.4 2,975	0.4 2,975
Assistant to director, grain branch.....		0.2 1,487	0.2 1,487
Assistant to director, special commodities branch.....	0.5 3,537		
Chief of division.....		0.7 5,023	0.7 5,023
Grade 22. Range \$6,340 to \$7,490:			
Administrative officer.....	1.9 10,870		
Grade 21. Range \$5,720 to \$7,070:			
Administrative officer.....		0.4 2,492	0.4 2,492
Chief of section.....		0.3 1,890	0.3 1,890
Total permanent, departmental.....	266.8	348.2	357
W. A. E. employment, departmental.....	767,524	1,209,256	1,257,369
Overtime pay, departmental.....	6.6 6,963	8 8,440	8 8,440
	132,347	22,779	
All personal services, departmental.....	273.4	356.2	365
	906,834	1,240,475	1,265,809

PERSONAL SERVICES, FIELD	1945, actual	1946, estimated	1947, estimated
Clerical, administrative, and fiscal service—Continued			
Grade 15. Range \$8,750 to \$9,800:			
Special representative.....		0.7 6,309	0.7 6,309
Grade 14. Range \$7,175 to \$8,225:			
Administrative officer.....		0.9 6,808	1.4 9,902
Commodity specialist.....		1.4 10,046	1.4 10,046
Director, field office.....	6 39,936	5.3 39,114	5.3 39,114
Special representative.....		0.7 5,023	0.7 5,023
Grade 13. Range \$6,230 to \$7,070:			
Area budget and management officer.....	7.4 42,720	1.6 9,968	1.6 9,968
Assistant director, field office.....		6.2 38,913	6.2 38,913
Chief of section.....		1.2 8,167	1.2 8,167
Commodity specialist.....		1 6,021	1.2 7,365
Grade 12. Range \$5,180 to \$6,020:			
Assistant chief of division.....	2.6 12,693	2.4 13,233	2.4 13,233
Assistant director, field office.....	0.4 1,952	0.7 3,865	0.7 3,865
Assistant to director, field office.....	2.8 13,667	3.9 20,695	3.9 20,915
Auditor.....	0.9 4,593	1.9 9,700	1.9 9,700
Chief accountant.....		1 5,180	1 5,180
Chief of section.....	3.3 14,876	7.4 39,134	7.4 39,574
Chief of division.....	0.2 976	0.4 1,859	0.4 1,859
Commodity accountant.....		0.5 2,457	0.7 3,574
Commodity examiner.....		0.5 2,457	0.7 3,574
Commodity specialist.....	2.3 11,226	5.8 30,580	6.2 33,474
Field representative.....	2 10,600	1.7 9,088	1.7 9,088
Fiscal accountant.....	0.8 3,450	1.3 6,976	1.3 6,976
Insurance officer.....		0.5 2,457	0.7 3,574
Traffic manager.....	0.4 1,953	0.7 3,758	0.7 3,758
Transportation and storage inspector.....		0.5 2,541	0.7 3,719
Grade 11. Range \$4,300 to \$5,180:			
Administrative officer.....	10.2 40,967	2.9 13,457	2.9 13,457
Assistant chief of division.....	0.4 1,607	0.5 2,116	0.5 2,116
Assistant to director, field office.....	0.6 2,375	1.1 4,915	1.1 4,915
Assistant chief of section.....	1 2,800	2.3 10,503	2.3 10,503
Assistant to chief of section.....	0.8 3,214	1 4,556	1 4,556
Auditor.....	1 4,017	4.1 17,595	4.1 17,595
Chief of division.....	0.3 1,205	0.4 1,646	0.4 1,646
Chief of section.....	0.3 1,582	3.7 17,137	3.7 17,137
Commodity accountant.....		0.5 2,940	0.7 2,997
Commodity specialist.....	3.7 14,936	4.6 20,278	4.8 21,205
Field representative.....	3.3 13,256	2.6 13,296	2.6 13,296
Fiscal accountant.....	1.4 5,383	3 12,900	3 12,900
Freight space analyst.....		0.5 2,940	0.7 2,997
Sales officer.....	1 4,017	1.1 4,727	1.1 4,727
Traffic officer.....	1 3,800	1.6 7,775	1.6 7,775
Unit head.....	1.8 7,231	1.9 8,846	1.9 8,846
Warehouse examiner.....	0.2 803	6.2 26,797	6.2 26,797

By grades	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, FIELD—continued			
Clerical, administrative, and fiscal service—Continued			
Grade 9. Range \$3,640 to \$4,300:			
Administrative assistant.....	14.7 \$48,591	13.7 \$49,837	13.9 \$51,612
Assistant chief of section.....	1.5 4,460	1.2 4,460	1.2 4,460
Assistant chief of division.....	0.1 331	0.2 828	0.2 828
Assistant unit head.....	0.2 651	0.3 985	0.3 985
Auditor.....	0.1 287	5.9 24,959	5.9 25,179
Chief of section.....	2.7 8,866	1.2 4,595	1.2 4,595
Commodity examiner.....		0.5 1,779	0.7 2,588
Commodity specialist.....	5.5 18,172	8.3 32,879	9.2 36,443
Constructive accountant.....		1 3,640	1 3,640
Field representative.....		1 3,640	1 3,640
Fiscal accountant.....	1.5 4,800	9.6 35,465	9.8 36,250
Foreign traffic clerk.....		0.5 1,727	0.7 2,512
Insurance assistant.....		0.5 1,727	0.7 2,512
Marketing specialist.....	5.4 17,720	5.5 20,148	5.5 20,148
Personnel assistant.....		0.5 1,727	0.7 2,512
Personnel technician.....	0.6 2,062	1 3,696	1 3,696
Purchase and sales officer.....	0.4 1,321	0.7 2,986	0.7 2,986
Rate auditor.....	0.5 1,652	0.8 2,864	0.8 2,864
Seed specialist.....	0.2 661	0.2 850	0.2 850
Subunit head.....	0.2 661	0.2 850	0.2 850
Terminal supervisor.....		0.2 850	0.2 850
Traffic officer.....	0.7 2,133	2.4 8,663	2.6 9,558
Unit head.....	8.1 26,762	6.7 24,912	6.7 25,352
Warehouse examiner.....	0.6 1,982	5.8 21,076	5.8 21,076
Grade 7. Range \$2,980 to \$3,640:	80	99.8	103.8
Grade 6. Range \$2,650 to \$3,310:	213,545	209,694	313,712
Grade 5. Range \$2,320 to \$2,980:	6.5 15,643	14.1 37,999	17.4 47,278
Grade 4. Range \$2,100 to \$2,496:	100.2	209,662	110.7
Grade 3. Range \$1,902 to \$2,298:	136.3	206.5	218.8
Grade 2. Range \$1,704 to \$2,100:	248,588	419,379	447,286
Grade 1. Range \$1,506 to \$1,902:	247	304.5	320.1
	410,947	588,374	630,714
	400.4	412.9	412.9
	582,805	776,507	781,380
	178	201.7	201.7
	213,976	315,623	313,998
Professional service:			
Grade 6. Range \$6,230 to \$7,070:			
Assistant chief of section.....		0.7 4,508	0.7 4,508
Grade 2. Range \$2,980 to \$3,640:		1.8 5,352	1.8 5,352
Subprofessional service:			
Grade 5. Range \$2,100 to \$2,496:		1.2 2,538	1.2 2,538
Crafts, protective, and custodial service:			
Grade 3. Range \$1,572 to \$1,902:		0.8 2,965	2.8 4,885
Grade 2. Range \$1,440 to \$1,770:		24.8 25,130	25 37,494
Total permanent, field.....	1,274.5	1,562.1	1,606
Temporary employment, field.....	2,332,890	3,454,175	3,582,478
Part time employment, field.....	1.2 1,055	2 4,640	2 4,640
W. A. E. employment, field.....	0.6 1,041	1.6 2,853	1.6 2,853
Overtime pay, field.....	0.2 217	0.6 710	0.6 710
Allowance for living quarters.....	503,737	89,140	8,195
		3,572	
All personal services, field.....	1,276.5	1,566.3	1,610.2
	2,838,940	3,555,090	3,595,879
01 Personal services (net) (schedule B-2).....	1,549.9	1,922.5	1,975.2
	3,745,774	4,795,565	4,861,685

SCHEDULE B-4

ADMINISTRATIVE EXPENSES, RECONSTRUCTION FINANCE CORPORATION (U. S. C. C.) (TRANSFER TO AGRICULTURE, FOREIGN FOOD PROGRAMS)

By objects	1945, actual	1946, estimated	1947, estimated
Obligations.....		\$125,000	
Received by transfer from "Administrative expenses, Reconstruction Finance Corporation (U. S. Commercial Company)".....		-125,000	
Total estimate or appropriation.....			

SCHEDULE B-5
COMPARATIVE STATEMENT ON COSTS OF SUBSIDY PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Dairy production payments	\$532,253,665	\$496,500,000	\$515,000,000
Other noncrop operations:			
Beef production.....	5,000,156	40,000,000	
Sheep and lamb subsidy.....		36,000,000	36,000,000
Cheddar cheese.....	18,472,810	10,500,000	
Fertilizer, phosphate.....	89,345		
Milk, fluid.....	12,902,735	12,000,000	14,000,000
Peanut butter.....	9,051,802	4,895,800	
Shortening.....	1,007,559	500,000	
Wheat for feed.....	¹ 53,800,000	1,000,000	
Total, other noncrop operations	100,324,407	104,895,800	50,000,000
Operations on a crop year basis:			
Beans, dry edible.....	3,676,691	5,325,000	
Corn, purchase and shelling, and ceiling-price adjustment.....	1,929,610		
Fruits for processing:			
Apples.....	182,604		
Grapefruit juice.....	1,076,018	6,000,000	
Grapes and raisins.....		11,350,000	17,000,000
Prunes.....	22,503,815	5,888,000	7,900,000
Peaches.....			200,000
Pears.....	142,237		300,000
Total, fruits for processing	23,904,674	23,238,000	25,000,000
Oilseeds and products:			
Cotton Linters.....	² 158,344		
Flaxseed.....		1,000,000	15,000,000
Oils, vegetable.....	² 251,423		
Peanuts.....	² 9,119,557	² 10,500,000	
Soybeans.....	² 43,670,531	² 45,000,000	² 40,000,000
Total, oilseeds and products	52,380,321	56,500,000	55,000,000
Sugar, Cuban.....	² 52,586,192		
Sugar, all other.....	62,515,381	80,303,000	43,800,000
Vegetables for processing.....	14,974,414	52,346,000	35,200,000
Total, operations on a crop-year basis	106,794,899	217,712,000	160,000,000
Adjustment to prior year activity	184,070		
Total, subsidy program	739,557,041	819,107,800	725,000,000

¹ Amount estimated.

² Loss on sales chargeable against the subsidy program.

³ Indicates profit.

SCHEDULE B-6
COMPARATIVE STATEMENT ON COSTS OF COMMODITY EXPORT PROGRAM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
PROGRAM			
Cotton.....	¹ \$2,951,507	¹ \$30,000,000	\$30,000,000
Wheat.....	993,084	260,628	
Total	3,944,591	30,260,628	30,000,000

¹ Loss on sales chargeable against the commodity export program.

SCHEDULE C-1

COMPARATIVE STATEMENT OF COMMITMENTS AGAINST BORROWING AUTHORIZATION

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Borrowings as of the beginning of the fiscal year:			
U. S. Treasury	\$900,000,000	\$1,591,000,000	\$1,120,000,000
Private lending agencies	1,004,306,702	633,141,879	550,000,000
Total	1,904,306,702	2,224,141,879	1,670,000,000
Reserve for postwar price support			500,000,000
Program requirements:			
Price support program	1,953,471,215	1,702,244,773	1,608,347,000
Supply program	175,000,000	31,000,000	119,000,000
Foreign purchase program	15,000,000	17,000,000	25,000,000
Commodity export program	993,084	260,628	30,000,000
Subsidy program	633,376,720	763,607,800	685,000,000
Loan to the Secretary of Agriculture for agricultural conservation purposes	46,000,000	9,314,528	9,000,000
Total, program requirements	2,823,841,019	2,523,427,729	2,476,347,000
Reserve for contingencies	21,852,279	2,430,392	103,653,000
Authorized borrowings	4,750,000,000	4,750,000,000	4,750,000,000

SCHEDULE C-2
STATEMENT OF LOANS RECEIVABLE

Price support program	Outstanding loans at be- ginning of year	New loans made	Repayments	Collateral acquired in settlement of loans	Write-offs	Outstanding loans at end of year
FISCAL YEAR 1945						
Basic commodities:						
Corn	\$5,247,605	\$18,370,119	\$7,047,867	*\$178,704	\$16,668	\$16,731,893
Cotton.....	399,279,106	217,629,673	259,576,683	105,506,487	128,860	251,696,749
Tobacco.....	736,582	1,043,169	922,831			856,920
Wheat	23,592,386	250,280,787	148,254,338	94,816,012	15,250	30,808,073
Total, basic commodities.....	428,855,679	487,323,748	415,801,719	200,143,795	140,278	300,093,635
Steagall commodities:						
Beans, dry edible.....	2,388		2,388			
Flaxseed.....	877,226	164,038	972,235		1,255	67,774
Peas, smooth, dry edible.....	45,602	189,764	56,317	31,880		147,169
Potato, white.....	3,789,085	7,198,158	10,018,134	15,250	624,180	329,379
Soybeans.....	195,752	162,697	338,382			20,067
Peanuts.....		16,819,447	13,340,308			3,479,139
Total, Steagall commodities.....	4,910,053	24,534,104	24,727,764	47,130	625,735	4,043,528
All other:						
Barley.....	122,199	2,801,499	2,278,662	34,883	384	609,769
Flax, fiber.....	329,243	166,586	269,425			226,404
Naval stores.....	257,981		187,545		11,977	82,413
Rye.....	37,345	44,313	72,529	285	3	8,841
Seeds, miscellaneous.....		2,291,410	46,417	1,210,746		1,034,247
Sorghums, grain.....	7,680	7,819,453	2,275,919	3,486,765		2,064,449
Other.....	1,576,390	188,473	978,725		377,361	408,777
Total, all other.....	2,330,838	13,311,734	6,109,222	4,732,679	365,771	4,434,900
Accrued carrying charges on loans held by lending agencies:						
Interest charges.....	425,736	1,541,973				1,967,709
Carrying charges.....	1,116,651	2,622,797				3,739,448
Total, accrued carrying charges.....	1,542,387	4,164,770				5,707,157
Total, price support program, 1945.....	437,638,957	529,334,356	446,638,705	204,923,604	1,131,784	314,279,220
FISCAL YEAR 1946						
Basic commodities:						
Corn.....	16,731,893	10,160,000	25,821,893			1,010,000
Cotton.....	251,696,749	27,000,000	143,736,749	82,460,000		52,500,000
Tobacco.....	856,920	6,355,000	2,406,920			4,805,000
Wheat.....	30,808,073	98,000,000	128,808,073			
Total, basic commodities.....	300,093,635	141,455,000	300,773,635	82,460,000		58,315,000
Steagall commodities:						
Flaxseed.....	67,774	170,000	237,774			
Peas, smooth, dry edible.....	147,169		147,169			
Potato, sweet.....		83,000	83,000			
Potato, white.....	329,379	40,000,000	39,529,379			860,000
Soybeans.....	20,067	225,000	222,567	22,500		
Peanuts.....	3,479,139		3,479,139			
Total, Steagall commodities.....	4,043,528	40,478,000	43,699,028	22,500		800,000
All other:						
Barley.....	609,769	640,000	1,249,769			
Flax, fiber.....	226,404		220,404			
Naval stores.....	82,413	5,420	87,833			
Oats.....		1,200,000	1,200,000			
Rye.....	8,841	22,425	31,266			
Seeds, miscellaneous.....	1,034,247	1,200,000	834,247	1,000,000		400,000
Sorghums, grain.....	2,064,449	4,600	2,069,049			
Other.....	408,777		408,777			
Total, all other.....	4,434,900	3,072,445	6,107,345	1,000,000		400,000

*Decrease.

† Indicates recovery on loans written off.

SCHEDULE C-2—Continued
STATEMENT OF LOANS RECEIVABLE—Continued

Price support program	Outstanding loans at beginning of year	New loans made	Repayments	Collateral acquired in settlement of loans	Write-offs	Outstanding loans at end of year
FISCAL YEAR 1946—Continued						
Accrued carrying charges on loans held by lending agencies:						
Interest charges.....	\$1,967,709	\$500,000	\$1,967,709			\$500,000
Carrying charges.....	3,739,448	1,500,000	3,739,448			1,500,000
Total, accrued carrying charges.....	5,707,157	2,000,000	5,707,157			2,000,000
Total, price support program, 1946.....	314,279,220	187,005,445	356,287,165	\$83,482,500		61,515,000
FISCAL YEAR 1947						
Basic commodities:						
Corn.....	1,010,000	101,000,000	50,500,000			51,510,000
Cotton.....	52,500,000	220,000,000	125,750,000	36,750,000		110,000,000
Rice.....		16,485,000	16,485,000			
Tobacco.....	4,505,000	1,250,000	2,900,000			3,155,000
Wheat.....		224,000,000	224,000,000			
Total, basic commodities.....	58,315,000	562,735,000	419,635,000	36,750,000		164,665,000
Steagall commodities:						
Beans, dry edible.....		2,250,000	2,250,000			
Flaxseed.....		280,000	280,000			
Potato, sweet.....		2,500,000	2,300,000			200,000
Potato, white.....	800,000	60,000,000	59,480,000			1,320,000
Soybeans.....		225,000	202,500	22,500		
Peanuts.....		5,000,000		5,000,000		
Total, Steagall commodities.....	800,000	70,255,000	64,512,500	5,022,500		1,520,000
All other:						
Barley.....		6,400,000	6,016,000			384,000
Naval stores.....		5,000,000	5,000,000			
Oats.....		19,200,000	19,200,000			
Rye.....		75,000	75,000			
Seeds, miscellaneous.....	400,000	200,000	120,000			480,000
Sorghums, grain.....		12,000,000	8,000,000	800,000		3,200,000
Total, all other.....	400,000	42,875,000	38,411,000	800,000		4,064,000
Accrued carrying charges on loans held by lending agencies:						
Interest charges.....	500,000	3,000,000	500,000			3,000,000
Carrying charges.....	1,500,000	4,000,000	1,500,000			4,000,000
Total, accrued carrying charges.....	2,000,000	7,000,000	2,000,000			7,000,000
Total, price support program, 1947.....	61,515,000	682,865,000	524,558,500	42,572,500		177,249,000

SCHEDULE C-3

STATEMENT OF RESULTS OF TREASURY APPRAISALS

[Actual, 1938-44; estimated, 1945-47]

Period	Capital impairment	Surplus covered into Treasury	Cumulative net payments by Treasury
Appropriation of impairment or surplus* covered into Treasury:			
Year ending Mar. 31—			
1938.....	1 \$94,285,405		\$94,285,405
1939.....	119,599,918		213,885,323
1940.....		* \$43,756,731	170,128,592
1941.....	1,637,445		171,766,037
1942.....		*27,815,513	143,950,524
1943.....			143,950,524
1944.....	† 256,764,881		400,715,405
Total.....	472,287,649	*71,572,244	
Estimated impairment:			
15 months ending June 30, 1945 †			
Year ending June 30—			
1946.....	† 891,174,000		2,213,345,966
1947.....	† 966,529,000		3,179,874,966
Total, estimated impairment.....	2,779,159,561		
Total, actual (1938-44) and estimated (1945-47).....	3,251,447,210	*71,572,244	3,179,874,966

*Deduct.

† This amount is cumulative from Oct. 17, 1933, as no appraisals were made prior to Mar. 31, 1938.

‡ Includes \$39,436,885 capital impairment for the year ending Mar. 31, 1943, which was not appropriated by the Congress until the following year's appraisal.

§ The act of Mar. 8, 1938 (U. S. C. 1940 ed. supp. 111, title 15, sec. 713 A-1), as amended by the act approved Apr. 12, 1945, changed the date of appraisal to June 30 of each year. Therefore, the estimated impairment as of June 30, 1945, covers a 15-month period.

* Represents estimated realized losses only. See exhibit B.

SCHEDULE D-1

STATEMENT OF PROPOSED EXPENDITURES FOR PURCHASE, MAINTENANCE, REPAIR, AND OPERATION OF PASSENGER-CARRYING VEHICLES FOR THE FISCAL YEAR ENDING JUNE 30, 1947

Appropriation	Vehicles (motor unless otherwise indicated) to be purchased		Old vehicles to be exchanged		Net cost of vehicles to be purchased	Old vehicles still to be used	Total maintenance, repair, and operation, all vehicles	Public purpose and users
	Number	Gross cost	Number	Allowance (estimated)				
Administrative expenses, Commodity Credit Corporation.	10	\$10,500			\$10,500		\$3,000	For use of warehouse examiners in inspection of commodities in connection with loan and purchase program.

FEDERAL CROP INSURANCE CORPORATION

CREATION AND PURPOSE

The Federal Crop Insurance Corporation was created February 16, 1938, by the Federal Crop Insurance Act (7 U. S. C. 1940 ed. 1501 *et. seq.*) for the purpose of insuring producers of wheat against loss in yields not to exceed 75 per centum of the farm average yield, due to unavoidable causes, including weather and other hazards. On June 21, 1941, the act was amended (55 Stat. 257) to include insurance of cotton commencing with the cotton crop planted for harvest in 1942. A proviso in the Department of Agriculture Appropriation Acts of 1944 (July 12, 1943, 57 Stat. 418) and 1945 (June 28, 1944, 58 Stat. 425) directed that these programs be discontinued effective after the 1943 crop year except for liquidation of existing contracts.

The act was further amended on December 23, 1944 (58 Stat. 918). This amendment repealed the foregoing provisos and authorized the insurance of producers of wheat, cotton, and flax against loss in yields, not to exceed 75 per centum of the farm average yield, commencing with crops planted for harvest in 1945.

In addition, the act as thus amended authorized the Corporation to undertake trial programs with respect to insurance of any other agricultural commodities for which sufficient actuarial data are available. These programs were limited by law to corn and tobacco in 1945 and to not more than three additional crops each year thereafter. Each such program is limited to not more than 20 representative counties for each crop and to a period of not more than 3 years. It also provided that such insurance may cover a percentage not in excess of 75 per centum of the investment in the crop. Otherwise, these programs are subject to the same limitations and conditions as are imposed by the act upon wheat, cotton, and flax insurance.

FINANCIAL ORGANIZATION

Capital funds.—The Federal Crop Insurance Act provides that the Corporation shall have a capital stock of \$100,000,000 (7 U. S. C. 1940 ed. 1504 (a)) subscribed by the United States of America.

Under the Department of Agriculture Appropriation Act of 1939 (June 16, 1938, 52 Stat. 746), \$20,000,000 was made available to the Secretary of the Treasury for purchase of Capital Stock of the Corporation. An additional \$20,000,000 was made available for this purpose by the Second Deficiency Appropriation Act of 1940, approved June 27, 1940 (54 Stat. 640).

Under the First Deficiency Appropriation Act of 1945, approved April 25, 1945 (59 Stat. 77), an additional \$30,000,000 was made available to the Secretary of the Treasury for purchase of capital stock of the Corporation. The Secretary of the Treasury did not subscribe for this additional stock until after June 30, 1945; therefore, all entries recording the subscription, issuance, and payment for such stock are reflected in the exhibits and schedules for the fiscal year 1946. A statement of condition of the Corporation is shown immediately following the textual material (exhibit C).

Administrative appropriations.—The Federal Crop Insurance Act, as amended (7 U. S. C. 1940 ed. 1516 (a)), authorizes annual appropriations by Congress of not to exceed \$12,000,000 for any fiscal year to cover the administrative and operating expenses of the Corporation.

The 1945 Appropriation Act (58 Stat. 425) for the Department of Agriculture reappropriated \$350,000 from prior year unobligated balance for continued liquidation during the fiscal year 1945, since the language contained in the 1944 Appropriation Act (57 Stat. 418) for the Department of Agriculture provided funds only for liquidation of insurance contracts obtained prior to July 31, 1943.

Public Law 551, approved December 23, 1944 (58 Stat. 918), reinstated the crop insurance program and reappropriated an additional \$3,000,000 from prior year unobligated balances for administrative and operating expenses during the remainder of fiscal year 1945.

A statement showing the actual expenditures for the fiscal year 1945 and the estimated expenditures for the fiscal years 1946 and 1947 is shown following the textual material (schedules B-2, and B-3). These estimates of administrative expenses do not provide for the cost of General Accounting Office audits pursuant to Public Law 248 (79th Congress) since bases for making such estimates are not available.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

Problem and significance.—Each year throughout the United States, thousands of farmers suffer partial or total loss of their crops due to causes beyond their control. Such losses have caused economic distress among the farmers and in many cases have resulted in the loss of their farms. Such a condition often causes farm families to become a burden on society and contributes to the shifting of farm families to cities.

The crop insurance program was designed to give the farmer protection against having his income wiped out or greatly reduced by unfavorable weather or some other disaster. This protection is sorely needed by the small farmers, who in most instances have no financial reserve to tide them over until another crop can be produced.

Federal Crop Insurance is the only available source for farmers to obtain all-risk insurance against unavoidable losses. Private companies offer insurance against specific losses only, such as hail and fire. Only a small percentage of the Corporation's losses have resulted from these causes. The principal causes of losses under the Federal Crop Insurance contracts have been drought, floods, winterkill, excessive moisture, and insect infestation.

Insurance program.—All-risk crop insurance was available to producers of wheat for a period of 5 years, 1939-43, and to producers of cotton for 2 years, 1942-43. The Corporation was in the process of liquidation from July 12, 1943, until December 23, 1944. Accordingly, there was no insurance offered on 1944 crops or on winter wheat planted for harvest in 1945. Under the program as reinstated, the Corporation began insuring the 1945 crops of spring wheat, cotton, and flax, and to insure corn and tobacco crops on a trial basis in not to exceed 20 represen-

tative counties for each crop. Despite the limited time available to reactivate the program, almost 165,000 contracts were written on 1945 crops. Since sufficient actuarial data were not available, no additional commodities will be covered on a trial basis during the fiscal year 1946. It is estimated that a total of 621,000 contracts will be in force during the fiscal year 1946. It is contemplated that the insurance program for the fiscal year 1947 will be expanded to provide for coverage of 3 additional commodities, not yet decided upon, on a trial basis. Including an estimated 30,000 contracts on these 3 additional commodities, it is anticipated over 800,000 contracts will be in force during the fiscal year 1947.

The Federal Crop Insurance Act, as amended (7 U. S. C. 1940 ed. supp. IV, 1508 (c)) provides that after the crop year 1949, if the total amount of accumulated claims for losses on any agricultural commodity for any year exceeds the total amount of the premiums collected less the accumulated premium reserves of the Corporation with respect to any such commodity (which reserves, after the crop year 1948, shall not be less than 10 per centum of premiums collected on such commodity), such claims shall be paid on a pro rata reduced basis. It is contemplated that the present plan of operation will enable the Corporation to pay indemnities from premiums collected and to create a reserve sufficient to preclude the necessity of settling claims on a pro rata reduced basis as will be required under the law after the 1949 crop year.

The crop insurance program is designed to be self-supporting over a period of years, except for the cost of administration. It is the policy of the Corporation to determine premium rates actuarially so that over an extended period the premiums collected will cover the amounts paid out as indemnities and provide a 10 per cent reserve.

Under the present program of insurance the Corporation is offering a plan of progressive insurance protection. The Corporation has found from experience in previous wheat and cotton programs that frequently a grower could obtain more net income from an indemnity than from a crop if he did not incur the full cost of producing and harvesting his crop. Under the plan of progressive insurance, the protection increases progressively with the advancement of the growing stages of the crop.

Two methods were used relative to the 1945 crop year to effect this progressive coverage: If a complete loss occurred on any acreage early in the growing season and the insured acreage was released for the production of other crops, (1) in the case of cotton, corn, and tobacco the coverage was reduced and (2) in the case of wheat or flax the coverage was not reduced but an amount not less than one-half of the insured production was counted as production for such acreage. Under each plan, reduction of indemnity was made for losses late in the season if a savings in production or harvesting cost was effected. It is contemplated that the principle of progressive coverage will be continued for the 1946 and 1947 crop years, but in adhering to this principle, less use will be made of the first method and broader use will be made of the second.

The plan for progressive insurance protection avoids over-insurance and it is consistent with the principle that insurance should give protection only against loss and not provide an opportunity for profit.

Program administration.—Program development and management control is centralized in the principal office of the Corporation located in the District of Columbia (7 U. S. C. 1503). Administrative operations are decentral-

ized in branch offices (located in Chicago, Ill.; Denver, Colo.; and Birmingham, Ala.) and various State offices. The branch offices calculate the amount of insurance premiums; receive, audit, and deposit cash collections; prepare and certify field payrolls; audit and pay approved indemnity claims; and maintain books of account for all insurance transactions.

The local administration of the insurance programs is divided between the State and County Agricultural Conservation Committees and the State offices of the Corporation. The State offices of the Corporation are located throughout the United States for directing and supervising various phases of the insurance programs at State and county levels, and for the adjustment of losses by Corporation employees.

It is not contemplated that any major changes will be made in the administration of the program during the fiscal year 1947.

OPERATING RESULTS

Fiscal year 1945.—The operating results reflected on the various exhibits and schedules for the fiscal year 1945 consist of transactions relating to the crop years 1940 to 1943, inclusive, with the exception of \$39,630 which represents the amount of 1945 crop year premiums reflected in the records of the Corporation as of June 30, 1945.

Fiscal year 1946.—During the fiscal year 1946 it is estimated that the Corporation will sustain a net loss of \$3,999,660. Since the major portion of the 1945 crop year activities will be reflected on the records of the Corporation during the fiscal year 1946, this net loss represents the estimated results of the insurance operations covering the crop year 1945 for spring wheat, cotton, flax, corn, and tobacco less the 1945 crop year premiums amounting to \$39,630 which were reflected on the records during the fiscal year 1945. It is estimated that the 1945 crop year indemnities for cotton will exceed premiums by \$6,214,580 due to heavy losses throughout the cotton growing sections of the United States. It is estimated that the 1945 crop year premiums for the other four commodities will exceed indemnities by \$1,983,980.

Heavy cotton losses on insurance in 1945 resulted from poor crop conditions in the areas where participation was the heaviest. Pronounced losses were caused by drought in some areas and excess moisture or floods in others. Severe drought conditions existed even before planting in some western portions of the Cotton Belt, particularly in areas in western Texas. Excess moisture in many areas resulted in delayed planting, profuse plant growth, and heavier than usual boll-weevil infestation. Excessive rain early in the season caused heavy floods in southeast Missouri, Arkansas, and elsewhere in areas adjacent to some of the tributaries of the Mississippi.

It is also estimated that the sales of commodities, held as protection against a rise in prices between the date premium notes mature and the dates indemnities are paid, will exceed the cost of such sales by \$270,570.

Fiscal year 1947. It is estimated that during the fiscal year 1947, the premiums will amount to \$32,441,600 for 1946 crop year operations, as compared with estimated indemnities amounting to \$29,197,440, which would result in net income of \$3,244,160. In preparing these estimates for premiums and indemnities it was necessary to convert the estimated commodity premiums and indemnities to a monetary basis. The prices used in making this conversion were based on the prevailing prices of the commodities at the time of preparing these estimates and any changes in such prices would affect the estimates accordingly.

FINANCIAL CONDITION

Accounts receivable.—On June 30, 1944, accounts receivable amounted to \$2,093,060. Actual changes in accounts receivable during fiscal year 1945 and estimated changes for fiscal years 1946 and 1947 are reflected in the following table:

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945	1946	1947
Balance, beginning of year.....	\$2,093,060	\$996,725	\$1,632,099
Insurance premiums:			
1945 crop year.....	39,630	9,553,720	
1946 crop year.....			32,441,600
Receivables from administrative fund for storage charges, etc.....	34,860		
Total.....	2,167,550	10,550,445	34,073,699
Collections:			
Premiums:			
Prior years.....	1,162,820	276,000	184,000
1945 crop year.....	6,630	8,538,348	988,372
1946 crop year.....			29,197,440
Recovery of storage charges from administrative fund, etc.....	1,375	43,998	
Total.....	1,170,825	8,918,346	30,369,812
Balance, end of year.....	996,725	1,632,099	3,703,887

Inventory.—On June 30, 1945, the Corporation did not own any commodity stocks. During the fiscal year 1946 the Corporation purchased 15,000,000 pounds of cotton at a cost of \$3,431,705, which it is estimated at this time will be disposed of for \$3,702,275 before the end of the fiscal year 1946, and therefore, no inventory will be reflected on the exhibits and schedules as of June 30, 1946.

During the fiscal year 1947 it is estimated that the Corporation will purchase 10,200,000 bushels of wheat; 912,500 bushels of corn; 1,000,000 bushels of flax; and 46,712,000 pounds of cotton at an estimated cost of \$33,269,375. Of these total purchases, it is estimated that the Corporation will sell approximately 90 percent of these commodities for \$29,942,437 and the remaining 10 percent or \$3,326,938 will represent the inventory of commodity stocks as of June 30, 1947.

Accounts payable.—As of June 30, 1945, there were payables on the books amounting to \$512,137 which represented the estimated value of certificates of indemnity held by growers and a small amount of unprinted checks. The cash value of the certificates of indemnity was estimated at \$512,094 as of June 30, 1945. Of this amount the estimated cash value of the certificates issued in settlement of loss claims for cotton contracts amounted to \$282,268 and the estimated value of the certificates issued in settlement of loss claims for wheat contracts amounted to \$229,826. These claims resulted from indemnity losses that occurred during the 1942 and 1943 crop years.

The Corporation's liability on indemnity claims is computed in terms of commodity and a certificate is issued to a claimant in settlement for indemnity claims. Until such time as the certificate is surrendered to the Corpora-

tion for payment, or an established cash equivalent of the claim is determined, an estimate of the value of the outstanding certificates is necessary. Average market prices applicable to the respective commodities are used as the basis for this estimate.

It is estimated that during the fiscal year 1946 the entire balance of accounts payable of \$512,137 as of June 30, 1945, and \$12,441,555 of the estimated total 1945 crop year indemnities of \$13,823,950 will be liquidated.

It is estimated that during the fiscal year 1947 the Corporation will liquidate \$26,277,696 of the total 1946 crop year indemnities estimated at \$29,197,440 and the balance of the 1945 crop year indemnities of \$1,382,395 carried over from the fiscal year 1946.

Deferred credits—undistributed receipts.—As of June 30, 1945, there were unapplied premium collections on the records of the Corporation amounting to \$6,035. These collections represent items which could not be immediately identified, and were placed in this account until proper distribution could be made. It is anticipated that this amount will be credited against the accounts receivable during the fiscal year 1946.

Contingent liabilities.—All known direct and contingent liabilities are reflected in exhibit C to the extent of estimated crop losses for the years indicated.

Return of capital funds to Treasury.—The Corporation does not contemplate returning any capital funds to the Treasury during fiscal year 1947.

ADMINISTRATIVE EXPENSES

Program administration has been discussed under Analysis of budget program by major activities in view of the treatment this item is given in the financial statements of the Corporation. Since the Corporation was in liquidation during the early part of fiscal year 1945, administrative expenses for that year do not reflect regular operations of the Corporation. The estimated administrative expenses of \$7,880,000 for fiscal year 1947 reflect a reduction of \$104,000 below the estimated administrative expenses for fiscal year 1946 of \$7,984,900. These estimates for administrative expenses do not provide for the cost of the General Accounting Office audits pursuant to Public Law 248 (79th Cong.) since bases for making such estimates are not available.

LANGUAGE

Administrative and operating expenses: For operating and administrative expenses under the Federal Crop Insurance Act, as amended (7 U. S. C. 1501-1518), as amended by the Act of December 23, 1944 (Public Law 551), \$7,984,900, including personal services in the District of Columbia, printing and binding, purchase of books of reference and periodicals, and not to exceed \$700 for newspapers. 1

The types of programs set forth in the 1947 budget of the Federal Crop Insurance Corporation (7 U. S. C. 1501-1519), within the funds available to it are approved: Provided, That there is hereby appropriated out of any money in the Treasury not otherwise appropriated, for operating and administrative expenses of said Corporation, \$7,880,000, including not to exceed \$700 for newspapers. (Act of May 5, 1945, Public Law 52; Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To indemnities.....	\$492,552	\$13,823,950	\$29,197,440
To increase (or decrease*) working capital (see schedule A-1).....	*480,306	26,000,340	3,244,160
Total funds applied	\$12,246	\$39,824,290	\$32,441,600
FUNDS PROVIDED			
By insurance premiums.....	22,693	9,553,720	32,441,600
By additional capital funds requisitioned.....		30,000,000	
Total.....	22,693	39,553,720	32,441,600
By sale of commodities.....	*299	3,702,275	29,942,437
Less: Cost of commodities sold.....	10,148	3,431,705	29,942,437
By profit (or loss*) from commodity transactions.....	*10,447	270,570	
Total funds provided	12,246	39,824,290	32,441,600

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Insurance premiums:			
Wheat.....	*\$12,271	\$1,617,873	\$15,810,000
Cotton.....	33,823	5,435,738	11,678,000
Flax.....	580	1,472,870	2,900,000
Corn.....	543	451,857	1,049,300
Tobacco.....	18	575,382	1,004,300
Total insurance premiums.....	\$22,693	\$9,553,720	\$32,441,600
Commodity transactions:			
Sale of commodities.....	*299	3,702,275	29,942,437
Less: Cost of commodities sold (schedule B-1).....	10,148	3,431,705	29,942,437
Profit (or loss*) from commodity transactions.....	*10,447	270,570	
Total operating income.....	12,246	9,824,290	32,441,600
Operating losses:			
Wheat.....	80,352	745,000	14,229,000
Cotton.....	412,200	11,688,000	10,510,200
Flax.....		749,550	2,610,000
Corn.....		452,400	944,370
Tobacco.....		189,000	903,870
Total operating expense.....	492,552	13,823,950	29,197,440
Net operating income or expense*.....	*480,306	*3,999,660	3,244,160
Nonoperating expense:			
Accounts and notes receivable charged off.....	*1,118		
Net income (or loss*).....	*481,424	*3,999,660	3,244,160

ANALYSIS OF EARNED SURPLUS (OR DEFICIT)*

	1945, actual	1946, estimated	1947, estimated
Balance at beginning of year.....	*\$37,227,044	*\$37,708,468	*\$41,708,128
Net income (or loss*) for the year above.....	*481,424	*3,999,660	3,244,160
Balance at end of period (exhibit C).....	*\$37,708,468	*\$41,708,128	*\$38,463,068

*Deduct.

ADMINISTRATIVE EXPENSES¹

	1945, actual	1946, estimated	1947, estimated
Administrative expenses (schedule B-2).....	\$2,773,645	\$8,304,900	\$7,830,000

¹ Administrative expenses are not included as an operating expense for the reason that premium income is not intended to cover such expense. The premium rates established do not include any provision for recovering the cost of administering the program which is in accordance with the provisions of the Federal Crop Insurance Act, as amended. Funds required for administrative expenses are provided by Congress through annual appropriations. Such expenses amounted to \$32,960,804 from date of organization through June 30, 1945.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
ASSETS				
Cash:				
With U. S. Treasury.....	\$2,952,439	\$1,808,608	\$28,032,168	\$27,414,951
On hand and in banks.....	193,568	4,371	10,000	10,000
Total cash.....	3,146,007	1,812,979	28,042,168	27,424,951
Accounts receivable:				
Premiums on insurance contracts.....	2,080,701	958,763	1,832,099	3,703,887
Administrative fund.....		34,557		
Agricultural Adjustment Agency.....		303		
Other.....	3,359	3,102		
Total accounts receivable.....	2,093,060	996,725	1,832,099	3,703,887
Inventory of commodities.....				3,326,938
Total assets.....	5,239,067	2,809,704	29,674,267	34,455,776
LIABILITIES				
Accounts payable:				
Administrative fund (storage recoveries).....	528,357			
Agricultural Adjustment Agency.....	999,724			
Commodity Credit Corporation.....	167,341			
Indemnities payable—estimated.....	769,622	512,094	1,382,305	2,919,744
Other.....	1,067	43		
Total accounts payable.....	2,466,111	512,137	1,382,395	2,919,744
Deferred credits—Undistributed receipts.....		6,035		
Total liabilities.....	2,466,111	518,172	1,382,395	2,919,744
CAPITAL				
Capital stock authorized.....	100,000,000	100,000,000	100,000,000	100,000,000
Less: Unissued stock.....	60,000,000	60,000,000	30,000,000	30,000,000
Capital stock outstanding.....	40,000,000	40,000,000	70,000,000	70,000,000
Less: Operating deficit (exhibit B) ¹	37,227,044	37,708,468	41,708,128	38,463,968
Net capital.....	2,772,956	2,291,532	28,291,872	31,536,032
Total liabilities and capital.....	5,239,067	2,809,704	29,674,267	34,455,776

¹ Does not include administrative expenses, which are paid from appropriated funds.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (Increase or decrease)*:			
Cash.....	\$1,333,028	\$26,229,189	\$617,217
Accounts receivable:			
Premiums on insurance contracts.....	\$1,129,820	673,336	2,071,788
Administrative fund (storage charges).....	34,557	\$34,557	
Agricultural Adjustment Agency.....	303	*303	
Other.....	*257	*3,102	
Inventory of commodities.....			3,326,938
Current liabilities (Increase* or decrease):			
Accounts payable:			
Administrative fund (storage recoveries).....	528,357		
Agricultural Adjustment Agency.....	999,724		
Commodity Credit Corporation.....	167,341		
Estimated value of indemnities payable.....	257,528	*870,301	*1,537,349
Other.....	1,024	43	
Deferred credits—undistributed receipts.....	*6,035	6,035	
Increase in working capital (exhibit A).....		26,000,340	3,244,100
Decrease in working capital (exhibit A).....	480,306		

*Deduct.

SCHEDULE B-1

COST OF SALES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Cost of commodities sold:			
Wheat.....	\$10,148		\$15,697,800
Cotton.....		\$3,431,705	10,510,200
Flax.....			2,790,000
Corn.....			944,437
Total cost of commodities sold (exhibit B).....	10,148	3,431,705	29,942,437

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By objects	1945, actual	1946, estimate	1947, estimate
PERSONAL SERVICES			
Salaries and wages:			
Headquarters:	Man-years Amount	Man-years Amount	Man-years Amount
Officers:			
Manager of corporation.....	1 \$8,000	1 \$9,013	1 \$9,013
Secretary of corporation.....	0.2 741	1 5,180	1 5,180
Employees:			
Office of the manager.....	10.5 42,980	22 100,677	22 100,520
Program division.....	2.1 8,733	19.6 71,900	21.5 79,190
Actuarial division.....	11	59.5	61
Administrative division.....	32,598	175,786	180,500
Survey and review division.....	9.1 22,133	35.9 88,445	37.7 96,097
Fiscal division.....	8.5 28,883	14.8 54,482	15 85,994
	7.6	39.8	41
Procedure division.....	18,581	112,051	117,339
Sales division.....	6.7 20,260	16.8 55,838	18 60,544
Branch offices.....	65.4	299	299
	139,627	610,600	615,545
State offices.....	24.1	370.7	484.4
Cost of overtime.....	53,343	991,258	1,276,144
	66,346	21,515	
01 Personal services (net).....	146.2	887.4	1,069.1
	442,225	2,322,986	2,623,943
OTHER OBLIGATIONS			
02 Travel.....	56,722	465,078	534,356
03 Transportation of things.....	14,329	15,170	14,930
04 Communication services.....	7,118	27,850	23,750
05 Payment of penalty mail.....	2,330		
06 Rents and utility service.....	14,631	33,943	34,423
06 Printing and binding.....	43,733	75,000	81,000
07 Other contractual services:			
Commodity purchase expense.....		20,000	40,700
Insurance contract sale expense.....	491,361	1,847,365	1,192,000
Storage.....		280,000	425,000
Working fund advance, Bureau of Agricultural Economics.....	55,000		
Working fund advance, Office of Solicitor.....	25,000		
All other.....	12,566	35,500	24,800
08 Supplies and materials.....	33,313	60,500	60,817
09 Equipment.....	31,320	25,200	23,850
Total other obligations.....	787,423	2,895,666	2,455,616
Grand total obligations.....	1,229,648	5,218,652	5,079,559
Reimbursements for services performed.....	-9,601		
Transferred to:			
"Administrative expenses, sec. 392, Agricultural Adjustment Act of 1938".....	+285,400	+795,584	+789,900
"Local Administration, sec. 368, Agricultural Adjustment Act of 1938".....	+1,264,600	+2,273,790	+1,995,000
"Salaries and expenses, Division of Disbursement," Treasury Department.....	+2,869	+15,980	+14,667
"Printing and binding, Division of Disbursement," Treasury Department.....	+54	+264	+264
"Salaries and expenses, Office of the Treasurer of the United States".....		+580	+560
"Printing and binding, Office of the Treasurer of the United States".....		+50	+50
Reappropriation from 1944 unobligated balance in 1945.....	-350,000		
Reappropriation from 1943 and 1944 unobligated balance in 1945.....	-3,000,000		
Net total obligations.....	-577,630	8,304,900	7,880,000
Covered into Treasury in accordance with Public Law 529.....	+675		
Excess of obligations over appropriation due to Public Law 106.....		-320,000	
Estimated savings, unobligated balance.....	576,355		
Total estimate or appropriation.....		7,984,900	7,880,000

By projects or functions	1945, actual	1946, estimated	1947, estimated
1. General administration; program planning and direction; development and study of actuarial structure and loss-adjustment practices; supervision of field activities incident to applications and premiums; approval of bases for crop insurance yield and premium rates in individual counties.....	\$376,006	\$964,038	\$1,004,559
2. Federal Crop Insurance Corporation branch offices: Verification of insurance contracts; auditing and accounting for premiums collected and indemnities paid.....	207,601	700,238	708,000
3. Storage and handling costs incident to acquisition, maintenance, and sale of commodity reserve.....		280,000	425,000
4. State administration; sales promotion, loss adjustment; field work incident to yield and rates, collection of premiums; and farm inspection.....	80,110	1,405,496	1,750,000
5. Insurance contract sales expense.....	491,361	1,847,365	1,192,000
6. Services performed for other agencies.....	8,224		
7. Overtime pay.....	66,546	21,515	
Grand total obligations.....	1,229,648	5,218,652	5,079,559
Adjustments (see objects subedule for detail).....	-1,229,648	2,766,248	2,800,441
Total estimate or appropriation.....		7,984,900	7,880,000

SCHEDULE B-3

PERSONAL SERVICES

By grades	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL			
Clerical, administrative, and fiscal service:	Man-years Amount	Man-years Amount	Man-years Amount
Grade 15. Range \$8,750 to \$9,800:			
Corporation manager.....	1 \$8,000	1 \$9,013	1 \$9,013
Grade 14. Range \$7,175 to \$8,225:			
Area director.....	1.1 7,132	4 28,940	4 28,962
Assistant manager.....	0.4 2,437		
Chief, fiscal division.....		1 7,175	1 7,175
Grade 13. Range \$6,230 to \$7,070:			
Administrative officer.....	0.6 3,137	2 12,618	2 12,670
Assistant chief, fiscal division.....	0.1 509	1 6,230	1 6,230
Chief, administrative division.....		0.7 4,361	1 6,230
Chief, procedure division.....	0.5 2,567	1 6,440	1 6,440
Chief, sales division.....		1 6,230	1 6,230
Chief, survey and review division.....	1 5,750	1 6,493	1 6,650
Grade 12. Range \$5,180 to \$5,020:			
Accountant.....		0.8 4,144	1 5,180
Administrative officer.....	4.3 20,384	8 41,930	8 42,070
Marketing specialist.....	0.2 1,187	1 5,390	1 5,390
Operations analyst.....	0.9 4,007	1 5,390	1 5,390
Procedure officer.....	0.4 1,725	1 5,320	1 5,390
Sales specialist.....		1.8 9,324	2 10,360
Secretary of Corporation.....	0.2 741	1 5,180	1 5,180
Grade 11. Range \$4,300 to \$3,150:			
Accountant.....		1.7 7,310	2 8,600
Administrative officer.....	1.1 4,401	5.3 22,790	6 26,800
Budget officer.....		0.7 3,010	1 4,300
Operations analyst.....	0.9 3,293	2.8 12,040	3 12,000
Procedure analyst.....	1.4 5,225	2.6 10,897	3 13,120
Grade 9. Range \$3,640 to \$4,300:			
Accountant.....	1.1 3,646	1.8 6,634	2 7,390
Actuarial assistant.....		5 18,200	5 18,200
Administrative assistant.....	0.4 1,333	3.5 12,841	4 14,670
Assistant marketing specialist.....		1 3,640	1 3,640
Operations analyst.....	3.7 12,049	4 15,954	4 15,440
Procedure analyst.....	1.5 4,886	2.5 9,265	3 11,140
Sales specialist.....		1 3,640	1 3,640
Grade 7. Range \$2,950 to \$3,640:	3.9 12,837	18.5 55,570	19.2 59,243
Grade 5. Range \$2,320 to \$2,980:	12.4 24,999	27.3 64,323	28 66,986
Grade 4. Range \$2,100 to \$2,495:	7.1 13,279	41.8 88,188	42 89,190
Grade 3. Range \$1,902 to \$2,298:	3.7 6,923	28.1 53,485	29 55,488
Grade 2. Range \$1,704 to \$2,100:	0.9 1,360	6.1 10,341	7 11,964

SCHEDULE B-3—Continued
PERSONAL SERVICES—Continued

By grades	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—con.	Man-years Amount	Man-years Amount	Man-years Amount
Professional service:			
Grade 6. Range \$6,230 to \$7,070:			
Chief, actuarial division.....	0.5 \$2,881	1 \$6,230	1 \$6,230
Chief, program division.....	1 5,700	1 6,440	1 6,440
Special adviser.....	1 6,000	1 6,650	1 6,650
Grade 5. Range \$5,180 to \$6,020:			
Actuary.....	1.8 8,674	3 15,645	3 15,750
Agricultural economist.....	0.2 1,027	1.5 7,770	2 10,360
Statistician.....	0.3 1,533	1 5,302	1 5,390
Grade 4. Range \$4,300 to \$5,180:			
Agricultural economist.....		2.8 12,040	3 12,900
Statistician.....	0.9 3,561	3 13,157	3 13,340
Grade 3. Range \$3,640 to \$4,300:			
Agricultural economist.....		1 3,640	1 3,640
Statistician.....		6 21,840	6 21,840
Grade 2. Range \$2,940 to \$3,640.....	0.3 758	7 20,915	7 21,080
Grade 1. Range \$2,320 to \$2,980.....		6 13,920	6 13,920
Subprofessional service:			
Grade 7. Range \$2,650 to \$3,310.....		0.5 1,325	0.5 1,325
Crafts, protective, and custodial service:			
Grade 3. Range \$1,572 to \$1,902.....	22	1 1,572	1 1,572
Grade 2. Range \$1,440 to \$1,770.....		1 1,451	1 1,506
Total permanent, departmental.....	54.8 181,263	217.7 699,613	225.7 732,254
Temporary employment, departmental.....	1.2 1,646		
W. O. C. employment, departmental.....	0.7 0		
Overtime pay, departmental.....	29,691	6,792	
All personal services, departmental.....	56.7 212,600	217.7 706,405	225.7 732,254
PERSONAL SERVICES, FIELD			
Clerical, administrative, and fiscal service:			
Grade 13. Range \$6,230 to \$7,070:			
Branch manager.....	2.1 11,984	3 19,660	3 19,740

By grades	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, FIELD—continued	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service—Continued			
Grade 12. Range \$5,180 to \$6,020:			
State director.....	1.5 \$7,098	13 \$68,337	13 \$68,390
Grade 11. Range \$4,300 to \$5,180:			
Analyst.....	0.1 367		
Assistant State director.....		3 12,900	3 12,900
Chief, accounting division.....	1.6 6,380	3 13,065	3 13,120
Chief, administrative division.....		3 12,900	3 12,900
Chief, audit division.....	1.9 6,956	3 13,193	3 13,340
State director.....	2.4 9,152	21 91,987	21 92,060
Grade 10. Range \$3,070 to \$4,630:			
Accountant.....	0.8 2,969		
Grade 9. Range \$3,640 to \$4,300:			
Accountant.....	2.1 6,962	6 22,160	6 22,390
Administrative assistant.....	1 3,311	3 11,058	3 11,140
Grade 7. Range \$2,980 to \$3,640.....	7.1 18,694	94 281,066	129 387,390
Grade 5. Range \$2,320 to \$2,980.....	6 12,153	21 49,681	21 50,040
Grade 4. Range \$2,100 to \$2,496.....	18.4	65	86.9
Grade 3. Range \$1,902 to \$2,298.....	15.2 24,827	79 151,391	79 152,480
Grade 2. Range \$1,704 to \$2,100.....	8.4 12,252	78 133,396	78 135,200
Grade 1. Range \$1,596 to \$1,902.....	0.1 157	17 25,608	17 25,668
Crafts, protective, and custodial service:			
Grade 2. Range \$1,440 to \$1,770.....	0.2 187	2.5 3,600	2.5 3,600
Total permanent, field.....	68.9	414.5	471
Temporary employment, field.....	2 3,390	116 238,320	41 64,320
W. A. E. employment, field.....	18.6	139.2	271
Overtime pay, field.....	32,828	315,541	621,363
36,653	14,723		
All personal services, field.....	89.5	669.7	783.4
229,625	1,616,581	1,891,689	
01 Personal services (net) (schedule B-2).....	146.2	887.4	1,009.1
	442,225	2,322,986	2,623,943

FEDERAL SURPLUS COMMODITIES CORPORATION

CREATION AND PURPOSE

The Federal Surplus Commodities Corporation was first organized as the Federal Surplus Relief Corporation under the powers granted to the President by the National Industrial Recovery Act [paragraph (b) of section (2) of title I and subsection (a) of section 201 of title II, 48 Stat. 195]. It was granted a charter by the State of Delaware on October 3, 1933, as a nonprofit membership corporation with no capital stock. When the charter was granted, it had as its members persons who, from time to time, might occupy the offices of the Secretary of Agriculture of the United States, Federal Emergency Administrator of Public Works, and Federal Emergency Relief Administrator. The Corporation acted in close cooperation with the Federal Emergency Relief Administration in the purchase of foods and other relief supplies for distribution to needy families through State relief organizations. As the Corporation came to deal more and more in agricultural commodities and products thereof and to conduct its program in closer association with programs of the Department of Agriculture, the charter was amended November 16, 1935, changing the name of the Corporation to the Federal Surplus Commodities Corporation and changing its members, with the exception of the Secretary of Agriculture, to such persons who, from time to time, might occupy the offices of Administrator of the Agricultural Adjustment Administration and the governor of the Farm Credit Corporation.

Prior to the passage of Public Law 165 (June 28, 1937, 15 U. S. C., 713c) the Corporation acted as an independent agency not directly responsible to any Department; but effective with that act, which placed the Corporation as an agency of the United States under the control of the Secretary of Agriculture, the Secretary determined that the administration of the Corporation should be similar in all possible respects to the administration of a regular bureau of the Department of Agriculture. In order to carry out this determination it was necessary to amend the certificate of incorporation and the bylaws so as to permit the management of the Corporation to be in the Secretary of Agriculture and the membership was again changed to such persons as, from time to time, hold the positions of Secretary, under secretary, and assistant secretary of Agriculture.

Since the establishment of the Corporation, Congress has several times recognized it as an operating agency of the United States. The following acts of Congress have referred to the Corporation: Public Law 142 (Apr. 7, 1934, 48 Stat. 528) authorized the Secretary of Agriculture to make advances to the Federal Surplus Relief Corporation for the purchase of dairy and beef products for distribution for relief purposes. Public Law 320 (Aug. 24, 1935, 49 Stat. 750, 776) made the appropriation authorized by the act of April 7, 1934, *supra*, available until June 30, 1936. Public Law 440 (Feb. 11, 1936, 49 Stat. 1109, 1117) provided that, in carrying out clause (2) of section 32, purchase for donation to the Federal Surplus Commodities Corporation during the fiscal years 1936 and 1937 could be made without regard to section 3709 of the Revised Statutes. Public Law 739 (June 22,

1936, 15 U. S. C. 712a) prohibited the Corporation after June 30, 1937, from incurring any obligations for administrative expenses except pursuant to an annual appropriation specifically therefor and further discontinued its functions as an agency of the United States after that date unless Congress provided otherwise. Public Law 165, *supra*, recognized the Corporation as an agency of the Federal Government and extended it as such, under the direction of the Secretary of Agriculture until June 30, 1939, and made provision for administrative expenses. Public Law 430 (Feb. 16, 1938, 7 U. S. C. 612c) authorized the continuation of the Corporation as an agency of the United States until June 30, 1942. Public Law 634 (June 27, 1942, 15 U. S. C. 713c) provided “* * * that the Federal Surplus Commodities Corporation is hereby continued as an agency of the United States, under the direction of the Secretary of Agriculture until June 30, 1945.” The Corporation ceased to function as an agency of the United States on July 1, 1945, and has been in a state of liquidation since that date.

FINANCIAL ORGANIZATION

In the beginning, when functioning as the Federal Surplus Relief Corporation, operations were financed by funds received from the respective States, territories, and the District of Columbia. These funds, which could be used only for relief purposes, were used for purchasing, processing, and distributing surplus agricultural commodities to the various States which, in turn, made delivery to certified needy persons. The Corporation also received donations of livestock, farm commodities, and processed goods from the Agricultural Adjustment Administration which were used for relief purposes. However, beginning in 1935, the Corporation received a large part of its finances from allocation of funds available to the Secretary of Agriculture for the purchase and disposition of surplus agricultural commodities. During the period 1938 to 1945 nonrecourse loans were made by the Disaster Loan Corporation to carry out timber salvage operations made necessary by hurricane in 1938 and severe sleet storms in eastern Texas in 1944. The Corporation has not issued any bonds. The present assets of the Corporation are primarily in cash, as reflected by the balance sheet which follows the textual material (exhibit C).

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

During the fiscal year 1945 the only program operation carried on by the Corporation involved timber salvage operations. This entire program was in liquidation at the close of the fiscal year 1945. No additional programs are planned for fiscal years 1946 or 1947.

The Corporation is now in the process of liquidation and all financial activities will be limited to its continued liquidation. The major expenditures during fiscal year 1947 will consist of administrative expenses necessary to the liquidation of the Corporation and the disposition of its records. Present plans provide for the complete liquidation of the assets and liabilities of the Corporation,

disposition of all records having no permanent value and placement of those remaining in condition for filing in Archives, transfer of remaining assets (cash) to the general funds of the Treasury, and dissolution of the Corporation before the close of fiscal year 1947.

OPERATING RESULTS

During the fiscal year 1945, the only operations were in connection with timber salvage programs. The net profit of \$31,167 resulting from this activity did not affect the financial condition of the Federal Surplus Commodities Corporation, as it was applied to a reduction in prior year charge-offs on nonrecourse notes payable to the Disaster Loan Corporation. The net income of \$1,731, reflected in exhibit B, for the fiscal year 1945 results from adjustments and settlement of prior year accounts.

In the fiscal year 1946, it is estimated the Corporation will sustain a net loss of \$52 due to the payment of corporate fees, while in the fiscal year 1947 a loss of \$40,000 is estimated due to administrative work necessary in the final liquidation of the Corporation.

FINANCIAL CONDITION

On June 30, 1945, almost 99 percent of the assets of the Corporation was in cash, and liabilities had been reduced to less than 3 percent of net worth. Notes payable to Disaster Loan Corporation on account of timber salvage operations were liquidated during the year subject, however, to minor adjustment for the final cumulative operating loss of the Texas Timber Salvage Program. The statement of financial condition (see exhibit C) for June 30, 1947, reflects no assets, liabilities, or capital, since the \$2,632,519 cash balance remaining on the date of dissolution (which it is planned will be on or before June 30, 1947) will be transferred to the general fund of the Treasury.

ADMINISTRATIVE EXPENSES

Public Law 739, *supra*, provided that subsequent to June 30, 1937, the Corporation, among others, was pro-

hibited from incurring any obligations for administrative expenses, except pursuant to a specific annual appropriation. However, the Congress has made no such annual appropriation for administrative expenses but by Public Law 165, *supra*, provided ". . . that . . . funds of the Corporation, may be used . . . for administrative expenses, including rent, printing and binding, and the employment of persons and means, in the District of Columbia and elsewhere. . . ."

Subsequent to June 30, 1945, when the Corporation ceased by law to be an agency of the United States, the Corporation has undertaken no programs nor engaged in any other activity, Governmental or non-Governmental, beyond the necessary work attendant upon closing out programs which had been in operation prior to that date.

In order to completely liquidate the Corporation an authorization for administrative expenses must be obtained. It is planned that only a minimum of essential work will be performed in the liquidation of the Corporation. This work will be limited to the expenditure of \$40,000. The activities of a small staff will be confined to (1) investigating and settling all outstanding liabilities reflected on the records, (2) converting all other assets into cash, (3) arranging for the disposition of all records having no permanent or historical value, (4) arranging for the retention of records of permanent value, (5) dissolving (legally) the Corporation, (6) preparing a final report on the financial activities of the Corporation, and (7) any other related work.

LANGUAGE

The liquidation program set forth in the 1947 budget of the Federal Surplus Commodities Corporation (15 U. S. C. 713c et seq.) is approved: Provided, That funds acquired by the Corporation as an agency of the United States, other than funds transferred pursuant to the act of June 28, 1937 (50 Stat. 323), shall remain available to the Secretary of Agriculture for the purpose of liquidation and dissolution of the Corporation: Provided, however, That not to exceed \$40,000 of such funds may be expended for administrative expenses during the fiscal year 1947. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To repay borrowings—Disaster Loan Corporation.....	\$839,702		
To repay Defense Supplies Corporation—Overpayment on subsidy.....		\$32,402	
To transfer—To general funds—U. S. Treasury.....	349,494		\$2,632,519
To settle trust and deposit liabilities due others.....	163,494		
To operating expenses: Administrative expenses.....	92,155	52	40,000
To nonoperating expenses:			
Claims settlements by General Accounting Office on prior years' operations.....	4,645		
Freight out—Prior years.....	214		
To decrease* in working capital.....	*717,300	*2,571	*2,672,519
Total funds applied	732,314	29,883	
FUNDS PROVIDED			
By borrowings—Disaster Loan Corporation.....	570,000		
By operating income:			
Sales—pulpwood.....	\$434,978		
Less cost of sales.....	419,622		
Gross profit—pulpwood.....	15,356		
Sales—sawlogs.....	144,984		
Less cost of sales.....	129,966		
Gross profit—sawlogs.....	15,018		
Interest income.....	17		
Profit on sales of equipment.....	13,385		
Forfeited accounts.....	1,062		
Recoveries by General Accounting Office—Prior years' claims.....	6,376		
By subsidy receipts from Defense Supplies Corporation:			
Payment for operations in submarginal areas.....	78,698		
Overpayment resulting from overbilling.....	32,402		
By settlement—overpayment to Disaster Loan Corporation.....		29,883	
Total funds provided	732,314	29,883	

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Sales—Pulpwood.....	\$434,978		
Less: Cost of sales.....	419,622		
Gross profit pulpwood.....	\$15,356		
Sales—Sawlogs.....	144,984		
Less: Cost of sales.....	129,966		
Gross profit sawlogs.....	15,018		
Gross profit on sales.....	30,374		
Operating expense:			
Administrative expense.....	92,155	\$52	\$40,000
Net operating loss*.....	*61,781	*52	*40,000
Nonoperating income and expenses:			
Interest income.....	17		
Profit on sale of equipment.....	13,385		
Forfeited accounts.....	1,062		
Recoveries by General Accounting Office—Prior years' claims.....	6,376		
Claims settlements by General Accounting Office on prior years' operations.....	*4,645		
Freight out—prior years.....	*214		
Adjustments:			
Reduction in prior years' charge-offs on nonrecourse notes payable.....	*31,167	*1,980	
Income under guarantee on timber production.....	78,698		
Accounts payable and expenses—Prior years.....		1,980	
Net income (or loss)* for the year	1,731	*52	*40,000

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
ASSETS				
Cash—With U. S. Treasury.....	\$3,329,623	\$2,713,743	\$2,704,556	
Accounts receivable:				
Due from Government agencies.....	11,606	144	131	
Due from others.....	11,975	200	136	
Total accounts receivable.....	23,581	344	267	
Inventories—Timber products.....	65,092			
Deferred charges.....	152,812			
Other assets:				
Overpayment to Disaster Loan Corporation.....		29,883		
Total assets.....	3,571,008	2,743,970	2,704,823	
LIABILITIES				
Accounts payable:				
Due Government agencies.....	102,671	38,131	32,304	
Due others.....	75,957	866		
Overpayment by Defense Supplies Corporation on income under guarantee on timber production.....		32,402		
Total accounts payable.....	178,528	71,399	32,304	
Trust and deposit liabilities:				
Due Government agencies.....	349,494			
Due others.....	163,494			
Total trust and deposit liabilities.....	512,988			
Notes payable:				
Disaster Loan Corporation.....	208,652			
Total liabilities.....	900,168	71,399	32,304	
CAPITAL				
Earned surplus.....	2,670,840	2,672,571	2,672,519	
Total liabilities and capital.....	3,571,008	2,743,970	2,704,823	

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash—With U. S. Treasury.....	\$815,780	\$9,187	\$2,704,556
Accounts receivable:			
Due from Government agencies.....	*11,402	*13	*131
Due from others.....	*11,775	*64	*136
Inventories.....	*65,092		
Deferred charges.....	*152,812		
Current liabilities (increase* or decrease):			
Accounts payable:			
Due Government agencies.....	64,440	5,827	32,304
Due others.....	75,091	866	
Decrease* in working capital.....	*717,390	*2,671	*2,672,519

*Deduct.

**SCHEDULE B-1
COST OF SALES**

[For the fiscal year ending June 30, 1945]

Pulpwood:	<i>1945, actual</i>	
Camp operating expense.....	\$185,217	
Equipment costs.....	49,389	
Prisoner of war labor.....	186,971	
Stumpage.....	1,955	
Total cost of sales—pulpwood.....		\$419,622
Sawlogs:		
Camp operating expense.....	\$38,613	
Equipment costs.....	5,671	
Prisoner of war labor.....	28,390	
Stumpage.....	57,322	
Total cost of sales—sawlogs.....		129,996

1 Credit, adjustment in prior year charges.

**SCHEDULE B-2
ADMINISTRATIVE EXPENSES**

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual		1946, estimated		1947, estimated	
	Man-years	Amount	Man-years	Amount	Man-years	Amount
01 Personal services (net).....	30.3	\$69,399			12	\$37,200
02 Travel expenses.....		3,368				2,000
03 Transportation of things.....		5,601				150
04 Communication services.....		1,946				50
05 Rents and utility services.....		4,029				600
07 Other contractual services.....		4,990		\$52		50
08 Supplies and materials.....		2,939				40,000
Grand total obligations.....		92,222		52		40,000
Received by transfer from Disaster Loan Corporation.....		-92,170				
Total administrative expense.....		52		52		40,000

**SCHEDULE B-3
PERSONAL SERVICES**

By grades	1945, actual		1946, estimated		1947, estimated	
	Man-years	Amount	Man-years	Amount	Man-years	Amount
PERSONAL SERVICES, DEPARTMENTAL						
Clerical, administrative, and fiscal service:						
Grade 13. Range \$6,230 to \$7,070:					1	\$6,230
Liquidating officer.....					0.9	3,276
Grade 9. Range \$3,640 to \$4,300:					3	10,920
Administrative officer.....					2.6	7,560
Fiscal accountant.....					3.5	7,312
Grade 7. Range \$2,980 to \$3,640.....					1	1,902
Grade 4. Range \$2,100 to \$2,496.....						
Grade 3. Range \$1,902 to \$2,298.....						
Total permanent, departmental.....					12	37,200
All personal services, departmental.....					12	37,200
PERSONAL SERVICES, FIELD						
Clerical, administrative, and fiscal service:						
Grade 12. Range \$5,180 to \$6,020:						
Fiscal agent.....	0.5	\$2,482				
Grade 9. Range \$3,640 to \$4,300:						
Administrative assistant.....	0.4	1,240				
Area superintendent.....	2	6,424				
Grade 4. Range \$2,100 to \$2,496.....	0.7	1,260				
Grade 3. Range \$1,902 to \$2,298.....	0.3	450				
Professional service:						
Grade 5. Range \$5,180 to \$6,020:						
Forester.....	0.7	3,220				
Grade 4. Range \$4,300 to \$5,180:						
Forester.....	0.4	1,520				
Crafts, protective, and custodial service:						
Grade 10. Range \$2,980 to \$3,640.....	0.6	1,560				
Grade 9. Range \$2,550 to \$3,310.....	0.2	460				
Unclassified.....	0.4	846				
Total permanent, field.....	6.2	19,462				
Temporary employees, field.....	24.1	40,885				
Overtime pay, field.....		9,062				
All personal services, field.....	30.3	69,399				
01 Personal services (net).....	30.3	69,399			12	37,200

FEDERAL FARM MORTGAGE CORPORATION

CREATION AND PURPOSE

Economic conditions in the spring of 1933 were such that the demand for farm mortgage credit far exceeded the funds available. To provide additional farm mortgage credit, Congress passed the Emergency Farm Mortgage Act of 1933 (48 Stat. 48), effective May 12, 1933. Section 32 (12 U. S. C. 1016 et seq.) directed the Reconstruction Finance Corporation to make available to the land bank commissioner the sum of \$200,000,000 for the purpose of making loans to farmers on the security of a first or second lien on real or personal property in an amount which, together with prior encumbrances, might not exceed 75 percent of the appraised normal value of the property.

With the progress of the lending program of the commissioner under section 32 of the Emergency Farm Mortgage Act of 1933, and of the Federal land banks for their own account, it became apparent that the fund made available to the commissioner would not be sufficient to meet demands upon it. To meet this situation, the Federal Farm Mortgage Corporation was created on January 31, 1934 (12 U. S. C. 1020 et seq.), and began operations almost immediately. The Corporation is authorized to have succession until dissolved by act of Congress (12 U. S. C. 1020a).

Originally, the Federal Farm Mortgage Corporation was an independent establishment, closely allied, however, with the Farm Credit Administration. Effective July 1, 1939, the Farm Credit Administration and the Federal Farm Mortgage Corporation were placed within the Department of Agriculture and are now under the general direction and supervision of the Secretary of Agriculture, pursuant to section 401, part 4, reorganization plan No. 1, dated April 25, 1939. All officers and employees of the Corporation are officers and/or employees of either the Federal land banks or Farm Credit Administration, and serve the Corporation without compensation other than that which they receive from the respective agencies, which are reimbursed by the Corporation for the cost of such services.

The main purpose of the Corporation was to provide funds for loans to farmers by the Federal land banks and by the land bank commissioner. To accomplish this, the Corporation is authorized to issue and have outstanding at any one time \$2,000,000,000 of bonds fully and unconditionally guaranteed both as to principal and interest by the United States.

On such terms and conditions as may be agreed upon, the Corporation may exchange its bonds for an equal face amount of consolidated farm loan bonds issued by the 12 Federal land banks and may likewise exchange such consolidated farm loan bonds for bonds of the Corporation (12 U. S. C. 1020c). It may purchase consolidated farm loan bonds at such prices and upon such terms as may be approved by the board of directors; may make loans to Federal land banks on the security of consolidated farm loan bonds; may make loans to Federal land banks and (not exceeding \$10,000,000 at any one time) to joint stock land banks upon the security of real estate mortgages, sheriffs' certificates, sales contracts, and real estate, upon such terms as may be prescribed by the board of directors (12 U. S. C. 1020d).

The Corporation is further authorized (12 U. S. C. 1020d) to invest its funds in mortgage loans made in the name of the land bank commissioner under the provisions of section 32 of the Emergency Farm Mortgage Act of 1933 (12 U. S. C. 1016). The commissioner's lending authority under this act, as amended, expires July 1, 1946. The services and facilities of the Federal land banks and national farm loan associations are utilized in administering the provisions of that act relating to commissioner loans (12 U. S. C. 1018).

FINANCIAL ORGANIZATION

Section 3 of the Federal Farm Mortgage Corporation Act (12 U. S. C. 1020b) provides that the capital of the Corporation should be in the sum of \$200,000,000 subscribed by the Governor of the Farm Credit Administration on behalf of the United States. For the purpose of such capital subscription, the \$200,000,000 fund which previously had been made available to the land bank commissioner, together with the proceeds thereof, and the notes and mortgages which had already been taken by the commissioner, were by the act expressly transferred to the Corporation. Under authority of section 4 of the act of June 25, 1940 (54 Stat. 573), and section 14 of the act of June 30, 1945 (Public Law 98), amending section 3 of the Federal Farm Mortgage Corporation Act, the Corporation on May 15, 1941, repaid to the Secretary of the Treasury \$100,000,000 of its capital and on July 31, 1945, retired an additional \$50,000,000, reducing the paid-in capital to \$50,000,000. The proceeds of such repayments are to be held in the Treasury of the United States as a fund available for subscription by the Governor of the Farm Credit Administration on behalf of the United States to the capital of the Corporation.

With the approval of the Secretary of the Treasury, the Corporation has authority to issue and have outstanding at any one time bonds in an aggregate amount not exceeding \$2,000,000,000. The Corporation, with the approval of the Secretary of the Treasury, prescribes the terms and conditions of the bonds, the rates of interest which they shall bear, the manner in which they are issued, and the prices at which they are sold. The bonds are fully and unconditionally guaranteed both as to interest and principal by the United States, and all redemptions, purchases, and sales of the bonds of the Corporation by the Secretary of the Treasury are required to be treated as public debt transactions of the United States. The Federal Farm Mortgage Corporation has issued no bonds to the public since approval of the Public Debt Act of 1941; however, when necessary, has sold short-term bonds to the Treasury of the United States. A statement of condition of the Corporation is shown immediately following the textual material (exhibit C).

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

In appraising the budgetary requirements of the Corporation for the fiscal year 1947, it is necessary to recognize the effect that the act of June 30, 1945 (Public Law 98) as well as economic conditions may have upon the activities of the Corporation. For this reason it is necessary to

make certain assumptions with respect to conditions during the fiscal years 1946 and 1947 as a basis for projecting the activity for the period. These assumptions are discussed below in connection with the respective programs. The level at which these activities were carried on during the fiscal year 1945 and, the projected level for the fiscal years 1946 and 1947 are shown in the statement of sources and application of funds in the financial statements immediately following the narrative (exhibit A).

Land bank commissioner loans.—The Emergency Farm Mortgage Act of 1933, as amended by the Farm Credit Act of 1935, provides that land bank commissioner loans could be made for any purpose for which Federal land bank loans may be made and in addition for refinancing any indebtedness, secured or unsecured, of the farmer (12 U. S. C. 1016f).

Land bank commissioner loans, together with all prior mortgages or other evidences of debt on the collateral security, shall not exceed 75 percent of the normal agricultural value of the farms as determined by appraisal, nor shall a loan in excess of \$7,500 be made to any one farmer. There is no difference between the concept of normal value for commissioner loans and that for Federal land bank loans, but the commissioner may accept security that is not considered eligible for a Federal land bank loan, and also may make loans based in part on dependable outside income of the applicant, or on the prudent investment value of the security (12 U. S. C. 1016b).

The act of June 30, 1945, extends the lending authority of the land bank commissioner from July 1, 1945, to July 1, 1946, and authorizes other changes of major importance which will materially affect the future operations of the Corporation. One of the important provisions authorizes the Federal land banks to make loans not exceeding 65 percent of the appraised normal value of the mortgaged farm considered as a unit. The previous loanable limit, which had been in effect since the original Federal Farm Loan Act was passed, was 50 percent of the appraised normal value of the mortgaged land plus 20 percent of the appraised value of the permanent, insured improvements thereon; therefore, second mortgage commissioner loans will be smaller in amount than heretofore, since the spread between the loanable limit of the banks and the Corporation is only 10 percentage points.

Farmers obtained 22,760 first and second mortgage loans aggregating \$40,243,955 during the year ended June 30, 1945, as compared with 17,781 loans for \$31,701,354 in the fiscal year 1944. This brought to 645,615 the number, and to \$1,186,425,763 the amount of loans closed since May 12, 1933.

After giving effect to all of the foregoing factors, it is estimated that loans in the amount of \$13,722,845 will be closed in the fiscal year 1946; no loans to farmers will be made during the fiscal year 1947.

There is no legislation presently pending, but studies are currently being conducted to determine if it is desirable to recommend to the Congress that the lending authority of the land bank commissioner be extended beyond July 1, 1946. The following financial statements do not provide for such a contingency, but in the event such legislation is enacted, the Corporation will close new loans during the fiscal year 1947.

During the fiscal year 1945, the first and second mortgage loan accounts decreased from 294,539 loans with unpaid principal balances totaling \$368,880,901 to 252,797 loans with unpaid principal balances totaling \$308,915,339. This decrease results primarily from the excess of principal repayments over new loans closed during the period.

Subject to stock ownership requirements and existing loan limits, the Federal land banks are empowered by the act of June 30, 1945, to purchase from the Corporation mortgages and contracts for the sale of farms, and the Corporation is authorized to sell such assets to Federal land banks. A further liquidation of the Corporation's assets appears likely as a result of a provision of this act which permits the Federal land banks to defer principal payments on their own borrowers' loans to enable them to pay off junior lien indebtedness. Detailed reports submitted to the Federal land banks by the national farm loan associations indicate that the transfer of the Corporation loans to the banks may not reach the volume originally contemplated since numerous borrowers anticipate the early retirement of the Corporation's second mortgage loans thus precluding any substantial number of transfers.

Based on present indications, it is anticipated that loans amounting to \$85,000,000 will be transferred to the Federal land banks during the fiscal year 1946 and loans amounting to \$25,000,000 will be transferred during the fiscal year 1947; these transfers together with other repayments will leave a combined total of first and second mortgages outstanding at June 30, 1947, of \$95,203,811.

Liquidation of acquired security or collateral.—On June 30, 1945, the Corporation owned outright and held subject to redemption a total of 645 farms, in which it had a net investment (i. e., excluding unimatured prior liens not assumed) of \$2,646,955. This reflects declines of 64.5 percent in number and 61.8 percent in amount from the comparable June 30, 1944, figures and declines of 93.8 percent in number and 91.5 percent in investment since the September 1939 peak inventory of 10,478 properties in which the Corporation had a net investment of \$31,081,937. The same general trend is forecast for the fiscal years 1946 and 1947 and it is expected that the net investment in acquired security and collateral will be reduced to \$348,810 by June 30, 1947.

Investments.—The Corporation had no investments at June 30, 1945; however, on July 2, 1945, the Corporation advanced to the Federal land banks \$172,300,000 on 90-day notes secured by consolidated farm loan bonds to assist the banks in their current refinancing program. The foregoing loan was repaid August 1, 1945. No further investment transactions are anticipated during the remainder of the fiscal year 1946 or the fiscal year 1947.

Financing.—While its Government-owned capital and its accumulated earnings have been a source of funds for lending purposes, the Corporation's primary source has been the issuance of bonds. Since the first issue in 1934, a total of \$2,757,559,000 has been issued, of which \$365,000,000 of 1 percent Corporation unimatured bonds was outstanding at the beginning of the 1945 fiscal year, all of which were held by the Secretary of the Treasury; of the latter amount \$257,000,000 was repurchased prior to maturity with excess cash accumulations, and the remaining \$108,000,000 was refunded on June 30, 1945 (the maturity date) through the issuance to the Secretary of the Treasury of a like amount of similar 1 percent bonds, due June 30, 1946.

On July 2, 1945, the Corporation issued and sold to the United States Treasury \$172,300,000 of 1 percent bonds in order to provide funds to assist the Federal land banks in their current financing program; also, additional 1 percent bonds in the amount of \$50,000,000 were issued and sold to the Treasury on July 31, 1945, to provide funds to retire \$50,000,000 in outstanding capital stock pursuant to section 14 of the Act approved June 30, 1945 (Public Law 98).

Although it is not anticipated that further transactions of this nature will occur either in the remainder of the fiscal year 1946 or the fiscal year 1947, the Federal land banks are completing their current refinancing program during this period, and the Corporation may be called upon to render temporary assistance.

The Corporation's authority to issue and have bonds outstanding up to 2 billion dollars (12 U. S. C. 1020c) appears far in excess of any foreseeable need. Legislation will be proposed to the Congress to reduce this authority to \$1,000,000,000.

It is expected that all unmatured bonds outstanding will be retired by June 30, 1946.

OPERATING RESULTS

The total operating income of the Corporation for the fiscal year 1945 amounted to \$17,761,251, as compared with \$38,790,395 in the preceding year. This reduction is attributable largely to a \$14,593,630 decrease in net income from investments, and a \$5,954,979 decrease in interest income from mortgage loans which resulted from the smaller volume of outstanding loans, and a reduction of the interest accrual rate from 5 percent to 4 percent per annum for interest payable on instalment dates occurring on or after July 1, 1944, and prior to July 1, 1945. Declining \$14,593,630 in dollar amount, the proportion of total operating income from investments decreased from 44.1 percent in the fiscal year 1944 to 14.3 percent in 1945, reflecting the liquidation of the Corporation's security holdings during the past year. It is anticipated that the decline in operating income will continue in the fiscal years 1946 and 1947 and that operating income for these years will be \$12,666,373 and \$6,917,917, respectively.

The total operating expense of the Corporation for the fiscal year 1945 was \$9,383,226, of which \$6,916,988 (net) was for administrative expenses, and the remaining \$2,466,238 represented the net interest cost of the Federal Farm Mortgage Corporation bonds and other interest expense. Payments to the Farm Credit Administration, United States Treasury, and Federal Reserve banks for various services rendered and reimbursements to the 12 Federal land banks for making and servicing commissioner loans and for servicing and disposing of acquired real estate represent the administrative expenses of the Corporation. It is contemplated that operating expense for 1946 will amount to \$7,469,275 and that such expenses for 1947 will amount to \$4,094,375.

Total net nonoperating losses for the fiscal year 1945 aggregated \$720,762. Such losses for 1946 are estimated at \$279,715 and for 1947 at \$63,828.

During the fiscal year 1945, operations resulted in a net income of \$10,927,773 after making a reduction of \$3,270,510 in valuation reserves. After a further downward adjustment in valuation reserves, it is estimated that the Corporation will have a net income of \$17,535,502 in the fiscal year 1946 and \$7,372,489 in the fiscal year 1947. After giving effect to the foregoing, it is estimated that the earned surplus account of the Corporation will amount to \$79,612,419 at June 30, 1947 (see exhibits B and C).

FINANCIAL CONDITION

Investments.—The entire \$171,954,700 (par amount) of consolidated Federal farm loan bonds held on June 30, 1944, was sold to or redeemed by the Federal land banks during the 1945 fiscal year. The funds so derived, together with excess cash accumulations from operations

and asset liquidation, were used by the Corporation to reduce its bonded indebtedness.

Loans receivable.—Mortgage loans, purchase money mortgages, sales contracts, etc., outstanding on June 30, 1945, decreased in number and amount from those outstanding on June 30, 1944, due principally to the excess of repayments over new loans closed during the past fiscal year. Increased farm commodity prices and generally improved agricultural conditions which have enabled farmer-borrowers to retire their debts in advance are also reflected in the improved condition of loans and real estate sales paper. As of June 30, 1945, only 16,758, or 6.4 percent, of the 262,859 outstanding mortgage loans, purchase money mortgages, and sales contracts were delinquent compared to 21,608, or 7.1 percent, a year ago. Loans in foreclosure, loans in suspense because of the prior liens being in foreclosure, and loans in suspense because payments thereon have been postponed by agreements between the Corporation and the borrowers likewise decreased in number and amount during the period. The number of loans in foreclosure decreased from 1,008 to 432, or 57.1 percent; loans in suspense—prior liens in foreclosure from 49 to 24, or 51.0 percent; and loans in suspense—payments postponed by agreement from 726 to 37, or 94.9 percent. The reserve maintained against loans receivable on June 30, 1945, is considered more than adequate since it is estimated that loans in the amount of \$110,000,000 will be transferred to the Federal land banks during the fiscal years 1946 and 1947. It is contemplated downward adjustments of \$16,516,635 will be made in the reserve for loans receivable and \$714,259 in the reserve for acquired security and collateral, making a total adjustment of \$17,230,894 during this period.

Bonds payable.—Of the \$365,000,000 of 1 percent bonds outstanding on June 30, 1944, all of which were held by the Secretary of the Treasury, \$257,000,000 was repurchased prior to maturity with excess cash accumulations arising principally from the liquidation of mortgage loan assets and the sale or redemption of the Corporation's remaining holdings of consolidated Federal farm loan bonds. The \$108,000,000 of bonds outstanding on June 30, 1945, constituted the entire unmatured bonded debt of the Corporation and it is expected that the entire amount will be retired prior to June 30, 1946.

Return of capital funds to the Treasury.—The capital of the Corporation on June 30, 1945, consisted of its Government-owned capital stock of 100 million dollars and unreserved surplus of \$54,704,428. Pursuant to section 14 of the act of June 30, 1945, 50 million dollars of capital stock was returned to the revolving fund in the United States Treasury July 31, 1945.

The board of directors of the Corporation will give consideration to the further retirement of Government-owned stock during the fiscal year 1947. Returns during 1947, estimated at 40 million dollars, are reflected in the financial statements. Legislation authorizing such action will be proposed to the Congress.

ADMINISTRATIVE EXPENSE

Administrative expense represents reimbursements to the Farm Credit Administration and other agencies of the Department of Agriculture for services rendered to the Corporation, supervision of the Federal land banks in making and servicing commissioner loans, and in other advisory and administrative capacities; and includes payments to the United States Treasury and the Federal Reserve banks for expenses in handling bond transactions for the Corporation. It also represents reimbursement to

the Federal land banks for services performed as agents of the Federal Farm Mortgage Corporation and the land bank commissioner. However, provision has not been made for the cost of audits by the General Accounting Office, pursuant to Public Law 248 (79th Cong.), since bases for making such an estimate are not available.

During the fiscal year 1945 administrative costs amounted to \$7,076,073, and it is expected that such costs will continue to decline to \$6,450,000 in 1946 and \$4,000,000 in 1947. The authorizing language implementing the Corporation's budget for the fiscal year 1947 includes a limitation of \$4,000,000 for costs of administration. (For further details see statement of income and expense (exhibit B), and schedule B-1.)

LANGUAGE

FEDERAL FARM MORTGAGE CORPORATION

Administrative Expenses, Federal Farm Mortgage Corporation—

[Not to exceed \$6,450,000 of the funds of the Federal Farm Mortgage Corporation, established by the Act of January 31, 1934 (12 U. S. C. 1020-1020h), shall be available during the current fiscal year for administrative expenses of the Corporation, including personal services in the District of Columbia and elsewhere; travel expenses of officers and employees of the Corporation, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding, lawbooks, books of reference, and not to exceed \$250 for periodicals and newspapers; contract stenographic reporting services; procurement of supplies, equipment, and services; main-

tenance, repair, and operation of motor-propelled passenger-carrying vehicles, to be used only for official purposes; rent in the District of Columbia; payment of actual transportation and other necessary expenses and not to exceed \$10 per diem in lieu of subsistence of persons serving, while away from their homes, without other compensation from the United States, in an advisory capacity to the Corporation; employment on a contract or fee basis of persons, firms, and corporations for the performance of special services, including legal services; use of the services and facilities of Federal land banks, national farm loan associations, Federal Reserve banks, and agencies of the Government as authorized by said Act of January 31, 1934; and all other necessary administrative expenses: *Provided*, That except for the limitation in amounts hereinbefore specified, and the restrictions in respect to travel expenses, the administrative expenses and other obligations of the Corporation shall be incurred, allowed, and paid in accordance with the provisions of said Act of January 31, 1934, as amended (12 U. S. C. 1016-1020h).]

The types of programs set forth in the 1947 budget of the Federal Farm Mortgage Corporation (12 U. S. C. 1020-1020h), within the funds available to it, are approved: Provided, That not to exceed \$4,000,000 of such funds shall be available for administrative expenses (as shown in its statement of income and expenses) which shall be classified as such in a manner consistent with prior years and shall be on an accrual basis, and such funds shall be available for employment on a contract or fee basis of persons, firms, and corporations for the performance of special services, including legal services; use of the services and facilities of the Federal land banks, national farm loan associations, Federal Reserve banks, and agencies of the Government as authorized by the Act of January 31, 1934: Provided, That except for the limitation in amount hereinbefore specified the administrative expenses and other obligations of the corporation shall be incurred, allowed, and paid in accordance with the provisions of said Act of January 31, 1934, as amended (12 U. S. C. 1016-1020h). (Act of May 3, 1945, Public Law 52; Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans to farmers.....	\$42,998,136	\$13,722,845	
To acquisition and improvement of acquired security or collateral.....	2,445,049	681,140	\$342,909
Operating expenses:			
Interest on bonds.....	\$2,246,836	\$832,701	
Other interest expense.....	219,402	186,574	\$94,375
Administrative expenses (see schedule B-1).....	7,076,073	6,450,000	4,000,000
Expense credits, prior year's adjustments.....	*159,085		
	9,383,226	7,469,275	4,094,375
To repayment of borrowings:			
To U. S. Treasury.....	365,000,000	330,300,000	
To the public.....	35,083,700	4,829,700	3,000,000
	400,083,700	335,129,700	3,000,000
To repayment of paid-in capital: To U. S. Treasury.....		50,000,000	40,000,000
To net increase in other assets.....		778	
To net decrease in other liabilities.....	423	913	
To increase (or decrease*) working capital.....	*38,999,569	*2,696,002	30,583,103
Total funds applied.....	415,910,965	404,308,649	78,020,387
FUNDS PROVIDED			
By repayments of principal of loans.....	112,074,501	166,890,482	70,472,614
By sale of acquired security or collateral:			
Carrying value of acquired security or collateral sold.....	6,247,626	2,598,817	647,751
Gain (or loss*) on sale of acquired security or collateral.....	*528,894	*291,580	*59,953
	5,718,632	2,302,237	687,798
By operating income:			
Interest on mortgage loans.....	13,867,088	11,629,451	6,337,267
Interest on purchase money mortgages, contracts, extensions, and other.....	1,246,732	870,007	576,640
Income from investments.....	2,532,625		
Interest on notes receivable, Federal land banks.....		88,510	
Loans and other fee income.....	111,463	75,839	2,700
Other.....	3,393	2,666	1,310
	17,761,251	12,666,373	6,917,917
By nonoperating income:			
Recovery on loans charged off.....	121,235	121,632	27,875
Recovery on acquired security charged off.....	224,108	27,925	12,183
	345,343	149,557	40,058
By borrowings: From U. S. Treasury.....	108,000,000	222,300,000	
By sale of investments:			
Consolidated Federal farm loan bonds.....	171,954,700		
Gain on sale of Federal farm loan bonds.....	52,285		
	172,006,985		
By net decrease in other assets.....	4,253		2,000
Total funds provided.....	415,910,965	404,308,649	78,020,387

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on mortgage loans	\$13,867,038	\$11,629,451	\$6,337,267
Interest on purchase money mortgages, contracts, extensions, and other	1,246,732	870,007	576,640
Income from investments	2,632,625		
Interest on notes receivable, Federal land banks		88,510	
Loan and other fee income	111,463	75,839	2,700
Other	3,393	2,566	1,310
Total operating income	\$17,761,251	\$12,666,373	\$6,917,917
Operating expenses:			
Interest on bonds	2,246,836	832,701	
Other interest expense	219,402	186,574	94,375
Administrative expenses	7,076,073	6,454,000	4,000,000
Expense credits, prior year's adjustments	*159,085		
Total operating expenses	9,383,226	7,469,275	4,094,375
Net operating income	8,378,025	5,197,098	2,823,542
Nonoperating income and expenses:			
Loans receivable charged off	5,702	50,633	*2,125
Accounts and notes receivable charged off	*68		
Loss* on acquired security	*778,681	*330,348	*61,703
Gain on securities sold	62,285		
Net nonoperating loss*	*720,702	*270,715	*63,828
Net income before adjustment of valuation reserves	7,657,263	4,917,383	2,759,714
Adjustment of valuation reserves	3,270,510	12,618,119	4,612,775
Net income for year	10,927,773	17,535,502	7,372,489

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year	\$43,776,655	\$54,704,428	\$72,239,930
Net income for year (above)	10,927,773	17,535,502	7,372,489
Balance at end of fiscal year	54,704,428	72,239,930	79,612,419

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
ASSETS				
Cash:				
With U. S. Treasury.....	\$45,476,409	\$10,235,829	\$5,463,644	\$35,345,202
On hand.....	199,000	69,000		
Total.....	45,675,499	10,304,829	6,463,644	35,345,202
Investments: Consolidated Federal farm loan bonds.....	171,954,700			
Loans receivable:				
First mortgage loans.....	130,387,899	104,086,460	63,232,139	39,847,479
Second mortgage loans.....	238,494,002	204,828,879	98,529,037	55,356,332
Purchase money first mortgages.....	3,909,409	3,223,120	2,500,401	1,788,026
Purchase money second mortgages.....	1,869,261	1,605,576	1,175,451	851,351
Real estate sales contracts and notes receivable (net).....	12,829,431	10,216,835	7,046,957	4,353,157
Unmatured extensions of matured items on mortgage loans, purchase money mortgages, etc.....	3,671,163	1,413,370	243,683	124,783
Loans in foreclosure.....	2,729,253	1,076,358	607,800	525,400
Loans in suspense:				
Prior liens in foreclosure.....	172,192	76,993	49,374	38,000
Payments postponed by agreement.....	2,256,076	98,187	2,300	
Total.....	395,817,676	326,625,778	173,387,142	102,884,528
Less reserve.....	68,053,780	66,475,069	54,444,390	49,958,434
Net.....	327,763,896	260,150,709	118,942,752	62,926,094
Accounts and notes receivable:				
U. S. Treasury, interest reduction.....	1,364,205	3,754	375	
Federal land banks.....	655,764	461,864	608,500	353,550
Delinquent interest, matured extensions, tax and insurance advances, and miscellaneous items due:				
Mortgage loans.....	1,623,705	1,263,248	1,155,770	711,020
Purchase money mortgages, contracts, etc.....	34,610	24,798	28,890	23,459
Other.....	27,811	10,208	105,010	32,270
Total.....	3,605,995	1,763,872	1,808,245	1,120,299
Accrued interest receivable:				
On consolidated Federal farm loan bonds.....	1,714,363			
On mortgage loans receivable.....	5,300,382	6,044,306	2,769,471	1,626,462
Total.....	7,014,745	6,044,306	2,769,471	1,626,462
Acquired security or collateral:				
Real estate:				
Not subject to prior liens.....	3,378,171	1,057,694	270,085	156,275
Subject to prior liens.....	6,473,095	2,808,492	748,820	362,600
Less unmatured prior liens not assumed.....	2,928,220	1,219,231	361,320	170,065
Chattels owned.....	281			
Total.....	6,923,327	2,846,955	667,685	348,810
Less reserve.....	2,806,579	814,780	227,340	100,521
Net.....	4,416,748	1,832,175	440,245	248,289
Deferred charges.....	47,716			
Other assets.....	9,225	4,972	5,750	3,750
Total assets.....	560,440,808	279,148,579	120,520,107	91,270,096
LIABILITIES				
Accounts payable:				
Federal land banks.....	635,297	684,648	296,727	178,527
Matured items on prior liens not assumed.....	653,491	268,632	79,038	25,100
Other.....	29,214	6,254	1,675	1,550
Total.....	1,318,002	958,534	377,440	206,177
Matured interest on bonds.....	1,042,649	407,438	196,380	
Trust and deposit liabilities:				
Deferred proceeds of loans.....	838,599	2,203,852	1,221,400	4,400
Conditional payments.....	4,817,957	4,416,363	1,997,772	1,160,880
Other.....	320,551	258,845	151,650	54,150
Total.....	6,977,107	6,879,060	3,370,822	1,219,430

EXHIBIT C—Continued
COMPARATIVE STATEMENT OF FINANCIAL CONDITION—Continued

	1944, actual	1945, actual	1946, estimated	1947, estimated
LIABILITIES—Continued				
Bonds payable:				
Unmatured principal.....	\$365,000,000	\$108,000,000	-----	-----
Matured principal.....	42,913,400	7,829,700	\$3,000,000	-----
Total.....	407,913,400	115,829,700	3,000,000	-----
Undistributed credits:				
Unapplied cash receipts.....	306	1,423	1,000	\$1,000
Extra or special payments (unendorsed).....	48,291	69,540	82,800	61,650
Payments on unmatured indebtedness.....	362,592	297,073	251,265	169,950
Total.....	411,189	368,036	335,065	232,600
Other liabilities.....	1,806	1,383	470	470
Total liabilities.....	416,664,153	124,444,151	7,280,177	1,657,677
CAPITAL				
Paid-in capital: Capital stock, U. S. Government.....	100,000,000	100,000,000	50,000,000	10,000,000
Earned surplus: Unreserved surplus.....	43,776,655	54,704,428	72,239,930	79,612,419
Total capital.....	143,776,655	154,704,428	122,239,930	89,612,419
Total liabilities and capital.....	560,440,808	279,148,579	129,520,107	91,270,096

SCHEDULE A-1
CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash:			
With U. S. Treasury.....	\$35,240,670	\$4,772,185	\$29,891,558
On hand.....	*130,000	*69,000	-----
Accounts and notes receivable:			
U. S. Treasury, interest reduction.....	*1,360,451	*3,379	*375
Federal land banks.....	*93,900	146,636	*254,950
Delinquent interest, matured extensions, tax and insurance advances, and miscellaneous items due:			
Mortgage loans.....	*360,457	*107,478	*444,750
Purchase money mortgages, contracts, etc.....	*9,712	3,792	*5,131
Other.....	*17,535	94,802	*72,740
Accrued interest receivable:			
On Federal farm loan bonds.....	*1,714,383	-----	-----
On mortgage loans receivable.....	*256,076	*2,274,835	*1,143,009
Deferred charges.....	47,716	*47,716	-----
Current liabilities (increase* or decrease):			
Accounts payable:			
Federal land banks.....	*49,351	387,921	118,200
Matured items on prior liens not assumed.....	384,859	189,594	53,993
Other.....	23,960	3,579	125
Matured interest on bonds.....	635,211	211,058	196,380
Trust and deposit liabilities:			
Deferred proceeds of loans.....	*1,365,253	982,452	1,217,000
Conditional payments.....	401,594	2,418,591	836,892
Other.....	61,708	107,195	97,500
Undistributed credits:			
Unapplied cash receipts.....	*1,117	423	-----
Extra or special payments (unendorsed).....	*21,249	*13,260	21,150
Payments on unmatured indebtedness.....	65,519	45,808	81,315
Increase in working capital.....	-----	-----	30,583,103
Decrease in working capital.....	38,999,569	2,696,002	-----

*Deduct.

SCHEDULE B-1
ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Payments for services received:			
General (miscellaneous).....	\$13,899	\$25,000	\$25,000
Farm Credit Administration.....	538,527	572,176	522,291
Federal land banks.....	6,394,700	5,830,784	3,439,869
Federal Reserve banks.....	30,846	5,000	5,000
Treasury of the United States.....	45,657	17,040	7,840
Bureau of Agricultural Economics.....	52,444		
Total administrative expense.....	7,076,073	6,450,000	4,000,000
Payable from funds of the Corporation.....	-8,200,000	-6,450,000	-4,000,000
Excess of authorization over expenses.....	+1,123,927		
Total estimate or appropriation.....			

¹ Does not provide for General Accounting Office audit assessment for which no estimate is available.

SCHEDULE C-1
POSITION OF CORPORATION WITH RESPECT TO BORROWING AUTHORITY

[As of June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Outstanding bonds payable at beginning of year.....	\$407,913,400	\$115,829,700	\$3,000,000
Bonds issued during the year.....	108,000,000	222,300,000	
Total.....	515,913,400	338,129,700	3,000,000
Less retirement of outstanding bonds.....	400,083,700	335,129,700	3,000,000
Required borrowing authority.....	115,829,700	3,000,000	
Authorized borrowing authority.....	2,000,000,000	2,000,000,000	1,000,000,000
Additional borrowing authority required.....			

¹ Legislation will be proposed to the Congress to reduce the authorized borrowing authority (12 U. S. C. 1020c) to 1 billion dollars.

SCHEDULE C-2
STATUS OF LOANS RECEIVABLE

[As of June 30, 1944, and 1945]

	June 30, 1944		June 30, 1945	
	Number	Amount	Number	Amount
First mortgage loans:				
Current.....	113,565	\$119,156,670	94,885	\$96,315,345
Delinquent:				
Unmatured principal.....	7,931	10,596,595	5,791	7,317,146
Matured principal.....		634,634		453,969
Total first mortgage loans.....	121,496	180,387,899	100,676	104,086,460
Second mortgage loans:				
Current.....	160,119	217,657,119	141,798	188,998,305
Delinquent:				
Unmatured principal.....	12,924	19,250,923	10,323	14,584,971
Matured principal.....		1,584,969		1,245,603
Total second mortgage loans.....	173,043	238,493,002	152,121	204,828,879
Purchase money first mortgages:				
Current.....	3,024	3,719,905	2,525	3,053,317
Delinquent:				
Unmatured principal.....	122	179,697	105	161,314
Matured principal.....		9,807		8,489
Total purchase money first mortgages.....	3,146	3,909,409	2,630	3,223,120
Purchase money second mortgages:				
Current.....	1,105	1,725,600	994	1,478,029
Delinquent:				
Unmatured principal.....	85	129,427	70	120,236
Matured principal.....		14,234		7,311
Total purchase money second mortgages.....	1,190	1,809,261	1,064	1,605,576
Real estate sales contracts and notes receivable:				
Current.....	6,992	11,378,080	5,899	9,405,050
Delinquent:				
Unmatured principal.....	546	894,767	469	753,309
Matured principal.....		56,584		58,476
Total real estate sales contracts and notes receivable.....	7,538	12,329,431	6,368	10,216,835
Total loans receivable.....	306,413	386,989,002	262,859	323,969,870

SCHEDULE C-3
EXCESS CAPITAL STOCK

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Investment in Federal Farm Mortgage Corporation, payment on subscriptions to capital stock:			
Retirements.....		-\$50,000,000	-\$40,000,000
Prior year balance available in 1945.....	-\$100,000,000		
1945 balance available in 1946.....	+100,000,000	-100,000,000	
1946 balance available in 1947.....		+150,000,000	-150,000,000
Unobligated balance.....			+100,000,000
Total estimate or appropriation.....			

FEDERAL INTERMEDIATE CREDIT BANKS

CREATION AND PURPOSE

The 12 Federal intermediate credit banks were organized pursuant to the Agricultural Credits Act of 1923 (title II of the Federal Farm Loan Act; 12 U. S. C. 1021-1022). The term of existence of the banks is unlimited.

The intermediate credit banks serve as banks of discount to provide a permanent source of credit for local lending institutions to supply agriculture with the types of credit needed at reasonable rates of interest and with maturities adapted to the normal liquidating seasons of the industry. The banks do not make loans directly to individuals or accept deposits of funds otherwise than as collateral security.

The banks are supervised by the intermediate credit commissioner, who is responsible to the Governor of the Farm Credit Administration. These officials are appointed by the President, by and with the consent of the Senate (12 U. S. C. 638; E. O. 6084, Mar. 27, 1933). The Farm Credit Administration operates under the general supervision of the Secretary of Agriculture (reorganization plan No. 1, pt. 4, sec. 401, Apr. 25, 1939).

Each intermediate credit bank operates under the direction of a District Farm Credit Board of seven members, who are ex officio the directors of the Federal intermediate credit bank, Federal land bank, district bank for cooperatives, and production credit corporation serving the district (12 U. S. C. 640b and 640d). Each unit has a separate staff of executive officers and employees, but a general agent and his staff, employed by the district board, serve as joint officers and employees of all four institutions, to coordinate their activities and furnish such services as legal, information, statistical, personnel administration, etc. (12 U. S. C. 640r (a)).

FINANCIAL ORGANIZATION

To provide the system with financial stability which would enable the banks to finance their lending operations through the issuance and sale of debentures in the investment markets, the act fixed the capital at \$5,000,000 for each bank, a total of \$60,000,000 for the system (12 U. S. C. 1061). This capital was paid in by the Secretary of the Treasury from time to time, as called by the boards of directors of the banks with the approval of the Federal Farm Loan Board (later the Farm Credit Administration). Final payment of the \$60,000,000 originally authorized was made in June 1933. Additional capital for the system was provided by the Federal Farm Mortgage Corporation Act of January 31, 1934 (Public 86, 73d Cong., approved Jan. 31, 1934, sec. 15a). The act created a revolving fund of \$40,000,000 and authorized the Governor of the Farm Credit Administration, with the approval of the Secretary of the Treasury, to expend such amounts as he deemed necessary for subscriptions to the capital stock and/or paid-in surplus of the Federal intermediate credit banks (12 U. S. C. 1131i, 1061c). This fund was used in 1934 to pay in \$10,000,000 of additional capital and \$30,000,000 of paid-in surplus. These funds were returned to the United States Treasury in 1940, pursuant to the President's budgetary program for the fiscal year

1941, and are held in a revolving fund available for further subscriptions of capital and surplus in the event need therefor should arise.

As will be noted from the statement of financial condition (exhibit C), the intermediate credit banks at June 30, 1945, had paid-in capital and unimpaired surpluses aggregating \$91,197,300.

The banks are also authorized to issue debentures and other similar obligations. The amount which any bank may have outstanding may not exceed 10 times the surplus and paid-in capital of such bank (12 U. S. C. 1041).

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

Lending program.—The Federal intermediate credit banks are authorized and empowered, subject solely to such restrictions, limitations, and conditions as may be imposed by the Farm Credit Administration not inconsistent with the law (12 U. S. C. 1031 et. seq.), to engage in three types of lending activities, namely: (a) purchasing and discounting agricultural paper for agricultural or livestock credit corporations and similar institutions, organized under State laws, as well as for State and national banking institutions; making loans to such institutions secured by such paper; and making loans to and discounting paper for production credit associations; (b) making loans to cooperative associations of agricultural producers and livestock growers, secured by staple agricultural products or livestock, or by other collateral approved by the Governor; and (c) discounting paper for and making loans to the banks for cooperatives organized under the Farm Credit Act of 1933.

During the year ended June 30, 1945, the banks made loans and discounted paper amounting to \$873,643,868 and received repayments of \$878,867,125. For 1946, lending activities are estimated at \$878,174,754, with repayments of \$864,912,813, and for 1947 at \$939,605,116, with repayments of \$905,448,452.

In estimating the prospective volume of business for the fiscal year 1947 it has been assumed that there will be no sudden drastic change in the general level of agricultural and livestock production as compared with recent years. Further, it is assumed there will be an active market at reasonable price levels for agricultural products generally although the total income from such products may be less than during the preceding 2 years. Some increased demand for credit is anticipated due to continued high production costs, the need for new farming equipment, and repairs and improvement to farm property. In some areas the volume of credit also will be affected by shifts from crops which have been a primary source of cash income for many years to other types of agriculture.

Being banks of discount, the Federal intermediate credit banks do not initiate lending programs or promote and develop a demand for their services. It is their function expressly authorized and clearly defined in the act to finance eligible and acceptable paper in whatever volume may be offered by institutions qualified to receive credit from the banks. Their volume of business thus is governed by the demand for credit, which is affected by general economic conditions, prices of agricultural com-

modities, crop and livestock yields, and other variable factors, rather than by administrative action.

Financing program.—The banks finance their lending activities principally through the issuance and sale to the investing public of consolidated collateral trust debentures and by borrowing money (12 U. S. C. 1041 et seq.), rather than through the use of appropriated funds. Loans from commercial banks ordinarily are utilized only when unexpected demands arise between regular monthly debenture issue dates. The United States Government assumes no liability for the debentures or other obligations of the Federal intermediate credit banks, and that fact is required to be set forth on the face of their debentures (12 U. S. C. 1043). The banks consult the Secretary of the Treasury concerning each sale of debentures before offering them to the public.

During the fiscal year 1945, the banks issued debentures and borrowed money aggregating \$406,010,000 and retired obligations of \$418,075,000. For 1946, it is estimated that debentures and other borrowings will amount to \$495,235,000 and that \$469,727,000 will be retired. For 1947, borrowings are estimated at \$634,965,000, with repayments of \$602,112,000.

The estimated increase in debenture financing reflects not only the estimated increase in lending activity but also some shortening of average debenture maturities. The estimates are based upon the assumption that average maturities will be 6 months. Shortening the maturities to less than 6 months would increase the amount to be sold and retired, while longer maturities would require the issuance and retirement of a lesser aggregate amount.

OPERATING RESULTS

The net income of the intermediate credit banks for the year ended June 30, 1945, was \$1,673,187, after all expenses, adjustments of valuation reserves, net charge-offs, or recoveries, etc., and it is estimated on the basis of prospective volume of business, rate of income, and cost of money that their net income will be \$1,393,666 for 1946 and \$1,230,009 for 1947. These estimates are subject to material variation, due to conditions and developments beyond the control of the banks.

Operating income.—Operating income is derived principally from interest or discount on loans and discounts, and interest on investments. Gross income from loans and discounts amounted to \$4,525,075 in 1945, and it is estimated at \$4,620,972 and \$4,918,635 for 1946 and 1947, respectively. The rate of interest charged on regular loans and discounts is $1\frac{1}{2}$ percent per annum (2 percent in Puerto Rico), except on loans secured by Commodity Credit Corporation loan documents, on which the banks charge a rate of interest equal to their average cost of outstanding debentures, plus a margin of $\frac{1}{8}$ percent per annum. The lending rate may not, except with the approval of the Governor, exceed by more than 1 percent the rate of interest on the last issue of debentures.

Interest earned on investments also is subject to fluctuation, being determined by the average amount of securities owned and the rate of interest borne by the securities. Such income amounted to \$859,411 in 1945 and is estimated at \$977,113 and \$1,039,019 for 1946 and 1947, respectively.

Nonoperating income.—Nonoperating income for the fiscal year 1945 included \$712,891 of profits on securities sold, less \$142,906 of premium written off on securities purchased during the year. For 1946, profits of \$436,132 and write-offs of premium amounting to \$185,459 occurred

during the 6 months ended December 31, 1945. No additional profits or premium write-offs are estimated for the remainder of 1946 or for the year 1947, since it is impossible to determine at this time whether any security transactions will occur during the 18-month period or at what prices securities may be sold or purchased. The Secretary of the Treasury, or his designated representative, is consulted prior to each purchase or sale of securities amounting to \$100,000 or more.

Operating expenses.—Operating expenses consist principally of interest and other costs on outstanding debentures and other borrowed money, and administrative expenses, all of which are paid out of income. In addition to their direct expenses, the banks are assessed for the cost of supervision and examination by the Farm Credit Administration.

The credit banks also pay the banks for cooperatives for servicing commodity loans discounted for them, calculated at 66 $\frac{2}{3}$ percent of the difference between the average cost of outstanding debentures and the discount rate charged.

Interest and other costs on debentures, together with interest paid on other borrowed money, amounted to \$2,764,824 in 1945, and are estimated at \$2,766,917 and \$2,955,386 for 1946 and 1947, respectively, reflecting estimated increase in amounts of debentures outstanding at prevailing interest rates. Administrative expenses, which amounted to \$1,506,308 for 1945, are estimated at \$1,647,436 and \$1,688,501 for 1946 and 1947, respectively.

Franchise taxes.—Each bank, at the end of its fiscal year, is required to pay to the United States a franchise tax equal to 25 percent of the amount of its net earnings for the year after providing for all costs of operation, absorbing any losses in excess of reserves therefor, eliminating any impairment of paid-in capital or paid-in surplus, and providing reserves against unforeseen losses and assets of doubtful value in such amount as its board of directors has prescribed (12 U. S. C. 1072). Since their organization in 1923, the Federal intermediate credit banks have paid to the United States Treasury franchise taxes aggregating \$6,670,537, of which \$305,797 was paid in July 1945, and represented the franchise tax on earnings for the fiscal year ended June 30, 1945. It is estimated that franchise taxes will amount to \$268,685 and \$236,245 for 1946 and 1947, respectively.

Net earnings remaining after payment of franchise taxes are required to be paid into the surplus accounts of the banks. For the year ended June 30, 1945, \$917,390 was added to earned surplus, and such credits are estimated at \$809,981 and \$708,764 for 1946 and 1947, respectively.

FINANCIAL CONDITION

Loans and discounts.—Loans and discounts outstanding on June 30, 1945, aggregated \$315,840,536, net (after deducting full valuation reserves against purchase money mortgages and real estate sales contracts amounting to \$37,884). Of this amount \$11,384,358 was secured by notes under Commodity Credit Corporation loan programs and documents evidencing purchases of commodities by that corporation. Delinquent loans and discounts amounted to \$4,273,469, of which less than \$20,000 was past due 3 months or more. All paper carried by the intermediate credit banks (except direct loans to cooperative associations, which are secured by approved collateral) is required to be endorsed by the bank or corporation for which it is discounted. No loss to the intermediate credit banks on any presently outstanding loans and discounts is in prospect. It is estimated that

outstanding paper will amount to \$329,092,777 and \$363,250,691 on June 30, 1946 and 1947, respectively.

Investments.—Investments in public debt obligations of the United States amounted to \$36,511,000 (par value) on June 30, 1945. These holdings were increased to \$43,150,800 as of December 31, 1945. No change in the amount of securities held by the banks is contemplated for the year 1947. Purchases of approximately \$20,000,000 and sales of a like amount may be made during the year, to rearrange the portfolios of the several banks in line with the policy of liquidating holdings as they approach call dates and reinvesting the proceeds, and to employ temporary accumulations of surplus cash. All investment securities are carried by the banks at par, or at amortized cost in the case of purchases below par, and any premium paid is written off at the time of purchase.

Investments in obligations of the United States provide the banks with a diversification of assets, an important factor in enabling the banks to obtain loan funds through the investment markets at reasonable cost for the benefit of agriculture. They also provide the banks with liquid assets, which can be utilized in emergencies to provide funds to finance lending operations or to meet maturing debentures. In addition, investment securities constitute a source of income which aids the banks materially in building up reserves.

Liabilities.—The principal liabilities of the banks consist of their outstanding debentures and notes payable, and interest accrued thereon but not yet due. At June 30, 1945, the banks had outstanding debentures and notes payable aggregating \$272,975,000, and estimated the amount outstanding would be \$298,483,000 and \$331,336,000 at the end of 1946 and 1947, respectively. Interest accrued but unpaid amounted to \$944,022 on June 30, 1945, and was estimated at \$973,746 and \$1,006,793 at June 30, 1946 and 1947, respectively.

Return of capital funds to the Treasury.—No return of Government capital (12 U. S. C. 1061) is provided for in 1947. To reduce the existing capital of \$60,000,000 would weaken the system and impair the ability of the banks to meet the credit needs of farmers and stockmen, who are expected to require increasing amounts of credit during the next few years. The capital structure of the intermediate credit banks is considered adequate to enable the banks to carry out their authorized functions and to finance the volume of business expected to be offered to them through June 30, 1947, and it is not expected that they will call upon the Treasury for any portion of the \$40,000,000 held in the revolving fund, unless unforeseeable demands for credit or other problems should make such action necessary to enable the banks to serve agriculture.

Borrowing authority.—The aggregate amount of debentures and other similar obligations which any Federal

intermediate credit bank may have outstanding may not exceed 10 times the surplus and paid-in capital of such bank (12 U. S. C. 1041). Since the banks, on June 30, 1945, had paid-in capital and unimpaired surplus reserves aggregating \$91,197,300, they had a legal borrowing capacity of \$911,973,000. Any increase in net worth since that date increases the legal borrowing power of the banks. Accordingly, no additional borrowing authority is needed. Although authority is provided to incur obligations in the ratio of 10 to 1 against capital and surplus, the banks have no assurance that the investment markets would absorb their debentures in an amount approaching their legal borrowing capacity. Should the banks find it necessary to borrow materially in excess of a 4-to-1 ratio, some buyer resistance might be expected and it would be likely that interest costs would advance.

ADMINISTRATIVE EXPENSES

Administrative expenses, which are paid out of income and not from appropriated funds, amount to \$1,549,337 for the fiscal year ended June 30, 1945, and are estimated at \$1,662,039 and \$1,688,501 for 1946 and 1947, respectively. The estimated increases in cost for the fiscal year 1947 over 1946 reflect principally increases in personal services attributable largely to the estimated increased manpower needs of the banks. Whereas they expended 299 man-years in their operations for the fiscal year ended June 30, 1945, their requirements are estimated at 302 man-years for 1946 and slightly over 310 man-years for 1947. Additional personnel is made necessary, in part, by the shortening of the workweek from 48 hours to 40 hours. In addition, much of the field work formerly carried on by the banks in order to keep in touch with and properly service their outstanding loans and discounts was deferred during the war emergency, in part because of the lack of sufficient manpower and, in part, because of travel restrictions. The favorable crop and livestock yields throughout most of the United States and the ready marketability of farm products at good prices operated to reduce materially the credit risks which otherwise would have been involved and which would have necessitated closer supervision. A gradual strengthening of the credit work in the banks will be necessary to guard against undue credit risks in the event less favorable conditions should develop, in order that the banks may be able to continue rendering effective credit service to agriculture under all conditions.

The estimate of \$1,688,501 for the fiscal year 1947 does not provide for the cost of General Accounting Office audits, pursuant to Public Law 248 (79th Cong.), since bases for making such an estimate are not available.

LANGUAGE

The types of programs set forth in the 1947 budget of the Federal Intermediate Credit Banks (12 U. S. C. 1021), within the funds available to them, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans and discounts:			
Crop, livestock, and commodity loans and discounts:			
Banks for cooperatives ¹	\$97,292,171	\$103,285,103	\$117,061,440
Production credit associations and other agricultural credit corporations ¹	714,706,896	739,634,617	775,924,440
Cooperative associations.....	2,737,092	4,589,586	4,480,000
Loans secured by Commodity Credit Corporation documents.....	58,907,719	30,605,448	42,139,236
	\$873,643,868	\$878,174,754	\$939,605,116
To repayments of borrowings:			
To Federal land banks.....	4,750,000	1,000,000	-----
To the public.....	413,325,000	468,727,000	602,112,000
	418,075,000	469,727,000	602,112,000
To operating expenses:			
Interest and other costs on debentures.....	2,760,587	2,760,473	2,950,736
Other interest expense.....	4,237	6,444	4,650
Compensation for services of banks for cooperatives.....	81,011	89,965	101,048
Administrative expenses (see schedule B-1).....	1,549,337	1,662,039	1,688,501
Expense credits and prior year adjustments.....	*43,029	*14,603	-----
	4,352,143	4,504,318	4,744,935
To investment in U. S. Government securities.....	30,186,305	27,572,418	20,000,000
To premium written off on securities purchased.....	142,906	185,459	-----
	30,329,211	27,757,877	20,000,000
To franchise tax payable.....	305,797	268,655	236,245
To net increase in land, structures, and equipment.....	-----	1,274	5,411
Less net increase in reserve included in administrative expense.....	-----	1,274	5,411
To net decrease in other liabilities.....	-----	167,767	-----
To increase (or decrease*) working capital (see schedule A-1).....	*5,780,467	6,547,321	*310,503
Total funds applied.....	1,320,925,552	1,387,147,722	1,560,381,793
FUNDS PROVIDED			
By repayments of principal of loans and discounts:			
Crop, livestock, and commodity loans and discounts:			
Banks for cooperatives ¹	100,806,480	99,111,962	114,079,372
Production credit associations and other agricultural credit corporations ¹	719,995,153	725,183,925	745,762,493
Cooperative associations.....	2,293,027	4,511,508	4,124,400
Loans secured by Commodity Credit Corporation documents.....	55,745,531	36,104,165	41,480,969
Purchase money mortgages and real estate sales contracts (net).....	26,934	1,250	1,250
	878,567,125	864,912,813	905,448,452
By borrowings:			
From Federal land banks.....	5,750,000	-----	-----
From the public.....	400,200,000	495,235,000	634,965,000
	406,010,000	495,235,000	634,965,000
By operating income:			
Interest on loans and discounts.....	4,525,075	4,620,972	4,918,635
Interest on investments.....	859,411	977,113	1,039,019
Other interest income.....	5,724	22,913	4,542
	5,390,210	5,620,998	5,962,196
By nonoperating income:			
Discount on securities purchased (amortized).....	5,833	1,089	-----
Other income.....	8,666	7,886	5,800
Recoveries on assets charged off.....	10,067	498	300
	24,596	9,473	6,100
By sale of investments in U. S. Government securities:			
Book value of securities sold.....	29,675,305	20,932,618	20,000,000
Gain on securities sold.....	712,891	436,132	-----
	30,388,196	21,368,750	20,000,000
By net decrease in land, structures, and equipment.....	19,968	-----	-----
Less net decrease in reserve included in administrative expenses.....	12,128	-----	-----
	7,870	-----	-----
By net decrease in other assets.....	5,933	688	-----
By net increase in other liabilities.....	231,622	-----	45
Total funds provided.....	1,320,925,552	1,387,147,722	1,466,381,793

*Deduct.

¹ Exclusive of activity in connection with loans secured by documents under Commodity Credit Corporation loan and commodity purchase programs.

EXHIBIT B
COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on loans and discounts.....	\$4,525,075	\$4,620,972	\$4,918,635
Interest on investments.....	859,411	977,113	1,030,019
Other interest income.....	5,724	22,913	4,542
Total operating income.....	\$5,390,210	\$5,620,998	\$5,962,196
Operating expenses:			
Interest and other costs on debentures.....	2,760,587	2,760,473	2,950,736
Other interest expense.....	4,237	6,444	4,650
Compensation for services of banks for cooperatives.....	81,011	89,955	101,048
Administrative expenses (see schedule B-1).....	1,549,337	1,662,039	1,688,501
Expense credits and prior year adjustments.....	*43,029	*14,603	-----
Total operating expenses.....	4,352,143	4,504,318	4,744,935
Net operating income.....	1,038,067	1,116,680	1,217,261
Nonoperating income and expenses*:			
Recoveries on assets charged off.....	10,067	498	300
Gain on securities sold.....	712,891	436,132	-----
Discount on securities purchased (amortized).....	5,833	1,089	-----
Premium written off on securities purchased.....	*142,906	*185,459	-----
Other income.....	8,696	7,886	5,800
Net nonoperating income.....	594,581	260,146	6,100
Net income before adjustment of valuation reserves.....	1,632,648	1,376,826	1,223,361
Adjustment of valuation reserves.....	40,539	16,840	6,648
Net income for year.....	1,673,187	1,393,666	1,230,009

ANALYSIS OF UNRESERVED SURPLUS

Balance at beginning of fiscal year.....	\$21,504,874	\$22,422,264	\$23,232,245
Net income for the year (above).....	\$1,673,187	\$1,393,666	\$1,230,009
Adjustments for the year:			
Franchise tax.....	*305,797	*268,685	*236,245
Reserve for contingencies.....	*450,000	*315,000	*285,000
Net change for the year.....	917,390	809,981	708,764
Balance at end of fiscal year.....	22,422,264	23,232,245	23,941,009

*Deduct.

EXHIBIT C

COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash:				
With U. S. Treasury.....	\$1,758,759	\$25,582	\$1,275,000	\$250,000
On hand and in banks.....	15,282,000	11,206,401	16,364,347	16,992,634
Trust funds in banks.....	347,440	236,403	205,677	205,077
Total.....	17,388,199	11,468,386	17,844,424	17,447,711
Investments: U. S. Government securities.....	36,000,000	36,511,000	43,150,800	43,150,800
Loans and discounts:				
Crop, livestock, and commodity loans and discounts:				
Banks for cooperatives ¹	16,889,252	13,374,943	17,548,084	20,650,152
Production credit associations and other agricultural credit corporations ¹	295,514,487	290,226,220	304,676,912	334,838,891
Cooperative associations.....	400,000	844,065	922,143	1,277,743
Loans secured by Commodity Credit Corporation documents.....	8,222,170	11,384,358	5,945,638	6,603,905
Purchase money mortgages and real estate sales contracts.....	37,884	10,950	9,700	8,450
Total.....	321,063,793	315,840,136	329,102,477	363,250,141
Less reserve on purchase money mortgages and real estate sales contracts.....	37,884	10,950	9,700	8,450
Net.....	321,025,909	315,829,186	329,092,777	363,250,691
Accounts and notes receivable.....	114,870	224,310	245,677	238,279
Less reserve on notes receivable.....	26,758	21,456	5,804	406
Net.....	88,112	202,854	239,873	237,873
Accrued interest receivable:				
On U. S. Government securities.....	166,107	194,286	146,893	147,114
On loans and discounts:				
Banks for cooperatives.....	66,172	101,321	107,136	112,369
Other.....	1,780,595	1,692,104	1,846,794	1,926,850
Other accrued interest.....	186	1,020	574	807
Total.....	2,013,060	1,988,731	2,101,397	2,187,140
Land, structures, and equipment.....	421,022	401,024	402,298	407,739
Less reserve.....	421,022	401,024	402,298	407,739
Net.....				
Acquired security or collateral:				
Real estate.....	642	642	642	642
Less reserve.....	642	642	642	642
Net.....				
Deferred charges.....	211,171	198,979	219,195	223,651
Other assets:				
Imprest funds.....	57,421	51,921	51,171	51,171
Miscellaneous assets.....	497	64	126	126
Total.....	57,918	51,985	51,297	51,297
Less reserve on miscellaneous assets.....	497	64	126	126
Net.....	57,421	51,921	51,171	51,171
Total assets.....	376,783,872	366,251,457	392,699,637	426,549,037
LIABILITIES				
Accounts payable:				
U. S. Treasury, franchise tax.....	231,011	305,797	268,685	236,245
Other.....	8,284	127,153	124,754	124,854
Total.....	239,295	432,950	393,439	361,099
Accrued liabilities:				
Accrued interest on debentures and notes payable:				
Debentures.....	1,073,088	941,767	973,529	1,006,523
Notes payable.....		2,256	217	270
Accrued compensation for services, banks for cooperatives.....	15,036	11,687	13,783	14,670
Accrued salaries.....			30,521	24,431
Total.....	1,088,124	955,709	1,018,050	1,045,894

¹ Exclusive of loans secured by documents under Commodity Credit Corporation loan and commodity purchase programs.

EXHIBIT C—Continued
COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION—Continued
 [As of June 30, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
LIABILITIES—Continued				
Trust and deposit liabilities:				
U. S. Treasury, Federal taxes withheld.....	\$5, 415	\$4, 344	\$4, 772	\$4, 772
Production credit associations.....	19, 281	42, 134	22, 643	22, 643
Liability for cash collateral.....	347, 440	236, 403	205, 077	205, 077
Other trust accounts.....	6, 766	8, 031	7, 968	7, 968
Total.....	378, 902	290, 912	240, 460	240, 460
Debentures and notes payable:				
Unmatured debentures outstanding.....	285, 040, 000	265, 475, 000	297, 733, 000	330, 336, 000
Notes payable.....		7, 500, 000	750, 000	1, 000, 000
Total.....	285, 040, 000	272, 975, 000	298, 483, 000	331, 336, 000
Deferred credits.....				
Undistributed credits.....	55, 048	46, 022	52, 561	54, 648
Other liabilities.....	41, 802	10, 551	15, 200	20, 200
Total liabilities.....	110, 827	342, 449	174, 682	174, 727
Total liabilities.....	286, 953, 998	275, 054, 193	300, 377, 392	333, 233, 028
CAPITAL				
Paid-in capital: Capital stock, U. S. Government.....				
	60, 000, 000	60, 000, 000	60, 000, 000	60, 000, 000
Earned surplus:				
Reserve for contingencies.....	8, 325, 000	8, 775, 000	9, 090, 000	9, 375, 000
Unreserved surplus.....	21, 504, 874	22, 422, 264	23, 232, 245	23, 941, 009
Total.....	29, 829, 874	31, 197, 264	32, 322, 245	33, 316, 009
Total capital.....	89, 829, 874	91, 197, 264	92, 322, 245	93, 316, 009
Total liabilities and capital.....	376, 783, 872	366, 251, 457	392, 699, 637	426, 549, 037

SCHEDULE A-1
CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (Increase or decrease)*:			
Cash:			
With U. S. Treasury.....	*\$1, 733, 177	\$1, 249, 418	*\$1, 025, 000
On hand and in banks.....	*4, 076, 599	5, 167, 946	628, 287
Trust funds in banks.....	*111, 037	*31, 326	-----
Accounts and notes receivable.....	109, 440	21, 367	*7, 398
Accrued interest receivable:			
On U. S. Government securities.....	28, 179	*47, 363	221
On loans and discounts:			
Banks for cooperatives.....	36, 149	5, 816	5, 233
Other.....	*88, 491	164, 690	80, 056
Other accrued interest.....	834	*446	233
Deferred charges.....	*12, 192	20, 216	4, 456
Current liabilities (Increase* or decrease):			
Accounts payable:			
U. S. Treasury, franchise tax.....	*74, 786	37, 112	32, 440
Other.....	*118, 869	2, 369	*100
Accrued liabilities:			
Accrued interest on debentures and notes payable:			
Debentures.....	131, 321	*31, 762	*32, 994
Notes payable.....	*2, 255	2, 038	*53
Accrued compensation for services, banks for cooperatives.....	3, 349	*2, 006	*887
Accrued salaries.....		*30, 521	6, 090
Trust and deposit liabilities:			
U. S. Treasury, Federal taxes withheld.....	1, 071	*428	-----
Production credit associations.....	*22, 863	19, 461	-----
Liability for cash collateral.....	111, 037	31, 326	-----
Other trust accounts.....	*1, 265	63	-----
Deferred credits.....	8, 426	*5, 939	*2, 087
Undistributed credits.....	31, 251	*4, 649	*8, 000
Increase in working capital.....		6, 647, 321	-----
Decrease in working capital.....	5, 780, 467	-----	316, 503

*Deduct.

SCHEDULE B-1

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945,	1946,	1947,
	actual	estimated	estimated
	Man-years Amount	Man-years Amount	Man-years Amount
Salaries and wages:			
Directors' compensation.....	\$15,690	\$17,343	\$17,425
Officers:			
President.....	12 118,500	12 128,622	12 125,275
Executive vice president.....	1 9,000	1 9,800	1 9,800
Vice president.....	3 8 30,162	4 4 31,793	4 4 32,305
Vice president and secretary.....	5 5 37,982	5 5 39,353	5 5 39,288
Vice president and treasurer.....	5 6 39,892	5 7 43,124	6 45,528
Treasurer.....	3 6 39,387	5 29,737	5 30,100
Secretary and treasurer.....	1 9 9,700	1 6,230	1 6,440
Secretary.....	5 6 25,730	5 8 35,316	6 37,707
Employees:			
Administrative and general.....	73 9 139,137	72 5 155,629	74 7 165,139
Credit analysis.....	81 231,699	81 1 272,347	85 2 290,334
Accounting and fiscal.....	104 9 192,703	107 6 233,410	111 1 248,613
Overtime compensation.....	135,186	18,371	
Total.....	298 8	302	311 4
Travel.....	1,004,758	1,029,477	1,047,959
Rents and utility services.....	27,406	34,392	35,628
Communication services.....	85,623	104,780	106,401
Printing, binding, and office supplies.....	10,401	12,761	12,820
Equipment expense.....	15,262	19,425	20,873
General agent's expense.....	3,063	17,091	28,045
Insurance and fidelity bond premiums.....	120,200	126,504	127,321
Miscellaneous.....	8,697	8,215	6,102
	16,967	21,117	20,735
Subtotal.....	1,302,437	1,374,662	1,405,859
Payments for services received:			
Farm Credit Administration:			
Farm Credit Administration, super-			
visory expense.....	210,000	244,977	245,712
Examination expense, bank.....	36,900	41,600	36,900
Examination expense, other.....		900	
Total administrative expenses ¹	1,549,337	1,662,039	1,688,501

¹ Does not provide for General Accounting Office audit assessment, for which no estimate is available.

SCHEDULE B-2

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
		Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, FIELD			
Unclassified:			
Rate over \$5,200:			
President.....	12 \$118,500	12 \$128,622	12 \$125,275
Executive vice president.....	1 9,000	1 9,800	1 9,800
Vice president.....	3 8 30,162	4 4 31,793	4 4 32,305
Vice president and secretary.....	4 5 31,482	5 39,353	5 39,288
Vice president and treasurer.....	5 6 39,892	5 7 43,124	6 45,528
Treasurer.....	3 6 39,387	5 29,737	5 30,100
Secretary.....	5 6 32,230	5 8 35,316	6 37,707
Secretary and treasurer.....	1 9 9,700	1 6,230	1 6,440
Assistant to the president.....	1 5,600	1 6,200	1 6,440
Assistant secretary and treasurer.....			1 5,230
Assistant secretary.....		0 5 2,695	1 5,960
Assistant treasurer.....		0 8 4,032	
Assistant secretary and assistant treasurer.....			
Attorney.....	0 8 4,361	0 8 4,977	0 8 5,143
Senior attorney.....		0 3 1,914	0 3 1,914
Assistant general counsel.....	0 3 1,584	0 3 1,814	0 3 1,814
Rate of \$5,200:			
Assistant secretary.....		0 7 2,968	2 9,490
Assistant secretary and assistant treasurer.....	0 5 2,400	3 14,854	3 14,748
Assistant treasurer.....		3 14,154	3 14,154
Attorney.....	0 3 1,524	0 7 3,210	0 7 3,210
Credit examiner.....		3 14,616	5 23,964
Vice president.....	0 1 480		
Rate of \$4,000:			
Accountant.....	2 8 8,400	3 8 16,392	3 12,636
Assistant secretary.....	2 8 8,450	2 8,688	2 8,688
Assistant secretary and assistant treasurer.....	3 12 840	1 4 442	
Assistant treasurer.....	4 16,064	0 8 3,620	1 4,344
Attorney.....	0 5 1,829		0 2 816
Credit examiner.....	4 17,040	10 4 81,734	20 83,639
Rate of \$4,000:			
Accountant.....	2 5 8,954	6 6 23,852	9 32,662
Assistant secretary.....	2 7 500		
Assistant secretary and assistant treasurer.....	1 3,570		
Assistant treasurer.....		0 2 647	
Attorney.....	1 3 4,589	1 8 6,334	1 7 6,916
Credit examiner.....	24 87,914	11 7 43,731	11 40,194
Rate of \$3,400.....	20 9 63,156	18 7 58,767	23 2 73,128
Rate of \$3,800.....	18 3 45,288	44 2 103,232	44 2 108,051
Rate of \$2,200.....	22 5 45,157	41 7 83,927	40 5 83,940
Rate of \$1,900.....	46 4 80,476	43 8 76,320	44 6 78,040
Rate of \$1,900.....	61 9 88,900	37 1 54,355	40 58,467
Rate of \$1,300.....	28 1 34,466	6 8 8,384	5 6,408
Rate of \$1,100.....	10 4 20,813	1 900	1 900
Total permanent, field.....	296 8	296 6	305 9
Temporary employment, field.....	2 851,318	654,063	1,020,834
Overtime pay, field.....	2 2,574	5 5 9,700	5 5 9,700
Director's compensation.....	135,186	18,371	
	15,690	17,343	17,425
Personal services (net) (schedule B-1).....	298 8	302	311 4
	1,004,758	1,029,477	1,047,959

SCHEDULE C-1
POSITION OF BANKS WITH RESPECT TO BORROWING AUTHORITY

[As of June 30, 1945, 1946, and 1947]

	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
Unmatured debentures:			
Outstanding at beginning of year.....	\$285,040,000	\$265,475,000	\$297,733,000
Issued during year.....	395,750,000	472,635,000	616,465,000
Total.....	680,790,000	738,110,000	914,198,000
Retired during year.....	415,315,000	440,377,000	583,862,000
Outstanding at end of year.....	265,475,000	297,733,000	330,336,000
Notes payable:			
Outstanding at beginning of year.....	-	7,500,000	750,000
Borrowings during year.....	10,260,000	22,600,000	18,500,000
Total.....	10,260,000	30,100,000	19,250,000
Repayments during year.....	2,760,000	29,350,000	18,250,000
Outstanding at end of year.....	7,500,000	750,000	1,000,000
Total outstanding debentures and notes payable.....	272,975,000	298,483,000	331,336,000
Memorandum:			
Maximum balance of obligations outstanding during year:			
Unmatured debentures.....	316,795,000	312,203,000	345,241,000
Notes payable.....	3,500,000	1,750,000	2,000,000
Total obligations.....	320,295,000	313,953,000	347,241,000
Borrowing authority.....	911,973,000	923,222,000	933,160,000
Additional borrowing authority required.....			

SCHEDULE C-2
STATUS OF LOANS AND DISCOUNTS

[As of June 30, 1944, and 1945]

	June 30, 1944		June 30, 1945	
	Number ¹	Amount	Number ¹	Amount
Crop, livestock, and commodity loans and discounts:				
Banks for cooperatives: ²				
Current.....		\$16,889,252		\$13,299,943
Delinquent: Less than 3 months.....				75,000
Total banks for cooperatives.....	65	16,889,252	35	13,374,943
Production credit associations and other agricultural credit corporations: ²				
Current.....		292,409,194		286,029,716
Delinquent:				
Less than 3 months.....		3,090,213		4,176,517
3 months and over.....		15,080		19,987
Total agricultural credit corporations.....	180,236	295,514,487	172,335	290,226,220
Cooperative associations:				
Current.....		400,000		842,100
Delinquent: Less than 3 months.....				1,965
Total cooperative associations.....	1	400,000	1	844,065
Loans secured by Commodity Credit Corporation documents: Current.....		8,222,170		11,384,358
Total loans secured by Commodity Credit Corporation documents.....	122	8,222,170	113	11,384,358
Purchase money mortgages and real estate sales contracts:				
Current.....		36,950		10,950
Delinquent: 3 months and over.....		934		
Total purchase money mortgages and real estate sales contracts.....	9	37,884	3	10,950
Total loans and discounts.....	180,433	321,063,793	172,487	315,840,536

¹ Represents estimated number of borrowers.

² Exclusive of loans secured by documents under Commodity Credit Corporation loan and commodity purchase programs.

SCHEDULE D-1
REVOLVING FUND

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Investments in Federal intermediate credit banks, payments on subscriptions to capital stock:			
Prior year balance available in 1945.....	-\$40,000,000		
1945 balance available in 1946.....	+40,000,000	-\$40,000,000	
1946 balance available in 1947.....		+40,000,000	-\$40,000,000
1947 balance available in 1948.....			+40,000,000
Total estimate of appropriation.....			

PRODUCTION CREDIT CORPORATIONS

CREATION AND PURPOSE

The 12 production credit corporations were chartered in 1933 by the Governor of the Farm Credit Administration pursuant to the Farm Credit Act of 1933 (12 U. S. C. 1131). Establishment of the production credit system was an outgrowth of various efforts to cure long-standing weaknesses in the short-term agricultural credit field. Experience had shown that insufficient capital, inadequate supervision, and the dependence on local resources generally for loanable funds for agricultural production were the chief weaknesses. These corporations each serve one farm credit district (12 U. S. C. 640a and 1131).

In each district the Farm Credit Board elected or appointed as prescribed by law (12 U. S. C. 640b—640r) serves as the board of directors of the corporation (12 U. S. C. 1131). A typical production credit corporation has a staff of about 20 officers, clerical employees, and field force. In addition, the general agent employed by the district board together with a limited staff generally furnishes at cost legal, information, personnel, statistical, and purchasing services for the corporations (12 U. S. C. 640r(a)).

The Farm Credit Administration, through the Production Credit Division, exercises general supervision over the corporations (12 U. S. C. 1131 et seq.). The corporations are examined annually by the Farm Credit Administration (12 U. S. C. 1138a) and are assessed for the costs of both supervision and examination (12 U. S. C. 832 and 1138a). The Farm Credit Administration was placed within the Department of Agriculture pursuant to reorganization plan No. 1, section 401, effective July 1, 1939.

The principal functions of these corporations are to organize, partially capitalize, and supervise local cooperative production credit associations (12 U. S. C. 1131c, 1131d et seq.). The active associations, of which there were 514 on June 30, 1945, together with the 12 corporations operating under the supervision of the Farm Credit Administration constitute a permanent system for making short-term agricultural loans to farmers and stockmen in all parts of the country.

FINANCIAL ORGANIZATION

The Farm Credit Act of 1933 provides that the capital stock of each corporation shall be in such amount as the Governor, Farm Credit Administration, determines is required to meet the credit needs of the district to be served by each such corporation and such amount may be increased or decreased from time to time by the Governor in accordance with such credit needs (12 U. S. C. 1131b). The initial capital stock of each corporation was provided in the sum of \$7,500,000 to be subscribed by the Governor and held by him on behalf of the United States. Payment for capital stock was made from a revolving fund of \$120,000,000 provided for the purpose (12 U. S. C. 1131i). Additions to the initial capital stock were made by the Governor until March 1935, when the full \$120,000,000 had been subscribed and subscriptions in that sum were maintained for most of the period from that time to March

1944. During that period a general redistribution of capital stock was made on three occasions while transfers affecting several corporations were made on two occasions; however, at no time was the stock of any of the corporations reduced to less than the prescribed \$7,500,000.

Pursuant to the policy of retiring the capital stock of corporations to the extent feasible, repayments were made to the revolving fund in the U. S. Treasury in the sum of \$5,000,000 in April 1944 and \$6,700,000 in April 1945. Thus, on June 30, 1945, the aggregate paid-in capital of the corporations was \$108,300,000.

The law provides that each corporation shall accumulate a surplus of at least 25 percent of its paid-in capital (12 U. S. C. 1131c (c)), and good progress has been made. On June 30, 1945, the surplus for all the corporations aggregated \$12,716,436 or 11.7 percent of their paid-in capital. This surplus not only safeguards the paid-in capital against impairment but directly influences the amount of paid-in capital required.

The corporations have never borrowed and have no specific borrowing authority. Each of the corporations is a separate entity and operates within its own financial structure. A comparative consolidated statement of condition is shown in exhibit C.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The extent of the corporations' activities is affected directly by economic conditions, and the production credit associations' loan volume, and their credit, management, and operating problems. Certain assumptions have been made regarding these major factors in connection with the preparation of the estimates for the fiscal year 1947 and these are discussed below with regard to the programs for that year. Further information as to the extent to which these activities were carried on during the fiscal year 1945 with projections for the fiscal years 1946 and 1947 is shown in the consolidated statement of sources and application of funds (exhibit A).

Organizing production credit associations.—Pursuant to the authority of the act (12 U. S. C. 1131c and 1131d) production credit associations have been established to serve all of the continental United States and Puerto Rico. The territory served by an individual association depends largely upon the type of agriculture and density of farm population. A typical association serves about five or six counties.

The credit needs of the area served by each association are under constant study by the corporations. As a result, it is from time to time found advisable by the corporations and associations to effect changes in the territory served by individual associations, to bring about liquidation or consolidation of associations, to establish branch offices of associations so that service will be more convenient, and occasionally to organize additional associations. Assuming no major changes in economic conditions, it is anticipated that organizational adjustments in 1946 and 1947 will be about the same as in the past few years.

Capitalizing production credit associations.—Associations need an adequate capital structure to soundly support

their loan volume, to maintain satisfactory borrowing and discount relationships with the Federal intermediate credit banks which is their principal source of loanable funds (12 U. S. C. 1131h), and to assist in building reserves for future contingencies. Accordingly, the capital needs vary greatly between associations.

The associations' initial capital was derived through the purchase of their class A stock by the corporations (12 U. S. C. 1131c). As the capital owned by farmer members increased and the associations accumulated reserves, they have been able to reduce materially, and in two instances to pay off completely, the class A stock investment of the corporations.

It is anticipated that there will be an increase in the volume of loans to be made by the associations in 1947. Even though agricultural conditions are expected to remain fairly stable, it is anticipated that the margin of net farm income will be narrower in 1947 than during the war years. It is believed that the desire of farmer members to achieve ownership of their associations will continue to grow and that the farmer-owned capital and the reserves of the associations will continue to increase. Special situations may require increases in the corporations' investments in some associations. It is anticipated, however, that during 1946 and 1947 the associations as a group will be able to make further net reductions in the corporations' class A stock investments.

Complete farmer ownership of the associations is a major objective. Long-term stability nevertheless requires that the corporations be able to make immediate additional capital investments in associations as necessary to meet the credit needs of the areas. Such action may be imperative in the event of depressed economic conditions, hurricanes, floods, or other catastrophes; otherwise, farmers and stockmen served by the associations might have to be denied sound and justifiable credit necessary for their operations at a most critical time.

The corporations are charged with the responsibility of regulating associations' investments (12 U. S. C. 1131f and g) and it is considered important to the welfare of the associations that their capital structure should not be affected by fluctuations in bond prices. Association class A stock purchased by the corporations is paid for largely by transferring bonds from the corporations to the associations. As farmer-owned capital and reserves have accumulated additional funds have become available for investment in bonds in like manner. All bonds transferred to associations by the corporations are transferred at par value under repurchase agreements and are subject to the right and obligation of the corporations to repurchase at par value. Thus premiums or discounts on bonds purchased or sold are borne by or accrue to the corporations.

Supervising production credit associations.—Under the act (12 U. S. C. 1131d et seq.) and regulations thereunder, the corporations are charged with supervision of the associations. Thus the corporations have broad authorities, such as regulating loan and investment policies, approving loans in excess of certain amounts or to certain officials, fixing reserve requirements, exercising controls over association salaries, and, as long as the corporations own stock in the associations, approving election of association directors, loan committeemen, and the secretary-treasurers. As an association's management gains in experience and as the locally owned capital structure develops, the corporations exercise their authorities and supervisory responsibilities to an increasing extent through leadership,

guidance, counsel, and training rather than by direction and regulation. This policy of decentralization makes it essential that the association personnel be sufficiently experienced and trained to assume increased responsibilities. Officers and field representatives of the corporations work with association directors and personnel largely through contacts at the association offices and occasional group meetings for neighboring associations. The degree of training and supervision varies between associations, depending upon their need for such assistance in properly discharging their responsibilities for carrying on all phases of the association operations.

In carrying out their supervisory responsibilities, the corporations have placed emphasis on the extension of sound credit; continual improvement of service to farmers; increased participation in association affairs by members; maintenance of good relations with units of the Farm Credit Administration and other agencies working with farmers; promotion of efficiency and economy; maintenance of effective controls over financial transactions; determination through audits that funds are properly accounted for; and preparation of annual business type budgets.

A broad and continuous training program for association personnel has been considered to be of major importance. The corporations have assumed primary responsibility for the training of association directors and key officers, and have assisted the associations in the training of specialized employees such as inspectors and bookkeepers and in arranging for adequate training programs by the associations for their other personnel.

The corporations make an annual review of the credit activities of each association which serves as a basis for the credit supervision during the whole year. This includes an examination of loans which has been utilized by the Farm Credit Administration, together with the financial examination made by its examiners, to meet the requirements of law pertaining to examinations of associations (12 U. S. C. 1138a). In view of this use of the credit examinations, arrangements have been made effective January 1, 1946, to assess the associations for the costs attributable thereto as a part of examination costs.

In order to conserve manpower and restrict travel during the war in accord with national policy, many important activities were curtailed or temporarily discontinued. In 1947, training, management and procedure surveys, and reviews and audits of financial transactions, particularly, must be intensified or revived and special supervisory attention given to associations to hasten their further development, to permit further decentralization, to improve service to farmers, and to speed the trend toward farmer ownership.

OPERATING RESULTS

The principal source of operating income of the corporations is from their investments in U. S. Government securities. An increasing number of associations pay dividends regularly and, accordingly, some dividends are received by the corporations on their class A stock investments. This has not been a major source of revenue, inasmuch as it is the policy to reduce the corporations' class A stock investments as rapidly as the associations are able to do so. During the fiscal year 1945, the combined operating income of the corporations exceeded their administrative expenses by \$104,440 and it is anticipated

that the combined operating income of the corporations will be sufficient to cover their administrative expenses for the fiscal years 1946 and 1947.

In addition to operating income, during the fiscal year 1945 a net profit of \$4,847,830 was realized on security transactions largely as a result of bond portfolio adjustments whereby substantial holdings were sold and the proceeds simultaneously reinvested in other bonds. It is anticipated that the net profit on securities transactions will be somewhat smaller in 1946 and considerably smaller in 1947, since no major adjustments in the bond portfolio are now anticipated during 1947.

In the fiscal year 1945 a loss of \$125,764 resulting from corporation investment in class A stock of one association was charged off as liquidation was completed; however, valuation reserves previously established were ample to absorb the loss. Valuation reserves which had been established prior to June 30, 1945, are expected to be adequate to cover similar losses estimated at \$99,400 in 1947 upon closing the liquidation of other associations.

FINANCIAL CONDITION

Investments in class A stock of production credit associations.—On June 30, 1945, the corporations had an investment totaling \$55,847,685 in the class A capital stock of associations. This includes \$147,600, representing the balances of their investments in class A stock of four associations which had been placed in liquidation prior to 1940, valuation reserves, however, having been established prior to June 30, 1945, to provide for all foreseeable losses. The investment in class A stock is expected to be further reduced by June 30, 1947.

U. S. Government securities.—The corporations' investments in U. S. Government securities amounted to \$64,233,250 par value on June 30, 1945 (exclusive of securities sold to associations under repurchase agreements). The corporations carry all of these investments at par value; accordingly, premiums paid were written off at time of purchase.

The corporations require resources substantially in excess of the amount currently invested in association class A stock to quickly meet developments in the agricultural credit field which would require strengthening of

association capital structures. Resources not needed currently for class A stock investments in associations are invested in bonds, the interest from which represents the corporations' principal source of operating income.

Return of capital funds to the Treasury.—Repayments to the revolving fund during 1944 and 1945 had reduced paid-in capital of the corporations from \$120,000,000 to \$108,300,000 at June 30, 1945. Further repayments will depend upon future capital needs of the system but it is presently estimated that it will be possible to return an aggregate amount of \$7,050,000 during 1946 and \$5,300,000 during 1947.

ADMINISTRATIVE EXPENSES

Administrative expenses cover the costs of carrying out the corporations' responsibilities, including the assessed expenses of the central office of the Farm Credit Administration but excluding premiums written off on securities purchased and losses. During the fiscal year 1945 the corporations utilized 222.3 man-years of personal service which with other related costs of administration resulted in a total expenditure of \$1,564,568. The increase of \$80,344 anticipated in 1946 is largely the result of higher salaries consistent with Public Law 106 (79th Cong.), some increase, particularly during the latter part of the year, in personnel, travel, replenishment of supplies and equipment, and other higher costs due to the general increase in price levels. In the fiscal year 1947, a further increase of \$92,081 will be needed in order to give necessary attention to activities postponed during the war. Largely because of decentralization, which has occurred in the intervening years, the required personnel in 1947 will be about 20 percent lower than in the immediate prewar years. Total administrative expenses of the 12 production credit corporations for the fiscal year 1947 are estimated at \$1,736,993. This estimate does not provide for the cost of General Accounting Office audits, pursuant to Public Law 248 (79th Cong.), since bases for making such an estimate are not available.

LANGUAGE

The types of programs set forth in the 1947 budget of the Production Credit Corporations (12 U. S. C. 1131), within the funds available to them, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A

COMPARATIVE CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To investment in U. S. Government securities:			
Par value of securities purchased in open market.....	\$47,547,500	\$47,278,000	\$2,790,000
Premium on securities purchased.....	265,877	640,000	112,000
Par value of securities repurchased from production credit associations (net).....		3,000,750	2,947,000
	\$47,813,377	\$50,918,750	\$5,849,000
To operating expenses:			
Administrative expenses.....	1,564,568	1,644,912	1,736,993
Expense credits and prior year adjustments.....	*20,598	*16,000	
	1,543,970	1,628,912	1,736,993
To nonoperating expenses.....	5	65	
To repayment of paid-in capital to U. S. Treasury.....	6,700,000	7,050,000	5,300,000
To net increase in land, structures, and equipment.....		4,413	13,923
Less net increase in reserve included in administrative expenses.....		5,344	14,854
		*931	*931
To net increase in other assets.....	40,050		
To net decrease in other liabilities.....	1,957		583
To increase (or decrease*) working capital (see schedule A-1).....	105,663	*61,924	*16,636
Total funds applied.....	56,205,022	59,534,872	12,869,009
FUNDS PROVIDED			
By retirement of class A stock investment in production credit associations (net).....	8,321,229	7,943,470	5,735,000
By sale of investments in U. S. Government securities:			
Par value of securities sold in open market.....	40,974,850	46,432,000	4,900,000
Gain on securities sold in open market.....	5,113,707	3,425,000	428,000
Par value of securities sold to production credit associations under repurchase agreement (net).....	141,300		
	46,229,857	49,857,000	5,328,000
By operating income:			
Interest on investments.....	1,594,687	1,684,185	1,730,609
Dividends on class A stock of production credit associations.....	51,816	46,200	26,400
Assessments for credit examination of production credit associations.....		2,400	48,000
Other income.....	1,907	1,000	1,000
	1,648,410	1,733,785	1,806,009
By nonoperating income: Recoveries from class A stock investments charged off.....	565		
By net decrease in land, structures, and equipment.....	5,213		
Less net decrease in reserve included in administrative expenses.....	282		
	4,961		
By net decrease in other assets.....		500	
By net increase in other liabilities.....		117	
Total funds provided.....	56,205,022	59,534,872	12,869,009

*Deduct.

EXHIBIT B
COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on Investments.....	\$1,594,687	\$1,684,185	\$1,730,600
Dividends on class A stock of production credit associations.....	61,816	46,200	26,400
Assessments for credit examinations of production credit associations.....		2,400	48,000
Other income.....	1,907	1,000	1,000
Total operating income.....	\$1,648,410	\$1,733,785	\$1,806,009
Operating expenses:			
Administrative expenses.....	1,564,568	1,644,912	1,736,993
Expense credits and prior year adjustments.....	*20,598	*16,000	
Total operating expenses.....	1,543,970	1,628,912	1,736,993
Net operating income.....	104,440	104,873	69,016
Nonoperating income and expenses:			
Gain on securities sold.....	5,113,707	3,425,000	428,000
Premium written off on securities purchased.....	*265,577	*640,000	*112,000
Class A stock investment in production credit associations charged off.....	*125,764		*99,400
Other losses.....	*6	*65	
Net nonoperating income.....	4,722,061	2,784,935	216,600
Net income before adjustment of valuation reserves.....	4,826,501	2,889,808	285,616
Adjustment of valuation reserves.....	143,300	12,800	100,400
Net income for year.....	4,969,801	2,902,608	386,016

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$7,746,636	\$12,716,436	\$15,619,044
Net income for the year (above).....	4,969,801	2,902,608	386,016
Balance at end of fiscal year.....	12,716,436	15,619,044	16,005,060

*Deduct.

EXHIBIT C
COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash:				
With U. S. Treasury.....	\$142,194	\$1,938	\$3,377	\$5,125
On hand and in banks.....	527,596	651,123	580,112	560,966
Total	669,790	653,061	583,489	566,091
Investments:				
Production credit associations, class A stock.....	64,295,243	55,847,685	47,904,215	42,069,815
Less reserve for class A stock of production credit associations in liquidation.....	290,500	147,200	134,400	34,000
Net class A stock.....	64,004,743	55,700,485	47,769,815	42,035,815
U. S. Government securities ¹	57,801,900	64,233,250	68,080,000	68,917,000
Net.....	121,806,643	119,933,735	115,849,815	110,952,815
Accounts and notes receivable.....	7,875	8,398	3,810	3,326
Accrued interest on U. S. Government securities.....	219,957	233,325	256,424	260,462
Land, structures, and equipment.....	223,070	217,857	222,270	236,193
Less reserve.....	178,350	178,098	183,442	198,296
Net.....	44,720	39,759	38,828	37,897
Deferred charges.....	98,735	65,567	73,142	73,690
Other assets:				
Imprest funds.....	31,877	28,827	28,327	28,327
Other.....	21,900	65,000	65,000	65,000
Total	53,777	93,827	93,327	93,327
Total assets.....	122,901,497	121,027,672	116,898,835	111,987,608
LIABILITIES				
Accounts payable.....	4,341	4,382	2,723	2,798
Trust and deposit liabilities:				
U. S. Treasury, Federal taxes withheld.....	5,208	5,370	5,070	5,015
Production credit associations.....	142,000	.....	.....	.....
Other.....	590	718	565	410
Total	147,798	6,088	5,635	5,425
Accrued salaries.....	.....	.....	20,550	24,025
Other liabilities.....	2,723	766	883	300
Total liabilities.....	154,862	11,236	29,791	32,548
CAPITAL				
Paid-in capital: Capital stock, U. S. Government.....	115,000,000	108,300,000	101,250,000	95,950,000
Earned surplus: Unreserved surplus.....	7,746,635	12,716,436	15,619,044	16,005,660
Total capital.....	122,746,635	121,016,436	116,869,044	111,955,660
Total liabilities and capital.....	122,901,497	121,027,672	116,898,835	111,987,608

¹ Excludes bonds sold to production credit associations at par under agreement to repurchase at par as follows: 1944, \$101,090,750; 1945, \$101,232,050; 1946, \$98,231,300, and 1947, \$95,284,300.

SCHEDULE A-1
 CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash:			
With U. S. Treasury.....	\$140,256	\$1,439	\$1,748
On hand and in banks.....	123,527	*71,011	*19,146
Accounts and notes receivable.....	523	*4,588	*484
Accrued interest on U. S. Government securities.....	13,368	23,099	4,038
Deferred charges.....	*33,168	7,575	548
Current liabilities (increase* or decrease):			
Accounts payable.....	*41	1,559	*75
Trust and deposit liabilities:			
U. S. Treasury, Federal taxes withheld.....	*162	300	55
Production credit associations.....	142,000		
Other.....	*128	153	155
Accrued salaries.....		*20,550	*3,475
Increase in working capital.....	105,663		
Decrease in working capital.....		61,924	16,636

*Deduct.

SCHEDULE B-1

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
Salaries and wages:			
Directors' compensation	\$16,853	\$18,367	\$19,048
Officers:			
President	12.0 107,005	11.5 111,063	11.5 113,435
Vice president	10.1 67,289	10.4 74,948	10.6 78,388
Vice president and treasurer	1.0 6,500	1.0 7,170	1.0 7,175
Vice president and secretary	1.0 6,200	1.0 7,279	1.0 7,700
Treasurer	9.8 57,495	10.5 64,550	11.0 69,995
Secretary and treasurer	1.0 8,950	1.0 8,353	
Secretary	9.6 55,177	9.5 68,444	10.5 65,650
Employees:			
Administrative, legal, and Internal operations	41.3 87,300	41.4 101,467	41.4 103,713
Supervision of production credit associations credits and collections	70.1 230,815	71.0 268,589	75.6 286,004
Supervision of production credit associations accounting, fiscal, and procedures	48.7 131,496	47.9 158,446	53.1 178,268
Supervision of production credit associations member relations and educational programs	17.7 43,070	20.3 58,567	22.9 69,198
Overtime compensation	120,085	15,000	
Total	222.3 935,235	225.0 947,425	238.5 998,284
Travel expense	176,792	200,000	211,000
Rent and utility services	55,587	55,260	66,212
Communication services	16,824	19,000	19,000
Printing, binding, and office supplies	7,500	18,000	23,000
Equipment	889	16,281	31,362
General agent's expense	102,852	110,000	113,000
Insurance and fidelity bond premiums	9,038	9,000	9,000
Taxes	1,419	1,600	1,600
Miscellaneous	15,127	16,900	16,900
Subtotal	1,321,263	1,392,566	1,478,658
Payments to Farm Credit Administration for services received:			
Supervisory expense (assessment)	235,008	244,846	251,435
Examination expense (advance assessment)	8,297	7,600	7,000
Total administrative expenses ¹	1,564,568	1,644,912	1,736,993

¹ Does not provide for General Accounting Office audit assessment for which no estimate is available.

SCHEDULE B-2

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By grade	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, FIELD			
Unclassified:			
Rate over \$5,200:			
President	12 3107,005	11.5 \$111,063	11.6 \$113,435
Vice president	10 67,214	9.9 72,547	10.6 78,388
Vice president and treasurer	1 6,500	1 7,170	1 7,175
Vice president and secretary	1 6,200	1 7,279	1 7,700

By grade	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, FIELD—continued			
Unclassified—Continued			
Rate over \$5,200—Continued			
Assistant vice president	9.8 87,445	2 \$10,672	2 \$10,906
Secretary and treasurer	1 5,950	8.6 54,491	9 59,535
Secretary	7.6 45,957	9.5 58,444	10.5 65,650
Attorneys	1.2 6,431	1.4 8,652	1.6 9,992
Puerto Rico representative	1 1,600		
Rate of \$5,200:			
Vice president		.6 2,401	
Treasurer		1 6,070	2 10,270
Secretary		1 5,200	.5 2,491
Assistant vice president		4 18,710	4.1 19,667
Assistant treasurer		2.6 12,253	4 19,002
Assistant secretary		.5 2,672	1 4,674
Chief accountant		.5 2,370	
Field representative		4.7 22,487	9.2 43,758
Attorney		.6 2,830	2 10,691
Rate of \$4,600:			
Treasurer		.3 1,300	1 4,589
Secretary		2.2 9,292	
Assistant vice president		3.2 13,605	3 13,068
Assistant treasurer		2 8,400	7 31,448
Assistant secretary		1 4,235	2.5 10,693
Chief accountant		1 5 6,896	1 4,146
Field representative		2 8,220	32.6 138,742
Field accountant			3 12,240
Attorney		1.8 7,722	0.3 1,075
Rate of \$3,000:			
Assistant vice president		3 10,670	
Assistant treasurer		4.7 18,528	
Assistant secretary		2.8 10,817	0.6 2,236
Chief accountant		3 10,410	1 3,860
Field representative		32.9 123,750	7.9 29,196
Field accountant		5.8 20,839	11.8 44,233
Accountant		0.4 1,295	1 3,420
Credit examiner		1 3,738	1.3 4,965
Attorney		0.7 1,405	0.5 1,992
Rate of \$3,400:			
Rate of \$2,500:			
Rate of \$2,300:			
Rate of \$1,900:			
Rate of \$1,600:			
Rate of \$1,300:			
Total permanent, field	220 795,166	223.6 911,644	236.5 975,222
Temporary employment, field	2.3 3,131	1.4 2,414	2 4,114
Overtime pay, field	120,035	15,000	
Directors' compensation	15,853	18,367	19,048
Personal services (net) (schedule B-1)	222.3 935,235	225 947,425	238.5 998,284

SCHEDULE C-1

REVOLVING FUND

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Investments in production credit corporations, payment on subscriptions to capital stock:			
Retirement	-\$8,700,000	-\$7,050,000	-\$5,300,000
Prior year balance available in 1945	5,000,000		
1945 balance available in 1946	+11,700,000	-11,700,000	
1946 balance available in 1947		+18,750,000	-18,750,000
1947 balance available in 1948			+24,000,000
Total estimate or appropriation			

REGIONAL AGRICULTURAL CREDIT CORPORATION OF WASHINGTON, D. C.

CREATION AND PURPOSE

Following an extreme credit stringency during 1930-31, the Reconstruction Finance Corporation was created January 22, 1932 (47 Stat. 6), with authority to make loans to aid in financing agriculture, either directly or by way of discount or rediscount of obligations. Section 201 (e) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932, extended the power of the Reconstruction Finance Corporation by authorizing it to establish a regional agricultural credit corporation in any Federal land bank district (now Farm Credit Administration district) where the need existed (12 U. S. C. 1148). Under that authority, 12 regional agricultural credit corporations, 1 in each Federal land bank district, were chartered during September and October 1932, to make loans to farmers and stockmen for agricultural purposes.

These corporations were supervised and controlled by the Reconstruction Finance Corporation until May 27, 1933, when such supervision and control was transferred to the Farm Credit Administration by Executive Order 6084, dated March 27, 1933. The Farm Credit Administration has administered, supervised, and directed the activities of the regional agricultural credit corporations since that date. Effective July 1, 1939, the Farm Credit Administration and the Corporation were placed within the Department of Agriculture, and are now under the general direction and supervision of the Secretary of Agriculture, pursuant to section 401, part 4, reorganization plan No. 1, dated April 25, 1939.

As a result of the creation of the production credit system and the reestablishment of lending by commercial banks it became apparent that in some land bank districts the lending activities of these corporations could be curtailed and in some cases discontinued without detriment to the farmers. Accordingly, the Farm Credit Act of 1937 authorized the consolidation or merger of the regional agricultural credit corporations (12 U. S. C. 1148c). By a series of mergers these corporations were merged into the Regional Agricultural Credit Corporation of Washington, D. C., the only regional agricultural credit corporation now in existence. The last of these mergers occurred on January 31, 1944.

FINANCIAL ORGANIZATION

Originally the capital stock of the regional agricultural credit corporations was subscribed and paid for by the Reconstruction Finance Corporation, as authorized by the Emergency Relief and Construction Act of 1932 (12 U. S. C. 1148). The stock was held by the Reconstruction Finance Corporation for and on behalf of the United States until March 22, 1938, when by Executive Order 7848, it was ordered transferred to the Secretary of the Treasury to be held for and on behalf of the United States. All of the stock of the Corporation is now held by the Secretary of the Treasury, but the supervision and control of the Corporation is vested in the Farm Credit Administration. However, the Reconstruction Finance Corporation continues to pay the administrative expenses

of the Regional Agricultural Credit Corporation of Washington, D. C., as provided by section 201 (e) of the act of July 21, 1932 (12 U. S. C. 1148). During the period from the organization of the regional agricultural credit corporations through June 30, 1945, the Reconstruction Finance Corporation advanced \$21,221,756 for the payment of expenses incurred by the regional agricultural credit corporations, this amount being reflected as paid-in surplus on the comparative statement of financial condition of the Corporation which follows the textual material (exhibit C).

The original capital stock issued by the 12 regional agricultural credit corporations in 1932 amounted to \$36,000,000; additional stock issued during 1932 and 1933 increased this amount to \$44,500,000 which represented the maximum amount outstanding at any time. By April 30, 1938, the corporations had returned \$39,500,000 of their capital to the United States Treasury where it was held in the revolving fund set up under section 84 of the Farm Credit Act of 1933 (12 U. S. C. 1148a). This revolving fund was available for use in increasing the capital of any regional agricultural credit corporation. In February 1943, when the Regional Agricultural Credit Corporation of Washington, D. C., entered upon a program of making loans to finance increased production of foods and fibers needed to meet war requirements, the \$39,500,000 in the revolving fund was utilized to increase the capital of the Corporation to enable it to carry out its food production financing program. During the fiscal year 1945, \$44,400,000 of capital was repaid to the revolving fund, leaving \$100,000 outstanding on June 30, 1945.

The Corporation is authorized to rediscount eligible paper with the Reconstruction Finance Corporation, Federal reserve banks, and the Federal intermediate credit banks (12 U. S. C. 1148). The Corporation is also authorized to borrow (other than by way of discount) from the Reconstruction Finance Corporation or any Federal intermediate credit bank (12 U. S. C. 1148b). The Corporation has not recently utilized this authority, and except for unforeseen emergencies does not contemplate a need for borrowing funds during the fiscal year 1947.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

In appraising the budgetary requirements of the Corporation for the fiscal year 1947 it is assumed that agricultural conditions having a bearing on collection of loans will not change substantially and will be as favorable as they are today, and that if loans are made they will be limited to restricted areas. The level at which these activities were carried on during the fiscal year 1945 and the projected level for the fiscal years 1946 and 1947 are shown in the financial statements immediately following the textual material.

Food production loans and advances.—Under Executive Order 9280, issued December 5, 1942, the Secretary of Agriculture was made responsible for establishing programs to obtain production of the increased quantities of food necessary to meet war requirements. To provide

complete and positive assurance that there would be adequate credit to finance the extraordinary production of food, the Secretary, in January and February 1943, authorized the Corporation to make available to farmers additional credit to supplement that available from existing sources. Accordingly, two types of credit were made available to farmers, namely F-1 loans and F-2 special war crop advances.

The loans and advances were made through the county war boards and loan representatives selected from personnel of the various agencies of the Department of Agriculture. However, the functions of servicing, accounting for, and collecting these loans and advances are now performed for the Corporation principally by the emergency crop and feed loan offices of the Farm Credit Administration under the general supervision of the district vice presidents of the Corporation.

With the enactment of restrictions on the operation of this program in section 2 of the Department of Agriculture Appropriation Act, 1944 (57 Stat. 428), active lending operations under this program were discontinued after June 30, 1943, except for commitments already outstanding and further loans and advances to aid in the collection of outstanding loans and advances.

Through June 30, 1945, the aggregate amount of credit extended through F-1 loans and F-2 (special war crop) advances totaled \$68,939,653 (including renewals). During this same period repayments amounted to \$59,989,521; charge-offs \$82,911, F-2 cancellations \$2,845,394, and transfers to acquired security or collateral \$157,666, a total of \$3,085,971, leaving \$5,864,161 outstanding at the end of the period. During the fiscal year 1946, it is expected that advances and renewals to aid collection will amount to \$250,000 and that during the same period the Corporation will charge off and cancel loans in the amount of \$904,741, transfer to the acquired security account \$45,259, and receive in repayment \$2,050,161. For the fiscal year 1947, it is estimated that advances and renewals will amount to \$100,000, whereas charge-offs and cancellations will amount to \$1,220,000, and \$500,000 will be received in repayments, leaving a balance of \$1,494,000 outstanding at June 30, 1947.

Restricted area loans.—Pursuant to section 2 of the Department of Agriculture Appropriation Act of 1944 (57 Stat. 428) and subsequent years, the Secretary of Agriculture, beginning in October 1943 and from time to time thereafter, has authorized and directed the Regional Agricultural Credit Corporation of Washington, D. C., to make loans to finance the production of specified crops and livestock in certain regions in various States designated as regions in which such loans were necessary in order to finance the production of crops or livestock that otherwise would not be produced.

These loans are secured by a first lien on the crop or livestock financed and such additional collateral as is deemed necessary to afford reasonable assurance of repayment. A certificate of refusal of the loan by a bank in the county and the production credit association serving the area is required before the Corporation will consider the application for a loan. Through June 30, 1945, the Corporation had made loans under this program amounting to \$6,498,935 of which \$1,744,676 was still outstanding on that date. It is forecast that about \$3,000,000 will be advanced during each of the fiscal years 1946 and 1947. During the same period \$5,211,983 will be collected and \$1,693 charged off, leaving a balance of \$2,531,000 outstanding at June 30, 1947.

Wenatchee fruit loans.—In 1941, the Regional Agricultural Credit Corporation of Salt Lake City, Utah, which

was later merged with the Regional Agricultural Credit Corporation of Washington, D. C., established a branch office at Wenatchee, Washington, to make loans to fruit growers in the north central area of the State of Washington. This branch office was opened at the urgent request of local organizations of fruit growers, bankers, and merchants after it had become impossible to obtain the necessary credit from other credit institutions operating in the area. The Regional Agricultural Credit Corporation went into the Wenatchee area after careful study by the Department of Agriculture and the local Land Use Planning Committee. Financing by the Corporation was combined with general horticultural supervision for the rehabilitation of orchards in the area. At June 30, 1945, the loans made to that date aggregated \$30,005,686 and the balance outstanding was \$1,787,879 (12 U. S. C. 1148).

As a result of improvement in the agricultural lending field and the projected entry of a local privately owned credit corporation into active financing of apple growers in Wenatchee the active lending operations of the Corporation in this program are to be materially restricted for the 1946 season. Unless unforeseen adverse agricultural conditions make it advisable for the Corporation to re-instate its lending program it is anticipated that the staff of the Wenatchee office will be reduced by July 1, 1947, to the minimum number required to service any loans then outstanding and to otherwise wind up the affairs of that office.

The Corporation expects to advance \$4,550,000 during the fiscal year 1946 and collections of \$5,787,879 are forecast for the same period. Advances for the fiscal year 1947 are forecast at \$650,000 and collections at \$1,100,000, which would leave a balance outstanding of \$100,000 at June 30, 1947.

Other loans.—The original loan program of the regional agricultural credit corporations was initiated upon their organization in 1932 (12 U. S. C. 1148), and in May 1934 was placed in orderly liquidation by the Farm Credit Administration as a result of improvement in the agricultural lending field and the establishment of the production credit system.

The unpaid principal balance of these loans outstanding on June 30, 1945, amounted to \$111,751. It is forecast that collections of \$70,751 and \$1,000 will be made in the fiscal years 1946 and 1947, respectively, and that \$20,000 and \$10,000 will be charged off in the same periods, leaving a balance outstanding on June 30, 1947, of \$10,000.

OPERATING RESULTS

During the fiscal year 1945, programs carried on by the Corporation resulted in a net loss of \$337,315 after provisions for all foreseeable losses and adjustments of valuation reserves. For the fiscal year 1946, it is estimated that a net loss of \$277,330 will be sustained and that the loss for 1947 will amount to \$258,700. As a result of the losses expected during the fiscal years 1946 and 1947 it is estimated that the Corporation will reflect a deficit of \$7,529,082 on June 30, 1947 (see exhibits B and C).

FINANCIAL CONDITION

Loan account.—On June 30, 1945, there were, exclusive of sales contracts, notes receivable, etc., and advances to borrowers, 14,520 loans outstanding, amounting to \$9,508,467, of which 13,022 represented food production loans, 761 represented restricted area loans, 599 represented Wenatchee fruit loans, and 138 represented other loans made prior to January 1, 1943. The reserve main-

tained against the loan account on June 30, 1945, is considered adequate to cover probable losses under reasonably normal conditions.

Government securities.—The investment in Government securities on June 30, 1945, amounted to \$326,020. These securities are held as investments of the special reserve fund for fruit loans; the Corporation holds no investments of its own. No material changes are anticipated during 1946 and 1947.

Return of capital funds to the Treasury.—No additional retirements are anticipated at this time, since the capital stock has been reduced to the nominal amount of \$100,000.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Corporation include the cost of liquidating food production loans and advances and other loans, and the active lending operations of the Wenatchee branch office and the restricted area program. However, provision has not been made for the costs of audits by the General Accounting Office, pursuant to Public Law 248 (79th Cong.) since bases for making such an estimate are not available. Estimated total administrative expense (exclusive of expense refunds applicable to prior years) of \$642,000 for the fiscal year 1946 and \$441,000 for the fiscal year 1947 when compared with the

actual for 1945 of \$709,172, reflects a reduction of \$67,172 for 1946 and \$268,172 for 1947. (For further details see statement of income and expense, exhibit B; and schedules B-1 and B-2.)

The budget program for 1947 contemplates a continuance of the existing arrangement whereby the costs of administration are paid by the Reconstruction Finance Corporation (12 U. S. C. 1148). However, it is believed that administration would be simplified and over-all economies in record keeping would result if the Regional Agricultural Credit Corporation operated entirely from its own resources. Legislation terminating the present arrangement and providing for the payment of costs of administration (including supervision and examination by the Farm Credit Administration) from the resources of the Regional Agricultural Credit Corporation, effective July 1, 1947, will be proposed to the Congress.

LANGUAGE

The types of programs set forth in the 1947 budget of the Regional Agricultural Credit Corporation (12 U. S. C. 1148), within the funds available to it, are approved: Provided, That the operations of said Corporation shall be subject to the provisions of section 2 of the general provisions of the Department of Agriculture Appropriation Act, 1947. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans to farmers:			
Food production loans and advances	\$1,665,529	\$250,000	\$100,000
Restricted area loans.....	3,386,174	3,000,000	3,000,000
Fruit loans, Wenatchee area.....	7,550,829	4,550,000	650,000
Other loans.....	6,119		
Sales contracts, notes receivable, etc. (net).....	9,164		
	\$12,617,815	\$7,800,000	\$3,750,000
To operating expenses:			
Administrative expense (see schedule B-1).....	709,172	642,000	441,000
Expense credits and prior year adjustments.....	*141,790	*38,983	
Exchange fees paid.....	2,488	850	500
	569,870	603,867	441,500
To acquisition and improvement of acquired security or collateral.....	134,453	48,292	
To repayment of paid-in capital, U. S. Treasury.....	44,400,000		
To investment in U. S. Government securities (special reserve fund, fruit loans).....	326,020	326,000	326,000
To net decrease in other liabilities.....		290	
To increase (or decrease*) working capital.....	*34,660,900	2,558,162	1,084,800
Total funds applied	23,387,258	11,336,581	5,601,800
FUNDS PROVIDED			
By repayments of principal of loans and advances:			
Food production loans and advances.....	9,103,952	2,095,420	500,000
Restricted area loans.....	4,658,708	2,162,983	3,049,000
Fruit loans, Wenatchee area.....	8,228,006	5,787,879	1,100,000
Other loans.....	86,965	70,751	1,000
Sales contracts, notes receivable, etc. (net).....		5,497	3,000
Advances for borrowers (net).....	4,583	4,248	2,000
	22,082,214	10,126,778	4,655,000
By operating income:			
Interest on loans.....	387,096	243,680	164,000
Interest on sales contracts, notes receivable, etc.....	1,121	1,000	800
Fee and other income.....	67,883	41,288	22,000
	446,100	285,968	186,800
By nonoperating income: Recoveries on assets charged off.....	32,104	32,000	
By sale of acquired security or collateral:			
Carrying value of acquired security or collateral sold.....	47,968	16,742	15,000
Gain on sale of acquired security or collateral.....	1,280		
	49,248	16,742	15,000
By capital and surplus subscription: U. S. Treasury (through Reconstruction Finance Corporation).....	500,000	542,073	419,000
By sale of investments in U. S. Government securities (special reserve fund, fruit loans).....	236,007	326,020	326,000
By net decrease in land, structures, and equipment.....	6,641	11,074	
Less net decrease in reserve included in administrative expenses.....	6,641	11,074	
	41,500	7,000	
By net increase in other liabilities.....	85		
Total funds provided	23,387,258	11,336,581	5,601,800

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on loans	\$387,096	\$243,680	\$164,000
Interest on sales contracts, notes receivable, etc.	1,121	1,000	800
Fee and other income	57,883	41,288	22,000
Total operating income	\$446,100	\$285,968	\$186,800
Operating expenses:			
Administrative expenses (see schedule B-1)	709,172	642,000	441,000
Expense credits and prior year adjustments	*141,790	*38,983	-----
Exchange fees paid	2,488	850	500
Total operating expenses	569,870	603,867	441,500
Net operating loss*	*123,770	*317,899	*254,700
Nonoperating expense.* Loss on assets charged off or disposed of otherwise	*1,560,343	*899,046	*1,235,000
Net loss* before adjustment of valuation reserves	*1,684,113	*1,216,945	*1,489,700
Adjustment of valuation reserves	1,346,798	939,615	1,231,000
Net loss* carried to deficit	*337,315	*277,330	*258,700

ANALYSIS OF DEFICIT

Balance at beginning of fiscal year	*86,655,737	*86,993,052	*87,270,382
Net loss* for year (above)	*337,315	*277,330	*258,700
Balance at end of fiscal year	*6,993,052	*7,270,382	*7,529,082

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual ¹	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash:				
With U. S. Treasury	\$42,329,169	\$7,925,157	\$10,031,975	\$11,159,875
On hand	2,610	200	200	200
Total	42,331,779	7,925,357	10,032,175	11,160,075
Investments: U. S. Government securities (special reserve fund, fruit loans)	236,007	326,020	326,000	326,000
Loans receivable:				
Food production loans and advances	14,858,561	5,864,161	3,114,000	1,494,000
Restricted area loans	3,017,210	1,744,676	2,580,000	2,531,000
Fruit loans, Wenatchee area	2,465,056	1,787,879	550,000	100,000
Other loans	202,421	111,751	21,000	10,000
Sales contracts, notes receivable, etc.	28,334	37,497	32,000	29,000
Advances to borrowers	17,831	13,248	9,000	7,000
Total	20,559,413	9,559,212	6,306,000	4,171,000
Less reserve for loans and advances	4,277,723	2,908,192	1,901,043	660,043
Net	16,311,690	6,651,020	4,404,957	3,480,957
Accounts and notes receivable	222	205	200	200
Accrued interest on loans and advances (net)	782,246	456,035	279,715	203,715
Office equipment and automobiles:				
Less reserve	64,715	58,074	47,000	47,000
Net	64,715	58,074	47,000	47,000
Acquired security or collateral:				
Less reserve	34,502	93,062	120,000	100,000
Net	29,733	52,466	120,000	100,000
Deferred charges:				
Net	4,769	40,590	37,132	37,132
Other assets: Imprest funds:				
Net	69,000	27,500	20,500	20,500
Total assets	59,735,713	15,463,865	15,063,547	15,191,447
LIABILITIES				
Accounts payable: Drafts outstanding	10,029	9,896	3,800	1,000
Accrued liabilities:				
Accrued expense, food production program:				
Due Government agencies	140,963	23,510	20,800	14,300
Other	74,774	11,939	14,600	10,400
Accrued salaries	—	—	3,400	2,500
Total	215,737	35,449	38,800	27,200
Trust and deposit liabilities:				
U. S. Treasury, Federal taxes withheld	5,632	4,916	3,000	3,000
Due borrowers and others	625,195	717,575	25,000	1,000
Special and contributed reserves, fruit loans	279,687	354,216	390,000	400,000
Total	910,514	1,076,707	418,000	404,000
Undistributed credits	31,739	11,349	8,000	4,000
Other liabilities	1,675	1,760	1,500	1,500
Total liabilities	1,169,694	1,135,161	470,100	437,700
CAPITAL				
Paid-in capital:				
Capital stock, U. S. Government	44,500,000	100,000	100,000	100,000
Paid-in surplus, U. S. Government	20,721,756	21,221,756	21,763,829	22,182,829
Total	65,221,756	21,321,756	21,863,829	22,282,829
Deficit	*6,655,737	*6,993,052	*7,270,382	*7,529,892
Total capital	58,566,019	14,328,704	14,593,447	14,753,747
Total liabilities and capital	59,735,713	15,463,865	15,063,547	15,191,447

*Deduct.

¹ Under the act of July 21, 1932 (42 U. S. C. 1148) which authorized the creation of regional agricultural credit corporations it was provided that the Reconstruction Finance Corporation subscribe for and pay in the capital stock of the corporations. This act further provided that all expenses incurred in connection with the operation of such corporations be paid by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe; the latter amounts have been treated as paid-in surplus. Pursuant to the act of Feb. 24, 1938 (52 Stat. 79), the act of Mar. 8, 1938 (52 Stat. 107), and Executive Order 7848, dated Mar. 22, 1938, the capital of the Regional Agricultural Credit Corporation is held by the Secretary of the Treasury, for and on behalf of the United States.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash:			
With U. S. Treasury.....	\$34,404,012	\$2,106,818	\$1,127,900
On hand.....	*2,410		
Accounts and notes receivable.....	*17	*5	
Accrued interest on loans and advances (net).....	*326,211	*176,320	*76,000
Deferred charges.....	37,132	*37,132	
Current liabilities (increase* or decrease):			
Accounts payable:			
Drafts outstanding.....	133	6,096	2,800
Accrued liabilities:			
Accrued expense, food production program:			
Due Government agencies.....	117,473	2,710	6,500
Other.....	62,835	*2,661	4,200
Accrued salaries.....		*3,400	900
Trust and deposit liabilities:			
U. S. Treasury, Federal taxes withheld.....	716	1,916	
Due borrowers and others.....	*92,380	692,575	24,000
Special and contributed reserves, fruit loans.....	*74,529	*35,784	*10,000
Undistributed credits.....	20,390	3,349	4,000
Increase in working capital.....		2,558,162	1,084,300
Decrease in working capital.....	34,660,900		

* Deduct.

SCHEDULE B-1
ADMINISTRATIVE EXPENSES
[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Salaries and wages:			
Directors' and loan committeemen's compensation.....	\$893	\$1,000	\$1,000
Officers:			
Vice president.....	1 7,000	1 7,700	
Assistant vice president.....		1 7,070	1 7,070
Assistant vice president and secretary.....	1 5,433	1 6,230	1 6,230
Employees:			
Administrative and general.....	14.9 33,282	9.1 24,182	9 21,432
Credit analysis.....	10.8 27,826	6.5 18,527	6 16,890
Horticultural services.....	20.3 49,034	17.5 49,841	10 25,020
Accounting and fiscal.....	5.8 10,729	5.9 13,388	5 10,726
Overtime compensation.....	25,988	3,048	
Total salaries and wages.....	53.8 159,285	42 131,286	32 88,968
Travel expense.....	10,307	10,000	7,000
Rent and utility services.....	6,666	6,500	6,000
Communications.....	2,850	3,000	2,500
Printing, binding, and office supplies.....	2,245	1,500	1,300
Equipment expense.....	*5,062	*10,874	200
Insurance and fidelity bond premiums.....	4,350	5,000	4,000
Miscellaneous.....	3,906	4,559	4,312
Subtotal.....	184,657	150,971	114,480
Payments for services received:			
Farm Credit Administration:			
Central office and crop loan facilities.....	273,918	291,029	201,520
District agencies.....	209,892	175,000	125,000
Agricultural Adjustment Administration.....	40,705	25,000	
Total administrative expenses 1.....	709,172	642,000	441,000

* Deduct.

1 Does not provide for General Accounting Office assessment for which no estimate is available.

SCHEDULE B-2
PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Personal services, departmental:			
Unclassified:			
Rate over \$5,200:			
Vice president.....	1 \$7,000	1 \$7,700	1 \$7,070
Assistant vice president.....		1 7,070	
Assistant vice president and secretary.....	1 5,433	1 6,230	1 6,230
Rate of \$2,800.....	1 2,090	1 2,408	1 2,408
Rate of \$2,200.....		0.9 1,782	1 1,902
Total permanent, departmental.....	3 14,433	4.9 26,190	4 17,610
Overtime pay, departmental.....		1,690	270
All personal services, departmental.....	3 16,123	4.9 25,460	4 17,610
Personal services, field:			
Unclassified:			
Rate over \$5,200:			
Branch manager.....	0.4 2,284		
Acting branch manager, assistant secretary, and assistant treasurer.....	0.8 3,954	1 5,810	1 6,810
Assistant manager, assistant secretary, and assistant treasurer.....	0.2 667		
Rate of \$5,200:			
Assistant secretary and assistant treasurer.....		0.7 3,549	
Assistant to the manager.....		0.8 3,792	
Rate of \$4,600:			
Assistant secretary.....		1 4,520	1 4,520
Rate of \$4,000:			
Assistant secretary.....	1 3,800		
Assistant secretary and assistant treasurer.....	0.8 2,973		
Assistant to the manager.....	1 3,906		
Credit examiner.....		0.1 375	1 3,750
Horticulturist.....		9.5 32,853	5 17,100
Rate of \$3,100.....	6.4 19,708	3.3 10,966	2 6,450
Rate of \$2,800.....	13.8 37,132	2.4 6,390	1 2,550
Rate of \$2,200.....	1.8 3,660	5.4 11,012	3 6,190
Rate of \$1,900.....	9.1 15,335	10 17,344	12 20,844
Rate of \$1,600.....	9.1 13,110	2.2 3,445	2 3,144
Rate of \$1,300.....	3 3,667		
Total permanent, field.....	48.4 114,404	36.4 100,066	28 70,358
Temporary employment, field.....	2.4 4,467	0.7 1,952	
Overtime pay, field.....		23,398	2,778
Loan committeemen's compensation.....		893	1,000
All personal services, field.....	50.8 143,162	37.1 105,826	28 71,358
Personal services (net) (schedule B-1).....	53.8 159,285	42 131,286	32 88,968

SCHEDULE C-1
STATUS OF LOANS RECEIVABLE¹

[As of June 30, 1944 and 1945]

	June 30, 1944		June 30, 1945	
	Number	Amount	Number	Amount
Food production loans and advances:				
Current.....	1,336	\$2,485,483	1,015	\$1,040,141
Delinquent.....	26,939	12,373,078	12,007	4,824,020
Total.....	28,275	14,858,561	13,022	5,864,161
Restricted area loans:				
Current.....	1,141	3,017,210	551	1,451,676
Delinquent.....			210	293,000
Total.....	1,141	3,017,210	761	1,744,676
Fruit loans, Wenatchee area: Current.....	693	2,465,056	599	1,787,879
Other loans:				
Current.....	1	9,848		
Delinquent.....	230	192,573	138	111,751
Total.....	231	202,421	138	111,751
Sales contracts, notes receivable, etc.: Current.....		28,334		37,497
Advances to borrowers: Delinquent.....		17,831		13,248
Total loans receivable.....	30,340	20,589,413	14,520	9,559,212

¹ Segregation between current and delinquent items is estimated.

SCHEDULE D-1
REVOLVING FUND

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Investments in regional agricultural credit corporations, payments on subscriptions to capital stock.....			
Retirements.....	-\$44,400,000		
1945 balance available in 1946.....	+44,400,000	-\$44,400,000	
1946 balance available in 1947.....		+44,400,000	-\$44,400,000
1947 balance available in 1948.....			+44,400,000
Total estimate or appropriation.....			

DEPARTMENT OF AGRICULTURE MIXED-OWNERSHIP CORPORATIONS

Federal land banks.—Under an amendment to the Federal Farm Loan Act, approved January 23, 1932 (12 U. S. C. 698), the Secretary of the Treasury on behalf of the United States subscribed to 125 million dollars of capital stock in the 12 Federal land banks. This amendment also provided that the Secretary of the Treasury, under certain conditions, would subscribe to the paid-in surplus of any Federal land bank in an amount equal to extensions or deferments on loans granted during any particular period. For this purpose a total of 189 million dollars has been appropriated since 1933. Funds repaid by the banks from time to time have been placed in revolving funds in the Treasury, from which future subscriptions of capital and paid-in surplus may be made if conditions warrant. By June 30, 1946, it is estimated the Federal land banks will have retired all but 40 million dollars of the 125 million dollars Government-owned capital stock and all but 36.9 million dollars of the 189 million dollars paid-in surplus.

Upon completion of a bond-refunding program late in the fiscal year 1946, recommendations will be made as to further returns to the revolving funds in the Treasury of

Government-owned capital stock and paid-in surplus during the fiscal year 1947.

Banks for cooperatives.—The Farm Credit Act of 1933, as amended, provides that capital funds required by the banks for cooperatives would be obtained from the revolving fund of the Agricultural Marketing Act (12 U. S. C. 1134b-1131i) and from cooperatives obtaining loans from the banks (12 U. S. C. 1134k). The amount of stock owned by farmers' cooperatives has never constituted more than a comparatively small part of the total capital needs of the banks. As of December 31, 1945, cooperatives owned stock in the aggregate amount of \$6,442,700, or 3.4 percent of the total; the remaining \$178,500,000 represented capital stock paid-in by the United States Government.

The possibilities of increasing ownership by farmers' cooperatives and of decreasing the Government's interest in the banks' capital structure are being studied. It is anticipated that some of the studies now in process will be completed in the near future. However, it is not expected that any Government capital will be available for return to the revolving fund during the fiscal year 1947.

DEPARTMENT OF COMMERCE

INLAND WATERWAYS CORPORATION

CREATION AND PURPOSE

The chartering of the Inland Waterways Corporation in 1924 was an outgrowth of needs which became apparent in inland water transportation during the period of the first World War. By the Federal Control Act of March 21, 1918, the Director General of Railroads was authorized to expend necessary funds for the purchase, construction, utilization, and operation of transportation facilities on inland waterways. In accordance with this authority, the Director General commandeered substantially all privately owned vessels on the inland waterways and initiated a construction program of new floating equipment. Under the terms of the Transportation Act of 1920, the functions exercised by the Railroad Administration were transferred to the Secretary of War and operated as the Bureau of Inland and Coastwise Waterways Service. By 1924 it had become evident that this operation could not be effectively carried on by a typical Government administrative bureau. Accordingly, by an act of Congress, June 3, 1924 (49 U. S. C. 151), the Inland Waterways Corporation was created. The Corporation was operated under the direction and supervision of the Secretary of War until 1939, when it was transferred to the Department of Commerce.

The chief purpose and objective of the Inland Waterways Corporation is to demonstrate the feasibility of water transportation on the inland rivers and to extend the benefits of this service to the people of the United States. The Corporation is to carry out the policy of the Congress in continuing the transportation services until: (a) there shall have been completed navigable channels as authorized by Congress; (b) terminal facilities shall have been provided on such rivers reasonably adequate for joint rail and water service; (c) there shall have been published and filed under the provisions of the Interstate Commerce Act, as amended, such joint tariffs with rail carriers as shall make generally available the privileges of joint rail and water transportation upon terms reasonably fair to both rail and water carriers; (d) private persons, companies, or corporations engage, or are ready to engage, in common carrier service on such rivers. The Corporation has no specified term of existence. However, it is provided in the enabling legislation that as soon as these conditions shall have been met the facilities of the Corporation are to be sold to private enterprise when such transfer can be made to the best advantage of the Government (49 U. S. C. 155).

In addition to the usual general officers, appointed by the Secretary of Commerce, the Corporation's operations are supervised by an advisory board. This board consists of a chairman plus six members. Each of these six members is selected by the Secretary of Commerce and each one must be a recognized business leader in his community. The bylaws of the Corporation provide that each of the six members of the advisory board shall represent one of the several sections of the country served by the Inland Waterways Corporation, shall serve for 5 years, and shall receive no compensation for their services other than per diem and travel.

FINANCIAL ORGANIZATION

The Corporation originally had an authorized capital stock of \$5,000,000. In 1928, this was increased to \$15,000,000 (49 U. S. C. 152). Of this amount, \$12,000,000 has actually been appropriated through the Secretary of the Treasury and made available to the Corporation. In addition to this capital stock of \$12,000,000, the Corporation also has paid-in surplus in excess of \$10,000,000. This paid-in surplus consists of the 1924 appraised value of the equipment and facilities turned over to the Corporation by the War Department at the time of its creation. The Corporation has no authority to issue bonds or other long-term debt obligations. A statement of the financial condition of the Corporation is shown immediately following the textual material (exhibit C).

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

Estimating the budgetary requirements of this Corporation for the fiscal year 1947 is particularly difficult due to the aftermath-of-war adjustments. The Corporation is at present experiencing drastic reductions in war-related tonnage, and it is not at all certain how rapidly it can go about recovering the normal peacetime tonnage lost during the war period. This tonnage includes such items as sugar, iron and steel products, farm machinery, etc. These items were in short supply during the war period and the demand for them dictated the abandonment of water transportation in favor of faster though more expensive transport media. The following discussion presents the Corporation's requirements as accurately as possible on the basis of current information. The level at which the various activities of the Corporation were carried on during fiscal year 1945 and the projected level for the fiscal years 1946 and 1947 are shown in the statement of sources and application of funds in the financial statements immediately following the narrative (exhibit A).

COMMON CARRIER OPERATIONS

The Corporation makes a separate accounting for its Mississippi River operations and its Warrior River operations. However, there are numerous operating conditions and general economic factors that are equally applicable to both operations. In the following discussion these general factors will be discussed first and a more specific statement as to the operations of the two divisions will follow.

As has already been indicated the recent war period resulted in a profound alteration of several phases of the Corporation's operations. First, there was a material shift in traffic from merchandise tonnage to bulk tonnage. The result of this shift was a decrease in labor hours per ton of freight handled. Second, the level of wages of employees increased by approximately 35 percent, while wages of some classes of employees increased by as much as 75 percent. Thus, when the merchandise tonnage lost

to the Corporation during the war is again available, labor cost per hour will be considerably higher than before the war, and labor hours per ton of freight handled will be higher than during the war. Third, the Corporation sold to the Reconstruction Finance Corporation much of its newer floating equipment, thus enabling the Reconstruction Finance Corporation to begin more quickly certain of its emergency wartime activities. This transaction had the effect of materially increasing the average age of floating equipment units in operation. Fourth, the extreme urgency of concentrating a maximum effort on immediate problems resulted in considerable deferred maintenance for both terminal and floating equipment. The consequence of the latter was the appearance of numerous inefficiencies that will have to be weeded out as rapidly as possible. A final alteration brought about by the war was that the direction of flow of the bulk of the tonnage handled became more predominantly upstream and consequently more unbalanced.

On the Mississippi division, it is anticipated that operating revenues will decrease from an all-time high of more than \$8,250,000 in 1945 to less than \$7,000,000 in 1946. From this point it is estimated that revenues will increase to \$7,700,000 in the fiscal year 1947. Operating costs, on the other hand, will decrease by only a little more than \$100,000 in 1946 from the 1945 level. Likewise, operating expenses will increase by only a little more than \$100,000 during 1947. The explanation of this difference in behavior as between revenues and expenses is, first, that a large part of the cost of operation is relatively fixed in nature, and second, that a higher percentage of merchandise traffic will require a relatively larger expenditure of labor with an attendant increase in costs. As a result of these changes in revenues and expenses, the result of the Mississippi division operation will be a 1946 loss of \$800,000, as compared with a \$450,000 profit in 1945. In 1947 this loss will be reduced to \$112,000. If the development of normal peacetime traffic should proceed more rapidly than now contemplated, and if the introduction of new and improved techniques in cargo handling at terminals and in barges results in greater economies than can now be foreseen, this result might be materially improved.

The water operation of the Warrior division of the Corporation's operation has always been an unprofitable one. On the basis of present estimates the years 1946 and 1947 will show somewhat greater losses than past years. It is anticipated that on this division revenues will not significantly change in 1946 and 1947 as compared with 1945. On the other hand, expenses will rise materially in 1946, due to the return of merchandise freight. The 1947 expenses will decline by a small amount. The result of this operation will be that this division will show a gross loss of \$275,000 in 1947, with total revenues of \$225,000.

The unfavorable operating result depicted above will be somewhat mitigated by the fact of additional income in the year 1946, when it is anticipated that the Corporation will receive a total of \$250,000 from interest, dividends, and profit from security sales. In 1947, on the other hand, the latter two sources of additional income will yield no income to the Corporation while income from the first source will be reduced from \$72,000 to \$20,000.

LOANING ACTIVITIES

The Corporation is authorized to make loans where such loans will contribute to the improvement of transportation facilities along the inland waterways (49 U. S. C. 141).

These loans may be made to any State, municipality, or transportation company. The Corporation currently has three such loans outstanding. There have been no new loans granted for several years and none are in prospect for the fiscal year 1947. However, it is contemplated that approximately \$24,000 in principal will be repaid in each of the fiscal years 1946 and 1947, an amount slightly in excess of actual repayments during 1945.

RESEARCH AND DEVELOPMENT

Pursuant to the terms of the enabling legislation, the Corporation is required to carry on such experimentation and research as will be contributory to the general development in inland waterways transportation (49 U. S. C. 142). Many types of equipment and facilities for river operations have been developed and tested. Many were found to be beneficial to transportation companies and were adopted, while others were discarded as impractical. Due to the more pressing urgency of wartime transportation needs, this activity was eliminated during the war. During the 1947 fiscal year this phase of the Corporation's activities will be resumed.

CHARTERING OPERATIONS—RECONSTRUCTION FINANCE CORPORATION

Shortly after the outbreak of hostilities, the Inland Waterways Corporation entered into an agreement with the Defense Plants Corporation to supervise the construction and conversion of vessels for wartime use. In a subsequent agreement, the Corporation was made a chartering agent for the operation of approximately 425 barges and 21 towboats. All expenditures in connection with these operations were reimbursed by the Reconstruction Finance Corporation. The need no longer exists for these activities as now constituted. The residual function for fiscal year 1947 will consist of maintaining and servicing the remaining Defense Plants Corporation fleets, consisting of 50 vessels, negotiating cash settlements with charterers, accepting return of the off-charter vessels, and other sundry activities.

PURCHASE OF EQUIPMENT

For the fiscal year 1946, the Corporation plans to expend some \$750,000 for additional equipment. These expenditures will in effect restore a part of the floating equipment turned over to the Reconstruction Finance Corporation during the war. The expenditure of these funds has been approved by the Secretary of Commerce and the purchase of new equipment through the use of these funds will have been completed by June 30, 1946. During 1947, the Corporation plans to expend in excess of \$2,500,000 for new equipment, most of which will be Government surplus equipment. These expenditures would go somewhat beyond restoration of the fleet to prewar capacity and would in part take the form of retirement of a portion of the fleet now in operation. The necessity for this retirement stems from the fact that certain units of the Corporation's fleet are thought to be beyond the point of efficient use. The Corporation is now conducting a complete study of its capital requirements.

OPERATING RESULTS

During 4 of the first 6 years of its history, the operations of the Corporation resulted in losses. Beginning with 1930, however, the Corporation achieved a net income

each year through 1938, with the exception of 1934. Beginning in 1939 the operations of the Corporation again went into the loss column and losses have been sustained continuously since that time. For the year 1945, the loss amounted to \$193,000, an amount roughly typical of losses for the 4 or 5 years previous to that year. During 1946, however, it is estimated that the Corporation will lose \$1,500,000. This year will represent the low point in the Corporation's net financial operation, a year in which war-induced freight will have almost completely disappeared and during which normal prewar freight will not yet have been shifted back to the barge line. The over-all result of operations during the fiscal year 1947 will be a loss of \$1,000,000. Substantial losses will possibly continue each year until such time as the operating equipment of the Corporation is substantially modernized. (See exhibit B for complete details on operating results.)

The Corporation operates on 3,100 miles of inland rivers servicing 20 terminals with 27 towboats and 272 barges. In the 21 years of its existence it has attracted a substantial amount of private capital to transportation operations on inland rivers. The difference between charges paid during this time on traffic routed via the Corporation and all-rail charges amounts to approximately \$42,000,000. From 1924 through 1945, the Corporation hauled 40,000,000 tons of freight. In addition one of the major accomplishments of the Corporation over a period of years that is not reflected on financial statements is that the presence of the Corporation on the inland rivers has served as a stabilizer of rates in the Mississippi Valley.

The statute creating the Corporation requires that it continue operation until it shall have accomplished several specific things. These requirements are set forth in detail above. Insofar as the lower Mississippi is concerned these accomplishments have by and large been achieved. With respect to the upper Mississippi River, including the Missouri and Illinois Rivers, it is anticipated that these accomplishments will have been generally advanced by the end of fiscal year 1947. However, on the entire Mississippi River system the history of the last few years has been that no private common carrier has developed a type of common carrier service similar to that developed by this Corporation. With respect to the Warrior River, it is quite doubtful that private enterprise can operate successfully on a common carrier basis until more tonnage has been attained and higher rates secured.

FINANCIAL CONDITION

Profits made by the Corporation between 1930 and 1938 enabled the Corporation to build up an earned surplus in excess of \$2,500,000 in 1938. Losses sustained since 1938 through 1945 reduced this surplus to slightly in excess of \$100,000. Operating losses in 1946 and 1947 will turn this surplus of \$100,000 into a deficit of almost \$2,500,000. As a result, the financing of operations will necessitate some liquidation of Government securities. (For full details see exhibit C.)

In view of the fact that the principal assets of this Corporation are physical properties having a relatively

long life, its real financial condition, as distinguished from its book condition, is determined through a comparison of the appraised value of the assets with their value as shown by the books. The bulk of the assets of the Corporation are currently depreciated on the basis of a 33 $\frac{1}{3}$ -year life as approved by the Interstate Commerce Commission. This 3-percent rate has not been charged uniformly during the Corporation's existence, however, and as a result the Corporation's books do not show the full amount of depreciation that would have accrued at this rate. In addition there is a strong possibility that the proper service life of this type of equipment is not 33 $\frac{1}{3}$ years but rather 30 years or even 25 years. If this is the case, the amount of underdepreciation will be still greater, and as a result the Corporation's property will be still further overvalued.

GOVERNMENT SECURITIES

As of June 30, 1945, the Corporation had an investment in Government securities amounting to \$6,600,000. This investment represented primarily the investment of depreciation reserves although a part of it represented the investment of proceeds from the sale of equipment to the Reconstruction Finance Corporation. During 1946 and 1947, it is anticipated that this investment will be reduced by approximately \$4,600,000. A part of this reduction will be used for operating expenses in view of the corporate deficit to be incurred in 1946 and 1947. Another part will be required for the purchase of additional equipment.

ADMINISTRATIVE EXPENSES

This expense covers the general supervisory staff engaged in over-all supervision of the programs carried on by the Corporation. During the calendar year 1944, the administrative staff performing these functions expended 177 man-years of personal service, which with other related costs of administration resulted in a total expenditure of \$581,000. The administrative organization was somewhat smaller during the calendar year 1945, but the anticipated expansion of the Corporation's activities in fiscal year 1947 will require some expansion in the administrative staff. (For further details see statement of income and expenses, exhibit B, and schedule B-1.)

The expenditures of \$714,000 for administrative expenses will allow some expansion in staff, and will also permit an increase in salaries in line with the Government's wage policy. The expanded staff will make it possible for the Corporation to make administrative and operating studies of numerous aspects of the Corporation's operations. These will include an investigation of terminal facilities, cargo handling techniques, and administrative procedures, and will be undertaken for the purpose of eliminating inefficiencies in operation.

LANGUAGE

The types of programs set forth in the 1947 budget of the Inland Waterways Corporation, within the funds available to it, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A

COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To operating expenses: Administrative expenses (see schedule B-1).....	\$548,964	\$637,721	\$714,281
To purchase of plant and equipment (see schedule C-2).....	21,005	762,196	2,634,000
To purchase of Government securities (par value \$3,475,000).....	3,475,166	-----	-----
To chartering operations—Reconstruction Finance Corporation (contra).....	286,775	250,000	100,000
To increase (or decrease*) working capital (see schedule A-1).....	352,507	*479,233	626,719
Total funds applied	4,684,407	1,170,684	3,975,000
FUNDS PROVIDED			
By repayment of principal of loans (see schedule C-1).....	22,836	24,604	24,000
By operating income:			
Mississippi division:			
Revenue from operations.....	\$8,294,006	\$6,888,163	\$7,696,000
Less: Direct cost of operations.....	7,843,115	7,704,152	7,807,712
Gross profit (or loss*).....	450,891	*815,989	*111,712
Add depreciation.....	604,373	603,119	626,483
Warrior division:	1,055,264	*212,870	514,771
Revenue from operations.....	224,357	224,164	225,000
Less: Direct cost of operations.....	484,632	515,551	500,000
Gross profit (or loss*).....	*260,275	*201,387	*275,000
Add depreciation.....	71,550	71,577	71,229
Additions to reserve for self insurance less payments.....	*188,725	*219,810	*203,771
Interest earned on investments.....	40,723	*20,995	20,000
Dividend received from subsidiary.....	92,526	72,008	20,000
Dividend received from subsidiary.....	75,000	75,000	-----
By nonoperating income: Profit on sale of investments.....	-----	102,656	-----
By sale of plant and equipment: Funds and salvage from equipment retired.....	73,777	-----	-----
By sale of Government securities:			
Par value.....	3,225,000	1,100,000	3,500,000
Amortization of premiums.....	125	31	-----
By recoveries of amounts written off in prior years.....	3,225,125	1,100,031	3,500,000
By Reconstruction Finance Corporation reimbursements (contra).....	1,106	-----	-----
By Reconstruction Finance Corporation reimbursements (contra).....	286,775	250,000	100,000
Total funds provided	4,684,407	1,170,684	3,975,000

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Revenue from operations:			
Freight	\$6,155,477	\$5,902,462	\$7,000,000
Towage	1,864,050	880,619	500,000
Miscellaneous voyage	5,322	5,298	6,000
Demurrage	23,364	10,360	15,000
Terminal operations	117,253	94,775	100,000
Rent	352,897	218,813	300,000
	\$8,518,363	\$7,112,327	\$7,921,000
Less direct cost of operations:			
Transportation (see schedule B-4)	5,350,231	5,391,903	5,600,000
Repairs (see schedule B-5)	1,370,329	1,575,173	1,500,000
Insurance	164,985	166,280	160,000
Rent	766,279	411,642	350,000
Depreciation	675,923	674,695	697,712
	8,327,747	8,219,703	8,307,712
Gross profit (or loss*) on operations	190,616	*1,107,376	*386,712
Interest earned on investments	92,526	72,068	20,000
Dividends received from subsidiary	75,000	75,000	-----
Total operating income (or loss*)	358,142	*960,308	*366,712
Operating expenses:			
Administrative expenses (see schedule B-1)	548,964	637,721	714,281
Depreciation on office furniture and equipment	2,288	2,288	2,288
Total operating expenses	551,252	640,009	716,569
Net operating income (or loss*)	*193,110	*1,600,317	*1,083,281
Nonoperating income: Profit on sale of investments			
	-----	162,656	-----
Net income (or loss*) for the year	*193,110	*1,497,661	*1,083,281

ANALYSIS OF EARNED SURPLUS

	1945, actual	1946, estimated	1947, estimated
Balance at beginning of fiscal year	\$298,552	\$106,548	*\$1,391,113
Net income (or loss*) for the year (above)	*193,110	*1,497,661	*1,083,281
Adjustments for year affecting prior periods	1,106	-----	-----
Balance at end of fiscal year (deficit*)	106,548	*1,391,113	*2,474,394

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Loans receivable (see schedule C-1).....	\$353,440	\$330,604	\$306,000	\$282,000
Inventories: Supplies and materials held for use.....	313,990	308,296	300,000	300,000
Plant and equipment (see schedule C-2).....	21,880,853	21,787,804	22,550,000	23,184,000
Less reserve for depreciation (see schedule C-3).....	7,982,088	8,620,022	9,297,066	9,997,066
Net plant and equipment.....	13,898,765	13,167,782	13,252,934	15,186,934
Accrued interest receivable: Accrued interest on investments.....	21,234	21,905	12,500	10,000
Accounts receivable: Customers accounts ¹	835,968	715,156	791,200	869,099
Investments:				
U. S. Government securities.....	6,350,000	6,600,031	5,500,000	2,000,000
Capital stock of Warrior River Terminal Co.....	1,250,000	1,250,000	1,250,000	1,250,000
Total investments.....	7,600,000	7,850,031	6,750,000	3,250,000
Cash: On hand and in banks.....	863,446	949,121	500,000	820,000
Prepayments:				
Rents paid in advance.....	6,748	6,225	6,500	6,500
Prepaid insurance.....	10,755	16,146	15,000	15,000
Prepaid maintenance.....	45,803	230,317	238,500	238,500
Total prepayments.....	63,306	252,688	290,000	260,000
Total assets	23,955,149	23,595,583	22,172,694	20,978,093
LIABILITIES				
Accounts payable.....	1,044,523	837,436	932,964	801,644
Reserves:				
Insurance reserves.....	60,272	100,995	80,000	100,000
Other operating reserves.....	188,959	187,761	188,000	188,000
Total reserves.....	249,231	288,756	268,000	288,000
Total liabilities	1,293,754	1,126,192	1,200,964	1,089,644
CAPITAL				
Paid-in capital:				
Common stock: Held by U. S. Treasury.....	12,000,000	12,000,000	12,000,000	12,000,000
Paid-in surplus.....	10,362,843	10,362,843	10,362,843	10,362,843
Total paid-in capital.....	22,362,843	22,362,843	22,362,843	22,362,843
Earned surplus (or deficit)*	298,562	106,548	*1,391,113	*2,474,394
Total capital	22,661,395	22,469,391	20,971,730	19,888,449

*Deduct

¹ Cost of repairs in excess of monthly budget allocation to be equalized over the balance of the year in accordance with Interstate Commerce Commission regulations

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Inventories: Supplies and materials held for sale	*\$5,694	*\$8,296	
Accrued interest receivable: Accrued interest on investments	671	*9,405	*\$2,500
Accounts receivable: Customers' accounts	*120,812	76,044	77,899
Cash: On hand and in banks	80,675	*449,121	320,000
Prepayments:			
Rents paid in advance	*523	275	
Prepaid insurance	5,391	*1,146	
Prepaid maintenance	184,514	8,183	
Current liabilities (increase * or decrease):			
Accounts payable	207,087	*95,528	131,320
Reserves: Other operating reserves	1,198	*239	
Increase in working capital	352,507		526,719
Decrease in working capital		479,233	

*Deduct.

SCHEDULE A-2
REVENUE FREIGHT TONNAGE BY AREAS

[Fiscal years ending June 30, 1945, 1946, and 1947]

Area	1945, actual	1946, estimated	1947, estimated
1. Lower Mississippi	1,524,443	2,213,965	2,150,000
2. Upper Mississippi	740,084	1,132,743	970,000
3. Illinois River	598,375	675,716	672,000
4. Missouri River	23,234	141,594	210,000
5. Warrior River	92,096	124,935	205,000

NOTE.—These figures contain duplication inasmuch as some traffic moves over more than 1 river segment.

SCHEDULE B-1
ADMINISTRATIVE EXPENSES

[Calendar years 1944, 1945, and the fiscal year ending June 30, 1947]

By accounts	Calendar year 1944, actual	Calendar year 1945, actual	Fiscal year 1947, estimated
Salaries and wages:	Man-years Amount	Man-years Amount	Man-years Amount
Officers:			
Chairman of the board, president	1 \$9,986		
Acting chairman of the board, president	0.3 3,375	0.7 6,000	
Chairman of the board		0.6 6,083	1 \$10,000
President		0.3 3,361	1 10,000
Vice president	0.7 5,312	0.3 3,000	1 9,000
Secretary-treasurer	1 7,200	1 7,200	1 8,225
Administrative assistant	1 6,600	1 6,600	1 6,600
Employees:			
Executive department	14 34,740	15 41,618	22 63,386
Traffic department	63 172,592	61 171,628	62 185,738
Accounting department	73 148,192	71 149,714	86 191,886
Purchasing department	11 26,292	11 26,854	11 25,471
Office of chartering agent, Reconstruction Finance Corporation	12 19,771	11 23,582	11 25,000
Total	177 433,860	172.9 445,547	197 534,806
Travel expenses	22,158	22,772	34,500
Telephone and telegraph	13,862	13,010	15,500
Penalty and post-paid mail	2,221	3,326	
Office rent and utilities	33,492	33,117	49,000
Auto expenses, other than depreciation	729	724	897
Office equipment expenses, other than depreciation	1,672	1,214	1,550
Office supplies and expenses	9,745	13,891	15,500
Stationery and printing	9,055	8,012	9,000
Membership dues and subscriptions	17,207	21,373	2,000
Tariffs purchased	14,872	25,813	25,000
Legal expenses	3,423	1,953	2,500
Fees and expenses, board of advisers	20,963	13,588	25,288
Pensions and relief	1,061	876	2,500
Payments for services rendered:	22,008	17,396	20,000
Audit of accounts	3,000	4,929	10,000
Department of Commerce: Reimbursements	3,828	3,717	(2)
Reconstruction Finance Corporation: Office supplies and expenses	668	174	200
Total	613,734	631,462	751,841
Less reimbursements received:			
Warrior River Terminal Co.: For services rendered	12,360	12,360	12,360
Coast and Geodetic Survey: For handling records	48		
Reconstruction Finance Corporation: Reimbursements	20,440	23,756	25,200
Total	32,848	36,116	37,560
Total administrative expenses	1,580,886	1,595,346	714,281

¹ The expenses in the first 2 columns above are for the calendar years 1944 and 1945 and cannot be reconciled with the first 2 columns on exhibits A and B, which are for the fiscal years 1945 and 1946.

² Included in executive department, salaries and wages.

SCHEDULE B-2
PERSONAL SERVICES

[Calendar years 1944, 1945, and fiscal year ending June 30, 1947]

By grades	Calendar year 1944, actual	Calendar year 1945, actual	Fiscal year 1947, estimated
PERSONAL SERVICES, DEPARTMENTAL	Man-years Amount	Man-years Amount	Man-years Amount
Rate over \$9,000:			
Chairman of the board		0.6 \$6,083	1 \$10,000
Rate of \$3,600 to \$4,000			1 3,640
All personal services, departmental		0.6 6,083	2 13,640
PERSONAL SERVICES, FIELD			
Rate over \$9,000:			
Chairman of board, president	1 \$9,986		
Acting chairman of board, president	0.3 3,375	0.7 6,000	
President		0.3 3,361	1 10,000
Rate of \$8,000 to \$9,000:			
Vice president	0.7 5,312	0.3 3,000	1 9,000
Secretary-treasurer	1 7,200	1 7,200	1 8,225
General operating manager	1 7,999	1 8,000	1 8,000
Operations assistant	0.5 3,688	1 8,000	
Rate of \$7,000 to \$8,000:			
Chief engineer	1 7,500	1 7,500	1 7,500
General traffic manager	1 7,500	1 7,500	1 7,500
Rate of \$5,000 to \$7,000:			
Traffic manager	1 6,300	1 6,300	1 6,800

By grades	Calendar year 1944, actual	Calendar year 1945, actual	Fiscal year 1947, estimated
PERSONAL SERVICES, FIELD—continued	Man-years Amount	Man-years Amount	Man-years Amount
Rate of \$6,000 to \$7,000—Continued			
Administrative assistant	1 \$6,600	1 \$6,600	1 \$6,600
Marine superintendent	1 6,400	1 6,600	1 6,600
Assistant general operating manager		0.2 1,245	1 6,500
Acting comptroller	1 5,708	1 6,000	1 6,200
Assistant comptroller	1 5,799	1 5,800	1 6,000
Director of personnel			1 6,000
Rate of \$5,000 to \$6,000:			
Master pilot	16 81,141	16 81,141	14 75,200
Director of labor relations	1 4,749	1 5,000	1 5,500
Assistant treasurer	1 4,999	1 5,000	1 5,500
General freight agent	1 5,250	1 5,250	1 5,500
Auditor of disbursement	1 4,969	1 5,000	1 5,500
Superintendent of vessels	1 4,889	1 5,400	1 5,400
Chief, office of chartering agent, Defense Plants Corporation	1 3,600	1 4,800	1 5,200
Assistant general freight agent	1 5,439	1 5,050	1 5,180
Superintendent of maintenance	1 3,525	1 4,800	1 5,180
Master	19 90,655	19 90,655	13 63,000
Pilot	51 243,337	51 243,337	38 189,000
Fleet captain			1 5,000
District superintendent	1 4,699	1 4,700	1 5,000
Survey engineer			1 5,000
Rate of \$4,000 to \$5,000:			
Special general agent	1 4,800	1 4,800	1 4,800
General agent	3 13,850	3 15,483	3 14,400
Claims attorney	0.7 3,200	1 4,800	1 4,800
Master mechanic	1 4,299	1 4,800	1 4,800
Terminal superintendent	2 8,400	2 8,780	2 8,800
Master	3 11,952	3 11,952	3 13,140
Master pilot	2 7,968	2 7,968	2 8,760
Chief engineer	36 149,628	36 149,628	27 118,160
Ship inspector	1 3,900	1 4,056	
Shop superintendent	1 4,299	1 4,300	1 4,400
Purchasing agent	2 7,732	2 7,900	2 8,800
General agent	1 3,850	1 4,200	1 4,300
Local agent	2 7,685	2 7,780	2 8,800
Chief, freight accounts	1 3,583	1 4,000	1 4,800
Terminal superintendent	2 7,968	2 8,600	2 8,600
Assistant master mechanic	1 3,750	0.4 2,400	1 4,200
Assistant to the president	1 2,170	1 2,170	1 4,000
District superintendent	1 3,650	1 3,750	1 4,000
Supervisor		1 3,900	
Chief clerk		1 3,600	
Rate of \$3,600 to \$4,000	43 154,302	52 185,225	59 235,934
Rate of \$3,000 to \$3,500	80	95.4	63
Total	273,897	295,645	199,966
Rate of \$2,000 to \$3,000 ¹	399 903,140	468 1,086,236	457 1,087,401
Rate under \$2,000 ¹	1,372 2,366,080	1,273 2,195,243	1,388 2,556,869
Total permanent, field	2,069.2 4,488,142	2,058.3 4,569,175	2,110 4,796,745
Temporary employment, field	3 2,491	2 975	2 1,500
All personal services, field	2,072.2 4,490,633	2,060.3 4,570,150	2,112 4,798,245
Total, departmental and field	2,072.2 4,490,633	2,060.9 4,576,233	2,114 4,811,885
Deduct nonadministrative expenses	1,895.5 4,056,773	1,888 4,130,686	1,917 4,277,079
Personal services (net) (Schedule B-1)	177 433,860	172.9 445,547	197 534,806

¹ The bulk of these positions are hourly and per diem employees whose annual rate of compensation falls within the ranges indicated.

SCHEDULE B-3
SUMMARY OF PERSONNEL REQUIREMENTS

[Calendar years 1944, 1945, and fiscal year ending June 30, 1947]

By departments	Calendar year 1944, actual	Calendar year 1945, actual	Fiscal year 1947, estimated
PERSONAL SERVICES, DEPARTMENTAL	Man-years Amount	Man-years Amount	Man-years Amount
Executive department	18 \$66,438	20 \$73,114	27 \$107,211
Traffic department	63 170,518	61 168,051	62 185,738
Operating department	1,626 3,459,683	1,596 3,477,981	1,643 3,634,222
Engineering department	182.5 395,133	186 405,364	186 426,957
Accounting department	143.7 306,654	135.9 305,023	156 364,760
Purchasing department	15 32,327	15 33,801	15 34,806
Office of chartering agent (Defense Plants Corporation)	24 59,880	47 112,916	25 68,161
Total, Corporation	2,072.2 4,490,633	2,060.9 4,576,233	2,114 4,811,885

SCHEDULE B-4
ANALYSIS OF TRANSPORTATION EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operation of vessels:			
Wages of crews.....	\$1,853,761	\$1,970,780	\$1,795,000
Fuel.....	996,667	809,965	865,000
Food.....	249,547	227,164	250,000
Other.....	273,118	213,793	233,500
Total.....	3,373,093	3,221,702	3,083,500
Operation of terminals:			
Wharf labor.....	963,112	1,157,699	1,427,700
Stevedores, foremen, and clerks.....	199,887	217,999	225,000
Salaries: Agents, clerks, and attendants.....	311,827	323,226	326,500
Tugs and lighters, operations.....	165,126	157,161	165,000
Superintendence.....	113,463	116,534	120,000
Other.....	135,804	140,287	167,300
Total.....	1,889,219	2,112,906	2,431,500
Incidental transportation expenses (loss, damage, and injury).....	87,919	57,295	85,000
Total transportation expenses.....	5,350,231	5,391,903	5,600,000

SCHEDULE B-5
ANALYSIS OF REPAIRS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Line vessels:			
Towboats:			
Hull and machinery.....	\$684,044	\$650,995	\$450,000
Furniture and fixtures.....	111,499	75,479	100,300
Total.....	795,543	756,474	550,300
Barges.....	344,344	501,515	613,000
Superintendence.....	60,991	66,837	70,000
Other.....	169,451	250,047	266,700
Total repairs.....	1,370,329	1,575,173	1,500,000

SCHEDULE C-1
STATUS OF LOANS RECEIVABLE

[As of June 30, 1944 and 1945]

	June 30, 1944		June 30, 1945	
	No.	Amount	No.	Amount
Investment securities:				
City of Memphis.....	1	\$138,750	1	\$123,750
Board of Commissioners of the Port of New Orleans.....	1	197,340	1	196,337
City of Kansas City, Mo.....	1	17,350	1	10,517
Total loans receivable.....	3	353,440	3	330,604

SCHEDULE C-2
INVESTMENT IN PROPERTY AND EQUIPMENT

[As of June 30, 1945, 1946, and 1947]

	Line equip- ment	Buildings and other struc- tures	Office and other terminal equipment	Improvements on leased property	Other transpor- tation prop- erty and equipment	Noncarrier property	Total
Balance June 30, 1944.....	\$18,480,282	\$1,710,731	\$580,218	\$537,685	\$162,299	\$109,638	\$21,880,853
Additions through June 30, 1945.....	9,644	720	6,300	477	3,864		21,005
Retirements and transfers through June 30, 1945.....	53,411	40,226	12,907	463	7,047		114,054
Balance June 30, 1945.....	18,436,515	1,671,225	573,611	537,699	459,116	109,638	21,787,804
Additions through June 30, 1946.....	765,666		3,339				769,005
Retirements and transfers through June 30, 1946.....			5,446		1,363		6,809
Balance June 30, 1946.....	19,202,181	1,671,225	571,504	537,699	457,753	109,638	22,550,000
Additions through June 30, 1947.....	2,775,000	100,000	125,000				3,000,000
Retirements and transfers through June 30, 1947.....	366,000						366,000
Balance June 30, 1947.....	21,611,181	1,771,225	696,504	537,699	457,753	109,638	25,184,000

SCHEDULE C-3
ANALYSIS OF DEPRECIATION RESERVE

[As of June 30, 1945, 1946, and 1947]

	Line equip- ment	Buildings and other struc- tures	Office and other terminal equipment	Improvements on leased property	Other transpor- tation prop- erty and equipment	Noncarrier property	Total
Balance June 30, 1944.....	\$6,928,251	\$477,652	\$331,112	\$59,299	\$174,576	\$11,198	\$7,982,088
Additions through June 30, 1945.....	576,547	39,721	18,005	20,909	18,834	4,195	678,211
Charges through June 30, 1945.....	25,961	6,729	6,271	463	853		40,277
Balance June 30, 1945.....	7,478,837	510,644	342,846	79,745	192,557	15,393	8,620,022
Additions through June 30, 1946.....	576,124	39,107	17,795	20,941	18,822	4,195	676,984
Charges through June 30, 1946.....	0	0	0	0	0	0	0
Balance June 30, 1946.....	8,054,961	549,751	360,641	100,686	211,379	19,588	9,297,006
Additions through June 30, 1947.....	590,130	30,107	17,795	20,941	18,822	4,195	700,000
Charges through June 30, 1947.....	0	0	0	0	0	0	0
Balance June 30, 1947.....	8,654,101	588,858	378,436	121,627	230,201	23,783	9,997,006

WARRIOR RIVER TERMINAL COMPANY

CREATION AND PURPOSE

The Warrior River Terminal Company was incorporated January 18, 1926, under the laws of the State of Alabama, as the Port Birmingham Railway Company. By amendment to its charter February 12, 1926, the name was changed to Warrior River Terminal Company. Since June 19, 1926, all capital stock of this Corporation has been owned by the Inland Waterways Corporation.

This company was formed for the purpose of acquiring the standard gage switching line extending from the river bank at Port Birmingham, Ala., to Ensley, Ala. This facility was acquired on May 1, 1926. The purchase of the stock of this Company by the Inland Waterways Corporation was necessitated by the unsatisfactory interchange relations between Warrior River barge line operators and the railroad, this road being the only means available to river operators for receiving freight from and delivering freight to the Birmingham district.

FINANCIAL ORGANIZATION

The Company originally had an authorized capital stock of \$150,000. Only \$100,000 of this amount had been paid in at the time the Inland Waterways Corporation acquired ownership of the outstanding stock. By amendment to the Company's charter the capital stock was increased to \$1,250,000 in 1931, all of which was issued and purchased by the Inland Waterways Corporation. Both of the purchases of stock made by the Inland Waterways Corporation were approved by the Interstate Commerce Commission. In addition to its capital stock, the Corporation also has paid-in surplus in the amount of approximately \$100,000. This paid-in surplus represents a grant from the Federal Emergency Relief Administration of Federal Works for replacement of trestles with steel spans. The Company has no outstanding bonds or other long-term debt obligations. A statement of the financial condition of the Company is shown immediately following the textual material (exhibit C).

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

SWITCHING OPERATIONS

The Company's activity is exclusively devoted to its common carrier operation. During the war the Company suffered a decline in tonnage and revenues due to a reduction in receipts from and deliveries to water carriers. A large part of this reduced tonnage was regained during fiscal year 1946. In the year 1947, most of the remainder of these losses should be recouped. During 1945, the Company made a gross profit of \$50,000. It is anticipated that in 1946 this will be increased to in excess of \$80,000 and that in 1947 the Company will achieve a gross profit of almost \$200,000. (For full details see exhibit A.)

PURCHASE OF PLANT AND EQUIPMENT

The Company has undergone extensive rehabilitation over the past several years. This rehabilitation is illustrated by a program of replacement of 80-pound rail by 100-pound rail. This program of rehabilitation slackened considerably during the war period but is expected to be continued strongly in the immediate postwar period. During 1945, only \$1,400 was expended for plant and equipment. This amount will be increased to \$5,000 in 1946, and to \$100,000 in 1947. The bulk of this \$100,000 will be used for the purchase of an additional locomotive to make possible the handling of the increased coal tonnage that is in prospect for that year.

PAYMENT OF DIVIDENDS

The Company has an almost continuous record of dividend payments in recent years. Normally it pays to the Inland Waterways Corporation a 6 percent dividend or \$75,000. With earnings somewhat depressed during the war, continued payments resulted in a reduction of surplus available for dividends to approximately \$65,000. Dividend payments during 1946 will reduce this still further to \$52,000. In order to retain funds for use in its postwar rehabilitation program the Company does not plan to declare a dividend in 1947. Profits that would have been available for dividends will be temporarily invested in Government securities pending their expenditure for plant and equipment.

OPERATING RESULTS

This Company's operations are normally profitable. In the year 1945, its net income amounted to \$31,000. In 1946, this is expected to increase to \$61,000, while in 1947 a \$176,000 net income is expected. These amounts are almost exclusively the result of common carrier operations. (For full details see exhibit B.)

FINANCIAL CONDITION

Corporate profits during the years of the Company's existence enabled it to accumulate a total earned surplus in the amount of \$472,000 as of June 30, 1944, after the payment of dividends on capital stock. In the fiscal years 1945 and 1946, earned surplus will decrease slightly, although the Company will pay in those years a 6 percent dividend. During 1947 the Company anticipates that its earned surplus will build up to almost \$600,000. Of this amount more than \$360,000 is earmarked as having been invested in property, while almost \$230,000 will be available for dividends and property rehabilitation. (For full details see exhibit C.)

GOVERNMENT SECURITIES

The Company uses its portfolio of Government securities solely for the purpose of temporarily investing funds. At the end of fiscal years 1944 and 1945 the amount of funds thus invested was \$50,000. During 1946, it is anticipated that this portfolio will be completely liquidated, while in 1947 the Company will invest \$100,000 of its net earnings in Government securities.

ADMINISTRATIVE EXPENSES

This expense covers the general supervisory staff engaged in over-all supervision of the programs carried on by the Company. During the calendar year 1944 the administrative staff performing these functions expended 2 man-years of personal service, which with other related costs of administration resulted in a total expenditure of \$19,000. The administrative organization is expected to remain constant during calendar year 1945 and fiscal year 1947. Related costs of administration will go up slightly in each of these years. (For further details see statement of income and expenses, exhibit B and schedule B-2.)

LANGUAGE

The types of programs set forth in the 1947 budget of the Warrior River Terminal Company, within the funds available to it, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A

COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To operating expenses, Administrative expenses (see schedule B-2).....	\$19,213	\$19,200	\$20,208
To purchase of plant and equipment (see schedule C-1).....	1,354	5,000	100,000
To purchase of Government securities.....	75,045	-----	100,000
To payment of dividends.....	75,000	75,000	-----
To increase (or decrease*) working capital (see schedule A-1).....	*20,682	56,383	1,592
Total funds applied	149,930	155,583	221,800
FUNDS PROVIDED			
By operating income:			
Revenue from operations.....	\$201,988	\$258,000	\$424,500
Less: Direct cost of operations.....	152,202	177,800	228,400
Gross profit.....	49,786	80,200	196,100
Add depreciation.....	24,224	24,400	25,200
Interest earned on investments.....	74,010	104,600	221,300
By nonoperating income: Profit earned on investments sold.....	565	219	500
By sale of plant and equipment: Funds and salvage from equipment retired.....	18	8	-----
By sale of Government securities:			
Par value.....	75,000	50,000	-----
Amortization of premiums.....	37	8	-----
By recoveries of amounts written off in prior years.....	240	748	-----
Total funds provided	149,930	155,583	221,800

*Deduct.

EXHIBIT B

COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Revenue from operations:			
Switching.....	\$182,724	\$250,000	\$421,500
Rent.....	18,684	7,500	2,500
Incidental.....	590	500	500
Less direct cost of operations:			
Transportation (see schedule B-4).....	36,665	64,800	80,000
Repairs (see schedule B-5).....	64,660	70,000	94,000
Rents.....	6,664	8,600	9,200
Taxes.....	20,818	20,000	20,000
Depreciation ¹	24,395	24,400	25,200
Gross profit on operations.....	49,786	80,200	196,100
Interest earned on investments.....	665	219	500
Total operating income	50,351	80,419	196,600
Operating expenses: Administrative expenses (see schedule B-2).....	19,213	19,200	20,208
Net operating income	31,138	61,219	176,392
Nonoperating income: Profit on investments sold.....	18	8	-----
Net income for the year	31,156	61,227	176,392

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$108,621	\$65,026	\$52,001
Net income for the year (above).....	31,156	61,227	176,392
Adjustments for year affecting prior periods.....	249	748	-----
Dividend paid Inland Waterways Corporation.....	175,000	\$75,000	-----
Balance at end of fiscal year	65,026	52,001	228,393

¹ Includes \$171 depreciation on leased property.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Inventories: Supplies and materials held for use.....	\$16,526	\$11,173	\$12,000	\$12,000
Plant and equipment (see schedule C-1).....	1,849,915	1,851,218	1,856,218	1,956,218
Less reserve for depreciation (see schedule C-2).....	175,140	199,364	223,764	248,964
Net plant and equipment.....	1,674,775	1,651,854	1,632,454	1,707,254
Accrued interest receivable: Accrued interest on investments.....	182	146		500
Accounts receivable: Customers accounts.....	11,760	10,686	12,100	15,100
Investments: Government securities.....	50,000	50,008		100,000
Cash (in banks).....	88,054	74,585	129,399	129,491
Prepayments:				
Prepaid insurance.....	878	962	1,000	1,000
Taxes paid in advance.....	1,252			
Total prepayments.....	2,130	962	1,000	1,000
Total assets.....	1,843,427	1,799,411	1,786,953	1,965,345
LIABILITIES				
Accounts payable.....	23,154	22,736	23,300	25,300
CAPITAL				
Paid-in capital:				
Common stock:				
Held by Inland Waterways Corporation.....	1,250,000	1,250,000	1,250,000	1,250,000
Paid-in surplus.....	97,913	97,913	97,913	97,913
Total paid-in capital.....	1,347,913	1,347,913	1,347,913	1,347,913
Earned surplus:				
Reserved for income and surplus invested in property.....	363,739	363,739	363,739	363,739
Other.....	108,621	65,026	52,001	228,393
Total earned surplus.....	472,360	428,765	415,740	592,132
Total capital.....	1,820,273	1,776,678	1,763,653	1,940,045

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Inventories: Supplies and materials held for use.....	\$5,353	\$827	
Accrued interest receivable: Accrued interest on investments.....	*36	*146	\$500
Accounts receivable: Customers accounts.....	*1,074	1,414	3,000
Cash (in banks).....	*13,469	54,514	92
Prepayments:			
Prepaid insurance.....	84	38	
Taxes paid in advance.....	*1,252		
Current liabilities (increase* or decrease):			
Accounts payable.....	118	*275	*2,000
Undistributed credits: Unaudited accounts.....	300	*289	
Increase in working capital.....		56,383	1,592
Decrease in working capital.....	20,682		

*Deduct.

SCHEDULE B-1

REVENUE SWITCHING TONNAGE BY COMMODITIES

[Fiscal years ending June 30, 1945, 1946, and 1947]

Commodity *	1945, actual	1946, estimated	1947, estimated
Coal, bituminous.....	230,790	333,072	800,000
Gasoline.....	6,271	31,233	50,000
All other.....	172,020	222,284	225,000
Total.....	409,081	586,589	1,075,000

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Calendar years 1944, 1945, and fiscal year ending June 30, 1947]

By accounts	Calendar year	Calendar year	Fiscal year
	1944, actual	1945, actual	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
Salaries and wages:			
Officers: Secretary and general freight agent.....	1 \$4,138	1 \$4,200	1 \$4,500
Employees: Office of secretary and general freight agent.....	1 1,942	1 1,980	1 2,100
Total.....	2 6,080	2 6,180	2 6,600
Travel expenses.....	180	95	250
Telephone and telegraph.....	131	124	130
Penalty and post paid mail.....	9	21	25
Office rent and utilities.....	416	429	435
Stationary and printing.....	119	137	150
Automobile expenses other than depreciation.....	169	195	300
Membership dues.....	105	110	115
Operating official train.....	36	230	250
Office supplies and expenses.....	13	63	63
Director's fees.....	80	60	80
Pensions and relief.....	525	454	500
Payments for services rendered: Inland Waterways Corporation.....	12,360	12,360	12,360
	20,223	20,458	21,258
Less reimbursements received: Inland Waterways Corporation.....	971	999	1,050
Total administrative expenses.....	19,252	19,459	20,208

SCHEDULE B-3

PERSONAL SERVICES

[Calendar years 1944, 1945, and fiscal year ending June 30, 1947]

By grades	Calendar year	Calendar year	Fiscal year
	1944, actual	1945, actual	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, FIELD			
Rate of \$4,000 to \$5,000:			
Supervisor.....	1 \$4,519	1 \$4,519	1 \$4,519
Secretary and general freight agent.....	1 4,157	1 4,200	1 4,500
Trainmaster.....	1 4,159	1 4,159	1 4,159
Rate of \$2,000 to \$3,000.....	5 10,693	5 10,788	7 15,798
Rate under \$2,000.....	22 38,018	25 44,516	34 61,833
Total permanent, field.....	30 61,526	33 68,182	44 90,809
Temporary employment, field.....	0.3 513	0.4 887	1 2,373
All personal services, field.....	30.3 62,039	33.4 69,069	45 93,182
Deduct nonadministrative expenses.....	28.3 55,959	31.4 62,889	43 86,582
Personal services (net) (schedule B-2).....	2 6,080	2 6,180	2 6,600

SCHEDULE B-4

ANALYSIS OF TRANSPORTATION EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Rail line operation:			
Station service.....	\$3,130	\$3,640	\$4,500
Yard enginemen and motormen.....	7,306	13,408	19,750
Other yard employes.....	10,129	15,666	26,500
Yard switching fuel.....	3,442	5,462	7,500
Other yard expenses.....	1,723	2,449	3,500
Operating joint yards and terminals.....	5,200	5,350	5,500
Superintendence.....	5,267	6,381	7,500
Other.....	468	2,714	5,250
Total.....	36,665	54,800	80,000

SCHEDULE B-5

ANALYSIS OF REPAIRS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Maintenance of way and structures:			
Roadway and tracks.....	\$27,685	\$32,107	\$42,500
Structures.....	7,496	5,379	10,000
Superintendence.....	5,846	6,131	6,500
Other.....	3,915	4,380	5,000
Total.....	44,942	47,997	64,000
Maintenance of equipment:			
Locomotive repairs.....	11,200	9,922	14,000
Car repairs.....	7,353	10,561	14,000
Superintendence.....	928	959	1,000
Other.....	117	561	1,000
Total.....	19,718	22,003	30,000
Grand total.....	64,660	70,000	94,000

SCHEDULE C-1
INVESTMENT IN PROPERTY AND EQUIPMENT

[As of June 30, 1945, 1946, and 1947]

	Road	Equipment	General	Total
Balance June 30, 1944.....	\$1,348,086	\$493,610	\$8,219	\$1,849,915
Additions through June 30, 1945.....	1,341			1,341
Retirements and transfers through June 30, 1945.....	38			38
Balance June 30, 1945.....	1,349,389	493,610	8,219	1,851,218
Additions through June 30, 1946.....	5,000			5,000
Balance June 30, 1946.....	1,354,389	493,610	8,219	1,856,218
Additions through June 30, 1947.....		100,000		100,000
Balance June 30, 1947.....	1,354,389	593,610	8,219	1,956,218

SCHEDULE C-2
ANALYSIS OF DEPRECIATION RESERVE

[As of June 30, 1945, 1946, and 1947]

	Road	Equipment	Total
Balance June 30, 1944.....	\$9,224	\$165,916	\$175,140
Additions through June 30, 1945.....	5,821	18,403	24,224
Balance June 30, 1945.....	15,045	184,319	199,364
Additions through June 30, 1946.....	5,821	18,579	24,400
Balance June 30, 1946.....	20,866	202,898	223,764
Additions through June 30, 1947.....	5,821	19,379	25,200
Balance June 30, 1947.....	26,687	222,277	248,964

¹ Excludes \$171 depreciation on tracks held under lease.

CARGOES, INCORPORATED ¹

Cargoes, Incorporated, was originally organized under the name of Ships, Incorporated, its preferred stock being purchased by the Reconstruction Finance Corporation with funds allocated by the Office of Lend-Lease Administration pursuant to legislation defining the authorities of these organizations (22 U. S. C. 411 et seq., and 15 U. S. C. 606b). The Corporation was taken over in June 1942 by the Office of Lend-Lease Administration, the Reconstruction Finance Corporation purchasing the common stock with funds allocated by that Office. Executive Order 9380 of September 25, 1943, transferred the Office of Lend-Lease Administration to the Foreign Economic Administration. The Reconstruction Finance Corporation held the common and preferred stock for the account of the Foreign Economic Administration as beneficial owner.

The purpose of the Corporation was to construct experimental cargo vessels and other craft and to conduct

¹ Under the terms of Executive Order 9630, approved Oct. 20, 1945, certain of the functions performed by the Foreign Economic Administration, including those formerly performed by this Corporation, were transferred to the Department of Commerce.

the research and testing necessary thereto during the shipping crisis in the forefront of the emergency war period. Liquidation of the Corporation has now been completed and dissolution consummated with final transfer of unexpended funds made to the Reconstruction Finance Corporation on March 31, 1945.

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By objects	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL			
Personal services (net).....	\$645		
Travel.....	446		
Transportation of things.....	17		
Other contractual services.....	341,316		
Total.....	342,424		
Transferred to Reconstruction Finance Corporation.....	+255,593		
1944 balance available in 1945.....	-598,017		

DEPARTMENT OF THE INTERIOR

THE VIRGIN ISLANDS COMPANY

CREATION AND PURPOSE

The Virgin Islands Company was established in 1934 to aid in effecting the economic rehabilitation of the Virgin Islands and to promote the general welfare of the people.

The island of St. Croix, on which the principal activities of the Company are conducted, is defined as a one-crop sugarcane island for the reason that practically all other agricultural pursuits have failed with the exception of the relatively small cattle business which now employs only a few people. Prior to 1930, the West Indian Sugar Factory, Ltd., was the principal grower and processor of sugarcane on St. Croix. This company went into bankruptcy in 1930, and a grave problem was created as the substantial portion of the population of St. Croix depended in large part on continued operations of the sugar industry.

From 1930 to 1934 the Government endeavored to interest private industry in rehabilitating the sugar and other industries within the Virgin Islands. Such attempts proved fruitless, with the result that during the latter part of 1932 and practically all of 1933, the Government was forced to feed approximately 40 percent of the islands' people through the Red Cross.

After a general survey of conditions in the islands, it was concluded by the President and other interested officials that the reestablishment of the rum industry would be of the most practical assistance in improving the economic situation. The National Industrial Recovery Act specifically authorized extension of its benefits to public works in the Virgin Islands and permitted the purchase of property in connection with particular public works projects. Accordingly, after consultation with President Roosevelt, the Public Works Administrator made an allotment of \$1,000,000 in 1934 "for the rehabilitation of the sugarcane and rum industries of the Virgin Islands." With these funds were purchased part of the properties formerly operated by the West Indian Sugar Factory, 2 sugar mills, approximately 5,000 acres of land, 12 old slave villages, a distillery, a short railroad, and other properties. The purchase and rehabilitation of these properties was known as Federal project 16.

Simultaneously with the establishment of Federal project 16, the Colonial Council for the Municipality of St. Thomas and St. John, Virgin Islands, U. S. A., passed a special ordinance approved April 16, 1934, creating the corporation known as "The Virgin Islands Company." On November 26, 1934, the Secretary of the Interior entered into an operating agreement with The Virgin Islands Company, under which the Company operates such properties acquired and rehabilitated under Federal project 16 for the benefit of the people of the Virgin Islands. This agreement has been amended from time to time to include the properties of the St. Croix abattoir and the St. Thomas market, both of which were projects of the Public Works Administration, identified as Federal projects 17 and 18, respectively. The current operating agreement expires November 25, 1949.

No functions of other agencies were taken over or supplemented by The Virgin Islands Company at the time of its creation.

Any governmental agency, private concern, or individual may purchase the products of the Company, rent its equipment, or otherwise have access to the services of the Company upon approval of the latter's duly authorized officers.

The Department of the Interior, in accordance with the provisions of the operating agreement, is authorized to repossess the properties operated by The Virgin Islands Company at any time.

By virtue of the provisions of the charter and the provisions of sections 6 and 7 of the trust agreement, the Company is qualified as an instrumentality of the United States to receive and administer work relief projects financed by Federal funds.

During the year 1941, The Virgin Islands Company developed a rural electrification project designated as the "Rural Electric Division." This project provides electric energy to the rural areas of St. Croix between the towns of Christiansted and Frederiksted, including the United States Army air base in St. Croix.

The Company cultivates approximately 3,000 acres of sugarcane, maintains approximately 1,000 acres of pasture, and grinds in its mills, in addition to its own cane, that of about 525 independent growers. It has built and maintains homes for laborers in its employ, also furnishing them with subsistence plots; rents out tractors and other equipment; operates a rock crusher used in local road construction; supervises operation of an abattoir; provides community houses used as nurseries during the day and recreation centers in the evening; and operates a mail, cargo and passenger carrying schooner plying between St. Thomas and St. Croix.

FINANCIAL ORGANIZATION

The capital stock of the Company consists of three shares of \$10 each, held in trust, as of June 30, 1945, by the Secretary of the Interior, the Under Secretary of the Interior, and the Governor of the Virgin Islands.

Prior to July 1, 1943, The Virgin Islands Company's working capital was augmented by various contributions from relief agencies which amounted to \$879,326. However, since that date the Company has operated from revenues obtained through the sale of its own commodities. The only exception is the allocation of \$20,000 from the Federal Works Agency to be used solely for the maintenance and operation of the St. Croix abattoir and the St. Thomas meat market and cold storage plant.

Funds for the Rural Electric Division in the amount of \$275,000 were provided under a loan contract and mortgage agreement executed by the Company with the Rural Electrification Administration. Rates for electric power are established on the basis of the operating results of the project which is designed as a self-liquidating undertaking.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The Company expects to continue its four-fold program: First, to expand and increase the growing of sugarcane on St. Croix to a point where it will be self-supporting. It is estimated that by 1950 the island should be producing about 80,000 tons of sugarcane per year which is, in the opinion of management, the minimum that should be handled in order to make the sugarcane industry self-supporting.

Second, the Company hopes to bring its rum business back to a normal level; namely, manufacture and ship to the continental United States 100,000 cases of rum a year at whatever the prevailing prices for this type of rum may be when the liquor business returns to normal.

Third, the Company expects to maintain at about the present level its assistance to small farmers in plowing their land and furnishing cane seed. It expects to cooperate with the cattlemen of the island in the operation of the abattoir on St. Croix and the operation or leasing of the St. Thomas market and cold storage plant on St. Thomas.

Fourth, the Company hopes to place its Rural Electric Division on a sound financial basis by servicing additional customers using electric energy and by assisting present customers to obtain electrical appliances such as refrigerators, stoves, percolators, electric irons, etc., so as to raise the individual consumption per user, thereby increasing the sale of electric energy to a point where the Rural Electric Division will be able to meet its obligations. However, this cannot be realized during the fiscal years 1946 and 1947, as it is expected that the operation of this Division will result in a loss for both years.

OPERATING RESULTS

During the fiscal year 1945, programs carried on by the Company resulted in a net profit of \$12,280, before deducting income taxes which are estimated to be \$6,496. For the fiscal years 1946 and 1947, the profit is estimated to be \$173,200 and \$175,200, respectively, before providing for income taxes which are estimated to be \$50,000 for each year. This increase in profits results primarily from the estimated increase in the sales of rum. It is expected that the net loss from the sugar program, after deducting for freight and lighterage out, will be \$52,000 in 1946 and \$59,000 in 1947. The operations of miscellaneous programs (Other) are expected to continue at a loss of \$11,000 for both 1946 and 1947. The sales from electricity are expected to produce enough revenue to cover the cost of sales. The losses on sugar and miscellaneous programs, plus the operating expense, will be financed from the net profits on the sale of rum, which is expected to be \$277,000 for both 1946 and 1947.

Rum sales slumped during 1945 to \$181,497, due to a controversy over ownership of the Government House Rum label and the refusal of the former distributor to order shipments after July 1944. The rum contract with that distributor expired in March, without renewal, and at the end of June a new contract was negotiated with a new distributor. It is expected that normal shipments of rum will be resumed in 1946 and will continue through 1947.

During the 1945 crop there were 44,725 tons of sugarcane ground, of which 41,578 tons were processed into (a) 4,040 tons of raw sugar (sold to the Commodity Credit Corporation at \$3.46 per hundredweight, free on board, St. Croix; plus a support payment of 55 cents per hundredweight, a great portion of which was redistributed by the Company to labor and the small grower as their share),

and (b) 3,147 tons (plus 64,630 gallons of molasses) into 96,636 proof gallons of Government House Rum. There still remain 175,000 gallons of molasses, produced during the crop period, which will be processed into rum as the Company inventories warrant it.

During 1945 the sugar program almost emerged from the red. Less loss was incurred than ever before, attributable to (1) ability to get the crop off in less time than usual, and (2) the support payment from Commodity Credit Corporation.

Field labor was increased from \$1.36 to \$1.60 a day, effective at the beginning of the 1945 crop; however, most of the cane was cut on tonnage rather than a per diem basis enabling many of the more enterprising workers to earn from \$2.50 to \$4.59 a day. The incentive of more-effort-more-pay created by contract work accounted for the crop being taken off more quickly. The new wage method of harvesting cane for the 1945 season was a departure from the usual fixed day's pay and proved beneficial to the laborers, the growers, and the Company.

Sugarcane cultivation increased 20 percent due, principally, to the Commodity Credit Corporation support payment of approximately 90 cents per ton of cane; and, on the assumption that this subsidy will be increased to \$2.10 for the 1946 crop, considerably more acreage is being optimistically turned into cane cultivation. This increase will materially affect the 1947 crop, rather than the one in 1946.

Effective January 1, 1946, field laborers were increased to \$1.84 on a per diem basis, and for piece rates the wages will be \$1 per ton for cutting cane, and 50 cents per ton for loading cane. This increase is reflected in the projected operating statements for the fiscal years 1946 and 1947.

During the fiscal year 1945 the Company paid \$254,783 in salaries and wages. This expenditure is expected to be \$286,245 in 1946 and \$333,245 in 1947. The increase is due primarily to (1) the additional sugarcane cultivation, and (2) the increase in wages to field laborers. Payments to field laborers constitute approximately 50 percent of the total salaries and wages as shown in schedule B-6.

FINANCIAL CONDITION

Inventories.—On June 30, 1945, the Company held an inventory of \$708,624, of which \$387,151 represents rum on hand, \$128,028 the value of cane (growing) in fields, and the balance represents other work in process and stores held for sale or use. A reduction in the rum inventory of approximately \$85,000 is expected during the fiscal year 1946, and a further reduction of \$100,000 in 1947.

Sugarcane (growing) will continue at the same level through 1946 and 1947, and the value of the crop is expected to remain the same at the end of each of these fiscal years.

Other inventories will be kept at the 1945 level.

All sugar produced during a fiscal year is expected to be disposed of before June 30, of that year.

Long-term liabilities.—This represents \$209,302 advanced from the Rural Electrification Administration to finance the construction cost of the generating plant by the Rural Electric Division of the Company as a self-liquidating project. No change is expected in this account in 1946 and 1947.

Capital surplus and reserves.—The paid-in surplus of \$888,431 represents funds made available to the Company through allocations by various Governmental agencies and has been applied to general operations.

The reserve for contingencies represents the cumulative profits, after provision for income taxes, set aside for emergencies and contingencies such as drought periods, hurricane, fires, etc., which might result in a crop failure, as well as for shipment losses on sugar and rum. On June 30, 1945, the reserve amounted to \$101,927. Future profits, after provision for income taxes, are expected to be set aside for contingencies until the sum of \$500,000 has been accumulated. A reserve of this amount is necessary in order to carry the Company for a year in the event of a crop failure.

The Virgin Islands Company pays to the municipality of St. Croix and the municipality of St. Thomas and St. John an amount equal to the taxes which would be payable by a private corporation similarly situated. The authority under which such payment is made is contained in section 5 of the act of Congress approved May 26, 1936 (48 U. S. C. 1401d).

Under the provisions of the Company's charter, no dividends, salaries, or profits may be used by, paid to, or otherwise made available to any of its incorporators or holders of its capital stock. All profits of the Company are to be used to rehabilitate the Virgin Islands and to promote the general welfare of the people therein.

ADMINISTRATIVE EXPENSE

This expense covers the general supervisory staff and expenses relating to the over-all supervision of the programs carried on by the Company. It does not cover wages included in growing and harvesting of cane and in the manufacture of sugar and rum, which wages are primarily for native labor, paid on a per diem or piece basis. During the fiscal year 1945, the administrative personnel performing staff work consisted of approximately 43 employees.

Seventy percent of the administrative expenses for the General Operations Division (schedule B-5) is distributed to manufacturing expenses. For 1945 the amount included in operating expenses was \$22,752 for the General Operations Division and \$3,935 for the Rural Electric Division. This is expected to remain about the same for 1946 and 1947.

LANGUAGE

The types of programs set forth in the 1947 budget of The Virgin Islands Company, within the funds available to it, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To operating expenses:			
General Operations Division:			
Interest.....	\$388	\$8,000	\$23,000
Administrative expenses (schedule B-5).....	22,752	24,000	33,000
	\$23,140	\$32,000	\$33,000
Rural Electric Division:			
Interest.....	4,651	4,500	4,500
Administrative expenses (schedule B-5).....	3,935	3,900	3,900
	8,586	8,400	8,400
To purchase of fixed assets.....	42,285	15,000	15,000
To losses on shipments of rum.....	395	—	—
To provisions for income taxes.....	6,496	50,000	50,000
To increase (or decrease*) working capital and deferred items (see schedule A-1).....	*24,304	129,850	122,850
Total funds applied.....	56,598	226,250	219,250
FUNDS PROVIDED			
By net profits on sales by General Operations Division:			
Sales of sugar.....	489,038	550,000	600,000
Cost of sales (see schedule B-1).....	497,169	550,000	600,000
	*8,131	—	—
Gross loss on sales.....	45,003	52,000	59,000
Add freight, lighterage, and selling expenses.....	—	—	—
	*53,134	*52,000	*59,000
Sales of rum.....	181,497	500,000	500,000
Cost of sales (see schedule B-1).....	57,546	200,000	200,000
	123,951	300,000	300,000
Gross profit on sales.....	10,473	23,000	23,000
Less freight, lighterage, and selling expenses.....	—	—	—
	113,478	277,000	277,000
Sales—other (see schedule B-2).....	33,305	31,000	30,000
Cost of sales (see schedule B-2).....	46,533	42,000	41,000
	*13,228	*11,000	*11,000
Total net profits on sales.....	47,116	214,000	207,000
Add depreciation on buildings and equipment.....	8,254	9,000	9,000
Deduct net increase in value of livestock.....	*2,019	*1,500	*1,500
Deduct profit on sale of livestock included below.....	*827	*100	*100
	5,408	7,400	7,400
Total funds provided from sales by General Operations Division.....	52,524	221,400	214,400
By net profits on sales by Rural Electric Division:			
Sales of electricity.....	22,946	25,000	25,000
Cost of sales (see schedule B-3).....	25,764	25,000	25,000
	*2,818	—	—
Gross loss on sales.....	3,723	3,800	3,800
Add depreciation on buildings and equipment.....	—	—	—
	905	3,800	3,800
By nonoperating income:			
General Operations Division.....	152	200	200
Rural Electric Division.....	164	—	—
By sale of livestock:			
Book value.....	1,391	750	750
Profit on sales.....	827	100	100
	2,218	850	850
By salvage from retired fixed property (net).....	220	—	—
By capital donated for purchase of livestock.....	415	—	—
Total funds provided.....	56,598	226,250	219,250

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
GENERAL OPERATIONS DIVISION			
Operating income:			
Sales of sugar.....	\$489,038	\$550,000	\$600,000
Cost of sales (see schedule B-1).....	497,169	550,000	600,000
Gross loss* on sugar.....	*8,131		
Deduct:			
Freight and lighterage out.....	34,256	40,000	45,000
Selling expenses.....	10,747	12,000	14,000
	45,003	52,000	59,000
Net loss* on sugar.....	*\$83,134	*\$52,000	*\$59,000
Sale of rum.....	181,497	500,000	500,000
Cost of sales (see schedule B-1).....	57,546	206,000	200,000
Gross profit on rum.....	123,951	300,000	300,000
Deduct:			
Freight and lighterage out.....	1,144	3,000	3,000
Selling expenses.....	9,329	20,000	20,000
	10,473	23,000	23,000
Net profit on rum.....	113,478	277,000	277,000
Sales—other (see schedule B-2).....	33,305	31,000	30,000
Cost of sales (see schedule B-2).....	46,533	42,000	41,000
Gross loss* on sales—other.....	*13,228	*11,000	*11,000
Total operating income.....	47,116	214,000	207,000
Operating expenses:			
Interest expense.....	388	8,000	
Administrative expenses (see schedule B-5).....	22,752	24,000	23,000
Depreciation.....	3		
Total operating expenses.....	23,143	32,000	23,000
Net operating income.....	23,973	182,000	184,000
Nonoperating income: Discount earned.....	152	200	200
Net income from general operations.....	24,125	182,200	184,200
RURAL ELECTRIC DIVISION			
Operating income:			
Sales of electricity.....	22,946	25,000	25,000
Cost of sales (see schedule B-3).....	25,764	25,000	25,000
Gross loss* on electricity.....	*2,818		
Operating expenses:			
Interest.....	4,651	4,500	4,500
Administrative expenses (see schedule B-5).....	3,935	3,900	3,900
Provision for bad debts.....	605	600	600
Total operating expenses.....	9,191	9,000	9,000
Net operating loss*.....	*12,009	*9,000	*9,000
Nonoperating income and expenses:			
Nonoperating revenue.....	1,585		
Nonoperating expenses.....	1,421		
Net loss* from Rural Electric Division.....	*11,845	*9,000	*9,000
Combined income for the year before provision for income taxes.....	12,280	173,200	175,200
Provision for income taxes.....	6,496	50,000	50,000
Net income carried to earned surplus.....	5,784	123,200	125,200

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$13,110		
Add: Net income for the year (above).....	5,784	\$123,200	\$125,200
Deduct: Amount reserved for losses on sugar and other contingencies.....	18,894	123,200	125,200
Balance at end of fiscal year.....			

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash.....	\$171,455	\$207,409	\$481,982	\$659,232
Appropriated funds.....	20,000	10,895		
Accounts receivable.....	447,093	117,720	113,649	134,249
Less reserve for bad debts.....	12,446	13,049	13,649	14,249
Net accounts receivable.....	434,647	104,671	100,000	120,000
Inventories:				
Sugar.....	180,407			
Rum in bottles.....	685	1,540	1,540	1,540
Rum in barrels.....	261,258	385,611	300,000	200,000
Work in process—cane in fields, etc.....	80,941	169,079	169,079	169,079
Stores and supplies.....	179,177	152,394	152,394	152,394
Total inventories.....	720,468	708,624	623,013	623,013
Fixed assets:				
Land and improvements.....	539	539	539	539
Buildings.....	9,407	15,047	16,967	16,967
Machinery and equipment.....	71,382	99,397	114,397	129,397
Furniture and fixtures.....	1,334	3,155	3,155	3,155
Generating plant.....	96,192	98,830	98,830	98,830
Distribution system.....	95,698	97,696	97,696	97,696
Construction in process.....	2,534	3,920	2,000	2,000
Total fixed assets.....	277,086	318,554	333,584	348,584
Less reserve for depreciation.....	25,288	36,702	49,502	62,302
Net fixed assets.....	251,798	281,882	284,082	286,282
Livestock.....	8,148	8,776	9,526	10,276
Less reserve for losses.....	1,302	1,301	1,301	1,301
Net value of livestock.....	6,846	7,475	8,225	8,975
Deferred charges.....	9,268	6,922	7,000	7,000
Total assets.....	1,614,482	1,327,878	1,504,302	1,604,502
LIABILITIES				
Current liabilities:				
Trade accounts payable.....	126,976	30,278	50,000	30,000
Accrued real estate taxes.....	18,119	18,645	18,000	18,000
Accrued income tax.....	207,648	6,495	50,000	50,000
Accrued salaries and wages.....	12,652	7,624	10,000	10,000
Other accruals and payables.....	24,682	23,064	20,000	15,000
Interest on Rural Electrification note.....	7,969	7,236	7,000	7,000
Total current liabilities.....	398,036	93,342	155,000	130,000
Long-term liabilities:				
Notes payable—Rural Electrification Administration.....	209,302	209,302	209,302	209,302
Deferred credits.....	1,149	13,434	5,000	5,000
CAPITAL AND SURPLUS				
Capital stock issued and outstanding.....	30	30	30	30
Paid-in surplus.....	879,326	888,431	899,326	899,326
Reserve for contingencies.....	83,428	101,927	225,127	350,327
Capital arising from donated livestock.....	10,101	10,617	10,517	10,517
Earned surplus.....	13,110			
Total capital and surplus.....	985,995	1,000,905	1,135,000	1,260,200
Unexpended appropriations.....	20,000	10,895		
Total liabilities and capital.....	1,614,482	1,327,878	1,504,302	1,604,502

SCHEDULE A-1
CHANGE IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets and deferred charges (increase or decrease)*:			
Cash	\$35,953	\$274,573	\$177,250
Appropriated funds	*9,104	*10,895	-----
Accounts receivable	*329,371	*4,072	20,600
Inventories:			
Sugar	*189,407	-----	-----
Rum in bottles	854	-----	-----
Rum in barrels	124,353	*85,611	*100,000
Work in process—Cane in fields, etc.	79,138	-----	-----
Stores and supplies	*26,782	-----	-----
Deferred charges	*2,345	77	-----
Current liabilities and deferred credits (increase* or decrease):			
Trade accounts payable	96,698	*19,723	20,000
Accrued real-estate taxes	*526	645	-----
Accrued income taxes	201,152	*43,504	-----
Accrued salaries and wages	5,027	*2,375	-----
Other accruals and payables	1,617	3,064	5,000
Accrued interest payable	723	236	-----
Deferred credits	*12,284	8,435	-----
Increase in working capital	-----	120,850	122,850
Decrease in working capital	24,304	-----	-----

*Deduct.

SCHEDULE B-1
COST OF SALES—SUGAR AND RUM

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
SUGAR			
Direct materials (see schedule B-4)	\$206,337	\$300,000	\$325,000
Direct labor	43,389	55,000	60,000
Manufacturing expenses	109,745	250,000	270,000
Less molasses credits	359,471	605,000	655,000
Net manufacturing costs	47,232	50,000	50,000
Net manufacturing costs	312,239	555,000	605,000
Inventory variations:			
Inventory at beginning of year	\$189,407	-----	-----
Inventory at end of year	-----	-----	-----
Deduct losses, leakage, etc.	189,407	-----	-----
Add cost of sugar insurance	*5,518	*6,000	*6,000
Cost of sales	1,041	1,000	1,000
Cost of sales	497,169	550,000	600,000
RUM			
Direct materials	84,549	51,588	44,500
Direct labor	18,336	12,500	12,500
Manufacturing expenses	80,605	51,300	44,000
Total manufacturing costs	183,580	115,388	101,000
Inventory variations:			
Inventory at beginning of year	261,943	\$387,152	\$301,540
Inventory at end of year	387,151	301,540	201,540
Less: Charges to public relations	*125,205	85,612	100,000
Cost of sales	*826	*1,000	*1,000
Cost of sales	57,546	200,000	200,000

*Deduct.

SCHEDULE B-2
ANALYSIS OF SALES AND COST—OTHER

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual		1946, estimated		1947, estimated	
	Sales	Cost	Sales	Cost	Sales	Cost
MISCELLANEOUS PROGRAMS						
Sales of cane seed.....	\$70	\$735	\$700	\$680	\$700	\$680
Rental of trucks.....	807	652	800	700	800	700
Sales of hogs.....	65	162				
Sales of mules.....	1,200	540				
Sales of cattle.....	953	758	850	750	850	750
Sales by central storeroom and maintenance department.....	1,616	1,824	1,500	1,300	1,500	1,300
Sales by Bethlehem storeroom and maintenance department.....	6,250	4,301	6,000	4,000	6,000	4,000
Rental of tractors.....	2,233	2,615	2,500	2,600	2,000	2,100
Schooner <i>Flight</i> :						
Freight.....	1,951					
Passenger fare.....	673	2,116	2,600	2,000	3,000	4,000
Miscellaneous.....	55					
St. Thomas market and cold storage:						
Sale of meat.....	3,488	7,351	3,014	7,045	3,219	7,200
Sale of fish.....	1,347	2,310	1,300	2,300	1,300	2,300
Cold storage rentals.....	663	490	700	500	700	500
Locker rentals.....	581	1,144	600	1,000	600	1,000
Cutting and grinding service.....	47				50	
Wharfage.....	215		250		250	
Miscellaneous income and expenses.....	58	8,384	100	8,000	100	8,345
Rentals of houses.....	3,444	7,030	4,000	7,000	4,000	7,000
Rentals of stores.....	300	187	300	300	300	300
Sale of alcohol.....	1,647	1,728	1,500	1,300	1,000	800
Rental of weighting station, scales.....	22		25		25	
Reimbursement for damage to sugarcane.....	28		30		25	
Gasoline-tax refunds.....	424		400		400	
Rental of equipment.....	844		800		800	
Income, leased property:						
Blacksmith shop.....	6		6		6	
Poultry farm.....	385	1,508	400	2,500		
Abattoir, St. Croix.....	1,145	87	1,000	75	800	75
Miscellaneous sales.....	89	1,711	75	50	75	50
Gain in value of livestock.....	1,999		1,500		1,500	
Total	33,305	46,533	31,000	42,000	30,000	41,000

SCHEDULE B-3
COST OF SALES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
RURAL ELECTRIC DIVISION			
Station labor.....	\$7,092	\$7,000	\$7,000
Operations labor.....	968	1,000	1,000
Operations supervision and engineering.....	2,433	2,500	2,500
Engine fuel.....	8,053	8,000	8,000
Lubricants.....	200	200	200
Other operating supplies and expenses.....	1,267	1,200	1,200
Maintenance, labor.....	65	65	65
Maintenance, other.....	1,822	785	785
Property taxes.....	750	750	750
Depreciation.....	3,114	3,500	3,500
Total	25,764	25,000	25,000

SCHEDULE B-4

COST OF SUGARCANE AND OTHER DIRECT MATERIAL USED IN MANUFACTURING SUGAR

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Growing and harvesting expenses:			
Direct labor.....	\$126,006	\$150,680	\$190,680
Materials and overhead.....	69,684	70,000	75,000
Less cost of cane seed sold.....	195,690	220,680	265,680
	735	680	680
	194,955	220,000	265,000
Crop inventory variation:			
Inventory at beginning of year.....	79,785		
Inventory at end of year.....	128,029		
	*18,244		
Cost of sugarcane delivered.....	146,711	220,000	265,000
Transportation to factory.....	27,743	40,000	40,000
Total delivered costs.....	174,454	260,000	305,000
Less credits for sugarcane ground for sugar:			
Benefit payments.....	33,700	35,000	40,000
Support payments.....	11,691	15,000	20,000
	45,391	50,000	60,000
Net cost at factory.....	129,063	210,000	245,000
Less sugarcane used for rum.....	17,878	20,000	40,000
Net cost of sugarcane harvested for sugar.....	111,185	190,000	205,000
Sugarcane purchased.....	67,490	75,000	80,000
Cost of sugarcane used in the manufacture of sugar.....	178,675	265,000	285,000
Other direct material.....	27,662	35,000	40,000
Cost of sugarcane and other direct material used.....	206,337	300,000	325,000

*Deduct.

SCHEDULE B-5

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
General operations division:			
Salaries and wages (see schedule B-6).....	\$58,927	\$60,000	\$62,000
Office expenses.....	3,987	4,000	3,000
Repairs to office furniture and fixtures.....	33	50	50
Repairs to office buildings.....	31	3,000	500
Travel expenses.....	3,434	3,500	3,500
Executives automobile expenses.....	1,834	1,800	1,800
Telephone and telegraph.....	744	800	800
Surveying research and experimental expenses.....	65	200	100
Employees' welfare and public relations.....	1,956	2,000	2,000
Taxes.....	30	30	30
Postage.....	810	800	800
Dues and subscriptions.....	63	75	75
Depreciations.....	16	30	30
Bank service charges.....	445	700	700
Service fees, taxes, etc., on loans.....	255	300	300
Sundry expenses.....	17	50	50
Maintenance of office buildings.....	1,114	1,200	1,200
Total.....	73,761	78,535	76,935
Less amount distributed to manufacturing expenses.....	51,006	54,535	53,935
Total administrative expenses:			
General operations division.....	22,752	24,000	23,000
Depreciation (administrative).....	3		
Rural electric division:			
Reimbursements to Federal agencies for salaries and travel expenses.....	3,513	3,300	3,300
Stationery printing and postage.....	64	50	50
Travel expenses.....	319	500	500
General office expenses.....	39	50	50
Total administrative expenses (rural electric division).....	3,935	3,900	3,900

SCHEDULE B-6

SALARIES AND WAGES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By grades	1945, actual	1946, estimated	1947, estimated
	No. Amount	No. Amount	No. Amount
Salaries and wages:			
President.....	1 \$7,500	1 \$9,000	1 \$9,000
Vice president.....	0 8 5,236	0 4 2,000	1 5,000
Assistant treasurer.....	1 3,400	1 3,400	1 3,400
Secretary to president.....	1 3,250	1 3,250	1 3,250
Head bookkeeper.....	1 4,000	1 4,000	1 4,000
Secretary.....	1 2,400	1 2,400	1 2,400
Chief cost clerk.....	1 1,800	1 1,800	1 1,800
Purchasing clerk.....	1 1,800	1 1,800	1 1,800
Stores ledger clerk.....	1 1,800	1 1,800	1 1,800
Paymaster.....	1 1,700	1 1,700	1 1,700
Cost clerk.....	1 1,320	1 1,320	1 1,320
Assistant bookkeeper.....	1 1,100	1 1,100	1 1,100
Assistant stores ledger clerk.....	1 1,100	1 1,100	1 1,100
Chief clerk, engineer's office.....	1 1,500	1 1,500	1 1,500
Draftsman clerk.....	1 1,200	1 1,200	1 1,200
Bethlehem office clerk.....	1 1,100	1 1,100	1 1,100
Receiving and shipping foreman.....	1 1,440	1 1,440	1 1,440
Clerks, typists, etc., for administrative personnel.....	26 13,039	28 14,000	28 14,000
Overtime, pay raises, etc., for administrative personnel.....	2,241	4,090	3,090
Farming, manufacturing, and other direct labor, chiefly per diem and piece-rate employees.....	195,857	226,245	271,245
Total salaries and wages.....	254,783	286,245	333,245
Distributed as follows:			
Administrative expenses (schedule B-5).....	58,927	60,000	62,000
Growing and harvesting sugarcane (schedule B-4).....	126,006	150,680	190,680
Manufacturing sugar (schedule B-1).....	43,389	55,000	60,000
Manufacturing rum (schedule B-1).....	18,336	12,500	12,500
Rural electric division (schedule B-3).....	8,125	8,065	8,065
Total.....	254,783	286,245	333,245

DEPARTMENT OF JUSTICE

FEDERAL PRISON INDUSTRIES, INC.

CREATION AND PURPOSE

Federal Prison Industries, Inc., was created, as an independent agency, by Executive Order 6917, dated December 11, 1934, issued pursuant to the act of June 23, 1934 (18 U. S. C. 744i-n). Under this statute and the Executive order, the Corporation as of January 1, 1935, took over the powers, duties and functions vested in the Attorney General by the act of May 27, 1930 (18 U. S. C. 744a-h), and theretofore exercised by the Industries Division of the Bureau of Prisons, Department of Justice.

Under section 3a of reorganization plan No. 2, effective July 1, 1939 (4 Fed. Reg. 2731; 53 Stat. 1433), the Corporation (together with its board of directors) and its functions were transferred to the Department of Justice to be administered under the general direction and supervision of the Attorney General.

The functions of the Corporation include the establishment and operation of industries in the United States penal and correctional institutions for the production of articles and commodities for consumption in the institutions or for sale to the departments and independent establishments of the Federal Government and not for sale to the public in competition with private enterprise. The Corporation is required to diversify these industries so as to "reduce to a minimum competition with private industry or free labor." It is further required to provide such forms of employment as will give the inmates of the institutions "a maximum opportunity to acquire a knowledge and skill in trades and occupations which will provide them with a means of earning a livelihood upon release" (18 U. S. C. 744c).

The governing body of the Corporation consists of a board of five directors appointed by the President of the United States who hold office at his pleasure and serve without compensation. One member of the board represents industry, one labor, one agriculture, one retailers and consumers, and one the Attorney General (18 U. S. C. 744j). The board is required by the statute (18 U. S. C. 744m) to make an annual report to Congress on the conduct of the business of the Corporation and the condition of its funds.

FINANCIAL ORGANIZATION

The Corporation has no capital stock. Its original capital consisted of all assets under the jurisdiction of the Industries Division of the Bureau of Prisons, Department of Justice, transferred to the Corporation by Executive Order 6917. The net value of these assets was \$4,113,380. As of June 30, 1945, the Corporation had received property from other Government agencies without exchange of funds to a net value of \$661,327. Earnings by the Corporation from January 1, 1935, to June 30, 1945, total \$17,399,042.

All funds of the Corporation are deposited in the Treasury of the United States in a special working capital fund known as prison industries fund. The Corporation is authorized by its basic statutory authority to use this fund as operating capital and for the purposes enumerated

in the act of May 27, 1930. Accounts of all receipts and disbursements of the Corporation must be rendered to the General Accounting Office, which exercises the same supervision over such transactions as in the case of any Government department. The Corporation has no borrowing or lending power (18 U. S. C. 744l).

A statement of financial condition is shown as Exhibit C.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

Inmate population.—In appraising the budgetary requirements for the fiscal year 1947, it is necessary to recognize that the scope of activities depends largely upon the level of inmate population in the Federal penal and correctional institutions. In conformity with the 1947 estimates for the Federal Prison System, the Corporation estimates that the inmate population will increase from a daily average of approximately 19,000 during the fiscal year 1946 to an average of 21,000 during the fiscal year 1947. This increase will arise from an expected increase in number of commitments by the Federal courts, excluding courts martial.

In addition, it is necessary for the Corporation to consider at this time the possibility that at least 6,000 military prisoners will be transferred from the War Department to the jurisdiction of the Federal Prison System. Negotiations are under way between the War Department and the Department of Justice concerning such a transfer, which would include transfer of certain disciplinary barracks in which military prisoners are now confined. The Corporation must be prepared to serve these additional institutions.

The Corporation has two major programs, (1) the establishment and operation of diversified industries, and (2) vocational training of inmates.

Establishment and operation of diversified industries.—Experience has shown that of the total inmate population, approximately 14 percent are unemployable, being those inmates who are old or crippled, those in quarantine or isolation, the sick, and those awaiting trial, transfer, or release. Of the remaining 86 percent, about one-fourth, or 21.5 percent of the total inmate population, are normally assigned to industrial operations of the Corporation. During the fiscal year 1946, an average daily employment of 3,700 inmates is expected, which will increase to approximately 5,600 in 1947. The remainder of the employables are assigned to other institutional tasks supervised by the Bureau of Prisons.

On March 1, 1946, 42 shops and industries were in operation in 21 of the 27 penal and correctional institutions. These shops and industries include such activities as the manufacture of textiles and textile products, clothing, wood and metal furniture and minor equipment, brushes and brooms, and the operation of laundries, food processing plants, and printing shops. The policy of diversification has been effected by limiting the size and output of all types of operations, and establishing new industries on a relatively small scale, manufacturing a wider variety of products. The Corporation also provides

employment in the construction, repair, and alteration of buildings needed in carrying out its industrial and vocational training programs. This work is likewise performed by inmates under the supervision of civilian supervisors and instructors.

These policies have reduced competition with the outside labor and industry to a negligible factor in any given industry. Diversification also broadens the field in which on-the-job vocational training can be given.

Since the surrender of Japan some shops engaged solely in the production of war goods have been closed and others have been changed to production of articles and commodities normally required by the Federal prisons and other Government departments and agencies. This reconversion has resulted in some idleness and makes it necessary to establish additional industries in some institutions.

Salvage work has been done for the armed services during the war years, notably at the McNeil Island Penitentiary, and may be extended to other existing institutions during the remainder of the current fiscal year. It will probably be the principal industrial operation at institutions transferred from the War Department, as it is readily adaptable to institutions where ample manpower is present but buildings and equipment for the usual corporation enterprises are not available.

Construction of additional buildings and installation of equipment to an estimated expenditure of \$1,000,000, to provide for expanded activities in subsequent years, will be undertaken during the fiscal year 1947. This compares with estimated expenditures of \$750,000 in 1946, and actual expenditures of \$217,400 in 1945. (See exhibits A and C.)

Vocational training of inmates.—Vocational training of inmates is conducted under the provisions of section 3 of the act of May 27, 1930 (18 U. S. C. 744c). Since there is some doubt as to the groups of inmates for whom such training may be provided by the Corporation, a draft of clarifying legislation is being prepared by the Attorney General for presentation to the Congress.

It is estimated that approximately 20 percent of the inmates are suitable for intensive vocational training at very high levels of skill, and that another 25 percent are capable of absorbing vocational or occupational training at the lower skilled levels. These percentages may increase with the addition of the military prisoners.

The vocational training program has thus far extended into little more than half of the penal and correctional institutions. In no institution has the enrollment in vocational training courses reached its potential maximum. Enrollment during January 1946 totalled 2,499, which compares with a projected enrollment of 6,500 in 1947. However, application of the percentage of suitable inmates to the estimate of population for 1947 indicates 12,150 potential trainees.

During the current fiscal year the Corporation is extending its vocational training program to include agriculture. The farms at the various institutions in the Federal penal system offer one of the best opportunities for this training. This program will employ teachers who will provide the inmates with both classroom and field instruction in improved practical farming methods. A large number of inmates come from submarginal rural communities and the agricultural training program will equip them to earn an honest living after release.

The statute states the Congressional intent that the knowledge and skill gained by inmates through the vocational training program shall become a means of

earning a livelihood when they are released, so that they need not revert to criminal practices. To insure that the inmates receive the ultimate benefit of their training, the Corporation has undertaken the duty of placing trained inmates with employers where the knowledge and skill acquired during training can be utilized. This job placement is an essential part of the vocational training plan. Of the inmates trained and placed in outside jobs, all but very few have been reestablished in their communities and are now law abiding. This program has succeeded in placing an average of 1,200 to 1,500 discharged prisoners each year.

For the fiscal year 1947, the Corporation plans to extend vocational training to all institutions, to expand the vocational training opportunities already available, and to carry forward the vocational agricultural training program. Although it cannot be expected in the peculiar circumstances of a program operated in penal institutions that every potential trainee will be reached, the expansion of the training program contemplated for the remainder of the fiscal year 1946 and throughout the fiscal year 1947 should be able to absorb an average of at least 6,500 inmates in trade, occupational, and agricultural training.

At this level, expenditures for 1947 are estimated at \$425,000, which compares with the estimate of \$275,000 during 1946 and actual outlay of \$183,300 during 1945. (See exhibits A and B, and schedule B-2a).

OPERATING RESULTS

During the fiscal year 1945 the industrial program carried on by the Corporation produced income of \$2,857,346, after provision for losses and depreciation. These earnings accrued from sales of \$17,557,499. (See exhibit B.) It is anticipated that in the fiscal year 1946 sales will drop to \$12,000,000, and anticipated earnings to \$1,705,000. Actual sales for the first 6 months of the fiscal year were \$6,357,894, producing net earnings of \$901,582. These decreases occur because of cut-backs in war production, lessened inmate productivity because of change in hours of work from 48 to 35 hours per week, and similar factors incident to postwar reconversion.

Sales aggregating \$12,000,000 are estimated likewise for the fiscal year 1947, which are expected to produce net earnings of \$1,645,000. While there will be an increase in production flowing from the increased inmate employment and the undertaking of new activities, this increase will no more than offset the anticipated drop in production of standard articles in existing industries and shops because the war-created backlog of requirements for standard articles will be met to a large degree before the end of the fiscal year 1947. The decrease in net earnings is anticipated as a result of increase in costs.

The Corporation has adequate funds to finance its proposed program for the fiscal years 1946 and 1947.

FINANCIAL CONDITION

Plant and equipment.—As of June 30, 1945, the net value of plant and equipment was \$4,164,000. Capital expenditures of \$1,750,000 during the fiscal years 1946 and 1947 will increase the value of these assets to \$5,364,000 after deduction for depreciation. (See exhibit C.)

Plans for the fiscal years 1946 and 1947 include \$500,000 for new construction for industrial operations at existing institutions, \$300,000 for machinery and equipment at existing institutions, \$250,000 for completion of building projects already begun, \$150,000 for new buildings pre-

dominantly vocational training in purpose, \$200,000 for machinery and equipment at institutions in which the Corporation has no present activity, \$100,000 reserve for emergency replacements to buildings and equipment, and smaller amounts for miscellaneous alterations, repairs, and improvements at the several institutions.

Working capital.—Other capital assets consist of cash, accounts receivable, commodity and materials, inventories, and sundry items. These assets at the end of the fiscal year 1945 were \$19,136,000, and at the end of 1946 and 1947 are estimated to total \$15,350,000 and \$9,740,000, respectively. Offsetting liabilities approximate \$1,130,000 in each year. (See exhibit C.)

Accounts receivable and sundry asset items are estimated to remain at the 1945 amounts of \$1,590,000 and \$54,000, respectively, for 1946 and 1947. The cash account, however, will decline from the 1945 amount of \$13,870,000 to \$10,061,000 for 1946 and \$4,234,000 for 1947 because of estimated payments to be made into the Treasury of the United States.

Inventories of \$3,622,000 for 1945 will increase to \$3,652,000 for 1946 and \$3,762,000 in 1947. This results from Corporation policy of building up a stock of finished goods composed of standard items in demand by Government agencies in order to permit prompt delivery.

Dividend payments to the Treasury.—The board of directors at their meeting on January 10, 1946, declared a dividend of \$4,774,707 to be paid into the Treasury of the United States during the fiscal year 1946. The directors have been requested to consider the payment of an additional dividend of \$6,225,293 to be declared and paid into

the Treasury on or before June 30, 1947, which has been reflected in the financial statements. The latter amount will be derived entirely of the earnings from the labor of inmates, as will such additional payments as will be made in subsequent years. (See exhibits A and C.)

ADMINISTRATIVE EXPENSES

This expense covers the salaries of the supervisory and clerical staff located in the District of Columbia, together with the expenses of the central office. It does not include salaries or expenses of employees assigned to production or vocational training at the institutions, or other costs distributed to manufacturing expense or cost of sales. During the fiscal year 1945, 42.6 man-years were employed, which with attendant expenses required the expenditure of \$175,600. During 1946, with an increase to 45.9 man-years, an expenditure of \$204,000 is anticipated. In 1947 the Corporation will expand its central office staff to provide supervision over the expanded industrial and vocational training programs, and employ additional accounting and auditing personnel to restore these services to their prewar standards. In consequence, employment in 1947 is expected to increase to 60 man-years and expenditures to \$269,000. (See exhibits A and B, and schedule B-2.)

LANGUAGE

The types of programs set forth in the 1947 budget of Federal Prison Industries, Inc., within the funds available to it, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A

COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To operating expenses:			
Administrative expenses (see schedule B-2).....	\$175,633	\$204,444	\$268,826
Sales expenses.....	222,651	114,787	145,290
To nonoperating expenses: Vocational, employment, and placement expenses (see schedule B-2a).....	183,304	275,000	425,000
To purchase plant and equipment:			
Buildings and improvements.....	\$77,588	\$600,000	\$800,000
Machinery and equipment.....	139,900	150,000	200,000
	217,488	750,000	1,000,000
To dividend payment to Treasury of the United States		4,774,707	6,225,293
To increase (or decrease*) working capital (see schedule A-1).....	2,743,165	*3,779,655	*5,716,774
To payment of accident compensation	7,597	5,000	5,000
Total funds applied	3,549,838	2,344,283	2,352,625
FUNDS PROVIDED			
By operating income:			
Sales.....	17,557,499	12,000,000	12,000,000
Cost of sales (see schedule B-1).....	14,371,042	10,075,717	10,042,375
	3,186,457	1,924,283	1,957,625
Gross profit on sales.....		275,000	275,000
Add depreciation (increase in reserves).....	273,773	18,412	15,000
Add self-insurance charges.....	18,412	71,196	100,000
By nonoperating income: Other income (net) mostly from sale of scrap and waste materials.....	71,196	30,000	20,000
By manufacture and sale of donated items			
Total funds provided	3,549,838	2,344,283	2,352,625

*Deduct.

EXHIBIT B

COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Sales.....	\$17,557,499	\$12,000,000	\$12,000,000
Cost of sales (schedule B-1).....	14,371,042	10,075,717	10,042,375
Total operating income.....	\$3,186,457	\$1,924,283	\$1,957,625
Operating expenses:			
Sales expense.....	222,651	114,787	145,280
Administrative expense (schedule B-2).....	175,633	204,444	268,826
Net operating income.....	2,788,173	1,605,052	1,543,519
Nonoperating income (net): Other income from sales of scrap materials, discounts earned and allowed.....	69,173	100,000	100,000
Net profit before vocational expense.....	2,857,346	1,705,052	1,643,519
Nonoperating expenses: Vocational, employment, and placement expense (see exhibit B-2a).....	183,304	275,000	425,000
Transferred to earned surplus.....	2,674,042	1,430,052	1,218,519

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$14,697,030	\$17,399,042	\$18,829,094
Net income for the year (above).....	2,674,042	1,430,052	1,218,519
Plus net adjustments for the year.....	27,970		
Balance at end of fiscal year.....	17,399,042	18,829,094	20,047,613

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash:				
With U. S. Treasury.....	\$8,050,115	\$11,942,645	\$8,132,990	\$2,306,216
With U. S. Treasury disbursing offices.....	1,640,734	1,742,880	1,742,880	1,742,880
In transit to U. S. Treasury.....	222,904	185,330	185,330	185,330
Total cash.....	9,913,753	13,870,855	10,061,200	4,234,426
Accounts receivable	2,281,718	1,590,299	1,590,299	1,590,299
Inventories:				
Finished goods.....	840,448	708,925	708,925	798,925
Work in process.....	634,917	804,272	804,272	804,272
Raw materials and supplies.....	2,426,483	2,108,355	2,138,355	2,158,355
Total inventories.....	3,901,848	3,621,552	3,651,552	3,761,552
Plant and equipment:				
Buildings and improvements.....	3,196,459	3,274,047	3,874,047	4,674,047
Machinery and equipment.....	3,320,729	3,460,628	3,610,628	3,810,628
Total plant and equipment.....	6,517,188	6,734,675	7,484,675	8,484,675
Less reserve for depreciation.....	2,297,207	2,570,980	2,845,980	3,120,980
Net plant and equipment.....	4,219,981	4,163,695	4,638,695	5,363,695
Sundry assets	83,425	54,212	54,212	54,212
Total assets	20,400,725	23,300,613	19,995,058	15,004,184
LIABILITIES				
Accounts payable	633,991	928,231	928,231	928,231
Sundry liabilities	51,566	886	886	886
Reserve for inmate accident compensation	148,747	159,562	169,562	164,562
Reserve for contingencies	68,737	38,185	38,185	38,185
Total liabilities	903,041	1,126,864	1,136,864	1,131,864
CAPITAL				
Paid in:				
Initial capital (Jan. 1, 1935).....	4,113,380	4,113,380	4,113,380	4,113,380
Donated surplus.....	687,274	661,327	691,327	711,327
Earned surplus	14,697,030	17,399,042	18,829,094	20,047,613
Total	19,497,684	22,173,749	23,633,801	24,872,320
Less: Amount returned to U. S. Treasury			4,774,707	11,000,000
Net capital	19,497,684	22,173,749	18,859,094	13,872,320

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Inventories:			
Finished goods.....	*\$131,523		\$80,000
Work in process.....	169,355		
Raw materials and supplies.....	*318,129	\$50,000	20,000
Accounts receivable: Customers' accounts.....	*691,419		
Cash:			
In transit.....	*37,574		
In Treasury disbursing offices.....	102,145		
In U. S. Treasury.....	3,892,531	*3,809,655	*5,826,774
Sundry assets: Prepaid expense and contingent accounts receivable.....	*29,213		
Current liabilities (increase* or decrease):			
Accounts payable.....	*294,240		
Sundry liabilities.....	60,680		
Liability reserves for contingencies.....	30,552		
Increase in working capital to exhibit A	2,748,165		
Decrease in working capital to exhibit A		3,779,655	5,716,774

*Deduct.

SCHEDULE B-1

COST OF SALES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Cost of manufacturing:			
Raw materials.....	\$11,533,507	\$7,500,000	\$7,500,000
Labor, inmate.....	957,490	750,000	750,000
	\$12,490,997	\$8,250,000	\$8,250,000
Factory or overhead expense:			
Salaries, civilian.....	983,281	1,048,717	1,120,375
Light, heat, power, and water.....	283,994	220,000	222,000
Travel expense.....	8,600	9,000	10,000
Rents and royalties.....	68,130	50,000	50,000
Telephone and telegraph.....	11,705	10,000	10,000
Depreciation: Machinery and buildings.....	258,126	275,000	275,000
Factory supplies.....	154,562	130,000	130,000
Loss and damaged goods.....	26,150	18,000	18,000
Building repairs.....	9,753	9,000	9,000
Machine repair parts.....	88,185	60,000	61,000
Motor vehicle expense.....	10,146	8,000	9,000
Freight, express, and parcel post in.....	24,419	18,000	18,000
Minor miscellaneous expense.....	23,717	15,000	16,000
Minor equipment and repairs.....	36,842	25,000	25,000
Accident compensation.....	18,412	15,000	-----
Amortization of deferred expense.....	19,727	10,000	11,000
Office supplies and printing.....	13,159	10,000	10,000
Special meals for overtime, inmates.....	34,989	5,000	4,000
Packing and shipping.....	21,279	15,000	10,000
Uniform expense for civilian employees.....	15,787	5,000	3,000
	2,106,983	1,955,717	2,012,375
Inventory variation, work in process:			
Inventory at beginning of year.....	634,917	804,272	804,272
Inventory at end of year.....	804,272	804,272	804,272
	*169,355	-----	-----
	14,438,635	10,205,717	10,202,375
Inventory variation, finished goods:			
Inventory at beginning of year.....	840,447	708,925	708,925
Inventory at end of year.....	708,925	708,925	798,925
	131,522	-----	*90,000
Add: Purchases and outside expense: (Mostly to dye and waterproof duck).....	214,154	150,000	150,000
Deduct: Other adjustments (items run through manufacturing expense but charged to assets, vocational, or shipping expense instead of to cost of sales).....	*403,269	*280,000	*280,000
Total cost of sales to exhibit A.....	14,371,042	10,075,717	10,042,375

*Deduct,

SCHEDULE B-2
ADMINISTRATIVE EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Salaries and wages:			
Officers:	Man-years Amount	Man-years Amount	Man-years Amount
Associate commissioner	1 \$7,500	1 \$8,750	1 \$8,750
Secretary	1 6,400	1 7,438	1 7,438
Assistant commissioner	1 5,200	1 6,020	2 11,200
Employees:			
Administrative, fiscal and accounting	17.4 43,466	19.5 53,929	28 85,952
Engineering and construction	13.2 46,550	14.4 38,428	17 68,620
Sales and purchasing	9 25,000	9 29,856	11 34,056
Overtime pay	21,576	2,225	
Total salaries and wages	42.6 155,082	45.9 166,644	60 215,626
Travel expense	8,575	12,000	18,000
Schedule of products expense	5,357	5,500	12,000
Depreciation, machinery and equipment	1,400	1,100	1,200
Publications	2,145	2,900	2,400
Freight, express, and parcel post	670	1,000	1,000
Machinery and building repairs	78	100	100
Office supplies and miscellaneous expense	2,191	2,500	2,500
Payments for services received:			
General accounting office for audit of accounts		7,000	10,000
Division of disbursement, Treasury Department, for custody and disbursement of funds	5,720	6,000	6,000
	181,324	204,444	268,826
Less net credits received: From transfer of N. A. surplus property, etc. by Washington office	5,691		
Total administrative expense	175,633	204,444	268,826

SCHEDULE B-2A

VOCATIONAL EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
Salaries and wages:			
Employees:	Man-years Amount	Man-years Amount	Man-years Amount
Superintendent	1 \$5,500	1 \$6,440	1 \$6,440
Supervisor	1 4,600	1 5,390	1 5,390
Directors of placement	4 13,200	4 15,550	4 15,550
Vocational supervisors	8.2 26,924	9.7 30,071	17 65,400
Vocational counselors and assistant supervisors	1.8 4,951	3 9,556	16 48,560
Vocational instructors, etc.	10.9 24,231	23.7 66,261	54 146,620
Part-time teachers	3 1,737	3 4,606	1.9 11,437
Night-work differential		500	1,000
Overtime pay	15,310	7,622	1,000
Total man-years, salaries and wages	27.2 96,753	43.2 153,996	94.9 301,397
Travel expense	4,108	15,000	20,000
Inmate wages—indirect	1,439	1,500	1,500
Light, heat, water, and power	436	500	500
Telephone and telegraph	374	1,042	1,000
Depreciation—Buildings and machinery	12,823	14,000	14,500
Factory supplies	14,211	20,772	20,000
Minor equipment and repairs	5,074	8,000	9,000
Office supplies and miscellaneous expense	245	1,000	1,500
Freight, express, and parcel post	92	150	200
Publications	15,762	18,000	18,000
Production training expense	35,373	39,363	32,803
Officers' uniform expense	979	1,677	4,000
	187,465	275,000	425,000
Less: Reimbursement received from War Department for welding services	4,164		
Total vocational expense	183,304	275,000	425,000

SCHEDULE B-2B

CONSOLIDATED SCHEDULE OF PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

PERSONAL SERVICES, FIELD	1945, actual	1946, estimated	1947, estimated
Clerical, administrative, and fiscal service:	Man-years Amount	Man-years Amount	Man-years Amount
Grade 15. Range \$7,750 to \$9,800:			
Associate commissioner	1 \$8,750	1 \$8,750	1 \$8,750
Grade 14. Range \$7,175 to \$8,225:			
Associate commissioner	1 \$7,500	1 7,438	1 7,438
Secretary	2.5 16,250	3 22,051	3 22,051
Superintendent	1 6,400		
Grade 13. Range \$6,230 to \$7,070:			
Secretary	1 6,400		
Superintendent and associate superintendent	1.5 8,400	1 6,440	2 12,670

PERSONAL SERVICES, FIELD—continued	1945, actual	1946, estimated	1947, estimated
Clerical, administrative, and fiscal service—Continued	Man-years Amount	Man-years Amount	Man-years Amount
Grade 13. Range \$6,230 to \$7,070—Con.			
Chief accountant	1 \$6,230	1 5,390	2 11,200
Administrative assistant	1 4,600	1 5,390	1 6,230
Grade 12. Range \$5,180 to \$6,020:			
Assistant commissioner	1 \$5,200	1 \$6,020	2 11,200
Principal accountant	1 4,600	1 5,390	1 6,230
Superintendent and assistant superintendent	3.3 15,380	3.5 18,570	3 16,170
Grade 11. Range \$4,300 to \$5,180:			
Superintendent and assistant superintendent	5 20,500	4 18,740	4 18,740
Business manager	4 15,400	3.8 17,396	3 13,780
Director of employment, training and placement	2 8,000	2 9,480	2 9,480
Industrial instructor	3 12,200	3 14,440	3 14,440
Chief traveling auditor	0.1 850		1 4,300
Horticulturist		0.5 2,260	
Foundry manager	1 3,800	0.5 2,400	1 4,740
Grade 10. Range \$3,970 to \$4,630:			
Superintendent and associate superintendent	4.7 16,530	6 24,700	11 44,550
Business manager and associate business manager	0.5 1,750	2.6 10,564	6 24,150
Supervisor, clothing factories	1 3,600	1 4,190	1 4,190
Cost accountant and auditor	2 6,900	2 8,160	2 8,160
Supervisor of employment and placement	1 3,200	1 4,080	1 4,080
Grade 9. Range \$3,640 to \$4,300:			
Accountant		0.2 964	1 4,300
Superintendent and assistant superintendent	4 13,500	4.7 18,210	5 19,080
Associate business manager	5 16,300	4 15,220	4 15,220
Principal foreman-instructor	1 3,200	1 3,750	1 3,750
Vocational supervisor		0.4 1,456	6 21,840
Traveling auditor			2 7,280
Associate director, employment and placement	1 3,300	1 3,640	1 3,640
Chief of order section	0.4 1,280		1 3,640
Supervisor-instructor, vocational training	1.5 4,800	2.1 7,754	3 11,030
Supervisor of construction	0.8 2,880		
Business specialist	0.2 640	1 3,640	1 3,640
Supervisor of production and inspection		1 3,640	1 3,640
Grade 8. Range \$3,310 to \$3,970:			
Grade 7. Range \$2,980 to \$3,640:			
Grade 6. Range \$2,650 to \$3,310:			
Grade 5. Range \$2,320 to \$2,980:			
Grade 4. Range \$2,100 to \$2,496:			
Grade 3. Range \$1,902 to \$2,298:			
Grade 2. Range \$1,704 to \$2,100:			
Professional services:			
Grade 6. Range \$6,230 to \$7,070:			
Chief engineer	1 5,900	1 6,650	1 6,650
Superintendent, vocational education	1 5,800	1 6,440	1 6,440
Grade 5. Range \$5,180 to \$6,020:			
Engineer	1 4,600	1 5,390	2 10,570
Supervisor, vocational education	1 4,600	1 5,390	1 5,390
Grade 4. Range \$4,300 to \$5,180:			
Supervisor of vocational agriculture		0.5 2,370	1 4,740
Supervisor-instructor, training and teaching aids		0.7 3,001	1 4,300
Architectural engineer and associate architect	3 11,800	3 13,780	3 13,780
Safety engineer	1 3,800	1 4,520	1 4,520
Mechanical engineer	1 3,800	1 4,300	1 4,300
Engineer			1 4,300
Superintendent of construction	0.2 760	1 4,300	1 4,300
Grade 3. Range \$3,640 to \$4,300:			
Associate engineer	1 3,400	1 3,970	1 3,970
Supervisor of trade training	3.7 12,514	3 11,250	3 11,250
Associate architect	1.7 4,938	1 3,640	1 3,640
Mechanical engineer	0.8 2,472	1 3,750	1 3,750
Grade 2. Range \$2,980 to \$3,640:			
Grade 1. Range \$2,320 to \$2,980:			
Subprofessional services:			
Grade 6. Range \$2,320 to \$2,980:			
Crafts, protective, and custodial service:			
Grade 10. Range \$2,680 to \$3,430:			
Grade 9. Range \$2,650 to \$3,310:			
Grade 8. Range \$2,540 to \$3,200:			
Grade 7. Range \$2,364 to \$2,870:			
Grade 4. Range \$1,770 to \$2,166:			
Grade 3. Range \$1,572 to \$1,902:			
Grade 2. Range \$1,440 to \$1,770:			
Total permanent, field	407.1 1,043,073	431.1 1,304,254	550 1,653,059
Temporary employment, field			
Unclassified	0.5 2,169	0.8 4,006	1.9 11,457
Overtime	203,464	76,564	13,410
Night differential		7,290	3,900
All personal services, field	407.6 1,248,706	433.6 1,397,243	554.9 1,689,896
FUNCTIONAL SUMMARY OF PERSONAL SERVICES			
Administrative	42.6 155,682	45.9 166,644	60 215,626
Vocational	27.2 96,753	43.2 153,996	94.9 301,397
Construction—field	33.1 7,290	33.7 27,886	19 52,488
Industrial—field		1,048,717	1,120,375
Total, personal services	407.6 1,248,706	433.6 1,397,243	554.9 1,689,896

DEPARTMENT OF STATE

INTRODUCTORY STATEMENT

Five corporations were created by the Office of Inter-American Affairs to assist in carrying out the programs of this war agency. These were created under authority contained in the Third Supplemental National Defense Appropriation Act, 1942, the First Supplemental National Defense Appropriation Act, 1943, and the National War Agencies Appropriation Act, 1944. Executive Order 9710, signed April 10, 1946, transfers these corporations to the Department of State as of May 20, 1946. All corporations were incorporated under the laws of the State of Delaware. Funds have been provided by the Office of Inter-American Affairs. These corporations have not been operated for profit, and losses reflected in the 1947 budgets represent depletion of capital.

Three of the corporations will be in dissolution during

fiscal year 1947. One, the Inter-American Navigation Corporation, will be completely liquidated in February 1947 and two others, the Institute of Inter-American Transportation and Prencinradio, Inc., will begin the required 3-year dissolution period by the end of the current fiscal year. Programs being carried on by the remaining corporations, the Institute of Inter-American Affairs and the Inter-American Educational Foundation, under agreements with Latin-American countries will be completed during fiscal year 1949. Although these corporate activities of the Office of Inter-American Affairs are being concluded, certain aspects of the program will be continued as part of the long-range program of cooperation with the other American Republics under the leadership of the Department of State.

THE INSTITUTE OF INTER-AMERICAN AFFAIRS

CREATION AND PURPOSE

The Institute of Inter-American Affairs was created under the laws of the State of Delaware on March 31, 1942, pursuant to authority contained in the Third Supplemental National Defense Appropriation Act, 1942 (55 Stat. 818). This Corporation is a Government controlled, nonprofit, membership corporation.

The general purposes of this Corporation, as set forth in its certificate of incorporation, are to aid and improve the health and general welfare of the peoples of the Western Hemisphere in collaboration with their governments. These purposes have been and are being accomplished by helping to solve critical health, sanitation, and food problems, the control and solution of which are essential to the economic development of the Western Hemisphere; to provide assistance which will expedite the procurement of strategic and critical materials; to offset serious economic dislocations, and to carry out a health and sanitation program based upon Resolution 30 of the meeting of the ministers of foreign affairs of the American Republics held in Rio de Janeiro, Brazil, January 15-28, 1942. During the first half of the war period, the operations of the Corporation were directed toward those activities and programs which aided the war effort, such as health and sanitation and food production measures around the air and military bases of this country in the other American Republics and in areas from which strategic and critical materials essential to the war effort were being obtained. During the last half of the war period, increased emphasis was placed on activities and programs which directly aid the economic development of the other American Republics, such as the general improvement of health and sanitation conditions and the introduction of improved methods of agriculture so as to raise the general living conditions in those countries. The principal purpose of the work of this Corporation is now the carrying on of health and sanitation and food supply programs which will aid in hemisphere development and trade expansion which will help create

additional employment both in the United States and in the other Americas.

The principal activities of the Corporation are conducted in cooperation with the other American Republics in accordance with the terms of agreements entered into with their governments. The agreements usually provide for the programs to be performed by cooperative services established within the framework of the particular ministry or department concerned, i. e., ministry of health or ministry of agriculture. Provision is also made for the programs to be approved and conducted by mutual agreement of the parties to the agreement under the general supervision of the chief of party of the technical mission sent to the particular country. The cooperative agreements provide for contributions by both parties of funds, materials, and services, and arrangements are being made for the governments of the American Republics to assume increasing and ultimately complete responsibility for carrying on the programs with their personnel and funds.

FINANCIAL ORGANIZATION

The Corporation has been financed by grants made by the Office of Inter-American Affairs. The total amount granted is \$65,262,883, of which amount \$54,806,173 has been paid over to the Corporation. The remainder, \$10,456,710, is to be paid over in subsequent fiscal years in accordance with the cash needs of the Corporation in carrying out its programs, and when appropriated for this purpose will be applied to contract authority granted the Office of Inter-American Affairs in the fiscal year 1944 and obligated during that year by the execution of grants-in-aid to the Corporation for the cooperative programs. Also, in the case of one country, the fund contributions of the local government amounting to \$250,000 are taken into the Corporation and disbursed directly by it. In the cases of the other countries, however, the fund contributions of the governments of the other American Republics amounting to \$22,588,991 are disbursed by the cooperative

service established within the framework of the local governments, through which the cooperative program is carried out. Contributions, other than cash, are also made by the other American Republics to the cooperative service, estimated value of which is \$3,959,167. The total contributions to cooperative programs by the other governments under the two systems described above total \$26,798,158, or 50.6 percent of the amount committed by the Corporation for such programs.

No funds have been borrowed or securities issued by the Corporation. The transactions of the Corporation from its inception have been audited by the General Accounting Office, under an arrangement made with the Comptroller General at the beginning of the fiscal year 1944. The Corporation is now subject to audit by the General Accounting Office, under the provisions of Public Law 248, 79th Congress, entitled the "Government Corporation Control Act."

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budget program of the Corporation during the fiscal year 1947 will continue at about the same level as in the fiscal year 1946. During the fiscal year 1945, there were 28 cooperative agreements in effect; during the fiscal year 1946, 26 were in effect, and during the fiscal year 1947 there will be 23 in effect. (In addition, during the fiscal year 1947, the Corporation will take over certain transportation missions, rail and highway, for completion and liquidation, which prior to that fiscal year were directed and financed by the Office of Inter-American Affairs.) The cooperative programs, and other expenses related to such programs, amounted to \$13,371,157 during the fiscal year 1945, and are estimated at \$8,946,334 during the fiscal year 1946, and \$7,513,040 during the fiscal year 1947. The requirements of the Washington office (general administrative and the expenses of the operating divisions) have been estimated for the fiscal years 1946 and 1947, taking into consideration the number of cooperative agreements in effect during those years with an allowance for a reasonable period after termination of any cooperative agreements for the completion of operating, legal, and fiscal records and files and documentation of accomplishments. The active programs are discussed below, and pertinent financial data are set forth in the statement of sources and application of funds (exhibit A) and the statement of income and expenses (exhibit B).

HEALTH AND SANITATION PROGRAM

As a result of the third meeting of the ministers of foreign affairs of the American Republics at Rio de Janeiro in January 1942, the Institute of Inter-American Affairs, as a representative of the United States Government, entered into international agreements to aid and improve the health and general welfare of the people of the Western Hemisphere in collaboration with 18 of the other American Republics in the following chronological order: Ecuador, Brazil, Haiti, Paraguay, Costa Rica, Nicaragua, El Salvador, Honduras, Peru, Bolivia, Guatemala, Colombia, Panama, Venezuela, Chile, Mexico, Dominican Republic, and Uruguay. Under extended agreements, operations are continuing in all countries except Panama, where the program terminated in September 1945. Under the present terms of the cooperative agreements with the other countries, programs will terminate on various dates during fiscal years 1947, 1948, and 1949.

Expenditures of the Corporation, exclusive of Washington administration, for health and sanitation cooperative programs and other expenses related to such programs amounted to \$10,758,781 in fiscal year 1945. It is estimated that similar expenditures during fiscal year 1946 will amount to \$7,411,841 and during fiscal year 1947 to \$6,277,509. Total expenditures of the Corporation, under and related to health and sanitation cooperative agreements, from the inception of the Corporation to the end of the programs are estimated at \$48,539,526. Contributions, in cash and in kind, of local governments under health and sanitation agreements during the entire cooperative program are estimated at \$22,700,432.

As of December 31, 1945, 583 health and sanitation projects carried on under cooperative agreements had been completed and 480 were in an active status, or a total of 1,063 distributed as follows: 233 (including 181 completed) involving the construction or improvement of buildings used in the field of public health, 414 (including 255 completed) in the field of sanitary engineering, and 416 (including 147 completed) involving medical activities. The projects now operating, as well as those which will be inaugurated in the future, are planned so that all work will be completed by the termination dates of the agreements as currently established. During the remainder of the program, the construction activities will be on a much smaller scale and will emphasize the erection or improvement of buildings for the use of the local agencies engaged in public health activities. Operation of completed structures will take a more prominent phase in the program, together with health education, prevention of disease, and general sanitation.

Training of South and Central American technicians is playing an integral part in all programs by providing a staff of national technicians to carry on the public health and sanitation activities after the expiration of the Institute program. This is being accomplished both by training of national doctors, nurses, and engineers in graduate schools of the leading universities in the United States, and by working with North American technicians both in their own countries and in the United States. This type of training gives the Latin-American technicians a broad knowledge of American methods and products.

The most recent information available indicates that in connection with the cooperative health and sanitation programs there were 10,743 national personnel employed, of whom 340 were physicians, 145 engineers, 166 nurses, 1,262 other technical and clerical personnel, 965 practical nurses or sanitary inspectors, and 7,865 local workmen. Practically all of this personnel is employed by the cooperative services through which the programs are carried on. United States citizens numbered 204, including 22 physicians, 47 engineers, 8 architects, and 39 nurses.

The Institute of Inter-American Affairs has also authorized the allocation of funds for a number of special health projects. These are not under the general supervision of the cooperative services but supplement the public health program by cooperating with other Public Health agencies. Some of these are under the immediate direction of the Pan-American Sanitary Bureau. These special funds have made provision for such activities as the typhus control project in Mexico, the study of onchocerciasis in Mexico and Northern Guatemala (to prevent the spread of the disease along the Pan-American highway), the use of penicillin in the treatment of yaws in Haiti (in cooperation with the Surgeon General's office of the United States War Department to determine the value of such treatment

and control of the disease in relation to other areas in the world where United States military operations might be carried out), and the aid provided to the Pan-American Sanitary Bureau to compile vital statistic and epidemiological information in the other American Republics.

The enthusiasm and support of the other American Republics has been manifested not only by their requests for extensions of agreements but also by substantial increases, under the extended agreements, in their contributions, which exceed or equal those of the Corporation.

FOOD SUPPLY PROGRAM

The objectives of this program are as follows: (1) to increase the production of food crops for local consumption; (2) to demonstrate ways of improving the level of living and increasing the purchasing power of the people, thus contributing to the economic stability of neighbor countries and evidencing that the inter-American program continues.

The fiscal years 1945 and 1946 saw the wartime emergency character of the food supply program change from one of direct concern with the successful prosecution of the war to operations emphasizing the improvement in chronic economic conditions that had been aggravated by war and will continue critical in the immediate postwar years.

In July 1945, the need for agricultural assistance by the United States was recognized by the third inter-American conference on agriculture at Caracas, Venezuela. In its final act, it stated that the work of the Institute of Inter-American Affairs and the United States Department of Agriculture has been beneficial "(a) in promoting the production of food; (b) in facilitating technicians and new agricultural techniques; (c) in furthering technical education and development by the interchange of students * * *." It further stated: "This collaboration should be continued so that it may render the maximum possible benefits * * *."

In each country in which the food supply program has operated, the type of program to be undertaken has been set forth in a cooperative agreement. The agreement provides the general basis for the program, and specific project agreements executed under the provisions of the cooperative agreement describe in detail the work to be done. While choice of projects depends on local needs and circumstances, problems of food supply are nevertheless similar in all of the other American Republics. Projects involve: (1) demonstrating improved methods of irrigation, drainage, erosion control, land clearing and preparation, (2) training of nationals to carry on future activities, (3) assisting local producers in obtaining seed, fertilizer, insecticides, etc., (4) initiating or strengthening agricultural education and extension programs, (5) assisting in construction of food storage facilities and improvement of distribution and marketing systems, and (6) demonstrating improved methods of livestock and pasture management.

During the fiscal year 1946 the food program in Honduras was ended with the termination of the agreement and the work continues under the Honduras Agricultural Department, created as a result of the program. In Brazil, the American technical mission was withdrawn, following the decline in need for food production for American forces and rubber workers. Funds were not available to continue a program to achieve the longer term objective of agricultural improvement and to provide technical help in the transition period. Programs continue in Haiti, Costa Rica, Panama, Peru, Paraguay, and Venezuela. With the exception of Panama, which is

being terminated by June 30, 1946, these programs will be continued through the fiscal year 1947. As a result of a request of the Department of State, it is likely that a limited technical mission to Bolivia will be attached to the present field party of the Inter-American Education Foundation, Inc., another corporation of the Office of Inter-American Affairs.

Program expenditures, including expenses related to cooperative programs, but exclusive of Washington administration, aggregated \$2,076,370 in the fiscal year 1945, and are estimated at \$1,186,559, in the fiscal year 1946, and at \$989,477 in the fiscal year 1947. Total program expenditures, including expenses related to cooperative programs, from the inception of the cooperative programs to the presently established termination dates of the agreements, are estimated at \$9,179,349. As compared with this, the cooperating local governments have or will contribute, in cash and in kind, \$4,097,726 to the programs.

The encouraging tendency of local governments to increase their cash participation makes possible the continuation of the remaining programs operating with proportionately smaller United States financial contributions. The 3 years' experience gained in conducting operating programs in these countries indicates clearly that such programs are of real benefit in promoting economic stability and progress.

EMERGENCY REHABILITATION

The expenditures under this heading relate to certain emergency operations in Ecuador and Honduras, which were undertaken by the Corporation at the beginning of the fiscal year 1943. The program in Ecuador was developed under the direction of the Department of State and the Corporation, with the approval of the Bureau of the Budget, and involved rehabilitation of the Province of El Oro which was devastated during the Peruvian-Ecuadorian boundary dispute. The work involved related to such medical, sanitation, agricultural, and other related activities as were needed to rehabilitate the province.

The program in Honduras was undertaken in cooperation with the Honduran Government and at the request of the Department of State to alleviate a serious unemployment situation created by the cessation of banana exports due to the lack of shipping during the latter part of calendar year 1942. A program was planned and carried out for the repair and reconstruction of sections of the highway between Potrerillos and the Lake Yojea area, the purposes being to provide immediate useful employment for temporarily unemployed laborers, to contribute to the improvement of existing means of inter-ocean transportation, and to materially benefit agricultural and other activities in the interior of the country. The initial program was slightly expanded to complete the highway by continuing construction around Lake Yojea, which is a bottleneck in the inter-ocean connection from Puerto Cortez to the Gulf of Fonseca.

The expenditures during the fiscal year 1945, amounting to \$55,110, related to the winding up of the two programs.

TRANSPORTATION PROGRAM

This program is one which has been carried on by the Office of Inter-American Affairs but which is being taken over for liquidation by the Institute of Inter-American Affairs in fiscal year 1947. It involves the carrying on to completion of transportation missions and training projects started by the Office of Inter-American Affairs in fiscal

year 1946, funds for which have been provided the Institute of Inter-American Affairs by the Office of Inter-American Affairs.

The objective of this program is assistance to the other American Republics, through missions of technicians and provision of instructional opportunities for officials, in maintaining, modernizing, and developing their transportation systems so as to provide a basic factor (adequate and economical transportation) so essential to raising their standard of living and increasing their buying power. Also, from the standpoint of the United States, advantages accrue from participation in programs to improve transportation facilities in the other American Republics.

During fiscal year 1947, the rail and highway missions now in operation, or assigned to work in Colombia, Venezuela, and Ecuador, will be carried on to completion, in so far as funds are available. Estimated expenditures for this type of work are \$41,054. Also, there will be continued the training projects which involve the bringing to the United States for tours of inspection officials of the local, national, or state governments connected with transportation.

GENERAL

The expenditures under this heading pertain principally to certain over-all special projects which are carried out in conjunction with or to supplement the cooperative health and sanitation and food supply programs. The two largest projects, making up most of the total involved, are (1) a motion picture project, the purpose of which is to supplement the field programs with appropriate educational films, and (2) construction of certain buildings and facilities for the Inter-American Institute of Agricultural Sciences at Turrialba, Costa Rica. The latter project is in cooperation with the Pan-American Union and the Department of Agriculture, and the Corporation's part is being carried out at the specific request of the Department of State pursuant to arrangements initially approved by the Bureau of the Budget.

OPERATING RESULTS

During the fiscal year 1945, operations carried on by the Corporation resulted in a net expenditure of \$13,748,614. Inasmuch as this Corporation is not operated for profit, this represents, in fact, depletion of capital. The depletion of capital during the fiscal year 1946 is estimated to be \$9,609,427, and during the fiscal year 1947, \$8,377,882.

FINANCIAL CONDITION

CAPITAL

The capital of the Corporation is derived principally from grants-in-aid made by the Office of Inter-American Affairs from funds appropriated or authorized by the Congress for the programs carried on by the Corporation. The Corporation has been required to absorb, within its present capital, expenses which were not estimated for or contemplated at the time the Office of Inter-American Affairs obtained funds in the form of cash appropriations and a contract authorization of \$18,000,000, the latter in fiscal year 1944, to be used in providing the capital of the Corporation. Some of these expenses are overtime, pay increases under the new pay act beginning July 1, 1945, and a larger than anticipated share of direct administrative costs. Also, beginning with the fiscal year 1947, the Corporation will be required to pay its pro rata share of over-all fiscal, legal, personnel, and other supervisory services which were previously financed by the Office of Inter-American Affairs. (See further statements on this

matter under the heading, Administrative expenses.) Taking all of these factors into consideration, and with provision for all known expenses through June 30, 1949, 6 months after the termination of the Corporation's field programs, it is estimated that the Corporation has a reserve for contingencies of only \$41,603. It is to be noted, however, that this does not provide for a complete liquidation period of 3 years as will be required when the Corporation is dissolved by June 30, 1948, on completion of its field programs.

CASH REQUIREMENTS

As stated before, the Corporation has been partially financed by grants-in-aid from the Office of Inter-American Affairs under contract authorization of \$18,000,000 granted and obligated during the fiscal year 1944, for which cash appropriations are still required. As of June 30, 1946, the unliquidated balance of this contract authorization will be \$10,456,710. In accordance with the cash needs of the Corporation, the sum of \$3,456,710 should be appropriated for the fiscal year 1947 to liquidate further this contract authorization and for payment over to the Corporation for its programs, leaving \$7,000,000 still to be appropriated and provided the Corporation in fiscal year 1948.

CASH CONTRIBUTIONS UNDER COOPERATIVE AGREEMENTS

As previously explained, some of the agreements under which the Corporation carries on its cooperative programs provide that the cash contributions of the local government shall be deposited into and disbursed by the Corporation from a special account of the Corporation in conjunction with the Corporation's program cash contribution. The sum of all local government cash contributions to be made under such agreements during the period of the agreements amounts to \$250,000. In the other type of agreement under which the Corporation operates, the program cash contributions of both parties are paid into a cooperative service established within the framework of the appropriate ministry of the local government through which service the cooperative program is carried out. Under this type of agreement, local government cash contributions amount to \$22,588,991 over the period of the agreements.

ADMINISTRATIVE EXPENSES

This expense covers the general administrative expenses of the Corporation in Washington, including the supervisory staff of the Corporation which is concerned with program operations, the salaries of employees engaged directly in handling fiscal, legal, and personnel matters, and providing general office services, as well as incidental expenses such as supplies and materials, communication services, etc. In 1947, there will be included payments for over-all administrative and other supervisory services formerly provided by the staff of the Office of Inter-American Affairs without cost to the Corporation. Penalty mail service likewise was furnished prior to 1947 by the Office of Inter-American Affairs without cost to the Corporation.

During the fiscal year 1945, personal services aggregated 123.9 man-years and during the fiscal years 1946 and 1947, they are estimated at 178 and 228.8 man-years, respectively. The increase in fiscal year 1946 is principally due to the assumption by the Corporation of a more equitable share of direct personal service costs than in the prior year, when a larger amount of such costs were borne by the

Office of Inter-American Affairs. In 1947, the Corporation will absorb further direct personal service administrative costs which were borne by the Office of Inter-American Affairs prior to that year, and in 1947 the Corporation carries administrative expenses for which it will be reimbursed by several other corporations for which over-all supervisory services are rendered. (For further details see statement of income and expenses, exhibit B and schedule B-2.)

LANGUAGE

The types of programs set forth in the 1947 budget of the Institute of Inter-American Affairs, within the funds available to it, are approved, and there is hereby appropriated to the Department of State for such purpose out of any money in the Treasury not otherwise appropriated \$3,456,710, which amount shall be used for the payment of obligations incurred under the contract authorization of \$18,000,000 under the head "Office of the Coordinator of Inter-American Affairs" in the National War Agencies Appropriation Act, 1944. (Act of Dec. 6, 1945, Public Law 245.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To purchase of equipment	\$160,172	\$80,298	\$29,997
To operating expenses, (see exhibit B):			
Health and sanitation	\$10,921,474	\$7,606,439	\$6,465,616
Food supply	2,158,026	1,275,146	1,060,189
Emergency rehabilitation	55,110		
Transportation		74,650	105,000
Expenses related to cooperative programs	480,896	273,284	150,000
	13,615,506	9,229,519	7,750,835
Less, equipment purchased	157,417	74,227	23,975
	13,458,089	9,155,292	7,756,860
General administrative expenses	290,525	454,135	621,022
	13,748,614	9,609,427	8,377,882
To increase (or decrease*) working capital (see schedule A-1)	*7,087,970	*5,815,384	*4,692,576
Total funds applied	6,820,816	3,874,341	3,715,303
FUNDS PROVIDED			
By grants-in-aid from Office of Inter-American Affairs	6,651,154	3,781,769	3,456,710
By contributions from other U. S. Government Corporations:			
U. S. Commercial Company	36,131	9,742	80,127
Rubber Development Corporation	50,000	7,150	13,466
	86,131	16,892	93,593
By contributions from other sources:			
Other American Republics	75,000	25,000	150,000
Inter-American Institute of Agricultural Sciences		50,000	15,000
Miscellaneous	8,531	680	
	83,531	75,680	165,000
Total funds provided	6,820,816	3,874,341	3,715,303

*Deduct

1 Covers only the contributions taken into and disbursed by the Institute of Inter-American Affairs; therefore, does not show entire contribution by the other governments, since funds are also disbursed in some cases directly by the cooperative services.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating expenses:			
Health and sanitation:			
Cooperative programs.....	\$9,307,544	\$6,919,046	\$5,653,655
Expenses related to cooperative programs.....	1,451,237	492,795	623,854
Washington administration (schedule B-2).....	162,693	194,598	188,137
	\$10,921,474	\$7,606,439	\$6,465,646
Food supply:			
Cooperative programs.....	1,850,621	1,134,474	959,477
Expenses related to cooperative programs.....	225,740	52,085	30,000
Washington administration (schedule B-2).....	81,656	88,687	70,712
	2,158,026	1,275,146	1,060,189
Emergency rehabilitation: Cooperative programs.....	55,110		
Transportation:			
Field missions.....			41,054
Expenses related to field missions.....		74,650	55,000
Washington administration (schedule B-2).....			8,946
		74,650	105,000
General:			
Expenses related to cooperative programs.....	490,896	273,284	150,000
Washington administration (schedule B-2).....	290,525	454,135	621,022
	771,421	727,419	771,022
	13,906,031	9,683,654	8,401,857
Less, purchases of equipment.....	157,417	74,227	23,975
	13,748,614	9,609,427	8,377,882
Other income and expense:			
Sales of produce incidental to food supply program.....	346,744	397,649	150,000
Less cost of produce.....	346,744	397,649	150,000
Net expenses* for the year.....	*13,748,614	*9,609,427	*8,377,882

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash with U. S. Treasury.....	\$18,204,417	\$11,937,758	\$5,850,732	\$893,285
Accounts receivable:				
Due under grant from Office of Inter-American Affairs.....	20,651,154	14,114,650	10,456,710	7,000,000
United States Commercial Company.....	90,000	89,869	80,127	
Rubber Development Corporation.....			13,466	
Other American Republics.....		125,000	150,000	
Inter-American Institute of Agricultural Sciences.....			15,000	
Due from miscellaneous sources.....	6,148			
Total accounts receivable.....	20,747,302	14,329,519	10,715,303	7,000,000
Equipment.....	397,090	557,262	637,560	667,557
Deferred charges: Advance payment to Treasury Procurement Division.....	4,990	79,424	40,000	10,000
Total assets.....	39,353,799	26,903,963	17,243,595	8,570,842
LIABILITIES				
Accounts payable.....	760,619	1,656,364	1,345,298	1,050,427
CAPITAL				
Paid-in surplus.....	65,114,404	65,517,437	65,777,562	65,777,862
Less, amount applied to operations.....	26,521,224	40,269,838	49,879,265	58,257,147
Net capital.....	38,593,180	25,247,599	15,898,297	7,520,715

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash.....	\$*6,266,059	*\$6,087,026	*\$4,957,447
Advance payment to Treasury Procurement Division.....	74,434	*39,424	*30,000
Current liabilities (increase* or decrease), accounts payable.....	*895,745	311,066	294,871
Decrease in working capital.....	\$7,087,970	\$5,815,384	\$4,692,576

*Deduct.

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
SALARIES AND WAGES	Man-years Amount	Man-years Amount	Man-years Amount
Office of the president.....	1.9 \$6,527	4.6 \$14,542	10 \$43,980
Health and sanitation division.....	38 128,672	39 130,804	30.5 145,137
Food supply division.....	15.6 68,023	16.2 66,587	15.1 56,712
Transportation division.....	0	0	1.8 7,946
Economic division.....	0	0	13.4 49,681
Training division.....	10.3 31,274	12.5 38,765	13.5 38,553
Office of executive director and treasurer.....	27.5 73,451	38.5 111,744	59.5 200,809
Office of the general counsel.....	4 19,365	2.7 15,284	6 30,875
Personnel division.....	5.6 16,317	6.6 16,567	15 45,838
Service operations division.....	21 47,330	57.9 137,648	55 135,086
Total.....	123.9 389,949	178 551,941	228.8 754,627
Reimbursements received from—			
Inter-American Educational Foundation, Inc.....			-72,135
Institute of Inter-American Transportation.....			-12,056
Inter-American Navigation Corporation.....			-1,586
Prenclairado, Inc.....			-4,759
Net personal services.....	389,949	551,941	664,091
Travel expenses.....	66,635	83,150	94,609
Transportation of things.....	88	3,777	5,470
Communication services.....	46,545	43,686	64,906
Penalty mail.....			4,000
Rents and utilities.....		112	
Printing and binding.....	638	363	2,686
Other contractual services.....	27,651	35,199	34,601
Supplies and materials.....	2,570	18,974	20,454
Total.....	534,874	737,320	888,817

SCHEDULE B-3

PERSONAL SERVICES

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service: Grade 15. Range \$7,175 to \$8,225:			
Director.....			1 89,275
Executive director.....			1 8,750
Grade 14. Range \$7,175 to \$8,225:			
Special assistant.....			1 7,175
Grade 13. Range \$6,230 to \$7,070:			
Director, field audit and procedures division.....			1 6,440
Director, service operations division.....			1 6,440
Director, personnel division.....			1 6,230
Director, accounts division.....			1 6,230
Director, information division.....			1 6,230
Administrative analyst.....		1 \$6,440	3 18,600
Executive officer.....	0.2 \$1,120	1 6,230	1 6,230
Grade 12. Range \$5,180 to \$6,020:			
Director, budget division.....			1 5,390
Director, audit division.....			1 5,180
Assistant director, personnel division.....			1 5,390
Fiscal inspector.....		0.8 4,317	3 15,960
Management analyst.....		1 5,380	1 5,390

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Clerical, administrative, and fiscal service—Continued:			
Grade 12. Range \$5,180 to \$6,020—Con. Chief, purchase and shipping section.....			1 \$5,180
Administrative officer.....	1.9 \$8,737	1.3 \$6,505	1 5,180
Grade 11. Range \$4,300 to \$5,180:			
Assistant director, audit division.....			1 4,300
Assistant director, accounts division.....			1 4,300
Accounting and disbursing officer.....	0.9 3,406	1 4,300	
Public health information specialist.....		0.6 2,150	1 4,520
Field auditor.....		0.3 1,470	
Purchasing officer.....		1 4,300	1 4,300
Administrative officer.....		2.7 8,601	2.5 11,050
Public health information specialist.....	1 3,800	1 4,300	1 4,300
Industrial specialist.....	0.9 3,519		
Special writer.....	0.2 527		1 4,300
Information analyst.....			1 4,520
Microfilm technician.....			1 4,520
Classification analyst.....			1 4,380
Grade 10. Range \$3,970 to \$4,630:			
Assistant director, service operations division.....			1 3,970
Grade 9. Range \$3,640 to \$4,300:			
Administrative officer.....	1 3,200	1 3,640	1.6 5,890
Graphic presentation designer.....			1 3,750
Classification analyst.....	1 3,200	1 3,750	1 3,750
Chief foreign accounts and transportation.....		0.9 3,130	1 3,640
Chief accounts section.....	0.7 2,283	1 3,640	1 3,640
Chief, reports section.....			1 3,640
Travel officer.....			1 3,640
Chief translator.....			1 3,640
Shipping officer.....			1 3,750
Editor-writer.....			1 3,750
Public health statistician.....	1 3,200	0.2 625	
Placement officer.....	0.7 2,283	0.4 1,213	1 3,750
Purchasing officer.....	0.7 2,283		1 3,640
Budget analyst.....	0.9 3,050	1 3,640	
Grade 8. Range \$3,310 to \$3,970:			
Grade 7. Range \$2,980 to \$3,640:	10.1 28,402	16.2 51,226	18.6 55,625
Grade 6. Range \$2,650 to \$3,310:	2.1 4,728	3.4 9,237	5 13,360
Grade 5. Range \$2,320 to \$2,980:	29.5 59,462	34.7 77,728	34.3 81,294
Grade 4. Range \$2,100 to \$2,496:	29.7 48,481	29.8 65,646	47 104,616
Grade 3. Range \$1,902 to \$2,298:	15.5 25,943	25.8 50,815	25.5 49,118
Grade 2. Range \$1,704 to \$2,100:	3.1 4,440	5.2 8,985	3 5,442
Professional service:			
Grade 8. Range \$8,750 to \$9,800:			
Director, health and sanitation division.....		0.2 2,180	1 8,750
Director, food supply division.....	0.5 3,668	1 8,750	1 9,015
Associate director, health and sanitation.....			0.6 3,587
Public health officer.....	0.8 6,400	0.3 2,920	1 8,750
General counsel.....	0.3 2,344	1 8,750	1 8,750
Grade 7. Range \$7,175 to \$8,225:			
Medical officer.....	1 6,500	1 7,437	1 7,437
Sanitary engineer.....	0.4 2,600	1 7,175	1 7,175
Public health education officer.....	3 6,400	1 7,175	0.5 3,587
Training program officer.....	0.6 3,315	1 7,175	1 7,175
Director, food supply division.....	0.5 3,223		
Associate director, food supply.....		2 14,250	1 7,177
Attorney.....	0.7 4,007	0.6 4,365	1 7,174
Highway transportation specialist.....			0.6 4,304
Historian.....			0.2 1,438
Grade 6. Range \$6,230 to \$7,070:			
Sanitary engineer.....	0.5 2,800	1 6,230	1 6,230
Public health education officer.....	2.5 14,900	3 18,690	2 12,460
Agricultural program officer.....	1 5,837	0.1 519	1 6,440
Agricultural economist.....	0.7 4,222		
Attorney.....	1 5,600		1 6,230
Training program officer.....	0.6 3,315	0.5 3,063	
Economist.....	1 5,277		2 12,670
Grade 5. Range \$5,180 to \$6,020:			
Public health officer.....	0.3 1,518	1 6,180	1 5,180
Sanitary engineer.....	0.6 3,760		
Agricultural program officer.....	0.4 1,900	1 5,180	1 5,180
Training specialist.....	0.1 268		
Social welfare officer.....	0.2 956		
Training program officer.....	1 3,682	1 4,410	

By accounts				By accounts			
	1945, actual	1946, estimated	1947, estimated		1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—CON.				PERSONAL SERVICES, FIELD—CONTINUED			
Professional service—Continued				Professional service—Continued			
Grade 4. Range \$4,300 to \$5,180:				Grade 6. Range \$6,230 to \$7,070—Con.			
Health education specialist	0.8 \$3,400	0.5 \$3,022		Public health nursing officer	1 1 \$5,600	0.6 \$3,220	11 \$68,530
Agricultural engineer	0.7 3,022		1 \$4,300	Associate chief of party	1.7 10,333	6.1 38,778	1 6,230
Research editor	2			Hospital administrator	1 4,600	1 6,230	1 6,230
Social welfare officer	2.7 9,257	0.3 1,275		Mechanical engineer		0.5 3,115	1 6,230
Rehabilitation officer	0.9 3,772	0.5 2,180		Attorney	2.8 16,042	1.5 9,460	0.5 3,115
Agricultural extension officer	0.8 3,328	0.1 378	1 4,520	Industrial hygiene engineer		0.5 3,115	0.5 3,115
Entomologist	0.1 158			Industrial economist		1 6,230	1.3 8,099
Engineer	1 3,902			Grade 5. Range \$5,180 to \$6,020:			
Attorney			1 4,300	Agricultural extension specialist	1.7 8,082	2.0 10,360	1.7 9,435
Research analyst			1 4,300	Associate chief of party	4.1 19,253	1.9 9,713	4 20,720
Grade 3. Range \$3,640 to \$4,300:				Soils scientist	3.1 13,992	2 10,455	1 5,390
Sanitary engineer	1.5 5,700	1 3,640	1 3,640	Irrigation engineer		1 5,180	1 5,180
Public health research officer	1 3,200	1 3,750	1 3,750	Agronomist	3.2 14,809	3.6 17,778	1.8 9,065
Public health nursing officer	0.2 800	0.1 3,640	1 3,640	Agricultural engineer	2.5 9,733	1.5 7,770	1 5,390
Agricultural information analyst	0.4 1,334	1 3,750		Cooperative specialist		0.5 2,590	1 5,180
Librarian			1 3,640	Refrigeration specialist	0.2 1,226	0.3 1,295	
Grade 2. Range \$2,980 to \$3,640:				Animal husbandry specialist	0.6 2,387	2 10,360	2 10,360
Grade 1. Range \$2,320 to \$2,980:				Agricultural economist	1.2 8,826	1 5,180	0.7 3,855
Subprofessional service:				Entomologist	1 4,600	1 5,180	1 5,180
Grade 7. Range \$2,650 to \$3,310:				Plant pathologist		0.5 2,590	1 5,180
Grade 5. Range \$2,320 to \$2,980:				Construction engineer	3.8 14,876	5.1 27,195	14.2 73,815
Crafts, protective, and custodial service:				Sanitary engineer	4.9 21,180	5.1 27,195	14.2 73,815
Grade 4. Range \$1,710 to \$2,166:				Health education specialist		1 5,180	1 5,180
Grade 3. Range \$1,572 to \$1,902:	1.2 1,708	7.4 11,993	7 11,244	Architectural engineer	1 4,600	2 11,935	1.5 7,770
Grade 2. Range \$1,440 to \$1,770:			3 4,380	Medical officer		0.2 1,295	1 5,180
Total permanent, departmental	128.8 856,095	171.5 617,640	225.2 754,273	Grade 4. Range \$4,300 to \$5,180:			
Temporary employment, departmental	1.1 2,496	6.5 10,339	5.6 7,700	Agricultural production officer	5.7 23,300	2 8,600	2 8,600
Overtime pay, departmental	55,733	23,562		Livestock specialist	0.8 3,359	1 4,300	1 4,520
All personal services, departmental	129.9 414,324	178.0 551,941	230.8 761,973	Agricultural economist	1 3,800	0.7 3,808	
PERSONAL SERVICES, FIELD				Grade 3. Range \$3,640 to \$4,300:			
Clerical, administrative, and fiscal service:				Agricultural production officer			
Grade 13. Range \$6,230 to \$7,070:				Agonomist			
Administrative officer				Home demonstration agent			
Information program officer				Nutrition economist			
Grade 12. Range \$5,180 to \$6,020:				Dairy husbandry specialist			
Business manager				Public health nurse			
Agronomist				Entomologist			
Grade 11. Range \$4,300 to \$5,180:				Hydraulic engineer			
Assistant business manager				Forester			
Procurement officer				Architectural engineer			
Grade 9. Range \$3,640 to \$4,300:				Grade 3. Range \$3,640 to \$4,300:			
Administrative officer				Agricultural production officer			
Construction superintendent				Agonomist			
Assistant business manager				Home demonstration agent			
Agronomist				Home economist			
Grade 7. Range \$2,980 to \$3,640:				Dairy husbandry specialist			
Executive officer				Bacteriologist			
Railway specialist				Public health nurse			
Highway transportation specialist				Nutritionist			
Grade 7. Range \$7,175 to \$8,225:				Grade 2. Range \$2,980 to \$3,640:			
Chief of party				Grade 1. Range \$2,320 to \$2,980:			
Associate chief of party				Subprofessional service:			
Public health officer				Grade 6. Range \$2,320 to \$2,980:			
Entomologist				Total permanent, field			
Sanitary engineer				Temporary employment, field			
Maintenance of way superintendent				Living allowances, field			
Highway transportation specialist				Overtime pay, field			
Grade 6. Range \$6,230 to \$7,070:				All personal services, field			
Chief of party				Total, departmental and field			
Principal agricultural engineer				Deduct, nonadministrative expenses			
Agricultural economist				Personal services (schedule B-2)			
Agricultural program officer				Reimbursements from:			
Agricultural production officer				Inter-American Educational Founda-			
Land-utilization specialist				tion, Inc.			
Animal husbandry specialist				Institute of Inter-American Transporta-			
Food storage specialist				tion			
Sanitary engineer				Inter-American Navigation Corpora-			
Medical officer				tion, Inc.			
Architectural engineer				Prenclnradio, Inc.			
Construction engineer				Personal services (net) (schedule			
Public health officer				B-2)			
Entomologist				389,949			
				561,941			
				228,874,627			
				-72,135			
				-12,056			
				-1,536			
				-4,759			
				664,091			

INSTITUTE OF INTER-AMERICAN TRANSPORTATION

CREATION AND PURPOSE

The Institute of Inter-American Transportation was created under the laws of the State of Delaware on June 18, 1943, pursuant to authority contained in the First Supplemental National Defense Appropriation Act, 1943 (56 Stat. 708). This Corporation is a Government-controlled, nonprofit, stock corporation, the stock being held by the Director of the Office of Inter-American Affairs for the United States of America. Under present plans, it is intended to dissolve the Corporation around June 30, 1946.

The general purpose of the Corporation, as set forth in its certificate of incorporation, is to assist and improve the means and methods of transportation in the Western Hemisphere by land, air, or water. However, the activities of the Corporation to date have been directed toward carrying out the terms of a cooperative agreement to rehabilitate and improve the operating efficiency of certain key sections of the National Railways of Mexico, as provided in an exchange of notes between the Governments of Mexico and the United States, dated November 18, 1942, as amended.

At the beginning of the war it was necessary to determine with accuracy the transportation potential, both as a measure of defense in case of invasion and as a means of obtaining materials of war which ordinarily came from areas made inaccessible to us by enemy action. It was quickly decided that most of the transportation facilities in the other American Republics, particularly rail facilities in Mexico, were inadequate to handle the added strain of wartime traffic. It was therefore necessary for the United States to do everything in its power to rehabilitate these facilities and in order to put them into such operating condition as would permit the expeditious movement of extra wartime traffic in strategic materials.

FINANCIAL ORGANIZATION

The Office of Inter-American Affairs purchased 1,000 shares of capital stock at par value of \$100 per share and thereby provided the Corporation with its original capital of \$100,000. In addition to providing capital through the purchase of stock, the Office of Inter-American Affairs has made grants to the Corporation amounting to \$7,500,000. No bonds have been issued by the Corporation. The transactions of the Corporation from its inception have been audited by the General Accounting Office under an arrangement made with the Comptroller General at the beginning of fiscal year 1944. The Corporation is now subject to audit by the General Accounting Office under the provisions of the Government Corporation Control Act, Public Law 248, 79th Congress. A statement of condition of the Corporation is shown immediately following the textual material (exhibit C).

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budgetary requirements of the Corporation for the fiscal year 1947 are directly related to the Mexican Rail-

way project. The Department of State has determined as a matter of policy that this project is to be terminated, insofar as actual operations are concerned, on June 30, 1946. Therefore, it is only necessary to provide operating funds for this project until that date and, in addition, funds for a short time beyond that date for a small field staff to close out the operations in Mexico, including documentation of the work done during the term of the agreement. In addition, personnel will be needed in the Washington Office for a short period to document accomplishments, complete files, and assist in the closing of the field project as well as to undertake and carry on the liquidation of the Corporation. The Corporation will be dissolved around June 30, 1946, and will continue in liquidation for 3 years from that date, as required by the laws of the State of Delaware. The level at which these activities were carried on during the fiscal year 1945 and the comparative estimates for the fiscal years 1946 and 1947 are shown in the statement of sources and application of funds in the financial statements immediately following the narrative (exhibit A).

MEXICAN RAILWAY MISSION

Early in 1942 a small survey mission was sent to Mexico by the Office of Inter-American Affairs to examine the railways in that country. On the basis of reports furnished by that survey mission, the Governments of Mexico and of the United States agreed to cooperate in the rehabilitation of certain sections of the National Railways of Mexico. These railways constitute the only transport system serving most of Mexico. Extending from the Texas border to Guatemala, there are lines serving all sections of the country except the northwest portion. They constituted the only means of transporting mineral and metal ores from mines to mills and smelters, and the only means in many cases of transporting agricultural and forest products from points of production to consuming or distributing points. For many years the railways had suffered from inadequate maintenance, obsolete and insufficient equipment, and from inefficient operation. They were not in condition to transport satisfactorily the normal volume of freight and passengers, and were wholly incapable of assuming the additional burden resulting from the withdrawal of ocean vessels normally serving Mexico and the increase in the movement of strategic materials. It was determined that it was in the interest of this Government to pay its equitable share of the cost of the improvements which had to be made in order that the materials in question might be transported to United States war plants.

By the agreement between the two Governments, it was provided that each Government would furnish an equitable part of the material and equipment required. The Mexican Government and the National Railways of Mexico agreed to direct their operating facilities toward the fullest realization of the rehabilitation program, while this Government agreed to furnish necessary technical assistance, and assist in making possible the procurement of essential equipment, and share in the rehabilitation

expense. Principal activities under this agreement have consisted of close inspection and replacement of thousands of defective rails, ties, and switches and hundreds of bridges; purchase of track tools, motor rail cars and modern repair equipment; improving and reballasting roadbeds and yards; construction of new passing tracks and auxiliary spur tracks; purchase and repair of used locomotives in the United States for use in the Railways; installation of centralized traffic control systems; training of specially selected supervisors and mechanics of the Railways in the United States; and the furnishing of highly skilled United States technicians, many of them loaned by United States railroads, for the supervision of the programs and training of executive personnel as well as employees at large in the modern phases of railway operation and maintenance.

The agreement referred specifically to certain main line portions of the Railways which form a direct rail line from the United States border at Laredo, Tex., to Suchiate, on the Mexico-Guatemala border. That line is the only overland route toward the Panama Canal. Efforts of the mission sent to Mexico to accomplish the purpose of the agreement were concentrated upon these portions of the National Railways, but it was soon obvious that constructive rehabilitation of any portion of the Railways also had to be accompanied by a measure of improvement to the feeder lines also.

While the mission was originally sent to Mexico as an agency of the Office of Inter-American Affairs, it has been carried on by the Institute of Inter-American Transportation since creation of the latter on June 18, 1943.

Due to the continuing nature of the work undertaken, it is difficult to segregate the accomplishments and obligated costs into any one period. War conditions interfered in many cases with the prompt delivery of needed articles, and on one occasion a disastrous hurricane and succeeding flood interrupted and caused changes in planned operations. Although it had been feared that the war-inspired increase of traffic, both by the increase of materials and by the removal of ocean transport, would result in a collapse of the Railways, no collapse has occurred. Interruptions of service by wash-outs have been of short duration, due entirely to the prompt action taken to restore damaged or destroyed properties. By June 30, 1944, shipments of strategic materials to this country had increased, a great many actually dangerous conditions had been corrected, more than one thousand carloads of machinery and equipment had been transported across Mexico for our War Department, and many more carloads of supplies followed, and a much higher degree of efficiency had been obtained in all the departments of the Railways.

From July 1, 1944, to June 30, 1945, the mission continued its supervision of recommended improvements and completed the modernization of several important repair shops and storehouses. Many miles of track were completely rehabilitated and a further improvement in shop output was obtained. During this period, program expenditures, including technical and other assistance, but exclusive of Washington administration, amounted to \$1,877,314. The mission members were able to spread their activities over larger territories due to their having successfully trained local workers and officials who carried on the program in their own areas. More attention was given to the operating activities of the Railways, inasmuch as freight movements in the United States had reached a crescendo requiring the use of every available freight car, including many which had been in use in Mexico. The number of our own freight cars in

Mexico was held to an agreed figure, and yet an even greater volume of freight was moved in and across Mexico.

During the fiscal year 1946 the mission continued its activities on a reduced scale, and will wind up its operations on June 30, 1946. Estimated program expenditures, including technical and other assistance but exclusive of Washington administration, during this year are \$2,028,096. With the exception of the technical and other assistance expenditures of \$449,911, these program expenditures relate to work commitments executed prior to December 31, 1944. The rehabilitation envisioned has not been completed and cannot be completed for 5 to 7 years, but great improvement has resulted to the important main lines and preparatory work has been done which, if continued, will ultimately result in efficient operations throughout the Railways.

Reliable estimates indicate that the Railways expended \$11,314,415 more for rehabilitation and improvement purposes during the first 11 months of the agreement than it had spent for like activities in the previous 11 months of normal operations. It is entirely proper therefore to assume that their contribution to the program continued at no less than this rate, and it is estimated that the Railways will have contributed at least \$40,000,000, in comparison with estimated total program expenditures by this Corporation of \$6,750,947, as at June 30, 1946. Almost one-half of the contribution by the Railways will be expended in the United States for materials, machinery, and equipment.

It should be recognized that the economy of Mexico is directly dependent upon its transportation facilities. Mexico's assistance to us during the war years was actual and invaluable; the maintenance of Mexico's economy is essential to us in peace as well, and although the work of rehabilitation was undertaken as an outright war measure the cooperative work covered by the agreement will be continued until June 30, 1946, and thereafter completed by the Railways for the economic well-being of both nations. (For further details on this program see exhibits A and B.)

OPERATING RESULTS

During the fiscal year 1945, programs carried on by the Corporation resulted in a net loss of \$1,912,329. For the fiscal year 1946, it is estimated that the net loss will be \$2,090,375, and the loss for fiscal year 1947 will be \$150,840. Inasmuch as this corporation is not operated for profit the losses reflected above represent, in fact, depletion of capital.

FINANCIAL CONDITION

RETURN OF CAPITAL FUNDS TO THE TREASURY

During the fiscal year 1946, the Corporation will return to the Treasury the sum of \$487,390, pursuant to the provisions of the First Supplemental Surplus Appropriation Rescission Act, 1946, and of proposed rescission legislation which provide, respectively, for the return of \$315,500 and \$171,890. Upon final liquidation of the affairs of the Corporation any funds remaining will be deposited in miscellaneous receipts of the United States Treasury.

ADMINISTRATIVE EXPENSES

This expense covers the general administrative expenses of the Corporation in Washington, including the supervisory staff of the Corporation which is concerned with program operations, the salaries of employees engaged directly in handling fiscal, legal, and personnel matters and providing general office services, as well as incidental

expenses such as supplies and materials, communication services, etc. In 1947, there will be included a payment for over-all and administrative supervisory services provided without cost to the Corporation, prior to fiscal year 1947, by the Office of Inter-American Affairs. Penalty-mail service likewise was furnished, prior to 1947, by the Office of Inter-American Affairs without cost to the Corporation.

During the fiscal year 1945, personal services aggregated 8.3 man-years and during the fiscal years 1946 and 1947, they are estimated at 16.6 and 9.6 man-years,

respectively. The increase in fiscal year 1946 is due to the assumption by the Corporation of a more equitable share of direct personal service costs than in the prior year when a larger amount of such costs were borne by the Office of Inter-American Affairs. (For further details see statement of income and expenses, exhibit B and schedule B-2.)

LANGUAGE

The types of programs set forth in the 1947 budget of the Institute of Inter-American Transportation, within the funds available to it, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To purchase of equipment.....	\$917	\$100	
To return to U. S. Treasury under rescission acts.....		487,390	
To operating expenses:			
Administrative, Washington (see schedule B-2).....	\$35,015	\$62,279	\$50,603
Rail program in Mexico:			
Technical and other assistance.....	675,193	449,911	47,724
Rehabilitation and improvement operations.....	1,202,121	1,578,185	52,513
	1,912,329	2,090,375	\$150,840
To increase (or decrease*) working capital (see schedule A-1).....	586,754	*2,577,865	*150,840
Total funds applied	2,500,000		
FUNDS PROVIDED			
By grant-in-aid from Office of Inter-American Affairs.....	2,500,000		
Total funds provided	2,500,000		

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating expenses:			
Administrative, Washington (schedule B-2).....	\$35,015	\$62,279	\$50,603
Rail program in Mexico:			
Technical and other assistance.....	675,193	449,911	47,724
Rehabilitation and improvement operations.....	1,202,121	1,578,185	52,513
Total expenses* for year	*\$1,912,329	*\$2,090,375	*\$150,840

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash:				
Treasurer's official checking account with Treasurer of United States.....	\$89,998	\$589,983	\$102,593	\$25,166
Dishursing officer's checking account.....	2,165,566	2,239,753	118,943	24,530
Total cash.....	2,255,564	2,829,736	221,536	49,696
Accounts receivable: Due under grant-in-aid from Office of Inter-American Affairs.....	2,500,000			
Equipment:				
Purchased.....	9,690	10,607	10,707	10,707
Donated.....		1,500	1,500	1,500
Total equipment.....	9,690	12,107	12,207	12,207
Deferred charges: Advance payment to Treasury Procurement Division.....	10,000	10,000	10,000	
Total assets	4,775,254	2,861,843	243,743	61,903
LIABILITIES				
Accounts payable	74,917	62,335	32,000	1,000
CAPITAL				
Capital stock outstanding	100,000	100,000	100,000	100,000
Donated: Reserve for equipment donated.....		1,500	1,500	1,500
Paid in:				
Grant-in-aid from Office of Inter-American Affairs.....	7,500,000	7,500,000	7,500,000	7,500,000
Less: Amount returned to U. S. Treasury.....			487,390	487,390
Less: Amount applied to operations.....	2,899,663	4,811,992	6,902,367	7,053,207
Total paid in.....	4,600,337	2,688,008	110,243	*40,597
Net capital	4,700,337	2,789,508	211,743	60,903

*Deduct

SCHEDULE A-1

CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash:			
Treasurer's official checking account with Treasurer of United States.....	\$499,985	*\$487,390	*\$77,427
Dishursing officer's checking account.....	74,187	*2,130,810	*94,413
Total cash.....	574,172	*2,608,200	*171,840
Deferred charges: Advance payment to Treasury Procurement Division.....			*10,000
Current liabilities (increase* or decrease):			
Accounts payable	12,582	30,335	31,000
Increase in working capital.....	586,754		
Decrease in working capital.....		2,577,865	150,840

*Deduct.

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
SALARIES AND WAGES			
	Man- years Amount	Man- years Amount	Man- years Amount
Rail transportation division.....	6.3 \$25,345	6.4 \$26,011	3.4 \$14,787
Office of the treasurer.....	2 4,000	5.2 13,494	2.5 7,340
Service operations division.....		3 6,983	1.7 3,740
Personnel division.....		1 2,650	1 2,650
Legal department.....		1 2,375	1 2,430
Overtime pay.....	3,945	1,166	
Total.....	8.3 33,290	16.6 52,679	9.6 30,947
Travel expenses.....	636	4,000	3,000
Transportation of things.....	1	50	1,525
Communication services.....	511	4,000	1,975
Penalty mail.....			100
Other contractual services.....	17	750	500
Supplies and materials.....	560	800	500
Payments to Institute of Inter-American Affairs for over-all supervisory services received.....			12,056
Total administrative expenses.....	35,015	62,279	50,603

SCHEDULE B-3

PERSONAL SERVICES

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL			
	Man- years Amount	Man- years Amount	Man- years Amount
Clerical, administrative, and fiscal service:			
Grade 15. Range \$7,750 to \$9,800:			
Director, rail transportation.....	1 \$8,000	0.5 \$4,510	0.5 \$4,507
Grade 13. Range \$6,250 to \$7,070:			
Rail transportation officer.....	2 11,290	2 12,880	0.9 5,800
Grade 8. Range \$3,310 to \$3,970:			
Grade 7. Range \$2,980 to \$3,640:		1.2 3,669	2 6,180
Grade 6. Range \$2,650 to \$3,310:		1.4 3,681	1.4 3,710
Grade 5. Range \$2,320 to \$2,980:	3.4 6,720	5.8 14,220	2.7 6,505
Grade 4. Range \$2,100 to \$2,496:	1.9 3,425	3.9 8,291	1.3 2,780
Grade 3. Range \$1,902 to \$2,298:		1.2 2,240	0.4 790
Crafts, protective, and custodial service:			
Grade 3. Range \$1,572 to \$1,902:			0.4 675
Total permanent, departmental.....	8.3 29,345	16.6 51,513	9.6 30,947
Overtime pay, departmental.....	3,945	1,166	
All personal services, departmental.....	8.3 33,290	16.6 52,679	9.6 30,947

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, FIELD			
Clerical, administrative, and fiscal service:	Man- years Amount	Man- years Amount	Man- years Amount
Grade 15. Range \$7,750 to \$9,800:			
Chief of mission.....	1 \$8,000	1.1 \$9,610	0.3 \$2,233
Grade 14. Range \$7,175 to \$8,225:			
Chief, mechanical department.....	0.8 4,855	1 7,175	0.5 3,588
Transportation officer.....	2 13,000	0.9 6,514	
Maintenance engineer.....	1 6,500	0.5 3,627	
Mechanical officer.....	1 6,500	0.4 2,832	
Reclamation officer.....	1 6,500	0.2 1,469	
Grade 12. Range \$5,180 to \$6,020:			
Administrative officer.....	1 4,600	1 5,180	0.5 2,500
Grade 11. Range \$4,300 to \$5,180:			
Executive assistant.....	1.5 5,700	1 4,520	
Grade 7. Range \$2,950 to \$3,640:			
Grade 6. Range \$2,650 to \$3,310:	0.5 1,056	0.3 662	
Grade 5. Range \$2,320 to \$2,980:	1.5 3,053	0.8 1,905	0.5 1,270
Grade 4. Range \$2,100 to \$2,496:	0.9 1,935	0.3 540	
Grade 2. Range \$1,704 to \$2,100:	0.9 1,312		
Professional service:			
Grade 7. Range \$7,175 to \$8,225:			
Transportation officer.....		1 7,175	0.2 1,500
Stores officer.....		1 7,175	0.2 1,500
Grade 6. Range \$6,250 to \$7,070:			
Transportation officer.....	1.2 6,727	2 12,460	0.7 4,375
Maintenance engineer.....		1 6,230	0.2 1,350
Grade 5. Range \$5,180 to \$6,020:			
Maintenance engineer.....	2.1 9,651	0.8 4,247	
Mechanical officer.....	1 4,600	2 10,369	0.2 1,140
Transportation officer.....	1 4,600	0.1 395	
Grade 4. Range \$4,300 to \$5,180:			
Mechanical officer.....	6 22,800	3.7 16,449	0.5 2,340
Track supervisor.....	4.1 15,606	1.1 4,932	
Welding supervisor.....	2 7,600	0.9 3,971	
Car supervisor.....	2 7,600	1 4,300	
Air-brake supervisor.....	1 3,800	0.3 1,315	
Maintenance engineer.....	5.4 20,537	3.1 13,574	
Transportation officer.....	1 3,800		
Stores officer.....	2 7,600	1 4,900	0.3 1,250
Water-treatment specialist.....	1 3,800	0.2 849	
Bridge supervisor.....	1 3,800	1 4,520	0.2 1,120
Paint supervisor.....	1 3,800	0.3 1,337	
Grade 3. Range \$3,640 to \$4,300:			
Welding supervisor.....	1 3,200	0.6 2,223	
Metallurgist.....	1 3,200	0.1 126	
Transportation officer.....	5 16,000	2.7 9,951	
Mechanical officer.....	3.2 10,341	2.1 7,732	
Track supervisor.....	1 3,200	0.2 761	
Car supervisor.....	1 3,200	0.3 1,185	
Car foreman.....	3.1 9,962	1.4 5,270	
Total permanent, field.....	61.2 241,095	37.2 180,826	4.8 25,766
Temporary employment, field.....	87.9 144,358	63.9 107,500	7.2 12,010
Living allowances, field.....	91,775	71,522	2,648
Overtime pay, field.....	34,955	8,500	
All personal services, field.....	149.1 512,183	101.1 368,348	12 40,424
Total, departmental and field.....	157.4 545,473	117.7 421,027	21.6 71,371
Deduct nonadministrative expenses.....	149.1 512,183	101.1 368,348	12 40,424
Personal services (net) (schedule B-2).....	8.3 33,290	16.6 52,679	9.6 30,947

INTER-AMERICAN EDUCATIONAL FOUNDATION, INC.

CREATION AND PURPOSE

The Inter-American Educational Foundation, Inc., a Government-controlled, nonprofit, membership Corporation, was created on September 25, 1943, under the laws of the State of Delaware, pursuant to authority contained in the act of July 12, 1943 (Public Law 139, 78th Cong.) entitled National War Agencies Appropriation Act, 1944 (57 Stat. 528).

The general purposes of the Foundation, as set forth in its certificate of incorporation, are to further the general welfare of and to strengthen the bonds between the peoples of the Western Hemisphere by undertaking a cooperative inter-American educational program involving modern educational techniques and teaching aids, and training of teachers and school administrators.

The cooperative programs are carried out through bilateral agreements with the governments of the other American Republics providing for (1) a technical staff or mission to be furnished by the Foundation for work in the other republics, (2) the interchange of educators, and (3) the preparation and interchange of teaching materials, such as visual aids, textbooks, and pamphlets. The agreements provide for the cooperative programs to be carried out through the ministry or department of education of the local government with the technical advice and assistance of the field staffs sent by the Foundation to the particular countries. The agreements further provide for contributions by both parties of funds, materials, and services. The programs consist of individual projects which are mutually agreed upon in writing by the representatives of the parties to the agreement and which provide for the specific kinds of work and activity to be undertaken. In some cases the agreements provide for the programs to be performed by cooperative services established within the framework of the particular ministry or department concerned, while in other cases the programs are performed by the Foundation through the appropriate ministry or department of the local government.

FINANCIAL ORGANIZATION

Funds for carrying out the programs of the Foundation have been made available to it by grants from the Office of Inter-American Affairs, aggregating \$5,088,275. Contributions equaling \$410,428 have been made by the governments of several Latin-American countries to be disbursed directly with funds of the Foundation for mutually approved programs. In addition, several other countries have made contributions which are disbursed by cooperative services established within the framework of the ministry or department of education of the local government through which agencies the cooperative program is carried out. Contributions by the local governments to these cooperative services are \$1,953,000. The Foundation has committed the sum of \$2,608,500 for cooperative programs. The total contributions to such programs by the local governments under the two systems described above total \$2,363,428, or 91 percent of the Foundation's commitments for such programs.

No funds have been borrowed or securities issued by the Foundation. The transactions of the Foundation from its inception have been audited by the General Accounting Office, under an arrangement made with the Comptroller General at the beginning of the fiscal year 1944. Of course, the Foundation is now subject to audit by the General Accounting Office under the provisions of Public Law 248, 79th Congress, entitled the Government Corporation Control Act.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

During the fiscal year 1947, the Foundation will reach its highest level of activity. During the fiscal year 1945, the Foundation was operating under 10 agreements and expended \$333,298 of program funds. In the fiscal year 1946 the Foundation will be operating in 14 countries and will expend \$1,186,532 of program funds and in the fiscal year 1947 will operate in 14 countries and expend \$1,606,435 of program funds. Programs in 2 countries will terminate in the fiscal year 1947, and the balance will be terminated by the end of the fiscal year 1948. These programs are discussed in greater detail below and the financial requirements are shown in the statement of sources and application of funds (exhibit A).

COOPERATIVE EDUCATIONAL PROGRAM

The general objective of the Foundation is the development of cooperative educational programs with the other American Republics that emphasize vocational and health education, the training of teachers, the improvement of rural life and agriculture, the development of community schools, and the teaching of the English language.

In fiscal year 1944, plans for the program were developed, teaching materials were sent to all of the other American Republics, and the negotiation of cooperative educational agreements was begun. In the fiscal year 1944, agreements were signed with Peru and Haiti. In the fiscal year 1945, agreements were signed or commitments made by exchange of diplomatic notes with Guatemala, Honduras, Nicaragua, Bolivia, Costa Rica, Ecuador, Chile, Paraguay, El Salvador, the Dominican Republic, Panama, and Brazil (2 separate agreements were signed in Brazil for cooperative programs, 1 with the Ministry of Agriculture, and the other with the Ministry of Public Health and Education, which will make a total of 15 agreements with 14 countries). It should also be noted that educational activities have been carried on in all 20 of the other American Republics, including those that have not signed cooperative agreements. Activities in countries that have not signed cooperative agreements have consisted largely of interchanges of personnel and materials.

Twenty-one specialists in vocational education, health education, rural education, teacher training, and English teaching were sent to the other American Republics in 1945 to work in the cooperative programs. In 1946 these 21 specialists were joined by 30 additional associates and collaborators. In 1944 and 1945, nearly 500,000 books, pamphlets, maps, charts, and other teaching materials

were made available to the field parties of the Foundation and to schools in all 20 of the other American Republics, and in 1946 nearly 50,000 of these same items were distributed in the other American Republics through the offices of the special representatives of the Foundation. In 1944, 6 distinguished educators, supervisors, and teachers from the other American Republics were brought to the United States to lecture, to study, and to participate in national, State, and local educational programs. In 1945, the number increased to 33, and so far in 1946 the number has amounted to 19, totaling 58. Since 1944, the Foundation has also been collaborating in the preparation and distribution of locally created teaching materials in the several countries in which our programs are in operation.

Though the war brought into relief the necessity of initiating the cooperative educational program, from the beginning it was conceived to be a long range one, and it is expected that the other governments during the period of the Foundation's life will take over the programs and integrate them into their school activities.

Each country has its own peculiar problems and the type of program consequently varies from country to country. However, all provide for (1) the sending of United States educational specialists to work with the minister of education and his staff, (2) the development of teaching materials, and (3) the bringing of distinguished educators, supervisors, and teachers to the United States to lecture, to study, and to participate in national, State and local educational programs. The programs now in operation fall into four general classes. In one Brazilian program, in the Dominican Republic, Panama, Paraguay, and Peru, the principal emphasis is on vocational education. In Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, and Nicaragua the principal emphasis is on general teacher education. In Bolivia, and in the second Brazilian program, the main emphasis is on rural education, and in Chile the program deals almost exclusively with secondary education.

OPERATING RESULTS

During the fiscal year 1945, operations carried on by the Corporation resulted in an expenditure of \$481,863. Since this Corporation is not operated for profit, this expenditure represents, in fact, depletion of capital. The depletion of capital during the fiscal year 1946 is estimated to be \$1,402,843, and during the fiscal year 1947, \$1,943,949.

FINANCIAL CONDITION

CAPITAL

The capital of the Corporation is derived principally from grants-in-aid made by the Office of Inter-American Affairs from funds appropriated or authorized by the Congress for the programs carried on by the Corporation. The Corporation has been required to absorb, within its present capital, expenses which were not estimated for or contemplated at the time the Office of Inter-American Affairs obtained funds in the form of cash appropriations and a contract authorization of \$2,500,000, the latter in fiscal year 1945, to be used in providing the capital of the Corporation. Some of these expenses are overtime, rental of space in Washington, D. C., and pay increases under the new pay act beginning July 1, 1945. Also, beginning with the fiscal year 1947, the Corporation will be required to pay its pro rata share of over-all fiscal,

legal, personnel, and other supervisory services, which were previously financed by the Office of Inter-American Affairs. (See further statements on this matter under the heading, Administrative expenses.) Taking all of these factors into consideration, and with provision for all known expenses through December 31, 1948, 6 months after the termination of the Corporation's field programs, the Corporation has no reserve for contingencies. It is to be noted, also, that no provision is made for a complete liquidation period of 3 years as will be required when the Corporation is dissolved by June 30, 1948.

CASH REQUIREMENTS

As stated before, the Corporation has been partially financed by grants-in-aid from the Office of Inter-American Affairs, under contract authorization granted for the fiscal year 1945, for which cash appropriations are still required. As of June 30, 1946, the unliquidated balance of this contract authorization will be \$2,198,577. In accordance with the cash needs of the Corporation, the sum of \$1,083,577 should be appropriated for the fiscal year 1947 to liquidate further this contract authorization and for payment over to the Corporation for its programs. This will leave \$1,115,000 still to be appropriated and provided the Corporation after fiscal year 1947.

CASH CONTRIBUTIONS UNDER COOPERATIVE AGREEMENT

As previously explained, some of the agreements under which the Corporation carries on its cooperative program provide that the cash contributions of the local government shall be deposited into and disbursed by the Corporation from a special account of the Corporation in conjunction with the Corporation's program cash contribution. The sum of all local Government cash contributions to be made under such agreements during the period of the agreements amounts to \$410,428. During fiscal year 1945, the sum of \$13,000 was received under such agreements, leaving a balance of \$397,428 outstanding as of June 30, 1945. During fiscal year 1946, it is estimated that \$149,573 will be received, leaving a balance of \$247,855 outstanding as of June 30, 1946, and that of this amount \$173,017 will be received during 1947, resulting in a balance of \$74,838 outstanding at the close of that year.

In the other type of agreement under which the Corporation operates, the program cash contributions of both parties are paid into a cooperative service established within the framework of the appropriate ministry of the local government through which agency or service the cooperative program is carried out. Under this type of agreement, local government cash contributions amount to \$1,953,000 over the period of the agreements.

ADMINISTRATIVE EXPENSES

This expense covers the general administrative expenses of the Corporation in Washington, including the supervisory staff of the Corporation which is concerned with program operations, the salaries of employees engaged directly in handling fiscal, legal, and personnel matters and providing general office services, as well as incidental expenses such as supplies and materials, communication services, etc. In 1947, there will be included a payment for the over-all administrative and supervisory services provided without cost to the Corporation prior to fiscal year 1947 by the Office of Inter-American Affairs. Penalty-mail service likewise was furnished prior to 1947 by

the Office of Inter-American Affairs without cost to the Corporation.

During the fiscal year 1945, personal services aggregated 30.1 man-years, and during the fiscal years 1946 and 1947 they are estimated at 56.9 and 87 man-years, respectively. The increase in fiscal year 1946 is principally due to the assumption by the Corporation of a more equitable share of direct personal service costs than in the prior year, when a larger amount of such costs were borne by the Office of Inter-American Affairs. In 1947, the Corporation will absorb further direct personal service administrative costs which were borne by the Office of Inter-American Affairs prior to that year. Another factor increasing the

man-years and expenses in 1947, as compared to 1946, is that the peak of the Corporation's program will be reached in 1947. (For further details see statement of income and expenses, exhibit B and schedule B-2.)

LANGUAGE

The types of programs set forth in the 1947 budget of the Inter-American Educational Foundation, Inc., within the funds available to it, are approved, and there is hereby appropriated to the Department of State for such purpose out of any money in the Treasury not otherwise appropriated \$1,033,577, which amount shall be used for the payment of obligations incurred under the contract authorization of \$2,500,000 under the head "Office of the Coordinator of Inter-American Affairs" in the National War Agency Appropriation Act, 1945. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual		1946, estimated		1947, estimated	
FUNDS APPLIED						
To purchase of equipment.....		\$13, 681		\$31, 588		\$10, 200
Operating expenses: Cooperative programs and expenses directly related.....	\$333, 298		\$1, 186, 532		\$1, 521, 606	
Less, purchases of equipment.....	12, 544		30, 518		10, 000	
	320, 754		1, 156, 014		1, 511, 606	
Administrative expenses (schedule B-2).....	161, 109		246, 829		432, 343	
	481, 863		1, 402, 843		1, 943, 949	
To increase (or decrease*) working capital (schedule A-1).....	1, 305, 731		*983, 435		*697, 555	
Total funds applied.....	1, 801, 275		450, 996		1, 256, 594	
FUNDS PROVIDED						
By grant-in-aid from Office of Inter-American Affairs.....		1, 788, 275		301, 423		1, 083, 577
By contributions from other American Republics ¹		13, 000		149, 573		173, 017
Total funds provided.....		1, 801, 275		450, 996		1, 256, 594

*Deduct.

¹ Covers only the contributions taken into and disbursed by the Inter-American Educational Foundation; therefore, does not show entire contribution by the other governments, since funds are also disbursed in some cases directly by the cooperative services.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual		1946, estimated		1947, estimated	
Operating expenses: Cooperative programs and expenses directly related.....	\$333, 298		\$1, 186, 532		\$1, 521, 606	
Less: Purchase of equipment.....	12, 544		30, 518		10, 000	
	320, 754		1, 156, 014		1, 511, 606	
Administrative expenses (schedule B-2).....	161, 109		246, 829		432, 343	
Total expenses for year*		*\$481, 863		*\$1, 402, 843		*\$1, 943, 949

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash with U. S. Treasury.....	\$597,830	\$1,923,249	\$994,245	\$295,539
Accounts receivable:				
Due under grant-in-aid from Office of Inter-American Affairs.....	1,788,275	2,500,000	2,198,577	1,115,000
Due under terms of agreements with other American Republics.....	727	397,428	247,855	74,838
Total accounts receivable.....	1,788,275	2,897,428	2,446,432	1,189,838
Equipment.....	10,000	14,408	45,996	56,196
Deferred charges: Advance payment to Treasury Procurement Division.....	6,541	6,541	5,000	2,000
Total assets	2,396,832	4,841,626	3,491,673	1,543,873
LIABILITIES				
Accounts payable.....	38,777	55,006	107,896	104,046
CAPITAL				
Grants-in-aid from Office of Inter-American Affairs.....	2,588,275	5,088,275	5,088,275	5,088,275
Contributions by other American Republics ¹	410,428	410,428	410,428	410,428
Less: Amount applied to operations.....	230,220	712,053	2,114,926	4,058,875
Net capital	2,358,055	4,786,620	3,383,777	1,439,828

¹ Covers only the contributions taken into and disbursed by the Inter-American Educational Foundation; therefore, does not show entire contribution by the other governments since funds are also disbursed in some cases directly by the cooperative services.

SCHEDULE A-1
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Cash.....	\$1,325,419	*\$929,004	*\$898,406
Deferred charges: Advance payment to Treasury Procurement Division.....	*3,459	*1,541	*3,000
Current liabilities (increase* or decrease): Accounts payable.....	*16,229	*52,890	3,861
Increase in working capital.....	1,305,731	983,435	697,555
Decrease in working capital.....			

*Deduct.

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
SALARIES AND WAGES			
	Man-years Amount	Man-years Amount	Man-years Amount
Treasurer's office.....	2 \$4,670	7.9 \$21,638	16.5 \$40,557
Service operation division.....	0.7 1,918	8.6 17,791	15 34,270
Personnel division.....	1 4,428	1.8 5,497	3.5 10,595
Legal division.....	1 4,428	1.3 4,936	3 11,595
Education division.....	26.4 110,186	37.3 132,941	49 164,671
Total.....	30.1 121,202	56.9 182,803	87 261,688
Travel expenses.....	17,492	35,000	64,816
Transportation of things.....	1,734	1,571	798
Communication services.....	9,329	7,574	19,374
Penalty mail.....	.....	.....	2,000
Rents and utilities.....	5,896	12,070	720
Printing and binding.....	190	170	720
Other contractual services.....	2,599	3,570	7,080
Supplies and materials.....	2,757	4,071	3,232
Payment to Institute of Inter-American Affairs for over-all supervisory services received.....	.....	.....	72,185
Total.....	161,109	246,829	432,343

SCHEDULE B-3

PERSONAL SERVICES

[Fiscal years ending 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL			
	Man-years Amount	Man-years Amount	Man-years Amount
Clerical, administrative, and fiscal service: Grade 15. Range \$8,750 to \$9,800: Associate director.....	0.2 \$1,401	.....	.....
Grade 14. Range \$7,175 to \$8,225: Associate director.....	0.2 1,084	1 \$7,175	1 \$7,372
Grade 13. Range \$6,230 to \$7,070: Publications officer.....	1.1 6,243	1 6,230	.....
Grade 12. Range \$5,180 to \$6,020: Administrative officer.....	0.1 657	.....	.....
Grade 11. Range \$4,300 to \$5,180: Administrative officer.....	0.4 1,915	1 5,180	1 5,180
Grade 9. Range \$3,640 to \$4,300: Placement officer.....	.....	0.8 3,397	1 3,640
Employee counselor.....	.....	.....	0.5 1,875
Budget analyst.....	.....	1 3,640	1 3,640
Grade 8. Range \$3,310 to \$3,970: Grade 7. Range \$2,980 to \$3,640: Grade 6. Range \$2,630 to \$3,310: Grade 5. Range \$2,320 to \$2,980: Grade 4. Range \$2,100 to \$2,496: Grade 3. Range \$1,902 to \$2,238: Grade 2. Range \$1,704 to \$2,100:.....	1.4 3,602 2.4 7,390 7.3 16,241 1.5 3,634 8 8,129 0.1 120	4.8 14,759 1 2,705 5.5 13,457 13.1 29,478 6.4 12,283 1.1 1,945	9.5 28,585 2 5,410 17 40,970 16 33,932 19 17,400 1 1,740

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL—con.			
	Man-years Amount	Man-years Amount	Man-years Amount
Professional service: Grade 8. Range \$8,750 to \$9,800: Education program officer.....	2 \$16,000	2.3 \$20,900	2 \$18,025
Grade 7. Range \$7,175 to \$8,225: Attorney.....	1 6,600	0.4 2,900 1 7,438	1 7,175 2 14,719
Grade 6. Range \$6,230 to \$7,070: Education specialist.....	2.9 17,307	3.1 19,389	6 38,220
Grade 5. Range \$5,180 to \$6,020: Education program officer.....	0.6 3,218	1.6 8,633	1 5,180
Grade 4. Range \$4,300 to \$5,180: Education program officer.....	1.1 4,153	0.4 1,869	1 4,300
Training program officer.....	.....	0.4 1,792	1 4,300
Attorney.....	1 3,800	.....	.....
Grade 3. Range \$3,640 to \$4,300: Education program officer.....	1 3,200	0.5 1,820	.....
Subprofessional service: Grade 5. Range \$2,320 to \$2,980: Crafts, protective, and custodial service: Grade 4. Range \$1,770 to \$2,166: Grade 3. Range \$1,572 to \$1,978:.....	0.2 473	0.2 472	1 1,770 3 4,878
Total permanent, departmental.....	29.5 105,661	47.6 167,154	80 258,241
Temporary employment, departmental.....	0.6 869	9.9 16,365	9 15,000
Overtime pay, departmental.....	15,272	3,669	.....
All personal services, departmental.....	30.1 121,202	57.5 186,618	89 273,241
PERSONAL SERVICES, FIELD			
Clerical, administrative, and fiscal service: Grade 13. Range \$6,230 to \$7,070: Business manager.....	.....	0.5 3,115	1 6,440
Grade 11. Range \$4,300 to \$5,180: Business manager.....	.....	0.3 1,075	0.5 2,150
Grade 9. Range \$3,640 to \$4,300: Assistant business manager.....	.....	0.2 910	1 3,640
Grade 7. Range \$2,980 to \$3,640: Grade 4. Range \$2,100 to \$2,496:.....	1 2,180	0.9 2,731 0.1 425	2 6,107
Professional service: Grade 7. Range \$7,175 to \$8,225: Special representative.....	0.4 2,440	2.1 15,211	3 21,863
Grade 6. Range \$6,230 to \$7,070: Special representative.....	2.6 15,723	7.2 44,772	11 69,738
Education specialist.....	.....	0.8 5,192	.....
Attorney.....	.....	0.8 4,984	.....
Director, regional service bureau.....	.....	0.6 3,635	1 6,230
Grade 5. Range \$5,180 to \$6,020: Education specialist.....	0.9 4,058	2.3 12,520	11 56,980
Grade 4. Range \$4,300 to \$5,180: Education specialist.....	3.6 15,867	0.6 3,463	1 6,285
Consultant.....	.....	2 8,600	27.5 120,759
Grade 3. Range \$3,640 to \$4,300: Education specialist.....	0.3 892	3.5 13,661	4 17,200
Grade 2. Range \$2,980 to \$3,640: Subprofessional service: Grade 3. Range \$2,100 to \$2,496:.....	0.2 279	1.6 4,156	5 18,292 3 9,600
Total permanent, field.....	10.6 44,907	36.7 183,229	71 344,284
Temporary employment, field.....	1.2 1,565	39.5 61,430	48.9 65,600
Living allowances, field.....	9,687	75,901	134,504
Overtime pay, field.....	5,602	787	.....
All personal services, field.....	11.8 61,761	76.2 311,347	119.9 544,388
Total, departmental and field.....	41.9 182,963	133.7 497,965	208.8 817,629
Deduct nonadministrative expenses.....	11.8 61,761	76.8 315,162	121.9 555,941
Personal services (net) (schedule B-2).....	30.1 121,202	56.9 182,803	87 261,688

INTER-AMERICAN NAVIGATION CORPORATION

CREATION AND PURPOSE

The Inter-American Navigation Corporation was created under the laws of the State of Delaware on July 15, 1942, pursuant to authority contained in the Third Supplemental National Defense Appropriation Act, 1942 (55 Stat. 818). This Corporation is a Government-controlled, nonprofit, stock corporation, the stock being held by the Director of the Office of Inter-American Affairs for the United States of America.

The Corporation was formed to carry out plans approved at a meeting of the members of the Board of Economic Warfare, held on July 25, 1942, for supplementing existing shipping facilities with a small cargo-vessel program to be carried out through the acquisition and coordination of all existing small tonnage in the Latin-American trades, particularly the Caribbean area, and the construction in Latin-American shipyards of additional small vessels.

On April 30, 1943, an agreement was made with the War Shipping Administration under which the vessels of the Corporation were turned over to that agency for the purpose of coordinating all vessel operations in the Caribbean and Latin-American trades. The purposes for which the Corporation was formed having been accomplished, the Corporation is making no further commitments and is proceeding with the liquidation of its assets. Only a small number of items now remains to be handled. A certificate of dissolution was filed with the Secretary of the State of Delaware on February 25, 1944.

FINANCIAL ORGANIZATION

The Corporation was capitalized by the Office of Inter-American Affairs (formerly the Office of the Coordinator of Inter-American Affairs) through the purchase of its entire issue of 5,000 shares of capital stock, at par value, totaling \$500,000. In order to provide additional operating funds, the Corporation borrowed \$192,952 from the Reconstruction Finance Corporation. This loan has been fully repaid. No bonds have been issued by the Corporation. Funds amounting to \$175,000 have been placed in a nonexpendable reserve status for eventual deposit into the Treasury as miscellaneous receipts in accord with pending rescission legislation.

The transactions of the Corporation from its inception have been audited by the General Accounting Office under an arrangement made with the Comptroller General at the beginning of fiscal year 1944. Of course, the Corporation is now subject to audit by the General Accounting Office under the provisions of Public Law 248, 79th Congress, entitled the Government Corporation Control Act.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budgetary program of this Corporation consists only of funds required for final liquidation during the fiscal year 1947. Under the laws of the State of Delaware the Corporation may continue to liquidate its assets and effect settlement of claims for 3 years. This period will expire on February 25, 1947, and it is estimated that

all obligations will be liquidated by that time. The principal claims remaining to be settled are awaiting decisions by the War Shipping Administration. These involve: (1) a decision as to the acquisition cost of two vessels; (2) a decision as to the liability of insurance underwriters; (3) a determination as to payment for medical assistance to survivors of one of the Corporation's ships which sank, and (4) compensation for seamen whose lives were lost during operations. To meet these contingent liabilities a reserve of \$46,603 has been established. The Corporation had previously established a reserve in the amount of \$123,189 to cover these contingent claims. However, proposed rescission legislation requires the Corporation to deposit in the Treasury an additional sum of \$75,000 over and above the \$100,000 recommended rescission, thereby reducing the amount of funds available to meet contingent claims. In addition, the Corporation will be required to pay in 1947 its pro rata share (\$1,586) of over-all supervision previously furnished without cost by the Office of Inter-American Affairs.

OPERATING RESULTS

During the fiscal year 1945, the Corporation was proceeding with liquidation but had a net income of \$35,070 as a result of a recovery from War Shipping Administration of its proportionate share of administrative expenses, incurred by the Corporation principally in prior years. Net losses for the fiscal years 1946 and 1947 are estimated at \$1,638 and \$49,864, respectively. These losses are inevitable in view of the fact that the Corporation has no remaining assets which might be disposed of at a profit. Fixed assets consisting of engines and parts were disposed of during the fiscal year 1946 in accordance with the Surplus Property Act of 1944. The Maritime Commission, which was designated as disposal agent of marine equipment for all Government agencies, sold the engines and parts and the proceeds were covered into the Treasury as miscellaneous receipts, consequently the value of these items, \$55,266, as carried on the books of the Corporation, was shown as a surplus deduction for the fiscal year 1946. Items making up the total of \$1,638 include administrative expenses of \$1,613 and \$25 for navigation insurance. As a result of these losses, it is estimated that the deficit of the Corporation will increase from \$218,232 on June 30, 1945, to \$219,870 on June 30, 1946. (See exhibits B and C.)

FINANCIAL CONDITION

RETURN OF CAPITAL FUNDS TO THE TREASURY

Proposed rescission legislation provides for the return of \$175,000 of the funds of this Corporation to the Treasury during the fiscal year 1946. During the fiscal year 1947 it is estimated that the Corporation will be completely liquidated. The sum of \$46,603 now established as a reserve for contingent liabilities may not be used and in that event will be returned to the Treasury of the United States at the end of the liquidation period of the Corporation.

ADMINISTRATIVE EXPENSES

The administrative expenses of this Corporation consist principally of direct personal services required during the period of liquidation and during the fiscal year 1947. The amount expended during the fiscal year 1945 provides 1.1 man-years of direct personal services and during the fiscal years 1946 and 1947 it is estimated that less than 1 man-year of direct personal services will be required. Prior to fiscal year 1947, over-all supervision was provided by the staff of the Office of Inter-American Affairs, without

cost to the Corporation. Penalty-mail service likewise was furnished prior to 1947 by the Office of Inter-American Affairs without cost to the Corporation. The requirements for administrative expenses in 1947, including prorated over-all supervision, have been estimated on the basis of complete liquidation of the Corporation by February 1947.

LANGUAGE

The types of programs set forth in the 1947 budget of the Inter-American Navigation Corporation, within the funds available to it, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To purchase of equipment and vessels.....	\$1,518	\$117	
To operating expenses:			
Administrative expenses.....	\$4,414	\$1,613	\$3,261
Plans and other costs.....	1,016		
Navigation insurance.....	14,464	25	
	19,894	1,638	\$3,261
To payment to Treasury under Rescission Act.....		175,000	
To payment of contingent liabilities and/or return to Treasury.....			46,603
To increase (or decrease*) in working capital.....	34,393	*176,755	*49,864
Total funds applied.....	55,805		
FUNDS PROVIDED			
By income:			
Recovery from War Shipping Administration of proportionate share of overhead (administrative) expenses paid in prior years.....	64,156		
Recovery of loss on repairs.....	1,649		
	65,805		
Total funds provided.....	65,805		

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Income:			
Recovery from War Shipping Administration of proportionate share of overhead (administrative) expenses paid in prior years.....	\$54,156		
Recovery of loss on repairs.....	1,649		
Total income.....	\$55,805		
Operating expenses:			
Administrative expenses.....	4,414	\$1,613	\$3,261
Plans and other costs.....	1,016		
Navigation insurance.....	14,464	25	
Total expenses.....	19,894	\$1,638	\$3,261
Nonoperating expenses:			
Payments for vessels and equipment sold in prior years.....	841		
Payment of contingent liabilities and/or return to Treasury.....			46,603
Net income (or loss*) for year.....	35,070	*1,638	*49,864

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Current assets:				
Cash:				
Treasurer's official checking account with U. S. Treasury.....	\$187, 577	\$72, 932	\$72, 932	
Disbursing officer's checking account.....	99, 348	258, 103	508	
Total cash.....	286, 925	331, 035	73, 440	
Accounts receivable:				
War Shipping Administration.....	183, 257	13, 706		
Miscellaneous.....	3, 789	3, 789	3, 789	
Total accounts receivable.....	187, 046	17, 495	3, 789	
Fixed assets: Engines and parts.....	84, 472	85, 140		
Total assets.....	528, 443	403, 679	77, 229	
LIABILITIES				
Accounts payable.....	281, 645	121, 810	27, 264	
Account current: Stoddard Shipping Co.....	100	101	101	
Total liabilities.....	281, 745	121, 911	27, 365	
CAPITAL				
Capital stock issued and outstanding.....	500, 000	500, 000	500, 000	\$500, 000
Less:				
Amount returned to Treasury.....			175, 000	175, 000
Value of property transferred to other Government agencies.....			55, 266	55, 266
Total paid-in capital.....	500, 000	500, 000	269, 734	269, 734
Less amount applied to operations.....	*253, 302	*218, 232	*219, 870	*269, 734
Net capital.....	246, 698	281, 768	49, 864	

*Deduct.

SCHEDULE A-1

CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash:			
Treasurer's Official Checking Account with U. S. Treasury.....	*\$114, 646		*\$72, 932
Disbursing officer's checking account.....	158, 755	*\$257, 695	*308
Accounts receivable:			
War Shipping Administration.....	*169, 551	*13, 706	
Miscellaneous.....			*3, 789
Current liabilities (increase* or decrease): Accounts payable.....	159, 834	94, 846	27, 366
Increase in working capital.....	34, 393		
Decrease in working capital.....		176, 755	49, 864

*Deduct.

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual		1946, estimated		1947, estimated	
	Man- years	Amount	Man- years	Amount	Man- years	Amount
SALARIES AND WAGES						
Office of the Treasurer.....	1.1	\$2,800	0.5	\$1,325	0.5	\$1,325
Overtime pay.....		621				
Total.....	1.1	3,481	0.5	1,325	0.5	1,325
Travel expenses.....		687		50		75
Communication services.....		96		100		75
Penalty mail.....						50
Other contractual services.....		63		65		76
Supplies and materials.....		87		73		75
Payment to Institute of Inter-American Affairs for pro rata share of expenses.....						1,686
Total administrative expenses.....		4,414		1,613		3,261

SCHEDULE B-3

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual		1946, estimated		1947, estimated	
	Man- years	Amount	Man- years	Amount	Man- years	Amount
PERSONAL SERVICES, DEPARTMENTAL						
Clerical, administrative, and fiscal service:						
Grade 7. Range \$2,980 to \$3,640.....	0.9	\$2,468	0.5	\$1,325	0.5	\$1,325
Grade 4. Range \$2,100 to \$2,496.....	0.2	392				
Total, permanent, departmental.....	1.1	2,860	0.5	1,325	0.5	1,325
Overtime pay, departmental.....		621				
Personal services (schedule B-2).....	1.1	3,481	0.5	1,325	0.5	1,325

PRENCINRADIO, INC.

CREATION AND PURPOSE

Prencinradio, Inc., was created under the laws of the State of Delaware on July 20, 1942, pursuant to authority contained in the Third Supplemental National Defense Appropriation Act, 1942 (55 Stat. 818). The certificate of incorporation limits its life to 10 years (July 20, 1952), but it is intended to dissolve the Corporation before the end of the 1946 fiscal year. This Corporation is a Government-controlled, nonprofit, membership corporation.

This Corporation was formed to further the general welfare of and to strengthen the bonds between the peoples of the Western Hemisphere through the effective development, operation, and use of all media and facilities, whether written, spoken, or visual, for the dissemination and interchange of knowledge and information including but not limited to the press, cinema, and radio. Its activities were confined, however, to the radio and motion picture fields.

FINANCIAL ORGANIZATION

All funds available for the operations of the Corporation have been derived from grants made to it by the Office of Inter-American Affairs. Such grants aggregated \$1,833,200; however, \$975,000 thereof has been placed in a nonexpendable status for eventual deposit into the Treasury of the United States as miscellaneous receipts pursuant to the provisions of the First Supplemental Surplus Appropriation Rescission Act, 1946, and proposed rescission legislation. The total sum available for operations, therefore, is \$858,200, since no money has been borrowed or securities issued by the Corporation.

The transactions of the Corporation from its inception have been audited by the General Accounting Office under an arrangement made with the Comptroller General at the beginning of fiscal year 1944. Of course, the Corporation is now subject to audit by the General Accounting Office under the provisions of Public Law 248, 79th Congress, entitled the Government Corporation Control Act.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budgetary requirements for the fiscal year 1947 have been based on the needs of a liquidating rather than an operating organization. For this reason, even though the estimates are modest, it has been necessary to provide for contingencies both as to personnel requirements and for possible noncollection of the outstanding receivables. The scope, purpose, and history of the two projects with which this Corporation was concerned are set forth below. The financial transactions for the fiscal year 1945, and estimated transactions for the fiscal years 1946 and 1947, are shown in the statement of sources and application of funds (exhibit A).

MOTION PICTURE PROGRAM

Prencinradio was selected as the vehicle to carry on a program to stimulate the Mexican motion picture industry in the production of pictures which would support the United Nations war effort and hemispheric solidarity and

combat Axis Spanish-speaking pictures. Accordingly, Prencinradio purchased motion picture equipment for the purpose of furnishing it to the Mexican motion picture industry on a reimbursable basis. In order to make this equipment available to the Mexican industry and at the same time assure recovery of its cost to Prencinradio, a trust agreement was entered into on March 20, 1943, between the Office of the Coordinator of Inter-American Affairs, Prencinradio, Inc., and the Bank of Mexico, with the full knowledge and cooperation of the Department of State. This agreement provided generally that equipment purchased by Prencinradio would be placed in trust with the Bank of Mexico for sale to the Mexican industry at cost plus the various expenses involved in the transaction, and that the Bank should sell the equipment upon a conditional sales basis, retaining title until payment of promissory notes had been made, the Bank accounting to Prencinradio quarterly. Prencinradio has completed the furnishing of the equipment and is now effecting collections through the Bank of Mexico.

As a part of its program in Mexico, Prencinradio entered into an agreement with the Servicio Cinematografico S. A., a Mexican corporation, under which agreement the said Mexican corporation made the services of technical experts available for the purpose of instructing a number of Mexicans as motion picture technicians, as well as rendering of technical advice to the studios on various phases of the industry.

RADIO PROGRAM

The radio program of Prencinradio was initiated with the view of combating Axis propaganda disseminated by the Axis powers through the medium of radio. Several radio stations expressed their desire to assist Prencinradio in disseminating radio information tending to encourage friendly relations with the United States and to combat Axis propaganda detrimental to the war effort of the United States. In order to accomplish this end it was necessary to expand the facilities of several radio stations to provide for higher powered transmission. This expansion was accomplished by Prencinradio furnishing the studios with radio equipment on a reimbursable basis, or by a loan to the studios. Agreements have been executed by Prencinradio with the various stations which provide for reimbursement of the loans or equipment either in cash or in radio time used by Prencinradio or its assignees on their stations.

OPERATING RESULTS

During the fiscal year 1945, programs carried on by the corporation resulted in a net loss of \$23,512. For the fiscal year 1946, it is estimated that the net loss will be \$32,207 and the loss for fiscal year 1947 will be \$46,563. Inasmuch as this Corporation is not operated for profit the losses reflected above represent, in fact, depletion of capital. The depletion of capital during fiscal year 1946 is estimated to be less than for fiscal year 1947 inasmuch as a nonrecurring recovery of certain expenses in connection with the motion picture program was effected during fiscal year 1946.

FINANCIAL CONDITION

Motion picture program.—On June 30, 1945, there was due the Corporation the sum of \$115,727 under terms of the trust agreement. It is estimated that during fiscal years 1946 and 1947 collections will reduce the trust receivable account to \$48,323, as of June 30, 1946, and to \$7,347, as of June 30, 1947. Final payments under the trust agreement will be made during fiscal years 1948 and 1949.

Radio program.—Under the terms of one agreement, the Corporation contracted to purchase, lease, and resell various items of radio station equipment. Rentals and the repurchase of equipment may be paid by use of radio time in lieu of cash payments. As of June 30, 1945, the Corporation had purchased equipment at a cost of \$8,177 and had accrued rentals on such equipment in the amount of \$348. Early in fiscal year 1946, the Corporation purchased additional equipment approximating \$11,823, or a total of \$20,000, the maximum amount called for by the agreement. It is contemplated that equipment valued at \$10,000 will be repurchased by the station during 1946 for which the Corporation will accept radio time.

On June 30, 1945, there was outstanding one loan in the amount of \$14,358 which was increased to approximately \$30,000 during the first part of fiscal year 1946. Repayment of this loan is contemplated during fiscal years 1948 and 1949. Interest at the rate of 3 percent per annum is payable on this loan.

Under another agreement, the Corporation advanced funds for the purpose of expanding station transmission facilities with the understanding that radio time used by Prencinradio, or its assignees, would be applied against such advance of funds. As of June 30, 1944, the advance amounted to \$172,616. During fiscal year 1945, an additional \$69,550 was advanced. During the same period, Prencinradio applied \$7,702 to radio time used, thereby leaving an outstanding advance as of June 30, 1945, of \$234,464. During fiscal year 1946, an additional advance of \$5,578 was made and it is estimated that Prencinradio, or its assignees, will use radio time valued at \$25,251, reducing the advance to \$214,791, as of June 30, 1946, with a further use of radio time of \$24,000 during 1947, thereby leaving a balance of \$190,791 as of June 30, 1947.

Return of capital funds to the Treasury.—During fiscal year 1946 it is contemplated that the Corporation will

cause to be deposited in miscellaneous receipts of the United States Treasury the sum of \$975,000. It is also contemplated that \$88,125 will be returned to the Treasury during the fiscal year 1947 and, in addition, that the sum of \$52,326 will also be available for deposit as miscellaneous receipts during the same fiscal year, subject, however, to the actual collection, when due, of all receivables payable in cash. These deposits will be made pursuant to the provisions of the surplus appropriation rescission bills referred to above. Upon final liquidation of the affairs of the Corporation any funds remaining will be deposited in miscellaneous receipts of the United States Treasury.

ADMINISTRATIVE EXPENSES

This expense covers the salaries of employees directly engaged in handling fiscal and legal matters pertaining to the Corporation, incidental expenses such as supplies and materials, communication services, etc., and during the fiscal year 1947 a pro rata share of over-all supervision provided prior to fiscal year 1947, by the staff of the Office of Inter-American Affairs without cost to the Corporation. Penalty-mail service likewise was furnished prior to 1947 by the Office of Inter-American Affairs without cost to the Corporation. During the fiscal year 1945, 2 man-years of direct personal services were performed which with other related costs of administration resulted in a total expenditure of \$5,126. Administrative expenses for 1946 are slightly expanded over those for fiscal year 1945, due to the fact that the Corporation was required in fiscal year 1946 to pay for a more equitable share of direct personal service costs than in the prior year, when a larger amount of such costs were absorbed by the Office of Inter-American Affairs. During the fiscal year 1947, there will be a slight reduction in direct personal service costs below that required in fiscal year 1946; also in 1947 the Corporation will be required to pay for a pro rata share of over-all supervision as stated above. (For further details see statement of income and expenses, exhibit B and schedule B-2.)

LANGUAGE

The types of programs set forth in the 1947 budget of the Prencinradio, Inc., within the funds available to it, are approved. (Act of Dec. 6, 1946, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To make loans to radio stations	\$14,358	\$15,642	-----
To purchase of radio station equipment	8,177	11,823	-----
To operating expenses: ¹			
Administrative, Washington (see schedule B-2)	\$5,126	\$8,709	\$11,079
Motion-picture program		588	
Radio program	20,269	14,119	12,702
	25,395	23,416	\$23,781
To advance payment for radio time	69,550	5,578	-----
To deposit to miscellaneous receipts		975,000	88,125
To increase (or decrease*) in working capital (see schedule A-1)	*69,695	*939,438	*59,712
Total funds applied	47,785	92,021	52,194
FUNDS PROVIDED			
By repayments under trust agreement (motion-picture program)	31,110	67,404	40,976
By installment payments from purchasers of share investments	5,881	13,267	-----
By sale of equipment at book value		10,000	10,000
By sale of office equipment	1,209		
By recovery of costs on motion-picture program	9,585		
By rentals on radio equipment		450	300
By interest on loans		900	918
Total funds provided	47,785	92,021	52,194

*Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B).

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Income:			
Recovery of expenditures for motion-picture programs (prior year)	\$9,585	\$15,111	-----
Rentals on radio equipment		450	\$300
Interest on loans		900	918
Total income	9,585	16,461	1,218
Operating expenses:			
Administration, Washington (schedule B-2)	5,126	8,709	11,079
Motion-picture program		588	-----
Radio program	27,971	39,371	36,702
Total operating expenses	33,097	48,668	47,781
Net income (or loss*) for year	*23,512	*32,207	*46,563

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Cash:				
Treasurer's official checking account with Treasurer of United States.....	\$1,119,126	\$999,729	\$77,060	\$43,004
Treasurer's official checking account with National City Bank of New York.....	54,238	85,153	63,092	.....
Dishursing officer's checking account.....	11,617	2,354	8,285	47,206
Total cash.....	1,184,981	1,087,236	148,437	90,210
Advance to travelers.....	300	300	.....	.....
Advance to agent officer.....	35,511	17,239	14,943	13,590
Trust receivable (motion-picture program).....	146,837	115,727	48,323	7,347
Accounts receivable.....	19,148	13,267	.....	.....
Equipment:				
Radio.....	93,042	.....	.....	.....
Office.....	1,209	.....	.....	.....
Radio station.....	.....	8,177	10,000	.....
Total equipment.....	94,251	8,177	10,000	.....
Loans receivable.....	.....	14,358	30,000	30,000
Accrued rentals receivable.....	.....	348	450	300
Accrued interest receivable.....	.....	.....	900	918
Deferred charges: Advance payment for radio time.....	172,616	234,464	214,791	190,791
Total assets.....	1,653,644	1,491,116	467,844	333,156
LIABILITIES				
Accounts payable.....	62,382	16,408	343	343
CAPITAL				
Grants-in-aid from Office of Inter-American Affairs.....	1,833,200	1,833,200	1,833,200	1,833,200
Less:				
Amount returned by Rescission Act.....	.....	.....	—975,000	—1,063,125
Amount applied to operations.....	—241,938	—265,450	—297,657	—344,220
Value of property transferred to other Government agency.....	.....	—93,042	—93,042	—93,042
Net capital.....	1,591,262	1,474,708	467,501	332,813

SCHEDULE A-1

CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash:			
Treasurer's official checking account with Treasurer of United States.....	*\$119,397	*\$922,668	*\$34,057
With National City Bank of New York.....	30,915	*22,061	*63,092
Dishursing officer's checking account.....	*9,263	5,931	38,921
Advance to agent officers.....	*18,272	*2,296	*1,352
Advance to travelers.....	.....	*300	.....
Accrued rentals receivable.....	348	102	*150
Accrued interest receivable.....	.....	900	18
Current liabilities (increase* or decrease):			
Accounts payable.....	45,974	954	.....
Increase in working capital.....	.....	.....	.....
Decrease in working capital.....	69,605	939,438	59,712

*Deduct.

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
SALARIES AND WAGES			
Office of the Treasurer.....	2 \$4,879	1.8 \$5,272	1 \$2,980
Legal department.....		1 3,121	1 3,090
Total.....	2 4,879	2.8 8,393	2 6,070
Communication services.....	65	100	50
Penalty mail.....	0	0	50
Other contractual services.....	134	150	100
Supplies and materials.....	48	66	50
Payment to Institute of Inter-American Affairs for services received.....			4,759
Total administrative expenses.....	5,126	8,709	11,079

SCHEDULE B-3

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
PERSONAL SERVICES, DEPARTMENTAL			
Clerical, administrative, and fiscal service:	Man-years Amount	Man-years Amount	Man-years Amount
Grade 7. Range \$2,980 to \$3,640.....		1.8 \$5,512	2 \$6,070
Grade 6. Range \$2,650 to \$3,310.....	1 \$2,300	1 2,650	
Grade 4. Range \$2,100 to \$2,496.....	0.8 1,395		
Total permanent, departmental.....	1.8 3,695	2.8 8,162	2 6,070
Temporary employment, departmental.....	0.2 312		
Overtime pay, departmental.....	872	231	
All personal services, departmental.....	2 4,879	2.8 8,393	2 6,070
PERSONAL SERVICES, FIELD			
Temporary employment, field.....	0.9 1,395	0.5 507	1 1,014
W. A. E. employment, field.....	0.1 549		
All personal services, field.....	1 1,944	0.5 507	1 1,014
Total, departmental and field.....	3 6,823	3.3 8,900	3 7,084
Deduct nonadministrative expenses.....	1 1,944	0.5 507	1 1,014
Personal services (net) (schedule B-2).....	2 4,879	2.8 8,393	2 6,070

WAR DEPARTMENT

PANAMA RAILROAD COMPANY

CREATION AND PURPOSE

The Panama Railroad Company was incorporated by an act of the Legislature of the State of New York on April 7, 1849, and was operated under private control until 1881, when the original French Canal Co. acquired most of the 70,000 shares of its stock. This company and its successor, the New Panama Canal Co., continued to operate the railroad company as a common carrier and also as an adjunct to their attempt to construct a canal, until 1904, when their stock (68,888 shares) passed to the ownership of the United States as a part of the assets of the New Panama Canal Co., which were purchased for the sum of \$40,000,000, as authorized by the act of Congress approved June 28, 1902 (34 Stat. 481). The remaining 1,112 shares were purchased from private owners in 1905, at an average cost of approximately \$140 per share.

By Executive Order of May 9, 1904, the President directed that all members of the Isthmian Canal Commission be elected to the board of directors of the Panama Railroad Company and that the policy of the Panama Railroad Company be completely harmonized with the policy of the Government of making it an adjunct to the construction of the Canal, while at the same time fulfilling the purpose for which it was constructed as a route of commercial movement across the Isthmus of Panama. The Panama Canal Act, approved August 24, 1912, authorized the President to establish, maintain, and operate, through the Panama Railroad Company, or otherwise, numerous types of business activities related to the Canal. This authority was exercised in many cases, and the conduct of incidental business operations by the Panama Railroad Company has been continued to date.

From 1914 to 1939 its operations were on a fairly stable basis, marked only by an abrupt decline in the early 1930's of its once important coaling business. During the period of construction for national defense, starting in 1940, and throughout World War II, the Company's business was greatly expanded. This caused a large increase in the earnings of its various enterprises. The increased demands suddenly placed upon the Company made it necessary for it to add many items to its facilities, such as additional locomotives, commissary store buildings and warehouses, and telephone equipment. It also became necessary to utilize a great deal of additional working capital to cover increased inventories, increased current accounts receivable, and increased cash to cover larger purchases, pay rolls, and other expenses. The peak of the Company's business was reached in 1943, but all activities have continued on a relatively high level during the period 1944 to 1946.

FINANCIAL ORGANIZATION AND POLICY

The authorized and issued capital stock of the Panama Railroad Company at the time of its acquisition by the United States Government in 1904 was \$7,000,000, consisting of 70,000 shares. No change has been made in its capital structure and the Company has no bonded indebted-

ness. The entire capital stock of the Company stands in the name of the Secretary of War, with the exception of 13 shares which are issued to the directors for qualification purposes but which remain in the custody of the Secretary of War. The Secretary of War, by virtue of holding the majority of the stock, nominates or approves the 13 directors who administer the affairs of the Panama Railroad Company. The Governor and the engineer of maintenance of The Panama Canal are president and second vice president, respectively, of the Panama Railroad Company and also members of its board of directors.

Although the Company is authorized by its charter to borrow money and to mortgage its property, if necessary, it does not exercise the right to do so. The Company has followed a very conservative financial policy, and its board of directors has set aside funds, invested in United States Government securities, to provide for the replacement of plant and equipment and for other important future expenditures. All cash funds which the board of directors considers to be in excess of the needs of the Company are paid as dividends into the Treasury of the United States. The absolute necessity of adhering to this policy was amply demonstrated at the start of the expansion period in early 1940 when the sudden demands upon the Company, not only for additional facilities but also for additional working capital, resulted in a serious drain on the Company's cash.

ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The operation of the Panama Railroad Company may be divided into nine distinct activities or functions, which are listed below and individually discussed in the following text: (1) Railroad, (2) Harbor terminal facilities, (3) Telephone system, (4) Hotel Tivoli, (5) Hotel Washington, (6) Commissary Division, (7) Coaling plants, (8) Mindi dairy, (9) New York office and steamship line.

Supplementing exhibit B, statements of income and expenses have been prepared for each of the foregoing units and are shown in the same order as listed above on schedule B-1.

In view of the fact that the activities of the Panama Railroad Company are wholly commercial in nature, the level of its business is directly affected by economic conditions. The general assumption on which the estimates for fiscal years 1946 and 1947 are based is that there will be a great decline in certain types of activities related to the war effort, which will be offset in part by the resumption of certain peacetime activities. However, because of the permanent expansion in activities of the United States Government in this area, it is assumed that the business of the Panama Railroad during 1947 will be above the level of prewar years.

Railroad (see schedule B-1).—The railroad comprises 50 miles of main line track between the cities of Panama and Colon, at the Pacific and Atlantic terminals of the Canal, and the usual appurtenances, such as freight and passenger stations and terminals, railroad yards, industrial

trackage, and the requisite rolling stock. The railroad serves The Panama Canal, the United States Army and Navy, and other Government agencies on the Isthmus, and also performs the functions of a common carrier in meeting the needs of the Republic of Panama, and commercial agencies transacting business in this area.

For purposes of administration and accounting, there are also included under this heading the incidental real estate activities of the Company. Formerly the Company had an extensive real estate business consisting of the rental of Company-owned lands in the cities of Colon and Panama, Republic of Panama. All such lands not needed for the operations of the Panama Railroad Company or The Panama Canal were transferred to the Republic of Panama in December 1943, under authority of Public Law No. 48, 78th Congress, and since that date the Company's real estate activities have been of negligible importance.

The gross revenues from operations of the railroad during the fiscal year 1945 were \$3,257,785. (See schedule B-1.) It is estimated that for fiscal year 1947 gross revenues will be reduced to \$2,010,000 as a result of, first, the loss of Government business produced by war activities, and, second, the contemplated diversion of a significant amount of passenger and freight traffic to the recently constructed trans-Isthmian highway.

While expenses are estimated to be appreciably reduced, the reduction will not be proportionate to the decline in revenue. This is caused by the fact that the largest part of the expense of operating and maintaining the railroad does not vary with the volume of traffic and must be incurred as long as required standards of service are maintained. Depreciation in 1947 is shown on this schedule as \$182,000. This is a reduction of \$60,589 in the amount shown for 1945 because of the expiration of the assigned service-life of certain equipment purchased solely for wartime operation.

As a net result of the anticipated decline in both gross revenues and expenses, it is estimated that net revenues of the railroad, which were \$1,025,411 in fiscal year 1945, will be reduced to \$50,000 in fiscal year 1947.

The railroad provides the principal transportation service for both freight and passengers between the two sides of the Isthmus of Panama. The Canal waterway is suitable only for oceangoing commerce and cannot be utilized conveniently for local movements between its two terminal ports. The trans-Isthmian highway was built during the war by the United States Government, but wartime restrictions and shortages have so far prevented the establishment of truck and bus facilities adequate to satisfy a considerable part of the local demands. The rapid growth of highway facilities may be expected, but it is not believed that they will ever entirely replace the services of the railroad, particularly for heavy or bulky shipments.

Harbor terminal facilities (see schedule B-1).—The harbor terminal facilities consist of docks, piers, and appurtenances necessary for handling, transferring, stevedoring, and storing cargo arriving at the Canal Zone ports of Cristobal and Balboa, either for ultimate destination in the Canal Zone or the Republic of Panama, or for transshipment to points beyond. They include facilities for berthing vessels at docks and piers. This function also includes the custody and rental of the Colon stables.

The net income of the harbor terminals during fiscal year 1945 was \$760,957. (See schedule B-1.) It is estimated that this income will decline in fiscal year 1947 to \$325,000, which approximates the prewar level of earnings. During the war, an important part of the business of the harbor terminals consisted in handling

Government cargo arriving at the Isthmus in connection with the establishment and maintenance of the increased military and naval facilities required by the war effort. Conversely, there was a decline in the transshipment of commercial cargo.

During 1947, it is estimated that the handling of government cargo will decrease, but not to the level of prewar years. The receipt of commercial cargo for transshipment, on the other hand, is expected to increase, the extent of the increase depending both on economic conditions and on the trade routes established, which might or might not entail cargo transfer on the Isthmus.

As the docks and piers in the Canal Zone operated by the Panama Railroad Company handle nearly all incoming and outgoing cargoes for the United States Government in the Canal Zone, as well as imports and exports of the cities of Panama and Colon in the Republic of Panama, this function will vary in conformity with changes in the demands for its service.

Telephone system (see schedule B-1).—The telephone system provides telephone service for The Panama Canal and for the civilian communities in the Canal Zone. It also leases trunk lines, circuits, and duct space to the United States Army and Navy and to the Government of Panama. As regards gross and net income, it is the most stable operation conducted by the Panama Railroad Company.

The net income from telephone system operations during fiscal year 1945 was \$96,316. (See schedule B-1.) It is estimated that the net income in both 1946 and 1947 will be \$85,000. The decline which will result from the curtailing of Government activities in the Canal Zone is expected to be partially offset by increased revenues from private telephones, which could not be furnished during the war years because of the shortage of telephone equipment.

As the telephone system provides services for United States Government interests as well as for the civilian population in the Canal Zone, its activities will change in conformity with variations in the demands for its service.

Hotels Tivoli and Washington (see schedule B-1).—The Hotel Tivoli in Ancon, adjacent to Panama City, is an old frame structure of 132 rooms owned by The Panama Canal, built in 1907, and fully depreciated many years ago. It is leased by the Panama Railroad Company, the annual rental in fiscal year 1945 being \$36,000, which was increased to \$60,000 effective at the beginning of fiscal year 1946. The Hotel Washington in Colon is a concrete structure of 82 rooms, built in 1913, and owned by the Panama Railroad Company.

In the decade 1930-39 both hotels operated at a loss, their continued operation having been justified because of their status as essential adjuncts of The Panama Canal or, more broadly speaking, of the United States Government in this area. Since the large expansion in activity on the Isthmus starting about 1940, both hotels have operated at a profit, and in fiscal year 1945 the net income of the Hotel Tivoli was \$103,344, and that of the Hotel Washington, \$48,758. (See schedule B-1.)

It is estimated that the net incomes of the Hotels Tivoli and Washington will decline to \$50,000 and \$20,000, respectively, in fiscal year 1947. This decrease is anticipated in view of the general decline in business resulting from the termination of the war and the decrease in the military and naval forces on the Isthmus. It is estimated, however, that the business resulting from increased commercial air traffic between North and South America will enable both hotels to operate at a profit, at least until

such time as adequate hotel facilities are provided in the Republic of Panama by commercial interests.

In a note accessory to the Treaty with the Republic of Panama, concluded March 2, 1936, it was agreed that the United States Government will leave the hotel business in the hands of Panamanian industry when suitable hotel accommodations are available in the Republic. However, it is considered that it will always be necessary for the United States Government to provide the equivalent of hotel facilities at each end of the Canal to serve officials and employees of the United States Government, who are required to visit the Canal Zone for inspections or other official business.

Commissary division (see schedule B-1).—The commissary division provides food supplies, clothing, and other essential requirements to Government employees and their families, to establishments of the United States Government located on the Isthmus, and to commercial shipping. In addition to retail stores in all the Canal Zone communities, it operates large dry and cold storage plants, a bakery, an ice-cream and milk-bottling plant, an industrial laboratory, an ice plant, an abattoir, a coffee-roasting plant, and a laundry.

Commissary sales in fiscal year 1945 totaled \$38,101,950 (see schedule B-1), and were at an even higher level in the first 2 months of fiscal year 1946, because of the great quantities of goods sold to tankers and other steamships engaged in transporting war supplies to the Far East, many of which used the Canal as a home base. This added business threw an excessive work load on the commissary division but it declined abruptly after the termination of hostilities.

The expanded activities of the United States Government on the Isthmus, including the Panama Canal, the Army, and the Navy, require in themselves a considerably increased quantity of commissary goods sold at wholesale. The larger civilian population resulting from the expansion of Federal activities has increased the volume of retail trade. Because of these two conditions the commissary business is now, and probably will continue to be, much larger than it was before the war. It is estimated that sales in fiscal year 1946 will be \$39,000,000, taking into account the large sales in the early part of the year, while for fiscal year 1947 sales are estimated at \$29,000,000. It is further estimated that the net revenue from the commissary will be \$750,000 in fiscal year 1946 and \$200,000 in fiscal year 1947. Estimated depreciation is shown on schedule B-1 to decrease from \$305,000 in 1946 to \$153,000 in 1947. This will result from the policy adopted during the period of expansion in 1940 and 1941 of writing off a considerable portion of the additional investment in buildings and equipment during what was then estimated to be the period of abnormal activity.

Coaling plants (see schedule B-1).—The Panama Railroad operates two coaling plants, one at each terminus of the Canal, to supply coal to shipping calling at Canal Zone ports. In addition to selling coal, the coaling plants derive revenue from wharfage on vessels docking at coaling plant piers but not taking coal. The Balboa coaling plant also handles sand brought by barge to the Canal Zone from nearby deposits.

The net revenue of the coaling plants during fiscal year 1945 was \$94,769. (See schedule B-1.) This favorable result was occasioned by the facts that during the war years a large number of old coal-burning ships were brought back into service and that vessels generally could not secure coal at the normally competitive West Indian stations.

It is estimated that the net revenue of the coaling plants will decline to \$10,000 in fiscal year 1946 and to \$1,000 in fiscal year 1947. These estimates are based on the fact that the war-induced demands for coal, explained above, ceased soon after the start of the current fiscal year, and it is not expected that any important new demands will arise. Declines in revenues from sand-handling operations and wharfage are also anticipated as a result of generally reduced activity.

The function of the coaling plants of providing coal for ocean shipping using the Canal, was at one time one of great importance. While its operations have been greatly decreased in the past 15 years, it played a vital part in the war effort, and as long as coal-burning ships are operated and transit the Canal the operation of the coaling plants should be continued in order to furnish complete and adequate facilities for all ocean ships using the Canal.

Mindi dairy farm (see schedule B-1).—The Mindi dairy farm, consisting of a herd of approximately 1,000 head, produces the fresh milk for the Canal Zone community, the total output being processed and marketed through the commissary division. Under the climatic conditions of the Canal Zone, cows have a relatively short life of full normal milk production, and it is not economically practicable to raise sufficient calves for the necessary replacements. For this reason, dairy cattle are imported from the United States, there being no local source of suitable herd replacements.

The net revenue from the operation of the dairy farm during fiscal year 1945 was \$18,814. (See schedule B-1.) It is estimated that the net revenue will be \$5,000 in each of fiscal years 1946 and 1947; the smaller earnings would be a result of decreased production and increased unit operating costs.

New York office and steamship line (see schedule B-1).—The New York office of the Panama Railroad Company is the general office of the Company maintained under its charter as a corporation of the State of New York; it is also the main office of the Company in the United States. Aside from the administration of its corporate affairs, it has control under the authority of the board of directors of all of the funds of the Company, except those required for working cash in the Canal Zone, and of the deposit and investment of those funds.

The New York office also has direct supervision over and responsibility for the operation of the steamship service and facilities in connection therewith, for the transportation of supplies, material, equipment, and personnel to the Canal Zone; the operation of a commissary purchasing department, and the necessary accounting required in connection with those activities.

The Company's steamship line comprises three identical cargo and passenger steamers of 10,000 gross tons, built in 1939 at a total cost of \$13,200,000. They normally maintain a weekly service between New York and Cristobal, C. Z. In June 1941, the S. S. *Panama* was requisitioned by the Maritime Commission for use during the national emergency, and shortly after the declaration of war the S. S. *Ancon* and the S. S. *Cristobal* were requisitioned by the War Department for use in the prosecution of the war.

The S. S. *Ancon* has been returned to the Company and the assumption has been made that the other two steamers will be returned by the beginning of fiscal year 1947 and that normal operation will be resumed shortly thereafter. On this basis, it is estimated that the net revenue from steamship operations in fiscal year 1947

will amount to \$74,312, predicated upon a total operating income of \$4,090,500 and total expenses, including the general expenses of the New York office, of \$4,016,188. These estimates are based on an operating revenue about \$500,000 less than in 1941 and on an increase in operating expenses of \$500,000. The reduced income is caused by an estimated reduction in Panama Canal freight shipments and the restriction for a limited time of passenger traffic largely to the transportation of employees at special rates. The increased expenses are due to higher operating and stevedoring costs, and an increase in general expense because of increases in the compensation of employees.

The steamship line, although discontinued during wartime, had proved itself to be an essential adjunct to the construction, operation, and maintenance of the Canal, by furnishing ocean transportation for the large quantity of goods required by The Panama Canal and by the civilian community in the Canal Zone, as well as by furnishing passenger transportation for the civilian employees and their families between the Canal Zone and the United States.

Nonoperating income and expenses (see exhibit B).—The interest earned on the Company's investment in securities amounted to \$231,020 in fiscal year 1945. Corresponding income for fiscal years 1946 and 1947 is estimated at \$258,274 and \$203,950, respectively, as shown on exhibit B. The decrease in fiscal year 1947 will be the result of the liquidation of securities to pay for the rehabilitation of steamers.

Nonoperating expense consists of the Company's contribution to the pension fund of the New York employees. The amount of this contribution in fiscal year 1945 was \$18,944, and it is estimated that in fiscal years 1946 and 1947 the corresponding expense will be \$20,000 and \$25,000, respectively. The increase in 1947 will be the result of an increased number of employees due to resumption of steamship operations.

OPERATING RESULTS

During the fiscal year 1945, the operations of the Company as a whole resulted in a net revenue of \$3,246,349. This result is arrived at after making due provision for depreciation on the Company's physical plant, except the steamers not now under the Company's operation, and takes into account accrued liabilities for all expenses not settled at the close of the fiscal year. During the fiscal year 1945 two dividends totaling \$2,800,000 were paid in cash by the Company into the Treasury of the United States. Certain other transactions affecting the general profit and loss or earned surplus account of the Company are reflected in exhibit B.

For fiscal year 1946, it is estimated that the Company as a whole will have a net revenue of \$2,195,848, and for fiscal year 1947 a net revenue of \$989,262. These reductions in estimated net revenue reflect the anticipated decline in business activities of the Company and the return to peacetime conditions as explained in the preceding paragraphs.

Net revenues for fiscal years 1946 and 1947 will be transferred to the earned surplus account of the Company. A dividend of \$2,100,000 has already been paid during the current fiscal year and additional dividends may be declared by the board of directors whenever the continuing review of the Company's finances indicates that such dividends can be paid without impairing or jeopardizing the Company's cash position. The payment of dividends amounting to \$3,000,000 is provided for in the 1947

budget. It is possible that part of these dividends will be paid in 1946.

FINANCIAL CONDITION

There follows a brief discussion of the Company's financial condition as detailed in exhibit C:

Inventories.—The inventories of the Company, totaling \$6,696,391 at June 30, 1945, are carried on the books at cost, including liability for ocean freight not paid in cash. Inventories are corrected annually based on a physical check at the close of the fiscal year. The anticipated decline in inventories conforms in part with the anticipated decline in business. There is also anticipated a decline of \$1,000,000 tied up in material in transit, upon the return to normal ocean shipping, and in particular the resumption of regular ocean freight shipments on the Company's steamship line. A postwar inventory reserve for commissary supplies, amounting to \$750,000, had been provided for contingent losses resulting from liquidation of surplus or substitute stock acquired during the war and to cover possible sharp declines in merchandise values. It is now considered that no losses of this sort will actually be suffered and it is proposed, subject to approval of the board of directors, to transfer this reserve to unreserved surplus.

Plant and equipment.—All items of plant and equipment are recorded on the books at actual cost, including cost of installation. Depreciation is charged on the straight-line method based on service lives determined from engineering estimates. While no major additions to the Company's physical plant during fiscal years 1946 and 1947 are anticipated at this time, allowances of \$250,000 for the commissary and \$100,000 for harbor terminals have been included in the projected statement of financial condition as of June 30, 1947, to cover various items now in a preliminary state of consideration.

Accounts receivable.—Accounts receivable consist primarily of amounts due from United States Government agencies. As no credit is extended to commercial interests or individuals without adequate guarantees, no significant losses from uncollectible accounts are anticipated and no reserves for such losses are provided. The slight decline anticipated in accounts receivable reflects the anticipated decline in activity.

Funds.—Funds of the Company which are not required for handling its normal daily cash transactions are invested in United States Government securities. Certain of these securities and the interest thereon have been set aside by the board of directors to cover the Company's contingency and depreciation reserves. Exhibit C lists the Company's total assets, and shows the amounts set aside as reserves and as working funds.

The investment in United States Government securities on June 30, 1945, amounted to \$22,199,000. All these investments have been set aside for replacement of obsolete and worn-out property and equipment and for postwar contingencies, with the exception of \$3,130,000 carried in the working fund, consisting of United States Treasury $\frac{1}{2}$ percent certificates of indebtedness. The \$6,000,000 decrease in United States Government securities would result from using these funds to pay for the anticipated cost of rehabilitation of the Company's steamers, as explained in more detail below.

Deferred credits.—The large balances under this heading as of June 30 of 1945 and 1946 are principally the Company's accrued liability for ocean freight payments on goods carried under direction of the Army Transport

Service. It is now assumed that the Company will not be required to make cash payment for this liability but, on the other hand, that it will receive no rental for use of its steamers and will be required to spend an estimated \$6,000,000 to rehabilitate them for the service in which they were formerly engaged. As the estimated gross liability for unpaid ocean freight is \$7,000,000, this would leave \$1,000,000 to reduce the loss of \$3,043,333 as of June 30, 1946, in depreciation on the steamers while diverted from the Company's use and which has been taken from the Company's annual earnings. A fund of \$6,000,000 has been set aside by the board of directors to cover this rehabilitation expense.

Reserved surplus.—As previously stated, the Company's steamers were requisitioned for other use during the war period, and since they have not been under the Company's control it has not been possible to make allowance for their annual depreciation in the regular operating accounts of the Company. For this reason the annual depreciation on the steamers, \$660,000, has been taken from the general earnings of the Company as a whole. Upon return of the steamship line to normal operations this accrual will be transferred from the reserved surplus account to the regular accrued depreciation account for the steamers. These steamers must be rehabilitated, at an estimated cost of \$6,000,000, but this rehabilitation will merely restore the steamers to their normal depreciated condition and will not alter the estimated long-term life of the steamers as originally estimated at the time of their acquisition.

A postwar contingency reserve of \$2,000,000 has been set aside from the stated earnings of the Isthmian activities in order to cover contingencies that might be experienced in the postwar years but which could not be definitely foreseen at the time the reserve was set up. It is considered that this situation will be clarified by June 1947 and that by that time there will be no further need for a postwar contingency reserve as such. Any unused amount of the \$2,000,000 reserve will be transferred to the unreserved surplus account. It now appears that a substantial part of this sum may be required for alterations of the Isthmian plant, which the wartime experience has shown to be desirable. Changes in this category are of the type that would normally have been made as soon as the need for them became apparent, but

which could not be made during the war because of the extensive use of all facilities and the impossibility of diverting manpower and materials to the work. Part of it will also be required to rehabilitate some items of Isthmian plant which were subject to extreme usage during the war and could not be taken out of service for normal maintenance.

The commissary division inventory reserve of \$750,000 has been discussed in the preceding section under the heading of Inventories. As explained under that heading, it now appears that this reserve will no longer be required and that it will be transferred from reserved surplus to unreserved surplus.

A coal plant reserve of \$283,565 was provided in part to cover contingent losses resulting from a major reduction of coal prices and to cover contingent losses in the possible liquidation of the coal plants. A project in this latter category is now under way, and it is estimated that this reserve will be reduced to \$250,000 by June 1946. Other expenditures of this type may be required in 1947, and any remaining balance of the \$250,000 will be transferred from reserved surplus to unreserved surplus during fiscal year 1947.

ADMINISTRATIVE EXPENSES

These expenses cover the salaries and wages in the New York office of the first vice president, the third vice president and secretary, the treasurer, the auditor, and the employees in the administrative office and in the offices of the treasurer and the auditor. Also included are the general office expenses of these officers and employees, and the legal expenses in the United States. With reference to Isthmian activities, the entire administrative expense is comprised of the executive, administrative, accounting, collecting, disbursing, and legal services furnished by The Panama Canal, and the cost of the external audit previously conducted by a public accounting firm and now to be conducted by the General Accounting Office. Further details of administrative expenses are given in schedule B-3.

LANGUAGE

The types of programs set forth in the 1947 budget of the Panama Railroad Company, within the funds available to it, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

FUNDS APPLIED	1945, actual	1946, estimated	1947, estimated
To operating expenses (see exhibit B):¹			
Railroad (see schedule B-1):			
Administrative expenses.....	\$82,380	\$99,900	\$81,750
Other expenses.....	1,907,405	1,783,800	1,636,250
Harbor terminals (see schedule B-1):			
Administrative expenses.....	100,500	112,800	95,100
Other expenses.....	1,789,150	1,862,200	1,825,000
Telephone system (see schedule B-1):			
Administrative expenses.....	8,937	11,000	8,450
Other expenses.....	199,868	199,000	190,000
Hotel Tivoli (see schedule B-1):			
Administrative expenses.....	10,157	13,000	11,525
Other expenses.....	326,308	317,200	302,800
Hotel Washington (see schedule B-1):			
Administrative expenses.....	8,566	10,000	8,825
Other expenses.....	139,991	147,400	139,000
Commissary division (see schedule B-1):			
Administrative expenses.....	322,151	318,000	240,050
Other expenses.....	3,519,251	3,842,000	3,441,950
Coaling plants (see schedule B-1):			
Administrative expenses.....	6,734	6,000	4,350
Other expenses.....	233,306	230,000	210,000
Mindl dairy (see schedule B-1):			
Administrative expenses.....	3,992	4,700	4,650
Other expenses.....	6,976	5,500	7,000
New York office and steamship line (see schedule B-1):			
Administrative expenses.....	118,130	114,112	137,152
Other expenses.....	10,986	48,314	3,210,036
Total operating expenses (excluding depreciation).....	8,794,788	9,124,926	11,622,888
Less: Plant retirements charged to expense.....	*21,760	*4,519	-----
Less: Operating reserve charged to expense.....	*24,946	*26,275	*10,000
Total net operating expenses.....	\$8,748,082	\$9,094,132	\$11,612,888
To nonoperating expenses: Contribution to pension fund.....	18,944	20,000	25,000
To purchase plant and equipment:			
Harbor terminals.....	99,725	-----	100,000
Telephone system.....	10,900	-----	17,000
Commissary division.....	12,239	50,000	250,000
Uncompleted construction and improvement.....	12,060	38,000	-----
Total plant and equipment.....	134,924	88,000	367,000
To replacement of property and equipment and for contingencies.....	979,764	229,195	183,625
To charges to profit and loss account:			
Merchandise lost at sea, prior years.....	5,144	-----	-----
Unadjusted charges.....	84	-----	-----
Total charges to profit and loss account.....	5,228	-----	-----
To dividends paid to the U. S. Treasury.....	2,800,000	2,100,000	3,000,000
To expenditures from reserves:			
Refrigerator guarantees paid.....	5,151	-----	-----
Deferred maintenance, Hotel Tivoli.....	-----	25,284	30,000
Demolition of pier No. 2, Colon.....	-----	10,723	-----
Demolition of wharf bunker, Cristobal coal plant.....	-----	33,565	-----
Postwar losses and expenses.....	-----	-----	2,000,000
Employees' accrued leave.....	-----	-----	50,000
Total expenditures from reserves.....	5,151	69,572	2,080,000
To rehabilitation of steamers.....	-----	-----	6,000,000
To increase (or decrease*) working capital (see schedule A-1).....	343,024	387,175	*2,391,063
Total funds applied.....	13,035,117	12,188,074	20,877,450

*Deduct.

¹ Excludes expenses which do not require funds during current year (see exhibit B).

EXHIBIT A—Continued

COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS—Continued

	1945, actual	1946, estimated	1947, estimated
FUNDS PROVIDED			
By operating income:			
Railroad revenue (see schedule B-1).....	\$3,257,785	\$2,873,700	\$2,010,000
Harbor terminals, revenue (see schedule B-1).....	2,838,626	2,560,000	2,395,100
Telephone system, revenue (see schedule B-1).....	382,429	372,000	338,450
Hotel Tivoli (see schedule B-1):			
Restaurant and newsstand sales.....	\$423,039	\$404,000	\$360,000
Cost of sales (schedule B-2).....	228,610	218,000	195,000
Gross profit from sales.....	194,429	186,000	165,000
Revenue from rooms and services.....	245,380	224,200	199,325
Total operating income.....	439,809	410,200	364,325
Hotel Washington (see schedule B-1):			
Restaurant and newsstand sales.....	208,754	214,000	186,000
Cost of sales (schedule B-2).....	109,592	113,500	100,000
Gross profit from sales.....	99,162	100,500	86,000
Revenue from rooms and services.....	115,706	114,500	99,425
Total operating income.....	214,868	215,000	185,425
Commissary division (see schedule B-1):			
Sales.....	38,101,950	39,000,000	29,000,000
Cost of sales (schedule B-2).....	32,960,342	33,820,000	25,000,000
Gross profit from sales.....	5,141,608	5,180,000	4,000,000
Other revenue.....	32,755	35,000	35,000
Total operating income.....	5,174,363	5,215,000	4,035,000
Coaling plants (see schedule B-1):			
Coal sales.....	806,274	443,000	456,000
Cost of sales (schedule B-2).....	575,253	306,000	312,000
Gross profit from sales.....	231,021	137,000	144,000
Other revenue.....	121,117	128,000	88,350
Total operating income.....	352,138	263,000	232,350
Mindl dairy (see schedule B-1):			
Sales.....	372,882	361,800	365,350
Cost of sales (schedule B-2).....	354,474	353,100	360,000
Gross profit from sales.....	18,408	8,700	5,350
Other revenue.....	17,143	12,200	17,000
Total operating income.....	35,551	20,900	22,350
New York office and steamship line (see schedule B-1).....			4,090,500
Grand total operating income.....	12,695,569	11,929,800	13,673,500
By interest on investments.....	231,020	258,274	203,950
By return of deposit with U. S. Treasury under War Shipping Administration policy.....	100,000	-----	-----
By credit to profit and loss account: Adjustment of expenses on railroad ties, prior years.....	8,623	-----	-----
By elimination of ocean freight liability.....	-----	-----	7,000,000
Total funds provided.....	13,035,117	12,188,074	20,877,450

EXHIBIT B
COMPARATIVE COMBINED STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Sales of merchandise and supplies.....	\$30,912,899	\$40,422,800	\$30,367,350
Cost of sales (see schedule B-2).....	34,228,271	34,810,600	25,967,000
Gross profit from sales.....	5,684,628	5,612,200	4,400,350
Revenue from services.....	7,010,941	6,317,600	9,273,150
Total operating income.....	\$12,695,569	\$11,929,800	\$13,673,500
Operating expenses:			
Administrative expenses (see schedule B-3).....	661,547	689,512	591,852
Depreciation of plant and equipment.....	866,508	847,300	1,240,300
Other operating expenses.....	8,133,241	8,435,414	11,031,036
Total operating expenses.....	9,661,296	9,972,226	12,863,188
Net operating income.....	3,034,273	1,957,574	810,312
Nonoperating income and expenses:*			
Interest earned on investments.....	231,020	258,274	203,950
Contribution to pension fund.....	*18,944	*20,000	*25,000
Net nonoperating income.....	212,076	238,274	178,950
Net income for the year.....	3,246,349	2,195,848	989,262

ANALYSIS OF UNRESERVED SURPLUS

Balance at beginning of fiscal year.....	\$47,891,844	\$47,437,633	\$47,327,741
Net income for the year (above).....	3,246,349	2,195,848	989,262
Transfer to postwar contingency fund, steamers.....	*660,000	*660,000	-----
Transfer unpaid freight liability from deferred credits to offset rehabilitation of steamers.....	-----	-----	7,000,000
Cost of rehabilitation of steamers.....	-----	-----	*6,000,000
Transfer from Commissary division inventory reserve.....	-----	750,000	-----
Transfer from coal plant operations contingency reserve.....	-----	-----	250,000
Transfer to income from invested funds.....	*169,447	*229,000	*173,625
Transfer to accrued depreciation, telephone system.....	*66,740	*66,740	*66,740
Unadjusted charge.....	*84	-----	-----
Adjustment of expenses on railroad ties, prior years.....	8,528	-----	-----
Value of merchandise lost at sea, prior years.....	*5,144	-----	-----
Loss on track removals, prior years.....	*7,673	-----	-----
Dividends paid to U. S. Treasury.....	*2,800,000	*2,100,000	*3,000,000
Balance at end of fiscal year.....	47,437,633	47,327,741	46,326,638

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Inventories:				
Merchandise held for sale.....	\$5,968,197	\$4,003,204	\$6,172,000	\$5,172,000
Railroad and other material and supplies.....	933,227	552,313	300,000	313,000
Dairy cattle.....	151,950	172,231	170,000	170,000
Merchandise and materials in transit.....	2,500,206	1,968,643	2,000,000	1,000,000
Total inventories.....	9,853,580	6,696,391	8,642,000	6,655,000
Plant and equipment:				
Railroad and appurtenances.....	13,363,456	17,099,967	17,100,000	17,000,000
Docks, piers, and appurtenances.....	5,702,773	5,700,828	5,790,000	5,890,000
Coal plants.....	833,482	833,482	833,000	833,000
Telephone system.....	2,064,409	2,069,385	2,069,000	2,086,000
Real estate.....	3,773,730	.....	.....	.....
Hotel Washington.....	750,408	750,408	750,000	750,000
Commissary plants, stores and equipment.....	5,419,968	5,379,698	5,400,000	5,650,000
Dairy farm.....	126,281	126,281	126,000	126,000
Steamships.....	13,200,000	13,200,000	13,200,000	13,200,000
Uncompleted construction and improvement.....	.....	12,000	50,000	50,000
Total.....	45,234,507	45,262,109	45,318,000	45,585,000
Less donations and grants.....	*901,079	*901,079	*901,000	*901,000
Total plant and equipment.....	44,333,428	44,361,030	44,417,000	44,684,000
Less: Accrued depreciation.....	*12,876,112	*13,731,471	*14,618,000	*18,868,373
Net plant and equipment.....	31,457,316	30,629,559	29,799,000	25,815,627
Accounts receivable:				
U. S. Government agencies.....	1,618,075	1,083,759	1,000,000	1,000,000
Individuals and companies.....	331,392	573,825	400,000	400,000
Total accounts receivable.....	1,949,467	1,657,584	1,400,000	1,400,000
Special deposit:				
U. S. Treasury bonds deposited with associated Latin-American freight conference.....	20,000	20,000	20,000	20,000
Funds deposited with U. S. Treasury under War Shipping Administration policy.....	100,000	.....	.....	.....
Total special deposit.....	120,000	20,000	20,000	20,000
Funds for replacement of property and equipment and for postwar contingencies:				
U. S. Government securities.....	12,149,000	13,069,000	13,069,000	13,069,000
Other securities.....	11,385	11,385	11,385	11,385
Cash on deposit.....	13,080	71,103	297,103	450,728
Accrued interest on securities.....	40,064	41,805	45,000	45,000
Total.....	12,213,529	13,193,293	13,422,488	13,606,113
Working funds:				
Cash on hand and in banks:				
New York.....	3,143,944	3,881,918	4,079,056	2,634,993
Isthmus.....	3,789,799	3,600,749	3,500,000	3,500,000
Total cash.....	6,933,743	7,482,667	7,579,056	6,134,993
U. S. Government securities.....	4,800,000	9,130,000	9,130,000	3,130,000
Total working funds.....	11,733,743	16,612,667	16,709,056	9,264,993
Accrued interest receivable: Accrued Interest on Investments.....	12,308	18,743	18,000	8,000
Deferred debit items.....	53,258	14,767	25,000	25,000
Other assets.....	117,688	44,361	75,000	75,000
Total assets.....	67,510,889	68,887,365	70,110,544	56,869,733

*Deduct.

EXHIBIT C—Continued
COMPARATIVE STATEMENT OF FINANCIAL CONDITION—Continued

	June 30, 1941, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
LIABILITIES				
Accounts payable:				
U. S. Government agencies.....	\$430,375	\$563,583	\$500,000	\$500,000
Other.....	1,849,364	1,125,965	1,000,000	1,000,000
Total accounts payable.....	2,279,739	1,689,548	1,500,000	1,500,000
Accrued liabilities: Accrued salaries and wages payable.....				
	262,393	289,728	360,000	250,000
Deferred credit items:				
After-war adjustments, ocean freight, etc.....	3,946,035	5,647,865	7,000,000	-----
Other.....	593,020	435,491	500,000	500,000
Total deferred credit items.....	4,539,055	6,083,356	7,500,000	500,000
Operating reserves:				
Employees' accrued leave.....	267,838	275,017	300,000	250,000
Refrigerator guaranties.....	13,859	8,708	10,000	20,000
Demolition of pier No. 2, Colon.....	16,723	10,723	-----	-----
Deferred maintenance, Hotel Tivoli.....	37,517	55,281	30,000	-----
Total operating reserves.....	329,937	349,732	340,000	270,000
Total liabilities.....	7,411,124	8,412,364	9,640,000	2,520,000
CAPITAL				
Paid-in capital: Capital stock.....				
	7,000,000	7,000,000	7,000,000	7,000,000
Earned surplus:				
Surplus reserves:				
Postwar contingency reserves:				
Steamer depreciation accrual.....	1,723,333	2,383,333	3,043,333	-----
Isthmus.....	2,000,000	2,000,000	2,000,000	-----
Commissary division inventory reserve.....	750,000	750,000	-----	-----
Coal plant contingency reserve.....	283,565	283,565	250,000	-----
Income reserved from funds invested for depreciation and contingency reserves.....	451,023	620,470	849,470	1,023,095
Unreserved surplus.....	47,891,844	47,437,633	47,327,741	46,326,638
Total earned surplus.....	53,099,765	53,475,001	53,470,544	47,349,733
Total capital.....	60,099,765	60,475,001	60,470,544	54,349,733
Total liabilities and capital.....	67,510,889	68,887,365	70,110,544	56,869,733

SCHEDULE A-1
 CHANGES IN WORKING CAPITAL
 [Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease)*:			
Inventories:			
Merchandise held for sale.....	*\$1,964,993	\$2,168,796	*\$1,000,000
Railroad and other material and supplies.....	*380,914	*252,313	13,000
Dairy cattle.....	20,281	*2,231	-----
Merchandise and material in transit.....	*831,563	31,357	*1,000,000
Accrued interest receivable.....	6,435	*743	*10,000
Accounts receivable:			
U. S. Government agencies.....	*534,316	*53,759	-----
Individuals and companies.....	242,433	*173,825	-----
Working funds:			
U. S. Treasury 7/8 percent certificates.....	4,330,000	-----	*6,000,000
Cash on hand and in banks.....	548,924	96,389	*1,444,063
Funds held by agents and employees.....	*73,327	30,639	-----
Deferred debit items.....	*38,491	10,233	-----
Current liabilities (increase* or decrease):			
Accounts payable:			
U. S. Government agencies.....	*133,208	63,583	-----
Other.....	723,399	125,965	-----
Accrued salaries and wages payable.....	*27,335	*10,272	50,000
Deferred credit items.....	*1,544,301	*1,416,644	7,000,000
Increase (or decrease*) in working capital.....	343,024	587,175	*2,391,063

*Deduct.

SCHEDULE B-1
COMPARATIVE STATEMENT OF INCOME AND EXPENSES BY ACTIVITIES
[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
RAILROAD			
Operating income:			
Freight transportation	\$1,965,016	\$1,646,000	\$1,327,000
Passenger transportation	845,029	837,000	433,000
Other transportation revenue	309,979	283,100	200,000
Other than transportation revenue	137,761	107,600	50,000
Total operating income	\$3,257,785	\$2,873,700	\$2,010,000
Operating expenses:			
Administrative expenses	82,380	99,900	81,750
Depreciation of plant and equipment	242,589	240,000	182,000
Other expenses:			
Maintenance of way	235,797	240,000	235,000
Maintenance of equipment	516,994	515,000	480,000
Transportation expenses	1,122,791	997,000	950,000
General expenses	31,823	31,800	31,250
Total other expenses	1,907,405	1,783,800	1,695,250
Total operating expenses	2,232,374	2,123,700	1,960,000
Net operating income	1,025,411	750,000	50,000
HARBOR TERMINALS			
Operating income:			
Wharfage	218,512	217,500	188,600
Stevedoring	179,405	172,000	153,000
Handling and transferring	2,168,548	1,906,000	1,817,000
Other revenues	272,161	264,500	236,500
Total operating income	2,838,626	2,560,000	2,395,100
Operating expenses:			
Administrative expenses	100,500	112,800	95,100
Depreciation of plant and equipment	188,019	185,000	150,000
Other expenses:			
Rent	80,000	120,000	120,000
Repairs	98,374	100,000	100,000
Stevedoring expense	109,671	105,000	93,500
Handling and transferring expense	940,480	990,000	982,000
Other operating expense	560,625	547,200	529,500
Total other expenses	1,789,150	1,862,200	1,825,000
Total operating expenses	2,077,669	2,160,000	2,070,100
Net operating income	760,957	400,000	325,000
TELEPHONE SYSTEM			
Operating income:			
Rent of telephone	251,002	244,000	220,000
Rent of trunk line, circuits, and duct space	110,479	108,000	100,000
Printing typewriters and electric clocks	15,671	15,000	14,000
Other revenue	5,277	5,000	4,450
Total operating income	382,429	372,000	338,450
Operating expenses:			
Administrative expenses	8,937	11,000	8,450
Depreciation of plant and equipment	77,308	77,000	55,000
Other expenses	199,868	199,000	190,000
Total operating expenses	286,113	287,000	253,450
Net operating income	96,316	85,000	85,000

SCHEDULE B-1—Continued
 COMPARATIVE STATEMENT OF INCOME AND EXPENSES BY ACTIVITIES—Continued

	1945, actual	1946, estimated	1947, estimated
HOTEL TIVOLI			
Operating income:			
Restaurant sales.....	\$396,678	\$378,000	\$335,000
Newsstand sales.....	26,361	26,000	25,000
Total sales.....	423,039	404,000	360,000
Cost of sales (see schedule B-2).....	228,610	218,000	195,000
Gross profit from sales.....	194,429	186,000	165,000
Revenue from rooms.....	216,137	195,000	173,325
Other revenue from services.....	29,243	29,200	26,000
Total operating income.....	\$439,809	\$410,200	\$364,325
Operating expenses:			
Administrative expenses.....	10,157	13,000	11,525
Other expenses:			
Pay roll.....	141,684	146,000	140,000
Repairs.....	57,607	20,000	18,000
Rent.....	36,000	60,000	60,000
Other operating expense.....	90,957	91,200	84,800
Total other expenses.....	326,508	317,200	302,800
Total operating expenses.....	336,465	330,200	314,325
Net operating income.....	103,344	80,000	50,000
HOTEL WASHINGTON			
Operating income:			
Restaurant sales.....	194,428	200,000	175,000
Newsstand sales.....	14,326	14,000	11,000
Total sales.....	208,754	214,000	186,000
Cost of sales (see Schedule B-2).....	109,592	113,500	100,000
Gross profit from sales.....	99,162	100,500	86,000
Revenue from rooms.....	94,678	93,500	83,025
Other revenue from services.....	21,028	21,000	16,400
Total operating income.....	214,868	215,000	185,425
Operating expenses:			
Administrative expenses.....	8,566	10,000	8,825
Depreciation of plant and equipment.....	17,553	17,600	17,600
Other expenses:			
Pay roll.....	84,372	91,000	87,000
Repairs.....	8,992	10,000	10,000
Other operating expense.....	46,627	46,400	42,000
Total other expenses.....	139,991	147,400	139,000
Total operating expenses.....	166,110	175,000	165,425
Net operating income.....	48,758	40,000	20,000
COMMISSARY			
Operating income:			
Sales.....	38,101,950	39,000,000	29,000,000
Cost of sales (see schedule B-2).....	32,960,342	33,820,000	25,000,000
Gross profit from sales.....	5,141,608	5,180,000	4,000,000
Other revenue.....	32,755	35,000	35,000
Total operating income.....	5,174,363	5,215,000	4,035,000
Operating expenses:			
Administrative expenses.....	322,151	318,000	210,050
Depreciation of plant and equipment.....	317,939	305,000	153,000
Other expenses:			
Pay roll.....	2,352,439	2,550,000	2,450,000
Merchandise loss and damage.....	462,147	500,000	250,000
Local transportation of merchandise.....	319,403	350,000	340,000
Other operating expense.....	385,262	442,000	401,950
Total other expenses.....	3,519,251	3,842,000	3,441,950
Total operating expenses.....	4,159,341	4,465,000	3,835,000
Net operating income.....	1,015,022	750,000	200,000

SCHEDULE B-1—Continued

COMPARATIVE STATEMENT OF INCOME AND EXPENSES BY ACTIVITIES—Continued

	1945, actual	1946, estimated	1947, estimated
COALING PLANTS			
Operating income:			
Coal sales.....	\$506,274	\$443,000	\$456,000
Cost of sales (see schedule B-2).....	575,253	306,000	312,000
Gross profit from sales.....	231,021	137,000	144,000
Revenue from handling sand and gravel.....	20,972	18,000	13,350
Wharfage and miscellaneous revenue.....	100,145	108,000	75,000
Total operating income.....	\$352,138	\$263,000	\$232,350
Operating expenses:			
Administrative expenses.....	6,734	6,000	4,350
Depreciation of plant and equipment.....	17,329	17,000	17,000
Other expenses:			
Operation and maintenance.....	107,223	100,000	100,000
Rent of piers.....	43,000	48,000	48,000
Other operating expense.....	83,083	82,000	62,000
Total other expenses.....	233,306	230,000	210,000
Total operating expenses.....	257,369	253,000	231,350
Net operating income.....	94,769	10,000	1,000
MINDI DAIRY			
Operating income:			
Milk sales.....	354,199	343,000	347,350
Sales of cattle.....	18,683	18,800	18,000
Total sales.....	372,882	361,800	365,350
Cost of sales (see schedule B-2).....	354,474	353,100	360,000
Gross profit from sales.....	18,408	8,700	5,350
Other revenue.....	17,143	12,200	17,000
Total operating income.....	35,551	20,900	22,350
Operating expenses:			
Administrative expenses.....	3,992	4,700	4,650
Depreciation of plant and equipment.....	5,771	5,700	5,700
Other expenses.....	6,976	5,500	7,000
Total operating expenses.....	16,739	15,900	17,350
Net operating income.....	18,812	5,000	5,000
NEW YORK OFFICE AND STEAMSHIP LINE			
Operating income:			
Freight revenue.....			3,400,000
Passenger revenue.....			600,000
Excess baggage, mail, and treasure.....			55,500
Miscellaneous revenue.....			35,000
Total operating income.....			4,090,500
Operating expenses:			
Administrative expenses.....	118,130	114,112	137,152
Depreciation of plant and equipment.....			660,000
Other expenses:			
Maintenance of shpls.....			155,000
Operation of shpls.....			2,487,000
Agency expenses.....	10,986	48,314	577,036
Total other expenses.....	10,986	48,314	3,219,036
Total operating expenses.....	129,116	162,426	4,016,188
Net operating income (or loss*).....	*120,116	*162,426	74,312

*Deduct.

SCHEDULE B-2

COST OF SALES BY ACTIVITIES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
HOTEL TIVOLI			
Inventory at beginning of year.....	\$23,716	\$19,680	\$18,000
Purchases.....	224,574	216,320	195,000
Total.....	248,290	236,000	213,000
Less inventory at end of year.....	19,680	18,000	18,000
Cost of sales.....	\$228,610	\$218,000	\$195,000
HOTEL WASHINGTON			
Inventory at beginning of year.....	5,317	3,502	4,000
Purchases.....	107,777	113,998	100,000
Total.....	113,094	117,500	104,000
Less inventory at end of year.....	3,502	4,000	4,000
Cost of sales.....	109,592	113,500	100,000
COMMISSARY DIVISION			
Inventory at beginning of year.....	5,767,525	3,794,231	6,000,000
Purchases for sale.....	24,150,513	29,175,769	18,500,000
Supplies used for production.....	5,251,403	5,250,000	4,000,000
Direct expenses.....	1,585,132	1,600,000	1,500,000
Total.....	36,754,573	39,820,000	30,000,000
Less inventory at end of year.....	3,794,231	6,000,000	5,000,000
Cost of sales.....	32,960,342	33,820,000	25,000,000
COALING PLANTS			
Inventory at beginning of year.....	171,639	185,791	150,000
Total coal purchases.....	589,405	270,209	312,000
Total.....	761,044	456,000	462,000
Less inventory at end of year.....	185,791	150,000	150,000
Cost of sales.....	575,253	306,000	312,000
MINDI DAIRY			
Direct labor.....	92,618	92,100	93,000
Feed.....	188,279	188,000	192,000
Supplies and services.....	40,083	40,000	40,000
Loss from changes in dairy herd.....	33,494	33,000	35,000
Total cost of sales.....	354,474	353,100	360,000
Grand total cost of sales.....	34,228,271	34,810,600	25,967,000

SCHEDULE B-3

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
NEW YORK OFFICE			
	Man-years Amount	Man-years Amount	Man-years Amount
Salaries and wages:			
Vice president	1 \$15,000	1 \$15,000	1 \$15,000
Vice president and secretary	1 10,494	1 12,000	1 12,000
Treasurer	1 6,000	1 6,000	1 6,000
Auditor	1 4,428	1 4,500	1 4,200
Employees:			
Administrative office	4 10,091	3 7,381	5 10,852
Treasurer's office	1 1,548	1 2,003	3 7,928
Auditor's office	10 32,584	13 33,000	13 38,926
Total personal services	19 80,145	21 79,884	25 94,906
Travel expenses	1,308	1,300	1,000
Telephone and telegraph	2,689	2,751	2,800
Light, heat, and water	616	615	414
Rental of office	10,546	10,546	10,002
Postage and stationery	4,966	4,017	3,400
Legal expenses	10,000	10,000	17,500
Other expenses	5,860	5,000	5,100
Payment for services received:			
External audit	2,000		2,000
Total New York office	118,130	114,112	137,152
ISTHMUS			
Payment for services received from Panama Canal:			
Governor's office	8,154	8,070	7,885
Engineer of maintenance office	9,943	11,840	12,000
Comptroller's office	11,270	12,000	13,660
General counsel's office	9,000	10,750	11,400
Personnel administration	52,810	62,800	75,000
General correspondence and records	19,470	23,300	22,200
Pay roll bureau		5,130	11,815
Accounting department	346,828	361,900	225,000
Paymaster and collector	59,640	59,800	55,940
Chief quartermaster's office	14,760	9,800	9,800
Payment for other services received:			
External audit	11,542	10,000	10,000
Total, Isthmus	643,417	575,400	454,700
Total, administrative expenses	661,547	689,512	591,852

SCHEDULE B-4

CONSOLIDATED STATEMENT OF PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By grades	1945, actual	1946, estimated	1947, estimated
ON THE ISTHMUS			
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES			
Clerical, administrative, and fiscal service—Continued			
Grade 14. Range \$8,967.75 to \$9,800:			
General manager (railroad proper)	1 \$8,250	1 \$9,625	1 \$9,625
Grade 13. Range \$7,787.50 to \$8,837.50:			
Receiving and forwarding agent	1 7,250	1 8,312	1 8,312
General manager (commissary)	1 7,750	1 7,787	1 7,787
Grade 12. Range \$6,475 to \$7,525:			
Assistant general manager (commissary)	1 6,250		
Grade 11. Range \$5,375 to \$6,475:			
Superintendent, cold storage plant	1 5,750	1 6,475	1 6,475
Master of transportation	1 5,750	1 5,925	1 5,925
Assistant receiving and forwarding agent	1 5,000	1 5,925	1 5,925
Assistant general manager (commissary)	1 5,250		
Assistant to general manager (commissary)		2 11,025	2 11,025
Supervisor of retail stores	1 5,000	1 5,375	1 5,375
Grade 10. Range \$4,962.50 to \$5,787.50:			
Assistant to receiving and forwarding agent	1 4,625	1 5,375	1 5,375
Executive assistant	1 4,750	1 4,962	1 4,962
Grade 9. Range \$4,650 to \$5,375:			
Commissary manager	1 4,750	1 5,375	1 5,375
Local agent	1 4,625	1 5,237	1 5,237
Manager, wholesale groceries	1 4,375	1 5,100	1 5,100
Assistant to receiving and forwarding agent	1 4,250	1 4,962	1 4,962
Assistant superintendent, cold storage plant	1 4,000	1 4,687	1 4,687
Administrative assistant	1 4,125	1 4,550	1 4,550
Laundry manager	1 4,625	1 4,550	1 4,550
Manager, refrigerator and dry storage	1 4,000	1 4,550	1 4,550
Manager, wholesale dry goods	1 4,000	1 4,550	1 4,550
Grade 8. Range \$4,137.50 to \$4,962.50:			
Grade 7. Range \$3,725 to \$4,550:			
Grade 6. Range \$3,312.50 to \$4,137.50:			
Grade 5. Range \$2,900 to \$3,725:			
Grade 4. Range \$2,626 to \$3,120:			

	1945, actual	1946, estimated	1947, estimated
ON THE ISTHMUS—Continued			
PERSONAL SERVICES—continued			
Clerical, administrative, and fiscal service—Continued	Man-years Amount	Man-years Amount	Man-years Amount
Grade 3. Range \$2,377.50 to \$2,872.50	34 870,500	31 874,692	29 870,000
Grade 2. Range \$2,130 to \$2,625	65 118,950	80 173,781	76 165,000
Grade 1. Range \$1,882.50 to \$2,377.50	34 53,850	21 40,604	20 38,700
Professional service:			
Grade 6. Range \$7,787.50 to \$8,837.50:			
Assistant to general manager (railroad proper)	1 7,000	1 8,050	1 8,050
Grade 4. Range \$5,375 to \$6,475:			
Dairy manager	1 5,500	1 6,475	1 6,475
Roadmaster	1 5,000	1 5,925	1 5,925
Mechanical engineer	1 5,000	1 5,375	1 5,375
Grade 3. Range \$4,550 to \$5,375:			
Chemist	1 4,625	1 5,237	1 5,237
Engineer	1 4,000	1 4,687	1 4,687
Grade 2. Range \$3,725 to \$4,550:			
Subprofessional service:			
Grade 8. Range \$3,725 to \$4,550:			
Grade 7. Range \$3,312.50 to \$4,137.50:			
Grade 6. Range \$2,900 to \$3,725:			
Grade 5. Range \$2,626 to \$3,120:			
Crafts, protective, and custodial service:			
Grade 10. Range \$3,725 to \$4,550:			
Grade 9. Range \$3,312.50 to \$4,137.50:			
Grade 8. Range \$2,900 to \$3,725:			
Grade 7. Range \$2,626 to \$3,120:			
Grade 6. Range \$2,375 to \$3,120:			
Grade 5. Range \$2,125 to \$2,875:			
Unclassified service, monthly:			
Range \$4,000 and over:			
Hotel manager	2 10,110	2 11,388	2 11,388
Supervisor of telephones	1 4,740	1 5,100	1 5,100
Electrical supervisor	1 4,740	1 4,740	1 4,740
Master baker	1 4,140	1 4,704	1 4,704
Supervisor of railway signals		1 4,500	1 4,500
Chief train dispatcher	1 4,560	1 4,560	1 4,560
Assistant to master of transportation	1 4,320	1 4,320	1 4,320
Train dispatcher	4 17,280	4 17,280	4 17,280
Principal stevedore foreman	3 12,960	3 12,960	3 12,960
General foreman (telephones)		1 4,260	1 4,260
Supervisor, cooling plants	1 4,260	1 4,260	1 4,260
Battery repair foreman	1 4,260	1 4,260	1 4,260
Trainmaster	1 4,680		
Service engineer	1 4,080	1 4,080	1 4,080
Wire chief, Balboa		1 4,080	1 4,080
Range less than \$4,000	275 869,548	277 905,367	260 850,000
Total permanent, Isthmus	633	655	622
Detact salaries paid by "Pay of the Army" and "Pay and subsistence of naval personnel"	3 11,102	3 13,237	3 13,237
Net permanent, Isthmus	630	652	619
Native employment	6,547	6,903	6,350
Temporary employment	4,179,552	4,087,344	3,760,000
Part-time employment	3 3,037	2 2,088	4 4,176
Personal services (net) Isthmus	7,180	7,561	6,973
	6,010,800	6,161,232	6,732,990
IN UNITED STATES			
PERSONAL SERVICES			
Clerical, administrative, and fiscal service:			
Grade 12. Range \$5,150 to \$6,020:			
Assistant commissary purchasing agent	2 9,800	2 11,410	2 11,620
Grade 11. Range \$4,300 to \$5,180:			
Assistant auditor	1 3,800	1 4,520	
Grade 10. Range \$3,970 to \$4,630:			
Clerk	3 12,000	3 13,780	3 13,780
Grade 9. Range \$3,640 to \$4,300:			
Clerk	1 3,600	2 7,830	3 11,800
Field representative	1 3,300	1 3,860	
Assistant auditor			2 8,160
Grade 8. Range \$3,310 to \$3,970:			
Grade 6. Range \$2,650 to \$3,310:			
Grade 5. Range \$2,320 to \$2,980:			
Grade 4. Range \$2,100 to \$2,496:			
Grade 3. Range \$1,902 to \$2,298:			
Grade 2. Range \$1,704 to \$2,100:			
Grade 1. Range \$1,506 to \$1,902:			
Unclassified service:			
Range \$4,000 and over:			
Vice president	1 15,000	1 15,000	1 15,000
Third vice president	1 10,000	1 12,000	1 12,000
Treasurer	1 6,000	1 6,000	1 6,000
Commissary purchasing agent	1 6,000	1 7,280	1 7,500
Superintendent	1 6,000	1 6,000	1 6,000
Freight traffic manager			1 7,280
Assistant superintendent			2 12,280
Aidit			1 4,200
Passenger traffic manager			1 4,000
Range less than \$4,000	37 73,504	37 74,442	104 214,800
Ship personnel			390 818,000
Personal services, United States	84	80	576
	222,384	258,960	1,309,104
Personal services (net)	7,264	7,651	7,549
	6,233,184	6,420,192	7,042,094

UNITED STATES SPRUCE PRODUCTION CORPORATION

CREATION AND PURPOSE

The United States Spruce Production Corporation was organized under the laws of the State of Washington on August 20, 1918, by the director of aircraft production. Authority for creation of the Corporation and limitations on the continuation of its particular functions are to be found in chapter XVI of an act making appropriations for the support of the Army, etc., approved July 9, 1918, Public Law 193.

The objects and purposes for which the Corporation was formed, as stated in its articles of incorporation, which conform to the purposes of the said chapter XVI, were, "The purchase, production, manufacture, and sale of aircraft, aircraft equipment, or materials therefor, and to build, own, and operate railroads in connection therewith, and in general, to do all acts and things which may be incidental to the carrying out of the foregoing purposes or to the exercise of the foregoing powers, or which may be necessary, advantageous, desirable, or convenient therefor."

The Corporation took over the industrial activities of the spruce production division of the bureau of aircraft production of the United States Army Air Service. The function of that bureau was the production and allocation of aircraft lumber to the United States and its allies, Great Britain, France, and Italy. In order to carry out the required production program of the bureau it was necessary for the division to assume full control of the logging and lumber industry of the Northwest, which control vested in turn in the Corporation.

On June 28, 1922, a suit for dissolution of the Corporation was filed in the superior court of the State of Washington for Clark County and its liquidation has been at all times and still is under the jurisdiction and supervision of this court to which the Corporation makes regular reports.

FINANCIAL ORGANIZATION

The Corporation has an authorized capital stock of \$10,000,000 divided into 100,000 shares of \$100 each. 99,993 shares were issued to the director of aircraft production of the United States and 7 qualifying shares to directors of the Corporation. A 1 percent call was made on these shares which represents the Corporation's present \$100,000 capital stock liability. There is no other outstanding proprietary interest in the Corporation. The number of directors was subsequently reduced to three. All beneficial interest in qualifying shares is assigned to the United States upon issuance.

On September 18, 1918, the Corporation authorized the issuance of 5 percent participating debenture certificates in an aggregate principal amount of not to exceed \$90,000,000 at any one time outstanding. Under date of October 10, 1918, the Corporation issued \$25,000,000 worth of such debentures. Although the act authorizing formation of the Corporation provided for purchase of its capital stock, debentures, or other securities by the director of aircraft production with sums appropriated for the purchase or procurement of aircraft, aircraft equipment, or materials therefor, it was contemplated that England,

France, and Italy would underwrite these debentures with the United States on a pro rata basis in accordance with the anticipated delivery of aircraft lumber to the respective countries. Upon failure of these allies to participate in underwriting the debentures, \$21,500,000 from funds appropriated for aircraft procurement were advanced for the purchase of a like par value of debentures, which were issued to the director of aircraft production of the United States. It should be noted that the lumber received by England, France, and Italy was paid for by these countries in cash. As proceeds became available from disposal of its assets the Corporation took up varying amounts of these debentures, and in April 1926, the last of these debentures was cancelled.

ANALYSIS OF BUDGET PROGRAM

Budgetary requirements of the Corporation for the fiscal year 1947 are limited to administrative expenses incident to completing liquidation of its assets, consisting at present of a common carrier railroad and equipment in the State of Washington on which there is an outstanding sales contract. It is anticipated such liquidation will be accomplished within the first half of the fiscal year. Estimates for the Corporation's budget program have been based on a 9-month period, however, in order to allow for unforeseen contingencies.

OPERATING RESULTS

The only method by which the lumber industry of the Northwest could absorb the large operating properties that passed to the Corporation in final settlements with its cost-plus contractors was under conditional sales contracts extending over a term of years. Difficulties encountered by the industry generally during the period of the Corporation's liquidation have necessitated foreclosure of contracts on its principal properties and resale of these assets.

The Corporation had two conditional sales contracts outstanding at the beginning of the fiscal year 1946. Final payment was made to the corporation in August 1945, in settlement of one of these sales contracts. Final payment of the other outstanding contract is due the Corporation in December 1946.

With completion of liquidation the Corporation will have repaid the Government \$21,500,000 advanced on its debentures, \$99,993 paid to cover a 1 percent call on capital stock and \$2,132,078 in addition thereto as interest on capital investment.

FINANCIAL CONDITION

Government securities.—Investment in Government securities on June 30, 1945, carried at cost, amounted to \$113,677. This investment was made in October 1933, when the Corporation ceased to obtain interest on its daily bank balances. It is anticipated that disposal of the securities in the fiscal year 1947 will yield a gain of approximately \$13,800. (See exhibit A.)

Return of capital funds to the Treasury.—During the fiscal year 1947 it is expected that final liquidation will

enable the Corporation to pay to the Treasury the balance of funds realized through disposal of its remaining assets amounting to \$297,518. (See exhibit A.)

ADMINISTRATIVE EXPENSES

This expense covers officers and employees of the Corporation engaged in its liquidation. All of its expenses are in the administrative category at this time. During the fiscal year 1945 the administrative staff performing these duties expended 4 man-years of personal services which, with other related costs of administration, resulted in a total expenditure of \$20,420. While reduction in the

staff was effected in 1946, an increase in travel expense made a slight increase in total administrative expenses. It is anticipated that final dissolution of the Corporation can be effected within the fiscal year 1947 at a somewhat less administrative expense than the estimated \$13,669 set up in the budget program. (For further details see statement of income and expenses, schedule B.)

LANGUAGE

The types of programs set forth in the 1947 budget of the United States Spruce Production Corporation, within the funds available to it, are approved. (Act of Dec. 6, 1945, Public Law 248.)

EXHIBIT A
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
FUNDS APPLIED			
To operating expenses: Administrative expenses (see schedule B).....	\$20,420	\$20,883	\$13,669
To return Government capital funds:			
Payment of accrued interest on retired debentures.....	\$50,000		25,000
Retire common stock.....			100,000
Distribute earned surplus.....			172,518
	50,000		297,518
To increase (or decrease*) working capital (see schedule A).....	*24,693	5,897	*40,657
Total funds applied	45,727	26,780	270,530
FUNDS PROVIDED			
By operating income:			
Interest on conditional sales contracts.....	6,977	\$5,862	2,742
Interest on investments.....	3,450	3,450	1,725
	10,427	9,312	4,467
By installments of purchase price on conditional sales contracts.....	35,300	15,575	138,454
By sale of surplus property: Office and field equipment.....		1,893	131
By sale of Government securities owned:			
Cost of securities sold.....			113,677
Gain on securities sold.....			13,800
			127,477
By return of deposit: Safety deposit box key.....			1
Total funds provided	45,727	26,780	270,530

*Deduct.

EXHIBIT B
COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Operating income:			
Interest on conditional sales contracts.....	\$6,977	\$5,862	\$2,742
Interest on investments.....	3,450	3,450	1,725
Profit on sale of office and field equipment.....		70	
Total operating income	\$10,427	\$9,382	\$4,467
Operating expenses:			
Administrative expenses (see schedule B).....	20,420	20,884	13,669
Depreciation on office furniture and equipment.....	276		
Total operating expenses	20,696	20,884	13,669
Net operating loss.....	10,269	11,502	9,202
Nonoperating income: Profit on investments sold			
			13,800
Net income (or loss*) for the year	*10,269	*11,502	4,598

ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$189,691	\$179,422	\$167,920
Net income (or loss*) for the year (above).....	*10,269	*11,502	4,598
To be returned to the Treasury.....			172,518
Balance at end of fiscal year	179,422	167,920	172,518

*Deduct.

EXHIBIT C
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
ASSETS				
Accounts receivable: Conditional sales contracts.....	\$189,330	\$154,030	\$138,455	
Accrued interest receivable: Accrued interest on investments.....		1,006	1,006	
Office and field equipment:				
Office furniture	376	300	132	
Automobile	1,855	1,655		
Total office and field equipment.....	2,231	1,955	132	
Investments: Government securities.....	113,677	113,677	113,677	
Cash: In bank.....	59,453	34,760	40,657	
Total assets	364,691	305,428	238,927	
LIABILITIES				
Debentures: Interest on retired debentures, payable if earned.....	75,000	25,000	25,000	
Deferred credits.....		1,006	1,006	
Total liabilities	75,000	26,006	26,006	
CAPITAL				
Paid-in capital: Common stock, 1 percent call on \$10,000,000 (100,000 shares \$100 par, authorized and issued).....	100,000	100,000	100,000	
Earned surplus:				
Reserve for contingencies.....	75,000	75,000	75,000	
Undivided profits.....	114,691	104,422	92,921	
Total earned surplus.....	189,691	179,422	167,921	
Total capital	289,691	279,422	267,921	

SCHEDULE A
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash: In bank.....	*\$24,693	\$5,897	*\$40,657
Increase in working capital.....		5,897	
Decrease in working capital.....	24,693		40,657

*Deduct.

SCHEDULE B
ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated	By accounts	1945, actual	1946, estimated	1947, estimated
	Man- years Amount	Man- years Amount	Man- years Amount		Amount	Amount	Amount
Salaries and wages:				Travel expenses.....	\$333	\$969	\$250
Officers:				Telephone and telegraph.....	154	166	125
President.....	1 \$7,152	1 \$7,152	0.8 \$5,364	Rent of office.....	1,500	1,400	800
Secretary-counsel-accountant.....	1 6,600	1 6,600	0.8 4,950	Stationery and office supplies.....	56	62	50
Employees:				Transfer tax.....	50	50	50
Assistant treasurer-Secretary to				Legal expense.....		365	
President.....	1 2,640	1 2,640	0.8 1,980	Audit of accounts.....	135		100
Chauffeur.....	1 1,800	0.7 1,450		Total administrative expenses	20,420	20,884	13,669
Total.....	4 18,192	3.7 17,842	2.4 12,294				

GENERAL PROVISIONS

Sec. 201. Funds made available to the corporations by this Act for their administrative expenses shall be available, in addition to the objects specified in this Act for any of such corporations and in addition to objects for which such funds are otherwise available, for personal services and rent in the District of Columbia or elsewhere; lawbooks, books of reference, periodicals, newspapers, and maps; printing and binding; purchase, maintenance, operation, and repair of passenger automobiles; contract stenographic reporting services; travel expenses in accordance with the Standardized Government Travel Regulations, the Subsistence Expense Act of 1926, as amended (except as to per diem rates outside continental United States), and the Act of February 14, 1931, as amended (5 U. S. C. 73a); and for the objects specified under the head "General Provisions" in title II of the Independent Offices Appropriation Act, 1947, all the provisions of which title (except section 211), unless otherwise specified in this Act, shall be applicable to the expenditure of such funds: Provided, That the head of any agency may exercise any authority vested in him by said title II through such subordinate or subordinates as he may designate for the purpose.

Sec. 202. In order to meet emergencies or contingencies arising subsequent to approval of the Budget and not provided for in the budget program, a corporation covered by the provisions of this Act may, with the approval of the President, adjust its budget program to provide for the immediate initiation of types of programs authorized by law and not specifically set forth in the approved Budget: Provided, That the new program shall be promptly transmitted to the Congress as an amendment to the Budget: Provided further, That under no circumstances shall a corporation prior to approval by the Congress undertake a program which would necessitate an increase in its authorized borrowing authority.

Sec. 203. None of the provisions of this Act shall be construed as affecting the existing authority of any wholly owned Government corporation to make contracts or other commitments without reference to fiscal-year limitations as provided in section 104 of the Government Corporation Control Act.

MIXED-OWNERSHIP GOVERNMENT CORPORATIONS

The Government Corporation Control Act defines mixed-ownership corporations to include (1) a central bank for cooperatives and a regional bank for cooperatives, (2) Federal land banks, (3) Federal Home Loan Banks, and (4) Federal Deposit Insurance Corporation. Under the provisions of this act the annual Budget is to include recommendations with respect to the return of Government capital to the Treasury by these corporations.

The recommendations with respect to the return of capital by the central banks for cooperatives and the regional banks for cooperatives together with the Federal land banks are discussed in the Department of Agriculture chapter of this Document in connection with the wholly owned Government corporations. Similarly, the return of capital by the Federal Home Loan Banks is covered in the chapter dealing with the National Housing Agency. The return of capital by the Federal Deposit Insurance Corporation is covered in the following section:

FEDERAL DEPOSIT INSURANCE CORPORATION

The capital stock of the Federal Deposit Insurance Corporation is without nominal or par value and is non-voting and not entitled to the payment of dividends. The total amount paid for capital stock outstanding is \$289,299,556.99, of which the United States Government paid \$150,000,000 and the Federal Reserve banks paid \$139,299,556.99.

In view of the substantial accumulation of surplus which now approximates \$700,000,000, it appears feasible that the Corporation might within the next year or two begin retiring its capital stock. The retirement of the stock held by the United States would reduce the public debt to the extent of the amount retired. It is therefore contemplated that legislation be proposed to the Congress which would authorize the Corporation to retire its stock at such times and in such amounts as may be deemed to be appropriate consistent with its requirements and the general condition of the banking system.

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