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Statement of

C. Canby Balderston, Vice Chairman

Board of Governors of the

Federal Reserve System,

before

Subcommittee No. 1 of the

Committee on Banking and Currency

House of Representatives

on

S. 1005

May 11, 1962

I appreciate the opportunity to appear in support of S. 1005. This bill would authorize an expansion of working space urgently needed at certain Federal Reserve branches. It would repeal the provision of Section 10 of the Federal Reserve Act that now blocks this required expansion. The provision to which I refer in effect imposes a $30 million limit on construction of branch buildings. It reaches this result in two stages: first, it restricts the cost of any single branch building to $250,000--a figure adopted in 1922 and now unrealistic; second, it waives this restriction for construction approved after June 30, 1947, up to a total of $30 million for all branches--a limit that has virtually been reached.

In addition to repealing these restrictions, S. 1005 provides that branch buildings may be erected only with the approval of the Board of Governors. Thus the bill would write into the statute the long-standing practice of the Board in supervising such expenditures.

The need for this legislation stems from the nation's growth that has resulted in certain Federal Reserve offices being called upon to process more checks and to handle more currency than can be done efficiently in their present quarters. These two activities--handling checks and handling currency and coin--require most of the space in Federal Reserve offices, and they are the ones that are growing the fastest. Since 1953 (the year the present $30 million authorization was enacted) the volume of cash handled by Federal Reserve branch offices has increased by about 50 per cent, and the volume of checks handled has increased by about 80 per cent.

To meet this growing volume of work, the Board over the past 15 years has authorized construction or purchase of branch buildings in 20 Federal Reserve cities throughout the country. The cost of these authorizations has totaled slightly over $28 million, and it is expected that the remainder of the $30 million authorized under present law will be utilized for a larger office that is much needed at Little Rock.

There remains, however, an immediate need for new buildings, or substantial improvements, at New Orleans and Denver. Moreover, growth trends indicate that there will be a need for expanded facilities at Jacksonville, Memphis, Helena, Omaha, and Los Angeles.

The present office at New Orleans was erected in 1923 at a cost of about $650,000. In 1924, 81 employees at this office processed four million checks; in 1961 the office had 226 employees and processed 49 million checks. Over the past 10 years alone, the number of checks processed annually increased by 23 million, and 49 employees were added.

The present Denver office was built in 1925 at a cost of about $230,000. The number of checks processed annually at this office rose from nine million in 1925 to 27 million in 1951 and reached 49 million in 1961. Employees increased from 75 in 1925 to 149 in 1951 and 160 in 1961.

Both of these offices are badly overcrowded and their working conditions are unsatisfactory.

After the new construction has been authorized at Little Rock, the $30 million limit will have been reached. Consequently, no action may be taken to start construction in New Orleans, Denver, and other cities where additional space is needed until Congress approves this bill. Unless these additional quarters are provided, the System's ability to render efficient service in these areas will be impaired. For these reasons, the Board urges favorable consideration of S. 1005.