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5/5/22/76

APPROVED

MAY 22 1976

ACTION

THE WHITE HOUSE

WASHINGTON

May 19, 1976

Last Day: May 24

Posted
5/22/76

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

SUBJECT:

S. 2619 and S. 2620 - Interest adjustment on Library of Congress Trust Funds

Attached for your consideration are S. 2619 and S. 2620, sponsored by Senator Cannon. The enrolled bills would permit adjustment in the interest rate paid by the U.S. Treasury to the permanent loan account trust fund and to the Gertrude Hubbard bequest trust fund of the Library of Congress Trust Fund Board.

Additional information is provided in OMB's enrolled bill report at Tab A.

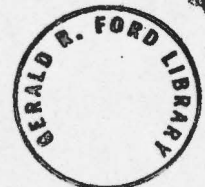
OMB, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bills.

RECOMMENDATIONS

That you sign S. 2619 at Tab B.

That you sign S. 2620 at Tab C.

To Archive
5/24/76



5/5/22



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 17 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bills S. 2619 and S. 2620 - Interest adjustment on Library of Congress trust funds
Sponsor - Sen. Cannon (D) Nevada

Last Day for Action

May 24, 1976 - Monday

Purpose

To permit adjustment of the interest rate paid on funds deposited by the Library of Congress Trust Fund Board with the Treasury.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Library of Congress	Approval

Discussion

The enrolled bills would permit adjustment in the interest rate paid by the U.S. Treasury to the permanent loan account trust fund (S. 2619) and to the Gertrude Hubbard bequest trust fund (S. 2620) of the Library of Congress Trust Fund Board. The Board is authorized to receive gifts and benefits to establish trusts for the endowment of cultural programs and the development of the Library's collections and services. When the Library of Congress Trust Fund Board Act was approved in 1925, a four percent interest rate payable by the Treasury on trust fund deposits, including the 1912 Gertrude Hubbard bequest, was established. With income generated at the four percent rate, increasing costs in the intervening years have made it more difficult to accomplish the purposes for which these trusts were originally established.

S. 2619 and S. 2620 would amend that 1925 law to allow payment to the permanent loan account trust fund and the Gertrude Hubbard bequest trust fund of either an interest rate of one quarter of a percentage point below a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding long-term marketable obligations of the United States, adjusted to the nearest 1/8 of a percent, or a four percent annual rate -- whichever is greater.

This provision is similar to interest rate adjustment provisions applicable to certain other trust funds, including the Railroad Retirement Fund, the Civil Service Retirement Fund and the permanent fund of the United States Soldiers' and Airmen's Home. It also protects the return on the permanent loan funds and the Hubbard bequest from falling below the four percent rate of return provided in existing law.

(Signed) James M. Frey

Assistant Director
for Legislative Reference

Enclosures



THE LIBRARY OF CONGRESS

WASHINGTON, D. C. 20540

May 13, 1976

Dear Mr. Frey:

This is in response to your request for the Library of Congress' views with respect to enrolled bills, S. 2619, S. 2620, acts to provide for adjusting the amount of interest paid on funds deposited with the United States Treasury by the Library of Congress Trust Fund Board and the Act of August 20, 1912.

The two bills are intended to carry out the same purpose-- that is, to adjust the rate of interest paid by the U. S. Treasury to the permanent loan account of the Library of Congress Trust Fund Board and to the Gertrude Hubbard bequest. This adjustment would be from the present rate of 4 percent to the current average market yield on outstanding long-term marketable obligations of the United States. When the Library of Congress Trust Fund Board Act was enacted in 1925, interest of 4 percent was a premium rate and the amount of money that could be invested in this manner was limited to \$5 million. This latter figure was increased by a 1962 Act of Congress to \$10 million. The Gertrude M. Hubbard bequest has been similarly limited to 4 percent. Since 1925, as we all know, interest rates have increased substantially.

S. 2619 and S. 2620 would amend the laws to allow a rate of interest to be determined by the Secretary of the Treasury, who is the Chairman of the Library of Congress Trust Fund Board, taking into consideration the current average market yield on outstanding long-term marketable obligations of the United States.

Increased costs since 1925 have made it more and more difficult to accomplish the purposes for which the endowments were originally established with the income generated at the 4 percent rate. These endowments are primarily for cultural programs and for the specialized development of the Library's collections and services.

S. 2619 and S. 2620 would allow a rate of interest equal to that of similar trust funds, such as the Railroad Retirement Fund, the Civil Service Retirement Fund, and the permanent fund of the United States Soldiers' and Airmen's Home. It also protects the return on the permanent loan funds and the Hubbard bequest from falling below the level of return provided in the present law. It continues the rate of interest at 4 percent per annum if the formula rate should fall below 4 percent per annum. The



THE LIBRARY OF CONGRESS

WASHINGTON, D. C. 20540

May 13, 1976

Dear Mr. Frey:

This is in response to your request for the Library of Congress' views with respect to enrolled bills, (S. 2619, S. 2620), acts to provide for adjusting the amount of interest paid on funds deposited with the United States Treasury by the Library of Congress Trust Fund Board and the Act of August 20, 1912.

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S. 2619 and S. 2620 would allow a rate of interest equal to that of similar trust funds, such as the Railroad Retirement Fund, the Civil Service Retirement Fund, and the permanent fund of the United States Soldiers' and Airmen's Home. It also protects the return on the permanent loan funds and the Hubbard bequest from falling below the level of return provided in the present law. It continues the rate of interest at 4 percent per annum if the formula rate should fall below 4 percent per annum. The

0.25 percent per annum reduction in the rate of return in the formula rate is to provide a trade-off for the establishment of a floor of 4 percent per annum on the investment's return. It is necessary to maintain this floor because much of the trust fund is controlled by trust instruments that require investment in a permanent loan to the U. S. Treasury bearing interest at the rate of 4 percent per annum. This reduction in the formula rate of return is, we believe, an equitable exchange for the guaranteed 4 percent minimum.

The Library of Congress Trust Fund Board recommended that this legislation be enacted. The Secretary of Treasury has concurred in this recommendation.

The Library of Congress favors the enactment of S. 2619 and S. 2620.

Sincerely yours,



Adoreen M. McCormick
Legislative Liaison Officer

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20504



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D. C. 20220

MAY 14 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 2620, "To provide for adjusting the amount of interest paid on funds deposited with the Treasury of the United States pursuant to the Act of August 20, 1912 (37 Stat. 319.)"

The enrolled enactment would substitute an interest rate which is the higher of (1) a rate which is 0.25 percentage points less than a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding long-term marketable obligations of the United States, adjusted to the nearest one-eighth of 1 per centum, or (2) the rate of 4 per centum, for the present 4 percent interest rate on the \$20 thousand bequest to the United States of Gertrude M. Hubbard. Treasury assisted Congress in the drafting of this legislation.

The Department recommends that the enrolled enactment be approved by the President.

Sincerely yours,

General Counsel
Richard B. Albrecht

INTEREST ON LIBRARY OF CONGRESS TRUST FUND DEPOSITED WITH
THE TREASURY OF THE UNITED STATES UNDER ACT OF AUGUST 20,
1912 (GERTRUDE M. HUBBARD BEQUEST)

NOVEMBER 20 (legislative day, NOVEMBER 18), 1975.—Ordered to be printed

Mr. CANNON, from the Committee on Rules and Administration,
submitted the following

REPORT

[To accompany S. 2620]

The Committee on Rules and Administration, to which was referred the bill (S. 2620) to provide for adjusting the amount of interest paid on funds deposited with the Treasury of the United States pursuant to the Act of August 20, 1912 (37 Stat. 319), having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

S. 2620 would provide for adjusting the amount of interest paid on the Library of Congress trust fund deposited with the United States Treasury under the Act of August 20, 1912 (Bequest of Gertrude M. Hubbard), to make it comparable to the interest paid pursuant to 2 U.S.C. 158 on other funds deposited in the U.S. Treasury by the Library of Congress Trust Fund Board.

A letter in support and further explanation of S. 2620, addressed to Senator Howard W. Cannon, Chairman, Committee on Rules and Administration, by Daniel J. Boorstin, Librarian of Congress, is as follows:

THE LIBRARY OF CONGRESS,
Washington, D.C., November 18, 1975.

Hon. HOWARD W. CANNON,
Chairman, Committee on Rules and Administration, U.S. Senate,
Washington, D.C.

DEAR SENATOR CANNON: This is in response to your request for the Library's views on S. 2620, a bill to provide for adjusting the amount of interest paid on funds deposited with the Treasury of the United States pursuant to the Act of August 20, 1912 (37 Stat. 319).

The purpose of this bill is to increase the amount of interest paid on the trust fund known as the Gertrude M. Hubbard bequest deposited with the Treasury of the United States under the Act of August 20, 1912.

This bequest, which was deposited with the Treasury Department as a perpetual trust fund, is limited by law to an annual interest rate of 4 percent. S. 2620 would amend the law to allow a rate of interest to be determined by the Secretary of Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States with the longest periods to maturity. It would also protect the return on the trust from falling below the level of return provided for in the 1912 Act.

S. 2620 provides for adjusting the rate of interest for the Gertrude M. Hubbard bequest in the same manner as S. 2619 adjusts the rate of interest for funds deposited by the Library of Congress Trust Fund Board in the permanent loan account of the Treasury. My letter of November 17 to you comments on this bill.

The Gertrude M. Hubbard bequest, which amounts to \$20,000, is used for the purpose of adding to the Gardiner Greene Hubbard collection of engravings in the Library of Congress.

The Library of Congress Trust Fund Board of which the Secretary of Treasury is Chairman has recommended the enactment of S. 2620.

I would urge prompt and favorable attention to this legislation by your Committee.

Sincerely yours,

DANIEL J. BOORSTIN,
Librarian of Congress.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, S. 2620, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, and new matter is shown in italic):

SECTION 3 OF THE ACT TO ACCEPT AND FUND THE REQUEST OF GERTRUDE M. HUBBARD

(Approved August 20, 1912; 37 Stat. 320)

[SEC. 3. That in compliance with said conditions the principal of the sum so received and paid into the Treasury of the United States shall be credited on the books of the Treasury Department as a perpetual trust fund; and the sum of eight hundred dollars, being equivalent to four per centum on the principal of said trust fund, be, and the same is hereby, appropriated, out of any moneys in the Treasury not otherwise appropriated, and such appropriation shall be deemed a permanent annual appropriation and shall be expended in the manner and for the purposes herein authorized and as provided in the said bequest.]

SEC. 3. In compliance with said conditions the principal of the sum so received and paid into the Treasury of the United States shall be credited on the books of the Treasury Department as a perpetual trust fund; and the Secretary of the Treasury shall invest such sum in Treasury obligations which shall earn interest at a rate which is the higher of (1) a rate which is 0.25 percentage points less than a rate determined by the Secretary of the Treasury, taking into consideration

the current average market yield on outstanding marketable obligations of the United States with the longest periods to maturity, adjusted to the nearest one-eighth of 1 per centum, or (2) the rate of 4 per centum per annum; and the Secretary of the Treasury shall thereafter credit such deposit with such interest semi-annually, and such interest, as income, shall be subject to disbursement for the purposes herein authorized and as provided in the said bequest.

○

PROVIDING FOR ADJUSTING THE AMOUNT OF INTEREST PAID ON FUNDS DEPOSITED WITH THE TREASURY OF THE UNITED STATES PURSUANT TO AN ACT OF AUGUST 20, 1912, TITLED "AN ACT TO ACCEPT AND FUND THE BEQUEST OF GERTRUDE M. HUBBARD" (37 STAT. 319)

DECEMBER 16, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. NEDZI, from the Committee on House Administration submitted the following

REPORT

[To accompany H.R. 8628]

The Committee on House Administration, to whom was referred the bill (H.R. 8628) having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

On December 10, 1975, a quorum being present, the committee, by a voice vote, adopted a motion to report H.R. 8628.

COMPLIANCE WITH CLAUSE (1) OF RULE XI OF THE RULES

(1) With reference to clause 2(1) (3) (A) of rule XI of the Rules of the House of Representatives, separate hearings were held on the subject matter of this legislation by the Subcommittee on Library and Memorials, and the Committee on House Administration which resulted in the reported bill.

(2) With reference to clause 2(1) (3) (C) of rule XI of the Rules of the House of Representatives, the Committee on House Administration has not received an estimated and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act.

(3) With reference to clause 2(1) (3) and (I) of rule XI of the Rules of the House of Representatives, the committee has not received a report from the Committee on Government Operations pertaining to this subject matter.

(4) With reference to clause 2(1) (4) of rule XI of the Rules of the House of Representatives, the following information is provided:

Since the purpose of this bill is to increase the rate of interest currently being paid by the Treasury of the United States on certain limited trust funds, namely the Gertrude Hubbard Bequest, of the

Library of Congress; the carrying out of H.R. 8628 is not expected to have any inflationary impact with respect to prices and costs.

Accordingly, the enactment of H.R. 8628, as reported will not have a significant inflationary impact to prices and costs in the operation of the national economy.

PURPOSE

This bill, H.R. 8628, is intended to adjust the rate of interest paid by the U.S. Treasury to the Library of Congress on certain funds held by the Treasury, in trust, and specified as the Gertrude Hubbard Bequest. This adjustment would be from the present rate of 4 per cent to the current average market yield on outstanding marketable obligations of the United States, less 0.25 per cent.

BACKGROUND

When the corpus of the Gertrude Hubbard Bequest to the Library of Congress was accepted for deposit with the Treasury of the United States under the Act of August 20, 1912, an interest rate of 4 per cent was a premium rate of return. However, since that time, interest rates have increased substantially. Currently, the average yield on U.S. Government securities is over 6 per cent per annum. The Library's Trust Funds on deposit with the Treasury in the Gertrude Hubbard Bequest account, have, however, been limited by the Act of 1912 to an annual rate of 4 per cent. This bill, H.R. 8628, would amend the law to allow a rate of interest to be paid upon a determination by the Secretary of the Treasury, who is also the Chairman of the Library Trust Fund Board, based upon the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such investments.

Increased costs since 1912 have made it more and more difficult to accomplish the purposes for which the endowments were originally established, given the small amount of income generated by the 4 per cent return. These endowments are primarily for cultural programs and for the specialized development of the Library's collections and services.

H.R. 8628 would allow a rate of interest equal to that of similar trust funds, such as the Railroad Retirement Fund, the Civil Service Retirement Fund, and the permanent fund of the U.S. Soldiers' and Airmen's Home. It also protects the return on the Hubbard Bequest from falling below the level of return provided in the present law. It continues the rate of interest at 4 per cent if the formula rate should fall below 4 per cent. The 0.25 per cent reduction in the rate of return in the formula is to provide a trade-off for the establishment of a floor of 4 per cent. It is necessary to maintain this floor because the Bequest is controlled by an instrument that requires investment in an account with the Treasury bearing interest at a minimum 4 per cent rate.

HEARINGS

On November 11, 1975, the Subcommittee on Library and Memorials held a comprehensive hearing on H.R. 8628. At that hearing,

the Acting Librarian of Congress, Mr. John Lorenz, testified as to the need for this legislation. In addition, the Acting Librarian indicated that this legislation was introduced by request of the Trust Fund Board at its meeting in November, 1974 and that the Secretary of the Treasury, Hon. William E. Simon, Chairman of the Trust Fund Board, concurred in the Board's action.

COST OF H.R. 8628

There is no cost directly attributable to this legislation.

REPORTS AND CLEARANCES

A report in further clarification of H.R. 8628, addressed to the Honorable Lucien N. Nedzi, Chairman of the Subcommittee on Library and Memorials of the Committee on House Administration, by the Honorable David Mosso, Fiscal Assistant Secretary, Department of the Treasury, Washington, D.C. 20220, follows:

THE DEPARTMENT OF THE TREASURY,
Washington, D.C.

HON. LUCIEN N. NEDZI,
Chairman, Subcommittee on Library and Memorials, Committee on House Administration, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of November 17, 1975, requested our views on proposed legislation (H.R. 8627 and H.R. 8628) which your Subcommittee has approved and recommended for favorable consideration by the full Committee on House Administration.

H.R. 8627 would change the present statutory 4 percent rate on the Permanent Loan Fund of the Library of Congress to the higher of (1) a 4 percent rate or (2) a rate fixed by the Secretary of the Treasury based on market yields on Treasury marketable securities, with a reduction of 25 basis points from the rate the formula would otherwise provide. H.R. 8628 would provide the same interest rate determination for investments to the Gertrude M. Hubbard bequest to the Library of Congress, but with a 10% interest rate ceiling imposed.

The investment rates in both bills are acceptable to the Department of the Treasury.

Thank you for the opportunity to comment on the proposed legislation at this time.

Sincerely yours,

(s) DAVID MOSSO,
Fiscal Assistant Secretary.

Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,
one thousand nine hundred and seventy-six*

An Act

To provide for adjusting the amount of interest paid on funds deposited with the Treasury of the United States pursuant to the Act of August 20, 1912 (37 Stat. 319).

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Act entitled "An Act to accept and fund the bequest of Gertrude M. Hubbard", approved August 20, 1912 (37 Stat. 320) is amended to read as follows:

"SEC. 3. In compliance with said conditions the principal of the sum so received and paid into the Treasury of the United States shall be credited on the books of the Treasury Department as a perpetual trust fund; and the Secretary of the Treasury shall thereafter credit such deposit with interest, semiannually, at a rate which is the higher of (1) a rate which is 0.25 percentage points less than a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding long-term marketable obligations of the United States, adjusted to the nearest one-eighth of 1 per centum, or (2) the rate of 4 per centum per annum; and such interest, as income, shall be subject to disbursement for the purposes herein authorized and as provided in the said bequest."

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

May 12, 1976

Dear Mr. Director:

The following bills were received at the White House on May 12th:

- | | |
|-----------|-------------|
| S. 2619 ✓ | H.R. 2776 ✓ |
| S. 2620 ✓ | H.R. 4038 ✓ |
| S. 3031 | H.R. 5227 ✓ |
| S. 3107 ✓ | H.R. 8863 ✓ |

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C.