# H.R. 2086, THE LOCAL FLEXIBILITY ACT, PART III

# HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS

OF THE

# COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

ON

## H.R. 2086

TO INCREASE THE OVERALL ECONOMY AND EFFICIENCY OF GOVERNMENT OPERATIONS AND ENABLE MORE EFFICIENT USE OF FEDERAL FUNDING, BY ENABLING LOCAL GOVERNMENTS AND PRIVATE, NONPROFIT ORGANIZATIONS TO USE AMOUNTS AVAILABLE UNDER CERTAIN FEDERAL ASSISTANCE PROGRAMS IN ACCORDANCE WITH APPROVED LOCAL FLEXIBILITY PLANS

FEBRUARY 22, 1996

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# H.R. 2086, THE LOCAL FLEXIBILITY ACT, PART III

**THURSDAY, FEBRUARY 22, 1996**

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES AND
INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2247, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays and Souder.

Staff present: Lawrence J. Halloran, staff director and counsel; Christopher Allred, and Robert Newman, professional staff members; Thomas M. Costa, clerk; and Cheryl Phelps, minority professional staff member.

Mr. SHAYS. We are going to start this hearing. I am going to make my statement. We will be joined by Mr. Souder, but Mr. Hoyer has to get on his way shortly and we want to make sure we start. So I will make a tentative call of this committee to order; I will have to make it official in a few minutes.

According to Webster's Ninth New Collegiate Dictionary, "flexible" means "characterized by a ready capability to adapt to new, different or changing requirements." It is not a term often used to describe Federal grant programs, which are more readily characterized by rigid program rules, high administrative costs, and fragmented funding to address interrelated problems.

H.R. 2086, the Local Empowerment and Flexibility Act, would bring a needed measure of flexibility to the administration of Federal grant programs.

In two previous hearings on the bill, the subcommittee learned that State and local agencies face a variety of regulatory impediments to innovation and coordination in the use of Federal grant funds.

According to the General Accounting Office, GAO, efforts to create a comprehensive approach to community needs must piece together a complex web of funding from several private and public sources, often with restrictions on use, to cover both their program and their administrative costs. They also face the daunting task of concurrently managing a diverse set of programs to address housing, economic development, and social service needs.

The GAO also reported that some organizations turned down funding from certain Federal programs, or chose not to apply for

some Federal grants, because the programs were not flexible enough to be used to address community needs effectively.

To me, that is compelling evidence, from those closest to the problem, that narrowly focused categorical grants are missing the mark. Flexibility will empower communities to focus on achieving the intended outcomes of Federal programs, while devoting less time and money to mechanical compliance with regulatory restrictions and procedural requirements.

Flexibility means Federal standards will bend to the diverse needs of individual communities, not break. The flexibility envisioned in H.R. 2086 will not permit the use of housing funds for highways or permit the waiver of essential Federal health and safety protections. Federal approval of the flexibility plan required under the bill will ensure that "flexed" funds are used to achieve national program goals, not denigrate them.

Still some fear that flexibility could be used to repeal national standards, particularly labor and environmental safeguards. I do not share those fears. The planning and approval process in this legislation ensures that waivers granted in the name of flexibility will be used to reach or exceed the goals Congress has set, but by a better path.

Last week the President's Council on Sustainable Development, comprised of business and environmental leaders, observed that "the existing regulatory system may be greatly improved by moving toward performance-based policies. Regulations that specify performance standards based on strong protection of health and the environment, but without mandating the means of compliance, give companies and communities flexibility to find the most cost-effective way to achieve environmental goals."

That flexibility would become a permanent feature of Federal law with the adoption of H.R. 2086.

Yesterday I received a letter from the mayor of Santa Ana, CA in support of H.R. 2086. Mayor Pulido says local labor unions offered to provide apprentice labor to help transform a historic downtown building into a center for local artists. A waiver of the prevailing wage law would have saved the city substantial renovation costs. According to the mayor, "The union recognized the role this project would play in economic revitalization of our city and equally found value in the work opportunity for their apprentices."

Such a waiver could have been obtained as part of an approved flexibility plan under H.R. 2086.

[The text of H.R. 2086 follows:]

I

104TH CONGRESS
1ST SESSION

# H. R. 2086

To increase the overall economy and efficiency of Government operations and enable more efficient use of Federal funding, by enabling local governments and private, nonprofit organizations to use amounts available under certain Federal assistance programs in accordance with approved local flexibility plans.

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IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1995

Mr. SHAYS (for himself and Mr. CLINGER) introduced the following bill; which was referred to the Committee on Government Reform and Oversight

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# A BILL

To increase the overall economy and efficiency of Government operations and enable more efficient use of Federal funding, by enabling local governments and private, nonprofit organizations to use amounts available under certain Federal assistance programs in accordance with approved local flexibility plans.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Local Empowerment and Flexibility Act of 1995".

**SEC. 2. FINDINGS.**

The Congress finds that—

(1) historically, Federal programs have addressed the Nation's problems by providing categorical financial assistance with detailed requirements relating to the use of funds;

(2) while the assistance described in paragraph (1) has been directed at critical problems, some program requirements may inadvertently impede the effective delivery of services;

(3) the Nation's local governments and private, nonprofit organizations are dealing with increasingly complex problems which require the delivery of many kinds of services;

(4) the Nation's communities are diverse, and different needs are present in different communities;

(5) it is more important than ever to provide programs that—

(A) promote more effective and efficient local delivery of services to meet the full range of needs of individuals, families, and society;

(B) respond flexibly to the diverse needs of the Nation's communities;

(C) reduce the barriers between programs that impede local governments' ability to effectively deliver services; and

(D) empower local governments and private, nonprofit organizations to be innovative in creating programs that meet the unique needs of their communities while continuing to address national policy goals; and

(6) many communities have innovative planning and community involvement strategies for providing services, but Federal, State, and local regulations often hamper full implementation of local plans.

**SEC. 3. PURPOSES.**

The purposes of this Act are to—

(1) enable more efficient use of Federal, State, and local resources;

(2) place less emphasis in Federal service programs on measuring resources and procedures and more emphasis on achieving Federal, State, and local policy goals;

(3) enable local governments and private, nonprofit organizations to adapt programs of Federal financial assistance to the particular needs of their communities, by—

(A) drawing upon appropriations available from more than one Federal program; and

(B) integrating programs and program funds across existing Federal financial assistance categories; and

(4) enable local governments and private, nonprofit organizations to work together and build stronger cooperative partnerships to address critical service problems.

**SEC. 4. DEFINITIONS.**

For purposes of this Act—

(1) the term "approved local flexibility plan" means a local flexibility plan that combines funds from Federal, State, local government or private sources to address the service needs of a community (or any part of such a plan) that is approved by the Flexibility Council under section 5;

(2) the term "community advisory committee" means such a committee established by a local government under section 9;

(3) the term "Flexibility Council" means the council composed of the—

(A) Assistant to the President for Domestic Policy;

(B) Assistant to the President for Economic Policy;

(C) Secretary of the Treasury;

(D) Attorney General;

(E) Secretary of the Interior;

(F) Secretary of Agriculture;

(G) Secretary of Commerce;

(H) Secretary of Labor;

(I) Secretary of Health and Human Services;

(J) Secretary of Housing and Urban Development;

(K) Secretary of Transportation;

(L) Secretary of Education;

(M) Secretary of Energy;

(N) Secretary of Veterans Affairs;

(O) Secretary of Defense;

(P) Director of Federal Emergency Management Agency;

(Q) Administrator of the Environmental Protection Agency;

(R) Director of National Drug Control Policy;

(S) Administrator of the Small Business Administration;

(T) Director of the Office of Management and Budget; and

(U) Chair of the Council of Economic Advisers.

(4) the term "covered Federal financial assistance program" means an eligible Federal financial assistance program that is included in a local flexibility plan of a local government;

(5) the term "eligible Federal financial assistance program"—

(A) means a Federal program under which financial assistance is available, directly or indirectly, to a local government or a qualified organization to carry out the specified program; and

(B) does not include a Federal program under which financial assistance is provided by the Federal Government directly to a beneficiary of that financial assistance or to a State as a direct payment to an individual;

(6) the term "eligible local government" means a local government that is eligible to receive financial assistance under 1 or more covered Federal programs;

(7) the term "local flexibility plan" means a comprehensive plan for the integration and administration by a local government of financial assistance

provided by the Federal Government under 2 or more eligible Federal financial assistance programs;

(8) the term "local government" means a subdivision of a State that is a unit of general local government (as defined under section 6501 of title 31, United States Code);

(9) the term "priority funding" means giving higher priority (including by the assignment of extra points, if applicable) to applications for Federal financial assistance submitted by a local government having an approved local flexibility program, by—

(A) a person located in the jurisdiction of such a government; or

(B) a qualified organization eligible for assistance under a covered Federal financial assistance program included in such a plan;

(10) the term "qualified organization" means a private, nonprofit organization described in section 501(c)(3) of the Internal Revenue Code of 1986 that is exempt from taxation under section 501(a) of the Internal Revenue Code of 1986; and

(11) the term "State" means the 50 States, the District of Columbia, Puerto Rico, American Samoa, Guam, and the Virgin Islands.

**SEC. 5. PROVISION OF FEDERAL FINANCIAL ASSISTANCE IN ACCORDANCE WITH APPROVED LOCAL FLEXIBILITY PLAN.**

(a) PAYMENTS TO LOCAL GOVERNMENTS.—Notwithstanding any other provision of law, amounts available to a local government or a qualified organization under a covered Federal financial assistance program included in an approved local flexibility plan shall be provided to and used by the local government or organization in accordance with the approved local flexibility plan.

(b) ELIGIBILITY FOR BENEFITS.—An individual or family that is eligible for benefits or services under a covered Federal financial assistance program included in an approved local flexibility plan may receive those benefits only in accordance with the approved local flexibility plan.

**SEC. 6. APPLICATION FOR APPROVAL OF LOCAL FLEXIBILITY PLAN.**

(a) IN GENERAL.—A local government may submit to the Flexibility Council in accordance with this section an application for approval of a local flexibility plan.

(b) CONTENTS OF APPLICATION.—An application submitted under this section shall include—

(1)(A) a proposed local flexibility plan that complies with subsection (c); or

(B) a strategic plan submitted in application for designation as an enterprise community or an

empowerment zone under section 1391 of the Internal Revenue Code of 1986;

(2) certification by the chief executive of the local government, and such additional assurances as may be required by the Flexibility Council, that—

(A) the local government has the ability and authority to implement the proposed plan, directly or through contractual or other arrangements, throughout the geographic area in which the proposed plan is intended to apply; and

(B) amounts are available from non-Federal sources to pay the non-Federal share of all covered Federal financial assistance programs included in the proposed plan; and

(3) any comments on the proposed plan submitted under subsection (d) by the Governor of the State in which the local government is located;

(4) public comments on the plan including the transcript of at least 1 public hearing and comments of the appropriate community advisory committee established under section 9; and

(5) other relevant information the Flexibility Council may require to approve the proposed plan.

(c) CONTENTS OF PLAN.—A local flexibility plan submitted by a local government under this section shall include—

(1) the geographic area to which the plan applies and the rationale for defining the area;

(2) the particular groups of individuals, by service needs, economic circumstances, or other defining factors, who shall receive services and benefits under the plan;

(3)(A) specific goals and measurable performance criteria, a description of how the plan is expected to attain those goals and criteria;

(B) a description of how performance shall be measured; and

(C) a system for the comprehensive evaluation of the impact of the plan on participants, the community, and program costs;

(4) the eligible Federal financial assistance programs to be included in the plan as covered Federal financial assistance programs and the specific benefits that shall be provided under the plan under such programs, including—

(A) criteria for determining eligibility for benefits under the plan;

(B) the services available;

(C) the amounts and form (such as cash, in-kind contributions, or financial instruments) of nonservice benefits; and

(D) any other descriptive information the Flexibility Council considers necessary to approve the plan;

(5) except for the requirements under section 8(b)(3), any Federal statutory or regulatory requirement applicable under a covered Federal financial assistance program included in the plan, the waiver of which is necessary to implement the plan;

(6) fiscal control and related accountability procedures applicable under the plan;

(7) a description of the sources of all non-Federal funds that are required to carry out covered Federal financial assistance programs included in the plan;

(8) written consent from each qualified organization for which consent is required under section 6(b)(2); and

(9) other relevant information the Flexibility Council may require to approve the plan.

(d) PROCEDURE FOR APPLYING.—(1) To apply for approval of a local flexibility plan, a local government shall submit an application in accordance with this section to

the Governor of the State in which the local government is located.

(2) A Governor who receives an application from a local government under paragraph (1) may, by no later than 30 days after the date of that receipt—

(A) prepare comments on the proposed local flexibility plan included in the application;

(B) describe any State laws which are necessary to waive for successful implementation of a local plan; and

(C) submit the application and comments to the Flexibility Council.

(3) If a Governor fails to act within 30 days after receiving an application under paragraph (2), the applicable local government may submit the application to the Flexibility Council.

**SEC. 7. REVIEW AND APPROVAL OF LOCAL FLEXIBILITY PLANS.**

(a) REVIEW OF APPLICATIONS.—Upon receipt of an application for approval of a local flexibility plan under this Act, the Flexibility Council shall—

(1) approve or disapprove all or part of the plan within 45 days after receipt of the application;

(2) notify the applicant in writing of that approval or disapproval by not later than 15 days after the date of that approval or disapproval; and

(3) in the case of any disapproval of a plan, include a written justification of the reasons for disapproval in the notice of disapproval sent to the applicant.

(b) APPROVAL.—(1) The Flexibility Council may approve a local flexibility plan for which an application is submitted under this Act, or any part of such a plan, if a majority of members of the Council determines that—

(A) the plan or part shall improve the effectiveness and efficiency of providing benefits under covered Federal programs included in the plan by reducing administrative inflexibility, duplication, and unnecessary expenditures;

(B) the applicant local government has adequately considered, and the plan or part of the plan appropriately addresses, any effect that administration of each covered Federal program under the plan or part of the plan shall have on administration of the other covered Federal programs under that plan or part of the plan;

(C) the applicant local government has or is developing data bases, planning, and evaluation proc-

esses that are adequate for implementing the plan or part of the plan;

(D) the plan shall more effectively achieve Federal financial assistance goals at the local level and shall better meet the needs of local citizens;

(E) implementation of the plan or part of the plan shall adequately achieve the purposes of this Act and of each covered Federal financial assistance program under the plan or part of the plan;

(F) the plan and the application for approval of the plan comply with the requirements of this Act;

(G) the plan or part of the plan is adequate to ensure that individuals and families that receive benefits under covered Federal financial assistance programs included in the plan or part shall continue to receive benefits that meet the needs intended to be met under the program; and

(H) the local government has—

(i) waived the corresponding local laws necessary for implementation of the plan; and

(ii) sought any necessary waivers from the State.

(2) The Flexibility Council may not approve any part of a local flexibility plan if—

(A) implementation of that part would result in any increase in the total amount of obligations or outlays of discretionary appropriations or direct spending under covered Federal financial assistance programs included in that part, over the amounts of such obligations and outlays that would occur under those programs without implementation of the part; or

(B) in the case of a plan or part that applies to assistance to a qualified organization under an eligible Federal financial assistance program, the qualified organization does not consent in writing to the receipt of that assistance in accordance with the plan.

(3) The Flexibility Council shall disapprove a part of a local flexibility plan if a majority of the Council disapproves that part of the plan based on a failure of the part to comply with paragraph (1).

(4) In approving any part of a local flexibility plan, the Flexibility Council shall specify the period during which the part is effective. An approved local flexibility plan shall not be effective after the date of the termination of effectiveness of this Act under section 13.

(5) Disapproval by the Flexibility Council of any part of a local flexibility plan submitted by a local government

under this Act shall not affect the eligibility of a local government, a qualified organization, or any individual for benefits under any Federal program.

(c) MEMORANDA OF UNDERSTANDING.—(1) The Flexibility Council may not approve a part of a local flexibility plan unless each local government and each qualified organization that would receive financial assistance under the plan enters into a memorandum of understanding under this subsection with the Flexibility Council.

(2) A memorandum of understanding under this subsection shall specify all understandings that have been reached by the Flexibility Council, the local government, and each qualified organization that is subject to a local flexibility plan, regarding the approval and implementation of all parts of a local flexibility plan that are the subject of the memorandum, including understandings with respect to—

(A) all requirements under covered Federal financial assistance programs that are to be waived by the Flexibility Council under section 8(b);

(B)(i) the total amount of Federal funds that shall be provided as benefits under or used to administer covered Federal financial assistance programs included in those parts; or

(ii) a mechanism for determining that amount, including specification of the total amount of Federal funds that shall be provided or used under each covered Federal financial assistance program included in those parts;

(C) the sources of all non-Federal funds that shall be provided as benefits under or used to administer those parts;

(D) measurable performance criteria that shall be used during the term of those parts to determine the extent to which the goals and performance levels of the parts are achieved; and

(E) the data to be collected to make that determination.

(d) LIMITATION ON CONFIDENTIALITY REQUIREMENTS.—The Flexibility Council may not, as a condition of approval of any part of a local flexibility plan or with respect to the implementation of any part of an approved local flexibility plan, establish any confidentiality requirement that would—

(1) impede the exchange of information needed for the design or provision of benefits under the parts; or

(2) conflict with law.

**SEC. 8. IMPLEMENTATION OF APPROVED LOCAL FLEXIBILITY PLANS; WAIVER OF REQUIREMENTS.**

(a) PAYMENTS AND ADMINISTRATION IN ACCORDANCE WITH PLAN.—Notwithstanding any other law, any benefit that is provided under a covered Federal financial assistance program included in an approved local flexibility plan shall be paid and administered in the manner specified in the approved local flexibility plan.

(b) WAIVER OF REQUIREMENTS.—(1) Notwithstanding any other law and subject to paragraphs (2) and (3), the Flexibility Council may waive any requirement applicable under Federal law to the administration of, or provision of benefits under, any covered Federal assistance program included in an approved local flexibility plan, if that waiver is—

(A) reasonably necessary for the implementation of the plan; and

(B) approved by a majority of members of the Flexibility Council.

(2) The Flexibility Council may not waive a requirement under this subsection unless the Council finds that waiver of the requirement shall not result in a qualitative reduction in services or benefits for any individual or family that is eligible for benefits under a covered Federal financial assistance program.

(3) The Flexibility Council may not waive any requirement under this subsection—

(A) that enforces any constitutional or statutory right of an individual, including any right under—

(i) title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.);

(ii) section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 701 et seq.);

(iii) title IX of the Education Amendments of 1972 (86 Stat. 373 et seq.);

(iv) the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.); or

(v) the Americans with Disabilities Act of 1990;

(B) for payment of a non-Federal share of funding of an activity under a covered Federal financial assistance program; or

(C) for grants received on a maintenance of effort basis.

(c) SPECIAL ASSISTANCE.—To the extent permitted by law, the head of each Federal agency shall seek to provide special assistance to a local government or qualified organization to support implementation of an approved

local flexibility plan, including expedited processing, priority funding, and technical assistance.

(d) EVALUATION AND TERMINATION.—(1) A local government, in accordance with regulations issued by the Flexibility Council, shall—

(A) submit such reports on and cooperate in such audits of the implementation of its approved local flexibility plan; and

(B) periodically evaluate the effect implementation of the plan has had on—

(i) individuals who receive benefits under the plan;

(ii) communities in which those individuals live; and

(iii) costs of administering covered Federal financial assistance programs included in the plan.

(2) No later than 90 days after the end of the 1-year period beginning on the date of the approval by the Flexibility Council of an approved local flexibility plan of a local government, and annually thereafter, the local government shall submit to the Flexibility Council a report on the principal activities and achievements under the plan during the period covered by the report, comparing those

achievements to the goals and performance criteria included in the plan under section 6(c)(3).

(3)(A) The Flexibility Council may terminate the effectiveness of an approved local flexibility plan, if the Flexibility Council, after consultation with the head of each Federal agency responsible for administering a covered Federal financial assistance program included in such, determines—

(i) that the goals and performance criteria included in the plan under section 6(c)(3) have not been met; and

(ii) after considering any experiences gained in implementation of the plan, that those goals and criteria are sound.

(B) In terminating the effectiveness of an approved local flexibility plan under this paragraph, the Flexibility Council shall allow a reasonable period of time for appropriate Federal, State, and local agencies and qualified organizations to resume administration of Federal programs that are covered Federal financial assistance programs included in the plan.

(e) FINAL REPORT; EXTENSION OF PLANS.—(1) No later than 45 days after the end of the effective period of an approved local flexibility plan of a local government, or at any time that the local government determines that

the plan has demonstrated its worth, the local government shall submit to the Flexibility Council a final report on its implementation of the plan, including a full evaluation of the successes and shortcomings of the plan and the effects of that implementation on individuals who receive benefits under those programs.

(2) The Flexibility Council may extend the effective period of an approved local flexibility plan for such period as may be appropriate, based on the report of a local government under paragraph (1).

**SEC. 9. COMMUNITY ADVISORY COMMITTEES.**

(a) ESTABLISHMENT.—A local government that applies for approval of a local flexibility plan under this Act shall establish a community advisory committee in accordance with this section.

(b) FUNCTIONS.—A community advisory committee shall advise a local government in the development and implementation of its local flexibility plan, including advice with respect to—

(1) conducting public hearings; and

(2) reviewing and commenting on all community policies, programs, and actions under the plan which affect low income individuals and families, with the purpose of ensuring maximum coordination

and responsiveness of the plan in providing benefits under the plan to those individuals and families.

(c) MEMBERSHIP.—The membership of a community advisory committee shall—

(1) consist of—

(A) persons with leadership experience in the private and voluntary sectors;

(B) local elected officials;

(C) representatives of participating qualified organizations; and

(D) the general public; and

(2) include individuals and representatives of community organizations who shall help to enhance the leadership role of the local government in developing a local flexibility plan.

(d) OPPORTUNITY FOR REVIEW AND COMMENT BY COMMITTEE.—Before submitting an application for approval of a final proposed local flexibility plan, a local government shall submit the final proposed plan for review and comment by a community advisory committee established by the local government.

(e) COMMITTEE REVIEW OF REPORTS.—Before submitting annual or final reports on an approved Federal assistance plan, a local government or private nonprofit

organization shall submit the report for review and comment to the community advisory committee.

**SEC. 10. TECHNICAL AND OTHER ASSISTANCE.**

(a) TECHNICAL ASSISTANCE.—(1) The Flexibility Council may provide, or direct that the head of a Federal agency provide, technical assistance to a local government or qualified organization in developing information necessary for the design or implementation of a local flexibility plan.

(2) Assistance may be provided under this subsection if a local government makes a request that includes, in accordance with requirements established by the Flexibility Council—

(A) a description of the local flexibility plan the local government proposes to develop;

(B) a description of the groups of individuals to whom benefits shall be provided under covered Federal assistance programs included in the plan; and

(C) such assurances as the Flexibility Council may require that—

(i) in the development of the application to be submitted under this title for approval of the plan, the local government shall provide adequate opportunities to participate to—

(I) individuals and families that shall receive benefits under covered Federal financial assistance programs included in the plan; and

(II) governmental agencies that administer those programs; and

(ii) the plan shall be developed after considering fully—

(I) needs expressed by those individuals and families;

(II) community priorities; and

(III) available governmental resources in the geographic area to which the plan shall apply.

(b) DETAILS TO COUNCIL.—At the request of the Flexibility Council and with the approval of an agency head who is a member of the Council, agency staff may be detailed to the Flexibility Council on a nonreimbursable basis.

**SEC. 11. FLEXIBILITY COUNCIL.**

(a) FUNCTIONS.—The Flexibility Council shall—

(1) receive, review, and approve or disapprove local flexibility plans for which approval is sought under this Act;

(2) upon request from an applicant for such approval, direct the head of an agency that administers a covered Federal financial assistance program under which substantial Federal financial assistance would be provided under the plan to provide technical assistance to the applicant;

(3) monitor the progress of development and implementation of local flexibility plans;

(4) perform such other functions as are assigned to the Flexibility Council by this Act; and

(5) issue regulations to implement this Act within 180 days after the date of its enactment.

(b) REPORTS.—No less than 18 months after the date of the enactment of this Act, and annually thereafter, the Flexibility Council shall submit a report on the 5 Federal regulations that are most frequently waived by the Flexibility Council for local governments with approved local flexibility plans to the President and the Congress. The President shall review the report and determine whether to amend or terminate such Federal regulations.

**SEC. 12. REPORT.**

No later than 54 months after the date of the enactment of this Act, the Comptroller General of the United States shall submit to the Congress, a report that—

(1) describes the extent to which local governments have established and implemented approved local flexibility plans;

(2) evaluates the effectiveness of covered Federal assistance programs included in approved local flexibility plans; and

(3) includes recommendations with respect to local flexibility.

**SEC. 13. REPEAL.**

This Act is repealed on the date that is 5 years after the date of the enactment of this Act.

Mr. SHAYS. Today, our witnesses will offer additional examples of benefits of flexibility. I welcome them, particularly my colleague and friend, Steny Hoyer, of Maryland. He is a terrific Congressman who accomplishes a great deal without always getting the credit he deserves. For instance, he has been working on this issue for at least 4 years.

The subcommittee appreciates all the witness's ideas and comments on the Local Empowerment and Flexibility Act.

With that, I would welcome our colleague, Mr. Hoyer. Mr. Hoyer, we swear in all of our witnesses and would appreciate doing that with you as well.

Mr. HOYER. What if I say no?

Mr. SHAYS. I would just be grateful C–SPAN isn't here.

[Witness sworn.]

Mr. SHAYS. For the record, the witness has answered in the affirmative.

**STATEMENT OF HON. STENY H. HOYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND**

Mr. HOYER. Well, it is sort of subjective as to what is the truth; which is why our differences occur from time to time, I suppose.

Mr. Chairman, I want to thank you for this opportunity.

Mr. SHAYS. Let me say, Mr. Hoyer, before starting that we would welcome your complete statement read in or you can paraphrase it. It will all be in the record, and, without objection, I will wait for another Member to come in to do that.

Mr. HOYER. Mr. Chairman, what I intend to do if it is all right with you, I have submitted a statement in full and I will read an excerpt of that statement which I think covers the salient points.

I want to thank you, Mr. Chairman, and I want to make the comment that this is a time, frankly, when we have seen partisanship escalated beyond what I have usually experienced, which I think the American public feels is unfortunate. It is causing them a great deal of angst and frustration to see us always fighting with one another. It is a pleasure to appear before a committee chaired by a Member and participated in by both sides of the aisle, by Members who are interested in working together to come to solutions to solve problems. I am therefore very pleased to be here with you, sir.

Mr. SHAYS. With that, I will let you know that the minority counsel is also going to ask questions, just because we don't have a minority Member here.

Mr. HOYER. OK. I want to thank Ms. Phelps for her attention and assistance as well. Thank you.

I am pleased to join your conversation about ways to make our Federal programs work better and work more efficiently. As you pointed out, I have been involved in this for a number of years as a member of the Labor, Health, Human Services and Education Subcommittee of the Appropriations Committee, of which I have been a member since January 1983. I believe that a concerted Federal effort to rationalize and coordinate programs for children and families is long overdue.

I mention children and families. The bill that is under consideration, obviously, Mr. Chairman, is a generic bill which deals across

all Government programs. I understand that. The efforts that I have been working on are particular to the extent that they deal with the programs for children and families.

We have created hundreds of different taps through which assistance flows, and communities, programs and families must run from tap to tap with a bucket to get the help they need. The problem that I see is a complement to the problem that you target, which is the rules and regulations and the hoops they have to jump through to access any individual program.

In some areas where local needs don't fit the problems covered by our categorical programs, our services for children and families are vastly inadequate. In other areas, services overlap and duplicate each other. For example, multiple programs may provide caseworkers to a single family, but each caseworker deals with only one aspect of the family's needs. This is an inefficient and ineffective way of delivering services, not to mention a very frustrating way for the local governments, local service agencies, or private sector providers to access and deliver the services we expect of them. That is why, in 1994, I asked the Department of Education to convene a working group to make recommendations for a Federal effort to rationalize and coordinate programs for children and families.

The working group, Mr. Chairman, was headed by Jeanne Jehl from the San Diego public schools. She is not here yet, but I expect her to be here a little later, and although she is not on your witness list, I think she will be a useful and important resource for you, the committee, myself, and all of us who are concerned about this problem.

When Congress returns from its recess next week, I will introduce the Local Flexibility and Coordinated Services bill, which incorporates the recommendations of that working group and complements many of the provisions in the Shays-Clinger bill. In fact, Mr. Chairman, I have just suggested to my staff, and therefore we may wait until Tuesday or Wednesday, to introduce two bills, one which will deal with the particular focus that I have been working on since 1994 as it deals with children and families, and a second, more generic bill, frankly incorporating most of the provisions, none of which I necessarily oppose, in your bill, with the educational focus as well.

One of the things my bill does that yours doesn't is that it looks at the coordination between programs as opposed to simply accessing particular programs and waiving regulations or impediments to quick delivery and efficient application of resources through those services.

The bill eliminates Federal red tape and unnecessary regulation. It gives local programs the flexibility they need to address local problems. In addition, it creates incentives for program coordination. Now, this is in addition to what your bill does, but I think that nothing in my bill in the particulars is adverse to the provisions in your bill, but is complementary to it.

Because my time is limited, I will use the rest of my testimony to highlight four areas where my bill differs from, but complements, as I said, aspects of your bill, Mr. Chairman: Program coordination, fixing federally created problems, granting automatic waivers, and designing program accountability measures.

First, and most importantly, I applaud the interdisciplinary nature of the Federal Flexibility Council established by H.R. 2086. I think we call the council a slightly different name, but it is a rose by whatever name we refer to it, because it is a council that, at the Federal level, will say we are going to try to help you locally, not to meet process requirements, but to accomplish objectives.

The message of the working group, a message emphasized by all of the witnesses who testified on the Conyers-Clinger Local Flexibility Act before this committee in 1993, is that programs which meet different aspects of family needs must be coordinated with each other.

Now, again, your bill does not deal with that aspect of it, but I think we can complement each other very well. H.R. 2086 has no coordination focus. Under H.R. 2086, a local government could submit flexibility waivers for schools, Head Start programs and the community health system, without coordinating those programs or waiver requests with each other.

In your community and in mine, frankly, we try to facilitate the accessing of these programs, particularly by people of limited means who may not have some of the sophistication as to how to get to things, and the more they are coordinated at the local level, the better services will be delivered to people who really need them.

Cross program coordination is the key, in my opinion, to improving service, quality and efficiency. It is not the only thing that needs to be done. Your bill has a very important focus in the waivers, but I think we can go further. That is why my bill allows the creation of consortia of program providers in a community. Consortium members could include State government, local government and not-for-profit organizations which provide service to children and families. Each consortium must include providers in at least three of the following areas. In other words, there is a requirement, if you are going to make it simple, then let's put it all together so we can deliver it in a coordinated way.

Elementary and secondary education, Head Start: Now, those two programs alone, Mr. Chairman, as you know, are about $10 billion. About $7 billion is in Title I, although that has come down under the Labor-Health bill, which, as you know, hasn't even been passed in the Senate. So heaven knows where we are, but as it passed the House there was a $1 billion reduction in Chapter 1. I think that was a mistake and voted against it, but whatever level it is, it is a lot of money. There is 3-plus billion in Head Start.

Child care, job training, housing, WIC, maternal and child health and family support and preservation are the other areas. Now, there are 7 or 8 programs that we specifically identified, but I talked to my staff this morning, and my concept really is to include every program, even those as small as $10 million. Every program should be included to maximize the coordination of the application of resources to accomplish objectives which are essentially in common with one another. Healthy Start, Even Start, Chapter 1, et cetera. The consortia may then develop a flexibility plan and waiver request which coordinates their services to children and families.

The waiver process in H.R. 2086 is an important step forward in my opinion. I congratulate the Chair for this leadership. But this

approach unfairly places the burden of reducing barriers on local and State programs. The problem, in my opinion, is the Federal level. That is why I have talked to Secretary Riley, Secretary Shalala and Secretary Reich. Now, your bill deals in a much broader reach than that. But I have talked specifically to those three Secretaries and said look, don't require Prince George's County or St. Mary's or Calvert or Charles or Anne Arundel, the five counties that I represent, to try to deal with every department and every program. Rationalize it for them and say look, we have these resources to accomplish these objectives. Very frankly, if you are accomplishing the objectives, we will coordinate the directing to you of resources. So I think that is an important complement—not in any way contradictory to what you want to accomplish, but a complementary effort that we could make. My bill makes the Federal Government responsible for eliminating regulations, simplifying requirements and making waiver requests unnecessary.

So, I think that what we need to do is to tell our folks who we are in charge of, hey, make it easy for them at the local level. Don't make every school board and every Head Start agency and whatever provider it is have a major expertise of its own to access Federal programs. We ought to have one-stop shopping in effect.

Any State or local official who has been involved in the process can tell you that requesting a waiver from the Federal Government is time consuming and complicated. Even under H.R. 2086, identifying Federal laws and regulations will be a daunting process for many communities. Where programs are duplicating the same steps, they ought to be able to join forces without going through the hoops of requesting a waiver. Now, that may not be possible initially, but that is ultimately our objective.

For example, authorizing legislation requires many programs to assess community needs. Under H.R. 2086, governments would have to apply for a waiver to stop doing three duplicative assessments. Under the Hoyer bill, which I suggest to you I have applied to education and family and children, but would be applicable in other areas as well, consortia of program providers would automatically be exempted from duplicative requirements as long as the requirement was met by the consortium or one of its members. So that if you had a needs assessment done by one member of the consortium, that would apply to the three participants in the consortium.

In an atmosphere of waivers, flexibility and interdisciplinary coordination, the challenge of program evaluation becomes even more difficult. My bill proposes what I believe is a workable system for both tracking and evaluating the impact of our Federal investment in these programs. It is fine to talk about waivers, it is fine to talk about flexibility and coordination, but the bottom line is, the taxpayers to whom you and I are responsible want to know does the program work. They really don't care about process. We deal an awful lot with process, and my frustration in the Labor-Health committee is when you ask questions, you get answers in the sense, well, the application was filled out correctly, they have the proper number of kids. The kids go to the dentist the proper number of times. They have the proper staff development. But when you get

to the question, does it work, are the children getting what you want them to get, that is a much tougher answer.

So evaluators deal with process because that is pretty objective and you can get your hands on it. It is much more difficult to say, did all of that money and all of that process result in a 3-year-old child or a 4-year-old child who was ready to go to kindergarten, who was then ready to go to first grade, who was culturally and socially healthy, et cetera. Under the Hoyer bill, flexibility and coordination plans will identify the goals which the plan is designed to promote. Consortia will be responsible for collecting data and measuring their progress. If you are going to give somebody money and you are going to make it flexible, you really need to know how to evaluate whether this money works.

Data will be collected on a communitywide basis, broken out by appropriate subgroups. That is very important, because we know that we have certain areas with particular problems. For example, African-American children have particular problems and have been particularly disadvantaged. If you group them together or group other minority groups together without taking them out and analyzing whether a program is working for them as well, you may not be accomplishing your objectives. So gross figures do not necessarily show you progress in the segmented areas that you are trying to deal with.

This approach will allow the community to see how well its programs accomplish their goals and improve and adapt services as necessary. Publication of data will create bottom-up pressure to serve all subgroups of the community and help to prevent cherry-picking of the best clients by providing pressure to serve the hardest of the needs as well as the easiest. Data collection will also allow the Flexibility Council to evaluate the effectiveness of its waivers.

I believe that the proposals, Mr. Chairman, I have outlined are fully compatible with the approach to local flexibility empowerment which is taken by you and Mr. Clinger in H.R. 2086. I want to again reiterate that I appreciate the bipartisan spirit in which this subcommittee is proceeding and thank you and the staff for your invitation to testify and for your cooperation. I would also like to say that I look forward to working with you in dealing with the general overall scope of your bill, as well as the particular scope of my proposal.

Thank you very much, Mr. Chairman.

[The prepared statement of Hon. Steny H. Hoyer follows:]

Statement
By the Honorable Steny H. Hoyer

Hearing of the House Human Resources Subcommittee
Government Reform and Oversight Committee
on H.R.2086
The "Local Empowerment and Flexibility Act of 1995"

February 22 1996

I would like to begin by thanking Chairman Shays and Ranking Member Towns for inviting me here today. I am pleased to join your conversation about ways to make our federal programs to help children and families work better and work more efficiently.

Over the years, Congress has created hundreds of categorical programs to help communities and families deal with the myriad of issues confronting them. Each of the programs was created with its own rules and regulations to deal with a particular problem.

In some areas, where local needs don't fit the problems covered by our categorical programs, our services for children and families are vastly inadequate. In other areas, services overlap and duplicate each other; for example, multiple programs may provide case workers to a single family, but each case worker deals only with one aspect of that family's needs.

Case workers spend far too much time dealing with red tape and paperwork, juggling multiple programs with multiple eligibility criteria, application processes and service requirements. The federal government has created hundreds of different taps through which assistance flows -- and communities, programs and families must run from tap to tap with a bucket to get the help they need.

I welcome your work on H.R. 2086 because I believe that a concerted federal effort to rationalize and coordinate programs for children and families is long overdue. This effort should eliminate federal red tape and unnecessary regulation. It should give local programs the flexibility they need to address local problems. It should create incentives for program coordination which serves kids and families better while making more efficient use of our resources.

As an appropriator, I am particularly concerned that our tax dollars be spent efficiently and effectively. In 1994, I asked the Department of Education to convene a working group on coordinated services to make recommendations for such a federal effort. The working group was headed by Jeanne Jehl from the San Diego public schools, who is here in the audience today and whom I would like to thank for her outstanding work.

The working group, which met through 1995, included federal employees and people from state and local governments and organizations across the country. When Congress returns from its recess next week, I will introduce a local flexibility and coordinated services bill which incorporates the recommendations of that working group and many of the provisions of the Shays-Clinger bill.

Because my time is limited, I will use the rest of my testimony to highlight four areas where the working group's findings and my proposed legislation differ from, but complement, aspects of the Shays-Clinger bill. The Hoyer bill makes several

additional changes which I believe will strengthen the waiver process outlined in H.R. 2086 and make it more workable for local communities. However, this testimony will focus on substantial differences in the four areas of program coordination, "fixing" federally created problems, granting automatic waivers, and designing program accountability measures.

Interdisciplinary Coordination

First, and most importantly, I applaud the interdisciplinary nature of the federal Flexibility Council established by the legislation. The primary message of the working group -- and the message emphasized by all of the witnesses who testified on the Conyers-Clinger "Local Flexibility Act" before this Committee in 1993 -- is that no effort to make services to families more effective and efficient will succeed unless programs which meet different aspects of family needs are coordinated with each other.

I am concerned that H.R. 2086 is silent on the issue of coordination across program areas. Under H.R. 2086, a local government could submit flexibility waivers for the elementary schools and the Head Start programs and the community health system without ever coordinating any of those programs or waiver requests with each other.

Cross-program coordination is the key to improving service quality and efficiency. My bill allows the creation of consortia of program providers in a community. Consortia members could include state government, local government, and not-for-profit organizations which provide services to children and families. Each consortium must include providers in at least three of the program areas of Elementary and Secondary Education, Head Start, child care, job training, housing, WIC, maternal and child health, and Family Support and Preservation. The consortium may then develop a flexibility plan and waiver requests which coordinate their services to children and families.

Federal Fixes for Federal Problems

While I applaud the waiver process which is formalized in H.R. 2086, I am concerned that this approach unfairly places the burden of fixing federally-created problems on local and state programs. In my opinion, the federal government has the responsibility of fixing the problems it created. Under the Hoyer proposal, the same Flexibility Council which receives applications for waivers is also responsible for overseeing the effort to eliminate regulations, simplify requirements, and make waiver requests unnecessary.

Under President Clinton and Vice President Gore's National Performance Review, the process of reducing and rationalizing regulation is already underway. The Government Performance and

Results Act has given further prominence to the results-oriented accountability process which the Shays-Clinger bill and my bill further promote. However, I believe that the Flexibility Council will, through the waiver request process, have valuable information to add regarding the regulations communities find most burdensome. I also believe that the interdisciplinary nature of the Council will add a much-needed focus on the coordination of program requirements both within and across federal departments.

Under the Hoyer proposal, the Council's responsibilities include eliminating unnecessary and burdensome regulations; developing a single eligibility and application form for a range of services to children and families; developing a single information release form which can be used to authorize exchange of information among a number of service providers; and developing RFPs which can be used to apply for funding from multiple federal programs.

Automatic Waivers

As any state or local official who has been involved in the process will tell you, requesting a waiver from the federal government is time consuming and complicated. Even under H.R. 2086, identifying federal laws and regulations to be waived will be a daunting process for many communities. But in cases where multiple programs are duplicating the same steps, they ought to be able to join forces without going through the hoops of requesting a waiver.

For example, authorizing legislation requires many programs to assess community needs each year and to provide case managers to assist families. We certainly want programs to plan based on community needs, and to perform case management, but it simply doesn't make sense for each program to repeat work done by several others. Under H.R. 2086, a consortium of three programs which are each required to do a community needs assessment and to provide a case worker to the same family would have to apply for a waiver from the Flexibility Council to stop doing three duplicative assessments and providing three case workers. Under the Hoyer proposal, programs would be automatically exempted from meeting such duplicative requirements as long as the requirement was met by the consortium or one of its members.

Accountability

Both the Government Performance and Results Act and the National Performance Review acknowledge, as does H.R. 2086, that what counts in human service programs is performance: are our programs working? Instead of measuring input and process, we should be measuring outputs. Is the infant mortality rate going down? Are kids staying in school? Are kids learning more in

school? Are parents getting -- and keeping -- jobs?

In an atmosphere of waivers, flexibility and interdisciplinary coordination, the challenge of program evaluation becomes even more difficult. My bill proposes what I believe is a workable system for both tracking and evaluating the impact of our federal investment in these programs.

Under the Hoyer bill, states will identify desired outcomes in a range of areas, such as improved employment, reduced crime, increased high school completion and decreased infant mortality. Many states have already begun this process. Community flexibility and coordination plans will identify a short list of goals from the state list which the plan is designed to promote. Consortia with approved plans will be responsible for collecting data over time to measure progress towards these goals. Data will be collected on a community-wide basis as well as disaggregated by appropriate subgroups as identified by the consortium, and published.

Four purposes will be met by collecting and publishing data in this way. First, collection of data will show how well the programs accomplish their goals for all people in the community, and allow the consortium to improve and adapt services as necessary. Second, publication of data will create bottom-up pressure within the community to serve all segments of the community. Third, disaggregation of data will help to prevent programs from cherry-picking the "best" clients just to improve their outcome statistics, and will create incentives to address the needs of the hardest to serve as well as the easiest. And fourth, collection of this type of data will allow the Flexibility Council to evaluate the effectiveness of its waivers and its financial investment.

I believe that the proposals I have outlined are fully compatible with the approach to local flexibility and empowerment which is taken by Congressmen Shays and Clinger in H.R. 2086. I appreciate the bipartisan spirit in which this subcommittee is proceeding, and thank you for your invitation to testify before the subcommittee this morning. I look forward to working with you in the future, and will be happy to answer any questions which you may have.

Mr. SHAYS. Thank you, Mr. Hoyer. I asked counsel where your bill would be sent, and I guess it will depend. Has it actually been drafted?

Mr. HOYER. It has been drafted; it has not been filed. We were going to file on Monday, but now, as I said, I have decided to introduce two bills, one of which will integrate your proposal and my proposal, the general and the particular, and one of which will deal just with the particular. Now, I would presume, hopefully, they will go to the same place. The integrated bill I would presume would go here. Now, the particular bill, I don't know whether the education and——

Mr. SHAYS. I sense it would go to the Empowerment Committee. But what I would love to do is continue to work with you, and have your staff, if they could, sit down with our staff when we go over this bill. We intend to report out this bill to the full committee and the full committee intends to report it out to the floor. It would be interesting to see if we should attempt to integrate your bill with ours or whether we should just go on two separate paths.

Mr. HOYER. I would be pleased to move in either direction, whichever provides us with the possibility of adopting a good result. It is not so much the credit. I have been working on this for so long, whatever gets done.

Mr. SHAYS. It may end up being the Clinger-Hoyer bill, but if you could describe—one of the things I want to understand is this consortium. Who comprises that?

Mr. HOYER. All right. Let's say you have in your community—in my community Head Start is in the school system, but that is the case in only 20 to 25 percent of the instances in the country. Most of the Head Starts are done by nongovernmental organizations. You have Head Start, you have the school system running Chapter 1, and let's say you have a family nutrition program or a health program. They would form a consortium and say, we are serving 3 to 5-year-olds or 5 to 10-year-olds and 3 to 7-year-olds. You have programs that want to deal with that. We want to access those resources to accomplish these objectives, and we will coordinate our efforts so that Head Start, Healthy Start, Chapter 1, integration into first grade and above, will be accomplished by this consortium. They would do a needs assessment; just one, not three. That is essentially—and other things as well, but without being repetitive, that is essentially our concept of the coordination of services.

In the education area, Mr. Chairman, we have had a lot of programs which are relatively particularized. I mentioned Even Start. Head Start is a broader program. Healthy Start is another program; there is obviously a health component, as you know, in Head Start. As I have dealt with these programs over the years in the Appropriations Committee, I have asked a series of Secretaries, why don't we have these resources coordinated in a pot so that the person delivering these services can accept them. I would like to see co-location of services, ultimately. My ultimate concept is, particularly for children and families, is we have one facility that we build in every community in America. That is an elementary school. Historically, the elementary school is perceived to be owned by the educators, and the social services people feel that very keen-

ly. There is a real competition. Frankly, in the Head Start area, as you will recall, Mr. Chairman, and know I am sure very well, there was a real argument between social services and educators as to what Head Start was going to be. It is a hybrid organization that the social services want.

The fact is that we ought not to allow these turf battles to undermine services to kids, and we ought to help these folks get together without either one thinking that they have been denigrated or downgraded. So that Head Start, Chapter 1, Healthy Start, health services can coordinate. In my county, for instance, in every school, we have a health room. The health department of my county participates in that and comes into the school. Head Start is over here in another building down the road. Now, in some schools in Charles County, you have a private sector server for Head Start. Dana Jones runs it for three counties, but he has some of his facilities in a school system. That saves him on janitorial services and nutrition services, because they have the cafeteria; saves him on health services because they have a health room in the school. The coordination of services in a time of limited resources can pay off big time for the delivery of services to kids and families and expand the number of people that we can serve with the same dollars.

Mr. SHAYS. You need to get on your way. I just will say that there are legions of stories about the need to coordinate services. I remember taking some satisfaction that my district was getting a facility for a day care center. When we came to celebrate the ground-digging, they explained to me that they had 30 or 50 kids during the daytime, but when school got out, they ended up with 200, or 100-plus. But, the sad thing was, the school was literally across the street. I felt tremendous guilt all of a sudden with the fact that we were building a facility when all they had to do was take the program across the street.

Mr. HOYER. Amen. If they had taken it across the street for that child care and—we have a changing work place. We have two parents working, you know. They have to get up at 6 o'clock, they have to be on their way and they don't get home until 6 or 7. We have a changing society. If we use that school building or append to that school building just another wing, which was a child care wing, you could have the health room there, you could have the janitorial services there, you could have the electricity, you could unify your services, save a lot of money. But turf is a big problem. It is a big problem with us, as you know, jurisdiction on committees and we all fight with one another, elbow one another. I understand that, but I think your bill with mine as a complement and this kind of focus can I think help communities overcome that.

Mr. SHAYS. I agree. I am going to let you get on your way.

Mr. HOYER. I apologize. Ms. Phelps had a number of good questions I would like to address, but I apologize——

Mr. SHAYS. Could she just ask you one question?

Mr. HOYER. Sure. Absolutely.

Ms. PHELPS. Thank you, Mr. Chairman, for the opportunity to ask some questions on behalf of the Democratic Members. Also, it is a unique privilege to be sitting in this seat as staff and get to put a Member on the hot seat for once.

Mr. HOYER. I said I would answer questions; I didn't want to be put on the hot seat.

Mr. SHAYS. I need to wake up here.

Ms. PHELPS. Easy questions.

Mr. HOYER. My, my, my, this is a greater risk than I wanted, Mr. Chairman.

Ms. PHELPS. You talked about the merits of an integrated bill and you talk a lot about a consortium effort in your bill, and in H.R. 2086 the focus obviously is on a Flexibility Council. Do you see these two as possibly being one and the same?

Mr. HOYER. The Flexibility Council, of course, is at the Federal level. We provide for essentially the same kind of mechanism where you have the coordination of your departments and a number of other independent agencies on the Flexibility Council to review these requests. My bill tries to make sure that in fact it makes sense to integrate these services, and it makes sense to give the waivers that you provide for as well. I think those two proposals are essentially the same in both of our bills. Mine deals, as I said, more particularly; yours deals in a broader range, but I think they are very compatible. I think they are one and the same, essentially, dealing with either a broader spectrum or a more narrow spectrum.

Ms. PHELPS. Thank you. One last question. You know the principal debate in evolving powers is that as States and localities get more power, there is going to be perhaps some undermining of national goals. What do you think are those issues, and how does your bill address those issues?

Mr. HOYER. I am glad you addressed that question. I think one of the critical questions that the Federal Government, State government and the local government has to answer to every taxpayer is, when we spend your money, it has the effect that is intended. It works. I think taxpayers tragically, as all of us know, in every poll reflect an attitude that we waste about half of their money. It shouldn't be any surprise that they don't want to pay more taxes, even on things that they think are important, if they think we are going to waste half of their dollars in Washington, in Annapolis, or in Upper Marlboro, or Lexington Park, the county seats of the counties that I have lived in over the last 20 years. The fact is that accountability is the key, goals are the key, not process.

I will give you a stark example. There have been about 1,500 Head Start grantees since 1965. Up to 1995, there was never a grantee canceled by any administration, not one. Nobody in this room believes that all 1,500 grantees performed at a level that justified continuing to fund them.

You are absolutely correct in the question that we adopt programs, we authorize programs, we then appropriate money, and we have a responsibility to make sure that that program is working the way it was intended to and we are getting the result for our dollars spent. So my response to you is, as you recall, I talked about the data that we would have, and that data is for the purposes of making a judgment, are they getting the program done. There has been too much focus on them getting the program done the way we want them to accomplish it. Frankly, Connecticut may have a better way of doing it than Maryland does it, or frankly,

Connecticut may do it in a way that better accomplishes it in Connecticut, but would not work as well in Maryland. What does the Federal Government care if Connecticut does it one way and Maryland does it another, if, we accomplish the objective that the Federal Government has set forth, and that is the key, accountability.

Up to—I am just told on the Head Start, a correction, up to 1994 none were defunded for quality reasons. What I am told by staff is that there were some canceled where there was theft involved, where they found criminal activity. So they were for criminal activity. None were canceled for failing to accomplish the objectives for which the program was designed. They were only canceled if they found that they had stolen the money, which puts process as the focus as opposed to performance.

Mr. SHAYS. I will let you get to your next meeting. Thanks for coming.

Mr. HOYER. Thank you very much.

Mr. SHAYS. We are going to stand in recess for a second.

[Recess.]

Mr. SHAYS. I will call this hearing back to order. Just to get some housekeeping issues taken care of, I ask unanimous consent that all members of the subcommittee be permitted to place any opening statements in the record and that the record will remain open for 3 days for that purpose.

Without objection, so ordered.

I also ask unanimous consent that our witnesses be permitted to include their written statements in the record, and without objection, so ordered.

We will place in the record, obviously, the testimony of Mr. Hoyer.

With that, because one of our participants has an important deadline in an hour, and he is on the third panel, panel two, Andrew Norton and Angela Park are willing to be the third panel. So we are going to go to panel three and make that panel two. We are going to ask Lloyd Smith—let me make sure that we have all three here; otherwise, I am going to have a problem doing that. Lloyd Smith, Dick Cowden and Eddie Battle. We have two of the three? We have all three. Then if you all, if all three of you gentlemen would come forward and stay standing, because as is the practice of this committee, we swear in our witnesses.

[Witnesses sworn.]

Mr. SHAYS. For the record, all three have responded in the affirmative.

With that, we will just go with Lloyd Smith and Dick Cowden and then Eddie Battle.

## STATEMENTS OF LLOYD D. SMITH, PRESIDENT AND CHIEF EXECUTIVE OFFICER, MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.; DICK COWDEN, EXECUTIVE DIRECTOR, AMERICAN ASSOCIATION OF ENTERPRISE ZONES; AND EDDIE R. BATTLE, EDDIE BATTLE ASSOCIATES, WEST PHILADELPHIA EMPOWERMENT ZONES

Mr. SMITH. Good morning, Mr. Chairman, committee members. My name is Lloyd D. Smith; I am the president and CEO of the Marshall Heights Community Development Organization, a not-for-

profit 501(c)(3) community development corporation, CDC, located in Washington, DC, east of the Anacostia River. I am pleased to offer my testimony in support of H.R. 2086, the Local Empowerment and Flexibility Act of 1995.

Our organization is over 16 years old. It is a community development corporation that has grown tremendously due to the need in the community. We have now over 80 board members, and probably one of the largest boards in the United States, and this basically consists of community representatives. Most of the board members are from churches, ANC, and community associations.

I am just going to summarize my testimony. Our organization is about economic development, business development, light industrial development, housing development, which includes housing for the homeless, an SRO which we just opened a few months ago, which is a $1.5 million effort, a 60-unit building that we had to piece together the financing from all kinds of different sources. We do scatter-site transitional housing, we do regular rental units, renovations, and our main forte has been over the years single family rehab of HUD foreclosed units, and single family rehab scattered-site housing, which in many cases are new housing that we do marginally.

We have a broad array of services in addition to our housing efforts. Alcohol and drug abuse program: We are funded by the Robert Wood Johnson Foundation for Fighting Back, we are 1 of 14 Fighting Back cities, and this is sort of a timely hearing in the sense that our funding is running out and we are trying to find ways to replace the funding in this area of diminishing resources, because the need is there more than ever.

We have a social services, education, telecommunications program called Life Skills, and we have a Commerce Department TIAP grant in which we had to match $650,000. We got a $650,000 grant; we had to match $650,000. Very difficult for a $1.5 million program. We are presently trying to complete our match-raising. We have done business development and we provide a number of services, food and clothing, and we are a certified HUD housing counseling agency, et cetera. We cover the sort of full range.

Many of the programs that we do, we did not go looking for programs to do. The community came to us. Something went out of business, the anti-poverty program folded and we took over their efforts. So we have become sort of a holistic approach, we like to say a holistic approach, to community development.

We are the only CDC that covers Ward 7. This is an area that in the 1970's had about 103,000 people and now we are down to about 69,000. We have a serious drain of our middle class, which is 96 percent African-American, and we feel it. We are struggling to——

Mr. SHAYS. Is this primarily a middle class community?

Mr. SMITH. Well, no. Primarily low to moderate income community, but we have a middle class segment in it, and what I mean by middle class, I don't mean—I mean working class, and those people who have choices that are just regular workers, but they can have a choice if they want to move. So I don't really mean upper, upper middle class. But we have a segment of upper middle class in our area. We have a very diverse area.

So we try to meet the needs of the community as much as we can with a lot of support from foundations. We are now rebuilding the N.E. Casey Foundation community's grantee with them. As you know, the N.E. Casey Foundation is about the effort to support families and children and bring about good outcomes for them.

I have included two pages of lists of our activities. What I basically want to say to you is that we believe that your bill creates a new coordinational and directional approach that could greatly improve the local delivery of services, promote greater effectiveness and efficiency of those services, and hopefully respond to the diverse needs and reduce the barriers to effective service delivery.

This effort must be approached on the basis of need, priorities and maximum coordination between the providers, the funders, the Federal agencies, to provide the best outcomes. Most distressed urban areas need multiple approaches that are not usually coordinated by Federal agencies to address those needs. The empowerment enterprise zones are a beginning to direct better coordination and effectiveness in categorical grant programs. Employment and training assistance programs are needed now more than ever. As you can see in the primaries now, the United States is concerned about employment, is concerned about jobs, and we need in our community and in other communities more than ever a coordinated approach to employment, training, retraining, and job development and that kind of thing.

We note that through the GAO study there were 154 different programs with employment and training programs that could be more effectively coordinated, directed, resources directed. We think that H.R. 2086 could allow agencies to begin more strategic planning to maximize results. We need employment training funds now more than ever.

We are also funded for our alcohol and drug abuse programs almost entirely by the Robert Wood Johnson Foundation. We are in our last year of funding. We would look toward this effort to give greater flexibility in the delivery of HHS, alcohol and drug treatment, prevention grants and treatment grants in terms of creating better planning and direction for those resources for those communities most in need.

In all distressed communities, unemployment, business development, new rehabilitated housing, economic development, alcohol and drug abuse, crime and violence, daycare, social services, and the development and protection of children and families must be addressed in overall planning and direction for those granting agencies.

We have termed this; that is, Marshall heights has termed this, in several years the holistic approach to community development, trying to do those things and meet those needs that are present in the community, because doing one without the other, trying to get somebody in a 12-step program, in an abstinence program for alcohol and drug abuse, and then you can't tell them how you can find a job for them or get them in some decent housing is not a holistic approach. We think we have tried to meet those needs to the best of our ability.

We think the needs and conditions of a neighborhood and its people must determine the flexibility and direction needed for maxi-

mum efficiency and best outcomes. I note that Congressman Steny Hoyer, who is our neighbor, and we work with Prince George's County quite a bit, addressed some of that, and I think his points were right on target. I really believe, Mr. Chairman, that we can do a better job in terms of spending the taxpayers' dollars if we could focus, we could get this flexibility, and we could get better coordination, resource development, and more efficiency in terms of the bottom line. Thank you.

[The prepared statement of Mr. Smith follows:]

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February 20, 1996

Honorable Christopher Shays
Chairman
Subcommittee on Human Resources
and Intergovernmental Relations
Room B372, Rayburn Building
Washington, D.C. 20515

Good Morning, Mr. Chairman and Committee Members:

My name is Lloyd D. Smith. I am President/CEO of the Marshall Heights Community Development Organization, Inc., a not for profit, 501(c)(3), community development corporation (CDC), located in Washington, D.C., Ward 7 east of the Anacostia River. I am pleased to offer my testimony in support of H.R. 2086, "LOCAL EMPOWERMENT AND FLEXIBILITY ACT OF 1995".

The Board of Directors has expanded to eighty five (85) members, and is made up of citizens at large, churches, advisory neighborhood commission representatives, civic associations, public housing residents and business representatives.

Geographically Ward Seven (7) is the District's easternmost ward and it is physically separated from the central and western sections of the city by the Anacostia River. Although it was never among the wealthiest of the District's communities, Ward 7 once had a solid base of middle-class families, as well as a substantial number of small businesses and retail establishments. However, the out-migration of many middle-income families and businesses, which began in the 1970's, has helped to destablize the ward.

MHCDO started with two full-time staff and evolved to its current staff of 60. It also uses volunteers extensively to carry out its diverse activities. Aside from its main nonprofit corporation, MHCDO also operates three for-profit subsidiaries - East River Park, Inc.; Citizens' Housing Development Corporation; and Burroughs Development Corporation - each of which was established to insulate MHCDO from financial risk and protect our tax exempt status.

MHCDO's strategy for revitalizing Ward 7 is to involve residents in the process of improving conditions in the community by creating new and diverse economic activities, increasing the availability of affordable housing, and assisting residents to overcome barriers to self-sufficiency. Central to MHCDO's strategy is the use of economic development to reduce reliance on outside funding and to increase economic opportunities within the community. In fact, one of MHCDO's most visible accomplishments is the revitalization of the East River Park Shopping Center, a 155,000-square foot facility that currently has 18 tenants, including a large Safeway supermarket, a CVS drug store and a Citibank branch office. One of MHCDO's subsidiaries, East River Park, Inc., owns 40 percent of the shopping center and receives income through rents and management fees. Income from the shopping center is used to leverage funding to operate other programs and to cover program shortfalls and funding gaps.

Affordable housing is provided through another of the organization's for-profit subsidiaries. The Citizen's Housing Development Corporation acquires, rehabilitates, and sells single-family housing to low and moderate-income families. The organization also provides counseling to help residents qualify as home buyers, manage their finances, or gain information on arranging a mortgage.

MHCDO also emphasizes social services. In most cases, MHCDO provides services directly, such as drug and alcohol counseling, HIV testing and counseling, and crisis intervention. In other cases, the organization refers clients to other community-based or District government agencies that provide social services.

I have outlined the broad range of services, programs and projects that is managed by MHCDO:

# MHCDO

## SERVICES, PROGRAMS AND PROJECTS

### ECONOMIC DEVELOPMENT

**East River Park Shopping Center**
- 168,000 sq. ft. of retail space
- Largest shopping center in Ward 7
- Opened Chesapeake Bagel Bakery Franchise in 1995

**Kenilworth Industrial Park**
- 3.5 acres industrially zoned land
- Kenilworth Small Business Incubator

**Business Development Program**
- Loan packaging
- Technical
- Workshops and seminars
- Networking and professional development
- Micro-loan
- Voucher services program

### HOUSING DEVELOPMENT

**HomeSight Housing**
- 50 properties rehabilitated and sold to low and moderate income families
- New Housing Construction 10 units sold
- 15 scattered sites under development for new housing
- 12 unit Deanwood Station Condominiums completed, 9 units sold, all under contract

**Multi-Family Housing**
- Market-Rate Rental Housing
  1449 Olive Street, NE - 4 units
  Magnolia Gardens, 5350 D Street, SE - 13 units
- Subsidized Rental Housing
  3120 Massachusetts Avenue, SE - 11 units
- Multi-Family Ownership: Condominium developments made especially affordable for first-time buyers

**Supportive Housing Program**
- Transitional Housing Program for homeless families with supportive social services to assist in becoming self-sufficient. Special Program Components include:

  Lease/Purchase Option for qualified families to assume the mortgage and own their home upon completion of the program.

  Adopt-a-Family Component for religious and other community groups to provide community support and financial assistance to families in the Transitional Housing Program.

- Willis Paul Greene Manor/Single Room Occupancy housing for single adults. Provides low-cost, private, furnished rooming units in a community setting and supportive services to individuals who are capable of independent living with limited incomes and/or special needs.

### HUMAN DEVELOPMENT

**Michaux Senior Program**
- Socialization to senior citizens
- Free health screening
- Literacy class
- Variety of arts & crafts
- Daily hot lunches

**Emergency Services**
- Emergency assistance
- Food and clothing
- Nutrition service

**Employment and Training**
- Job counseling and placement
- Skills training and referrals
- Self-sufficient training

**Education**
- Richardson E.S. School partnership
- Post-secondary educational counseling
- Coordinate GED Literacy Program

**Comprehensive Housing Counseling**
- Budgeting and personal finance
- Renter, tenant and eviction counseling
- Home purchase assistance (HPAP)
- Weatherization and energy
- Housing rehabilitation and maintenance
- Social service referrals
- Community Outreach and Education
- Liaison and representation
- Workshops and seminars
- Advocacy and planning
- Credit counseling
- Home Equity Conversion Mortgage counseling
- HUD Assignment counseling
- Delinquent/Default Mortgage counseling

**Lifeskills**
- Stabilizing Health and Human Services
- Case Management - Counseling
- Technofluency and LifeSkills training
- Job development and placement

**SUBSTANCE ABUSE & CRIME PREVENTION**

**Public Awareness Campaign**
- Public Service Announcements
- Positive News Stories
- Publication of Community Newsletters

**Prevention**
- Fundi Freedom After School Program
  Tutorial Services
  Home Work Assistance
  Cultural Arts Events/Activities
  HIV/AIDS Education & Outreach
  Parenting Workshops and Seminars
- Cultural Arts
- Fundi Freedom Summer Enrichment Program
  Academic and Cultural Program
  Free Meals
  Youth Empowerment
  Extracurricular Activities
  Parental Involvement

**Treatment**
- Assessment & Referral
- Abstinence treatment
- Case management
- NA and AA meetings
- HIV/AIDS Education & Outreach Program

**Community Organizing**
- Greenway Renovation
- Youth Initiative

I believe that H.R. 2086 through the "Flexibility Council" and the "Community Advisory Committee" creates a new coordinative and directional approach that could greatly improve the local delivery of services, promote greater effectiveness and efficiency of those services, respond to the diverse needs and reduce the barriers to effective service delivery.

This effort must be approached on the basis of need, priorities and maximum coordination of resources to provide the best outcomes.

Most distressed urban areas need multiple approaches that are not usually coordinated by Federal agencies to address those needs. The Empowerment/Enterprise Zones are a beginning to direct better coordination and effectiveness in categorical grant programs.

Employment and training assistance programs are needed now more than ever. With changing technology creating more unemployment in our neighborhoods daily, the improved coordination, direction and priorities of the 154 different programs through H.R. 2086 could allow agencies to begin strategic planning to maximize results. We need employment training funds now more than ever.

We are funded for our alcohol and drug abuse programs almost entirely by the Robert Wood Johnson Foundation. Which is now in our last year of funding.

Greater flexibility in the delivery of H.H.S. alcohol and drug treatment and prevention grants could create better planning and direction of resources for those communities most in need.

In all distressed communities, unemployment, business development, new or rehabilitated housing, economic development, alcohol and drug abuse, crime and violence, day care, social services and the development and protection of children, must be addressed in the overall planning and direction for the granting agencies.

MHCDO has termed this, the "Holistic Approach" to community development. The needs and conditions of a neighborhood and its people must determine the flexibility and direction needed for maximum efficiency and best outcomes.

Thank you.

Lloyd D. Smith

President/CEO

Mr. SHAYS. I thank you, Mr. Smith.

Mr. Cowden.

Mr. COWDEN. Thank you. The American Association of Enterprise Zones, which works—let me start by saying I am going to excerpt, read an excerpt and then summarize part of my materials, and also excerpt some of the materials from one of our members.

Mr. SHAYS. In your statement you could give some examples and so on. I would like you to do that.

Mr. COWDEN. OK. I would be happy to do so. We work with cities and States that have adopted zone-based redevelopment programs, and we believe that we would be strongly in support of policies that are represented by the Local Empowerment and Flexibility Act. At a time when enterprise zones were regarded simply as a series of localized tax incentives, we sought to redefine them as a mechanism for targeting all forms of assistance that are appropriate to addressing the problems of low-income areas. We based this effort on the observation that, even in the absence of a Federal zone policy, cities and States often cooperated in prioritizing zone-designated areas in the use of available resources. Over the years many found this to be an efficient way to allocate scarce benefits designed to promote economic development. Typically, States would offer preference for a variety of benefits or incentives to cities that demonstrate a willingness to focus on economically distressed neighborhoods.

Our recommendations for a two-tiered Federal enterprise zone system envisioned an extension of this approach. We advocated a budget-neutral, non-competitive means of reinforcing sound State and local zone strategies with Federal assistance. Those suggestions were reflected in the creation of the Community Empowerment Board and the September 1993 Executive order directing Federal agencies to identify resources that could be offered on a priority basis to areas winning empowerment zone or enterprise community designation. Some of those programs are listed in the application guidelines for this program. Our ideas differ from the EZ-EC program in that we favor a basic level of assistance to all participating localities.

If enacted, the Local Empowerment and Flexibility Act would benefit not only the 106 EZs and ECs, but the other 400 communities that sought designation and even localities that formulate their own economic development plans. It would be in keeping with our interests in ongoing innovation with measures that do not increase Federal spending.

The essence of H.R. 2086 as drafted is to challenge communities to establish plans to redevelop or revitalize critical areas and to seek a blend of funds to carry out their strategies through simplified procedures. It would coordinate with the EZ/EC program by qualifying the Federal zone applications as the planning requirement for H.R. 2086. Also, the requests for combinations of funds would be approved by the CEB.

Many communities have expressed serious interest in such a policy. It promises a vastly streamlined method of tapping into several funding sources in ways that will facilitate timely implementation of their objectives. At a time when few cities anticipate increases

in Federal support, H.R. 2086 comes as a welcome sign that Washington wishes not simply to cut, but to economize.

Let me make a few points that our people have expressed an interest in. First of all, I think that they are looking for true simplicity, not—let me say it this way: the EZ/EC communities, which could use their initial strategies as their flexibility plans, see this as being a very transparent system. Others that we have spoken to that did not submit such plans didn't see it in as simple terms. It looked to them like a complicated application process, which I don't think it needs to be.

Mr. SHAYS. You use transparent. How do you mean it? I think "transparent" is somewhat negative.

Mr. COWDEN. Oh. Well, I meant it positively. What I mean is that it seemed very clear to them that their strategies could be presented as, you know, as the framework for their flexibility plans.

We would also advocate orientation in some way to the EZ/EC policy. That could be done in a few ways. Two that come to mind would be to offer preference to all EZ/EC eligible areas; in other words, areas that meet the EZ/EC distress criteria as receiving preference under certain Federal programs. The other would be to encourage State-level preference for all EZ/EC eligible areas. In other words, we would like to see this policy encourage the States to also allocate funds that—their own funds or Federal funds that they distribute on a preferential basis—to the EZ/EC eligible participants.

Also, incentives should be developed to prompt both the participating cities and the Federal agencies to reach program goals and create real efficiencies. In other words, we think that the realities of how the agencies and the cities react to the potential of getting an advantage out of actually decreasing the cost of programs is necessary to get the kind of cooperation that you will need both locally and in Washington, or at the Federal agency level.

Finally, we really think that you need to encourage participants to actively seek partnerships with the private sector supporters. We have been working through the EZ/EC program to encourage investment and participation in those areas by universities, foundations, financial institutions, pension funds, insurance companies, utilities, and nonprofits, and we think this policy ought to clearly signal to those sectors that they ought to support these participating communities.

Let me give you—well, let me say we have three examples here. One is represented by Eddie Battle. Two are from New Orleans and Richmond. New Orleans won an enterprise community designation and generated out of that strategy in cooperation with Tulane a program they call Project Fulcrum, which is summarized in our statement here. Rather than read through this, I will just try to explain it in my own words.

Project Fulcrum is Tulane University's attempt to project its own benefits into a low-income area surrounding the campus, which also dovetails to a certain extent with the enterprise community area. The three areas of emphasis that they have would be to acquire and improve local housing stock for the benefit of their employees, and faculty, as well as for the residents of the neighborhood. So they would like to be able to form possibly a community

development corporation and to acquire properties and make them more available throughout the area.

They also want to form alliances with the public schools in the area, possibly even to wire directly into them through the Internet or through cable providers so that they can be pumping services and classroom materials and so forth right into the schools. They also want to help in the transformation of those schools into, you know, round-the-clock institutions. It can be safe harbors for kids that may not have safe places to be at night and after school hours, and so forth.

Finally, they also want to stimulate economic development in the area, specifically trying to identify properties that could be developed for business or research purposes. The idea would be to try to attract investment in the area by companies that could be providing primary jobs for the area around the campus.

To do so, we are looking into, or Tulane University is looking into a variety of funding sources. I have summarized in my testimony some of the examples of agencies and programs that they could be looking into. They include community development block grant funding, which could be used both to improve infrastructure and housing in the area. The home investment partnerships which are under the HOME program in HUD, Job Training Partnership Act funds could be used to help improve skills levels for people in the area. Rehabilitation Act: Special demonstration projects under the Department of Education could be targeted to residents with disabilities, and community policing programs through the Department of Justice would also be a welcome source of support for stabilizing some of the neighborhood characteristics.

Many of these programs are listed in this book as being prioritized for EZs or EC, and therefore, these would certainly be sources of funding that they would be looking to. But the problem is, how do you know when you are applying for competitive grant programs that you are going to be able to effectively acquire them and blend them, and that is something that possibly H.R. 2086 could help to facilitate.

Let me move briefly to——

Mr. SHAYS. Just for the record, when you say "this book" in describing this, why don't you say the title for the record?

Mr. COWDEN. This is the guidebook on Federal programs—Guidebook for Community-Based Strategic Planning for Empowerment Zones and Enterprise Communities.

Mr. SHAYS. By HUD?

Mr. COWDEN. It was published by HUD and the Department of Agriculture and made available to all of the participating cities in the program in 1994.

Richmond, VA was one of the communities that had been very active with its own State-designated program and applied for Federal designation and is now informally labeled as a champion community. They try to take that seriously. They like to think of themselves as not just one of the 500 cities that applied for designation and didn't win, but a city that is willing to continue with its efforts, and it has a certain level of sophistication in the way in which it approaches economic development. Some of the examples are here are in the record.

I would like to just summarize briefly one of them, which is the Richmond's enterprise zone incentive loan program. It is a mechanism that provides the city's cash incentives, which essentially is a rebate of 10 to 20 percent of qualified business investment and are issued in the form of a 10-year, 3 percent loan, is forgiven to the extent that the company generates new tax increment. Although the city uses its own funds to offer EZIL incentives, on some occasions a project may require a combination of private bank financing as well as a loan from the city's EDA funding, revolving loan fund. EDA requires that the interest rate for the RLF loans be not less than 4 percent, therefore requiring the city to utilize separate loan documents, with separate loan administration functions for EZIL and RLF transactions.

In situations like this, it would be very cost-effective for the city and the business to permit the RLF loan interest rate and term to be the same as the EZIL incentive loan and to utilize one loan document rather than require two separate loans with separate documentation, amortization schedules, et cetera. Flexibility on the part of EDA would help facilitate at least one current project involving approximately 150 jobs and $2 million to $3 million investment being negotiated at this time.

In addition to these specific projects that would benefit from the flexibility of H.R. 2086, we could recommend a few additional refinements to the bill.

First, the regional offices of the Federal agencies which are pertinent to any community selected to participate in implementing a local flexibility plan should develop a regional interagency committee similar to the Federal Community Empowerment Board. The local RIC should meet on a regular basis to see how the funds and programs that are participating with Federal agencies might be better leveraged and coordinated in support of the community's improved flexibility plan. The agency should also discover and seek to revise those regulatory and statutory procedures which conflict with or limit their ability to work more closely together in support of the plan.

Second, these Federal agencies should also develop a funding pool concept that would permit funds that remain uncommitted after programs three-fourths of the current fiscal year has ended to be reprogrammed to support unfunded or underfunded initiatives of other member agencies that best support the flexibility plan. This reflects some of my comments about the incentives.

I am sorry that we have gone over our time here, but those are two examples from an enterprise community, a city with an enterprise community and another one with a champion community, and Mr. Battle can speak to the experience of a city that won an empowerment zone designation.

[The prepared statement of Mr. Cowden follows:]

**Testimony of the American Association of Enterprise Zones**

**To the U.S. House of Representatives**

**Committee on Government Reform and Oversight**

**Subcommittee on Human Resources and Intergovernmental Relations**

**February 22, 1996**

The American Association of Enterprise Zones (AAEZ), which works with cities and states that have adopted zone-based redevelopment programs, has long supported the kind of policy represented by the Local Empowerment and Flexibility Act.

At a time when enterprise zones were regarded simply as a series of localized tax incentives, we sought to redefine them as a mechanism for targeting all forms of assistance that are appropriate to addressing the problems of low-income areas. We based this effort on the observation that, even in the absence of a federal zone policy, cities and states often cooperated in prioritizing zone-designated areas in the use of available resources. Over the years many found this to be an efficient way to allocate scarce benefits designed to promote economic development. Typically, states offer preference for a variety of benefits or incentives to cities that demonstrate a willingness to focus on economically distressed neighborhoods.

Our recommendations for a two-tiered federal enterprise zone system envisioned an extension of this approach. We advocated a budget-neutral, non-competitive means of reinforcing sound state and local zone strategies with federal assistance. Those suggestions were reflected in the creation of the Community Empowerment Board (CEB) and the September 1993 executive order directing federal agencies to identify resources that could be offered on a priority basis to areas winning Empowerment Zone or Enterprise Community designation. Our ideas differed from the EZ/EC program in that we favored a basic level of assistance to <u>all</u> participating localities.

If enacted, the Local Empowerment and Flexibility Act (H.R. 2086) would benefit not only the 106 EZs and ECs but the other 400 communities that sought designation, and even localities that formulate their own economic development plans. It would be in keeping with our interest in ongoing innovation with measures that do not increase federal spending.

The essence of H.R. 2086 as drafted is to challenge communities to establish plans to develop or revitalize critical areas and to seek a blend of funds to carry out their strategies through simplified

procedures. It would coordinate with the EZ/EC program by qualifying the federal zone applications as the planning requirement for H.R. 2086. Also, the requests for combinations of funds would be approved by the CEB.

Many communities have expressed serious interest in such a policy. It promises a vastly streamlined method of tapping into several funding sources in ways that will facilitate timely implementation of their objectives. At a time when few cities anticipate increases in federal support, H.R. 2086 comes as a welcome sign that Washington wishes not simply to cut but to economize.

Our initial feedback suggests local and state officials believe H.R. 2086 can be a significant benefit, provided Congress and the administration keep certain factors in perspective:

- **Assure true simplicity**--To localities that already have developed an EZ or EC application, H.R. 2086's Local Flexibility Plan appears straightforward and reasonable. To those that have not, it may seem to be a new, onerous requirement unless the Act itself and implementing regulations are clearly crafted. The Act should communicate to potential participants that the Plan should consist of an assessment of local economic problems and a set of specific steps needed to resolve them. It also should be clear that approval of the Plan by the CEB will not entail a competitive process.

- **Orientation to the EZ/EC policy**--Although H.R. 2086 should not exclude communities other than those meeting the EZ/EC distress criteria, it should retain some degree of coordination with those standards. This would suggest participants that qualify under federal zone guidelines should enjoy some degree of advantage. This may be achieved in a number of ways, including:

  **Preference for EZ/EC-eligible areas**--All participants that meet the technical standards of the EZ/EC program might be offered priority under the CEB's current policy of offering preference for federally designated zones.

  **State-level preference for EZ/EC-eligible areas**--H.R. 2086 should encourage states that work with participating cities to give preferences to EZ/EC-eligible areas in allocating both state benefits and federal funds that are channelled through the states.

- **Clarify the role of competitive grant programs**--The system described in H.R. 2086 is readily achievable when only federal funds that are available through formulas are involved. However, it is not clear how competitive grants factor into the process. Communities using a blend of formula funds to accomplish their planning goals will be willing to seek other forms of support through competition, but they will not be able to plan for the use of these programs with a sense of certainty. H.R. 2086 should establish

definitive guidelines on how such resources can be coordinated with formula funds in a participant's Local Flexibility Plan.

H.R. 2086 was designed to facilitate cities' use of federal funds as well as to induce efficiencies by reducing and streamlining federal administrative procedures. Meeting this first goal will be primarily the role of the communities that participate. The second goal will be largely a federal responsibility. It will require federal officials to rethink long-standing operating procedures and to dramatically change their own perceptions of how agencies serve the public.

In reality, this will not be as simple as enacting a single statute. Congress should consider augmenting the proposed features of H.R. 2086 with incentives for both localities and the federal agencies. Once the CEB approves a Local Flexibility Plan, the relevant federal agencies should estimate the saving that will result from the pared-back administrative costs. If such goals are met over time, part of the savings should be reserved as challenge grants for cities and as discretionary pools to help agencies achieve their own priorities.

Another critical feature of H.R. 2086 should be a mechanism to leverage private-sector support of the participating cities' strategies. Communities formulating a Local Flexibility Plan should realize advantages if they deliberately establish alliances with key private partners. In recent months, our organization has reached out to universities, financial institutions, insurance companies, pension funds, utilities, foundations and non-profit organizations. Many of these groups are beginning to line up formal partnerships with EZs and ECs. This encouraging trend should be advanced by H.R. 2086.

The program should prompt localities that develop Local Flexibility Plans to actively seek out private partners that can help them carry out their objectives. H.R. 2086 also should induce these sectors to work in cooperation with participating communities. This may involve simple public promotion of such alliances, but it also could include more direct measures, such as consideration under the Community Reinvestment Act (CRA) for financial institutions that demonstrate support of a locality's Plan.

Following is an example of an initiative that would benefit from the provisions of H.R. 2086. In this case, a program emerged in New Orleans from that city's Enterprise Community strategy. Separate testimony that is available to the Subcommittee has been submitted by our members in Philadelphia, Pennsylvania, and in Richmond, Virginia. The Philadelphia example indicates how a city winning an Empowerment Zone designation could avail itself of H.R. 2086's benefits. The Richmond case suggest even localities that did not win formal designation can proceed with their zone strategies and can generate good results if they can have increased flexibility in their use of federal funds.

**New Orleans**

The heart of the New Orleans Enterprise Community plan was an orientation around improvement of opportunity for the City's youth. New Orleans's major ally in developing its plan was Tulane University, which committed to helping the City improve public school services and facilities throughout neighborhoods qualifying for zone eligibility.

In the months following New Orleans's designation as an Enterprise Community, Tulane has expanded on that initiative with a zone-styled plan that both dovetails with the EC and targets all of the neighborhoods in the University's immediate vicinity. Its ambitious proposal, Project Fulcrum, will involve comprehensive improvements in housing, public schools and jobs development. It seeks to project the economic vitality of Tulane, New Orleans's largest single employer, into areas that have not yet benefited from proximity to the University.Some of the primary objectives of the plan include:

- **Acquisition and improvement of local housing stock**--The University plans to purchase and renovate a number of properties throughout the area around the campus and make them available to faculty, to students and to low- and moderate-income residents. Some units may be developed and sold as owner-occupied homes; others may be offered as rental housing.

- **Alliances with public schools**--Tulane plans to tie directly into local schools both through computer linkages that can bring educational opportunities into the classroom and through an outreach effort aimed at students as well as their families. The ultimate goal of this initiative is to use Tulane's positive influences to enhance the role of the schools as a community resource, not only during normal operating times but in the evenings.

- **Economic development**--Project Fulcrum also is designed to stimulate new private-sector activity in the area by working in conjunction with the City's economic development goals to attract business. The strategy will seek to identify available properties and promote investment by research organizations and other businesses that may enjoy both linkages with and proximity to Tulane. This initiative also will seek to generate employment opportunities for area residents, both with the University itself and with new firms that locate in the area.

To carry out this far-sighted program, Tulane and the City are prepared to marshall their own resources and to seek meaningful assistance from the State of Louisiana. However, they also will pursue federal support from a variety of agencies that offer programs relating to Project Fulcrum's goals. Some of the possible federal sources of funding for Project Fulcrum may include:

- **Community Development Block Grants (CDBG), Department of Housing and Urban Development (HUD)**--These funds are allocated on a formula basis to larger cities

like New Orleans and may play an appropriate role in improving infrastructure in the project area and in upgrading housing.

- **Home Investment Partnerships (HUD)**--Grants can be used by local governments to develop strategies for increasing home ownership and affording housing for low- and very low-income residents.

- **Job Training Partnership Act (JTPA), Department of Labor (DOL)**--A number of programs, including the Title II-B, Summer Youth Employment Program and the Title II-C, Youth Training Program, have funds available for the kinds of purposes that have been articulated in Project Fulcrum.

- **Rehabilitation Act Special Demonstration Projects (Department of Education)**--Such projects establish means of offering rehabilitation assistance to improve services to disabled residents.

- **Community Policing (Department of Justice)**--These funds can be used to formulate new models for involving neighborhood-level expertise in crime prevention activities targeted to at-risk areas.

All of these measures could add substantially to Project Fulcrum's chances for success. Most of them also are among the list of programs that the CEB has prioritized for localities that operate Empowerment Zones or Enterprise Communities. However, if the Tulane, the City or New Orleans and organizations participating in Project Fulcrum must comply with a complex series of application, administration, monitoring and auditing procedures, the program itself will suffer.

The solution, as envisioned in H.R. 2086, would be to allow the City and the University to request support for all of the activities described in Project Fulcrum through a mechanism that would route federal funds through a single avenue. This would require each of the relevant federal agencies to grant waivers necessary to tailor their funds to the needs of the applicant, rather than compelling Tulane and New Orleans to tailor their innovative program to the agencies' needs.

At a time when both the Congress and Administration favor consolidating the panoply of economic development, training and human services programs currently available to communities, the approach described here should be feasible. What is lost in specific services, as intended by Congress when it established these programs, should be made up many times over in increased flexibility and simplification.

# TESTIMONY SUBMITTED TO THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON GOVERNMENT REFORM (SUB COMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS)

BY

JOSEPH J. JAMES

DIRECTOR

OFFICE OF ECONOMIC DEVELOPMENT
CITY OF RICHMOND, VIRGINIA

FEBRUARY 22, 1996

Mr. Chairman and members of the House Committee on Government Reform and Oversight (Subcommittee on Human Resources and Intergovernmental Relations). Thank you for the opportunity to present testimony on legislation you are considering.

My name is Joseph J. James and I am the Director of the City of Richmond Office of Economic Development. I would like to testify in support of HR 2086, which allows communities to implement a "Local Flexibility Plan", and suggest a few refinements that would, in my opinion, make the bill even better.

Richmond, like most urban centers faces great challenges, but has a lot of untapped economic potential, as well. As federal funding decreases, greater flexibility in the way those limited funds might be used, linked with much enhanced local coordination between the federal agencies which administer these funds, is desparately needed now, more than ever.

The federal Empowerment Zone program has attempted to take some positive steps in this direction, utilizing the President's Community Enterprise Board, with limited but encouraging results.

Today's most successful corporations deliver goods and services with the customer upmost in mind, offering greater flexibility, responsiveness and more of an individually customized assortment of choices. A similar approach is required of the federal government, because of today's circumstances.

Richmond was unsuccessful in its attempt to secure a federal Empowerment Zone/Enterprise Community designation and, is now designated as a "Champion Community". Reviewing our Empowerment Zone Strategic Plan, which built upon activities currently underway, planned or hoped - for for implementation in our City's three, State - designated Enterprise Zones, there are several projects or initiatives that would be greatly enhanced if HR 2086 were enacted and Richmond was one of the City's selected to participate. Two of the items that would be in the City of Richmond's "Flexibility Plan" are described below.

JTPA Flexibility Helps EZ Job Bank

First, Richmond believes that developing a strong relationship between local Enterprise Zone businesses and the residents of the surrounding neighborhoods helps to create a dynamic partnership than can better focus on such community quality of life issues, such as security, neighborhood cleanliness and employment.

One of Richmond's EZ/EC strategies to encourage the development of this kind of partnership was to create an Enterprise Zone Job Bank that would link neighborhood residents with local businesses in need of employees of certain skills.

It makes sense for the City's JTPA - funded Career Advancement Center to operate the Job Bank, but because of the stringent U.S. Department of Labor regulations that limit the utilization of JTPA funds to only individuals that meet very strict eligibility criteria, it is not easy for the City to have the efficient, full-service, local employment service that the Job Bank should and provide, for business and residents alike.

And, even though a full-service employment operation would be very attractive to local Enterprise Zone businesses and, we believe, ultimately even yield more job opportunities for JTPA - eligible individuals, we have not been able to develop this program to its full potential. Greater flexibility on the part of the Department of Labor could help Richmond's Enterprise Zone Job Bank Program place hundreds of Richmond residents in new jobs over the next three years.

Using EDA Loan Funds to Complement Enterprise Zone Incentives

Richmond provides a combination of cash and tax incentives to encourage business investment and job creation in its Enterprise Zones. To date, 61 companies have invested $24,256,852 and will create or retain 1,452 jobs, having received $1,743,872 in local cash incentives.

Richmond's Enterprise Zone Incentive Loan (EZIL) Program is the mechanism that provides the City's cash incentives, which essentially are a rebate of 10 to 20% of a qualified business

investment and are issued in the form of a 10-year, 3% loan, which is forgiven to the extent the company generates new tax increment.

Although the city uses its own funds to offer EZIL incentives, on some occasions a project may require a combination of private bank financing, as well as a loan from the City's EDA-funded Revolving Loan Fund (RLF). EDA requires that the interest rate for RLF loans be not less than 4%, therefore requiring the City to utilize separate loan documents, with separate loan administration functions for EZIL and RLF transactions.

In situations like these, it would be very cost effective, for the City and the business, to permit the RLF loan interest rate and term to be the same as the EZIL incentive loan and to utilize one loan document rather than require two separate loans with separate documentation, amortization schedules, etc. Flexibility on the part of EDA would help facilitate at least one current project, involving approximately 150 jobs and a $2-3 million investment, being negotiated, at this time.

In addition to these two specific City of Richmond projects that would benefit from the flexibility of HR 2086, I would like to recommend a few additional refinements to the bill.

First, the regional offices of the federal agencies which are pertinent to any community selected to participate in implementing a "Local Flexibility Plan" should develop a Regional Interagency Committee (RIC), similar to the federal Community Enterprise Board.

The local RIC should meet on a regular basis to see how the funds and programs of its participating federal agencies might be better leveraged and coordinated in support of the community's approved "Flexibility Plan". The agencies should also discover and seek to revise those regulatory and statutory procedures which conflict with or limit their ability to work more closely together in support of the Plan.

Second, these federal agencies should also develop a funding-pool concept, that would permit funds that remain uncommitted, after, say 3/4 of the current fiscal year has ended, to be reprogrammed to support unfunded or underfunded initiatives of other member agencies that best support the "Flexibility Plan".

Mr. Chairman and members of the House Committee on Government Reform and Oversight (Sub-Committee on Human Resources and Inter-governmental Relations) thanks for the opportunity to present this testimony on behalf of the City of Richmond. I hope that HR 2086 is enacted and includes some or all of our suggested refinements.

Thank you.

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Mr. SHAYS. A nice segue to you, Mr. Battle.

Mr. BATTLE. Good morning, Mr. Chairman and committee Members and staff. My name is Eddie Battle, and I have a transportation consulting firm in Philadelphia. For over 2 years now, we have been working with local business leaders, community groups, Federal, State, regional and local governmental agencies in establishing an intermodal transit center. The transit center has four main features. a commuter rail station is located at 52d Street and Lancaster Avenue. It will serve as a major economic anchor in our community once it is renovated and reopened.

The second feature of the intermodal center is bus and trolley service coordination. We will reroute and reschedule buses and trolleys that will better serve the residents and businesses in our community.

Mr. SHAYS. You still have trolleys in Philly.

Mr. BATTLE. Yes we do.

Mr. SHAYS. I was driving there a few weeks ago, and I saw the tracks and it looked like they were actually used.

Mr. BATTLE. Oh, yes. As a matter of fact, in the Chestnut Hill section of town, we have one of the very oldest and historic trolleys.

The third feature is a circulator service. This service will use a small van to transport residents within the zone and also to promote tourism in our community.

And finally, the fourth feature is a reverse commute program. This program will transport community workers to jobs in our suburbs adjacent to Philadelphia.

In our section of town, which is the Parkside section, we are both a State enterprise zone and also a Federal empowerment zone. We have two major commercial corridors, an industrial park, and also a small business incubator.

In order to stimulate and draw in more dollars, we are in the process of incorporating as a nonprofit and also applying for our tax-exempt status.

We believe that H.R. 2086 will facilitate our planning and implementation efforts by allowing a more efficient means of gaining access to Federal dollars. We are looking forward to the passage of this act, and it will help us greatly in our efforts in West Philadelphia.

I have included with my testimony exhibits that will further clarify what I have said, and also renderings of what we have proposed to our community and to business and State leaders. We are well along in the process and we are very eager to see the completion of this project. Thank you.

[The prepared statement of Mr. Battle follows:]

# EDDIE R. BATTLE, PRESIDENT

# EDDIE R. BATTLE ASSOCIATES, INC.

Good morning,

My name is Eddie Battle. I am president of Eddie R . Battle Associates, Inc., a transportation consulting firm in Philadelphia, Pennsylvania. I am working with local business leaders, community-based organizations, along with state, regional, and local governmental agencies to establish an *Intermodal Transit Center* in the West Parkside area of Philadelphia. The Center has four (4) major features:

1. *A Commuter Rail Station* - This train station, located at 52nd Street and Lancaster Avenue, will soon be reopened for service. It will become a major economic anchor in the area.

2. *Bus and Trolley Service Coordination* - This entails re-routing and re-scheduling of bus and trolley transportation service to better meet the needs of businesses and residents in the area.

3. *Circulator Service* - This feature establishes a mini-van service to transport residents within the community and to promote tourism.

4. *Reverse Commute Program* - Vans will transport workers from the community to jobs in the suburbs.

The West Philadelphia area is designated as a state Enterprise Zone and a federal Empowerment Zone. Located in this area are two commercial corridors, an industrial park, and a business incubator. In order to attract and stimulate public and private sector dollars, we are forming a non-profit corporation with 501 (c) (3) tax exemption. We believe this project will require a blend of funding through a variety of federal agencies. The provisions of HR 2086 will facilitate our planning and implementation efforts by allowing a more effective means of accessing federal assistance.

On behalf of the West Philadelphia Transportation Committee, I thank you for allowing me to speak before you today.

ATTACHMENT A

# WEST PHILADELPHIA TRANSPORTATION CENTER

For nearly two decades the residents and businesses in the West Philadelphia neighborhoods north of Market Street have not been served by the SEPTA Regional Rail System. There are currently no station stops on the R-5 (Paoli Local) and R-6 (Norristown Local) trains between 30th Street Station and Overbrook.

The Federal Empowerment Zone recently, and State Enterprise Zone, for a number of years, have been the focus of revitalization efforts. There are over 250 zone businesses and nearly 10,000 Empowerment Zone residents located in the vicinity of the old rail station at 52nd Street & Lancaster Avenue. Adjacent to the area are a number of regional recreation sites in Fairmount Park including Mann Music Center, Memorial Hall, Carousel House, Horticultural Center and the Philadelphia Zoo. There is also a Business incubator/development Center and a 68 acre industrial park owned by Philadelphia Industrial Development Corporation (P.I.D.C.).

Since January of 1993, a committee of business leaders and community residents have been meeting to devise a strategy to improve pubic transportation throughout the area.

During the Empowerment Zone Strategic Planning Process, two specific transportation objectives were included in the final plan. Economic Objective (EO) Objectives 6.1 and 6.2.

The initiatives are:

1. Establish an Intermodal Transportation Center with several components

    a. Develop a Rail Station
    b. Coordinate & reroute existing fixed routed bus lines to better serve the community and connect with the Rail Station
    c. Creation of a circulator/jitney van service to complement the Rail, Trolley and Bus Services.
    d. Promote development within the station and nearby streets including stores, day care, parking etc.

2. Create a Reverse-Commute Program to employers and services throughout the region.

    a. Provide access to all types of regional public transportation modes

    This initiative provides neighborhood residents links with job opportunities and services in suburban and outlying areas.

The strength of West Philadelphia lies in the large number of active business and community organizations. These groups have a strong commitment to the ongoing improvement of the quality of life and general business climate throughout their communities.

Transportation is a basic service necessary in our world today. This project is being planned with a close eye on stimulating and linking economic and social benefits to the surrounding neighborhoods.

While we have made some significant strides to developing a clear vision of this project we need additional resources.

Currently we have engaged consultants to do a Phase I pre-feasibility study with a small grant from the Pennsylvania Department of Commerce. We are looking to the Federal Transit Administration (F.T.A.), Pennsylvania Department of Transportation (PENNDOT), Southeastern Pennsylvania Transportation Authority (SEPTA) and other sources to help use secure monies, leverage funds and provide technical assistance to ensure the success of this important project.

For more information about this Project please contact:

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Philadelphia Commerce Department
686-7306

CAROL BROOKS
Philadelphia Commerce Department
686-3682

EDDIE BATTLE
Eddie R. Battle Associates Inc.
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ELLEN SCHURDAK
West Phila. Empowerment Zone
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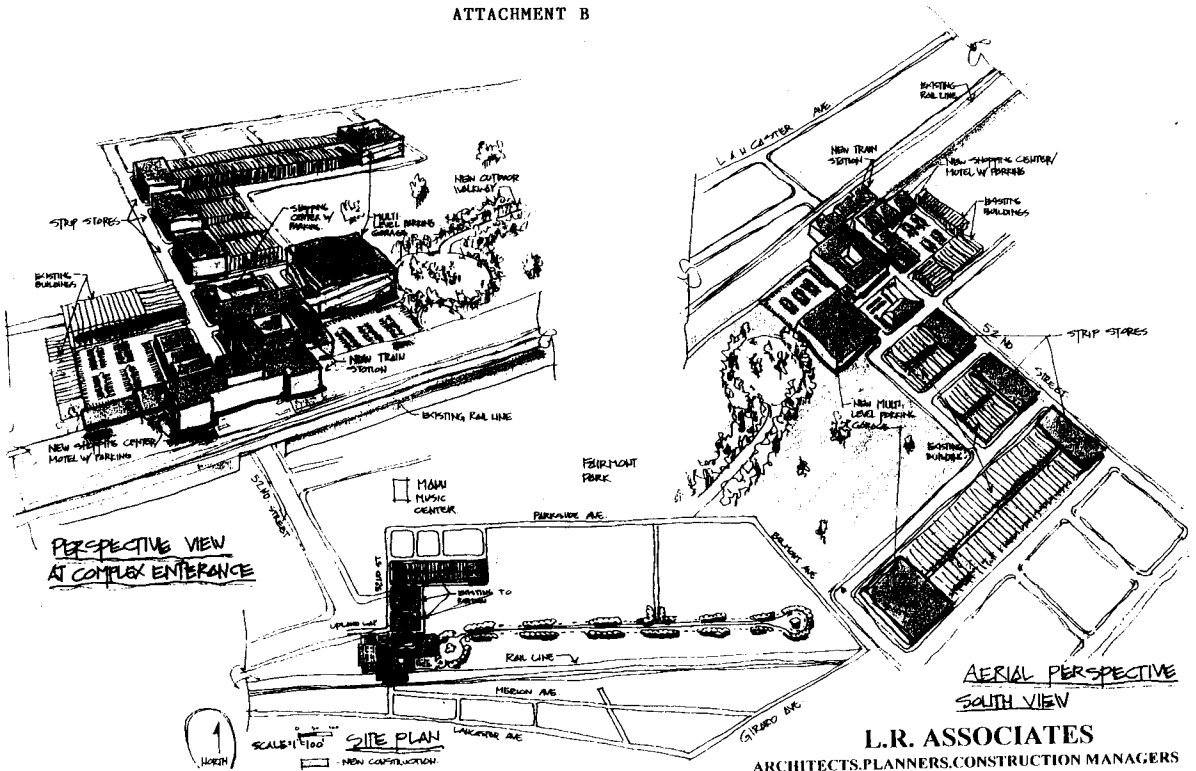
/ss
wptc sh

ATTACHMENT B

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Mr. SHAYS. It is kind of a coincidence, but the regional plan in New York City is looking at New Jersey, New York and Connecticut and realizing that if they do not do what you are doing, they are going to see a significant reduction in the number of people living in the city and the importance of the city to the region. So it is interesting that we probably could do a little learning from what you have started to do.

Let me just ask this general question, and maybe all of you can talk about it. I want to get a sense of the challenge of right now. We need to wake everybody up in this room with some real life examples, with so much process, and I need to get a sense of its practical application.

What is the problem that exists now in coordinating different grants, different disciplines, and what do you encounter? Give me some real life examples of things that happen that are just dumb.

Mr. BATTLE. If I may.

Mr. SHAYS. They can be partially dumb. They don't have to be totally dumb.

Mr. BATTLE. My experience has been that oftentimes various departments in government don't know what the others are doing. I may apply for funding to purchase a vehicle, a van, for example, and I will run into blockages. I have to go from one State agency to another and I have to start at the beginning again. I constantly knock on doors and repeat the request. It seems as though there is "turfdom," a type of resistance to, I guess, sharing of funds and resources.

I find that my strongest tool is persistence, not going away and continuing to be there. But, clearly, this bill would streamline things for me. It would let many levels of government and also nonprofit organizations know that this is a coordinated effort.

Mr. COWDEN. Let me give you an example of how, in this specific case—and I am somewhat aware of that, there are a number of different facets to an intermodal transit center. The kind of funding that you need to make the whole project fit together includes funding for infrastructure, for transportation improvements, for service improvements to people in the area and housing. And all of these things really need to come together in order to make a comprehensive improvement.

The West Parkside area we are talking about here is near the wonderful park.

Mr. BATTLE. Fairmount Park.

Mr. COWDEN. Fairmount Park. But this is also a very low-income area and really needs to have a comprehensive change of image in order for this specific center to be able to catch hold. The problem is that the major feature of this is seen as the commuter rail station, which was there but it is dilapidated and unused. It is the only rail station between a suburban station and downtown Philadelphia and the western suburbs. And because of that station closing down, the whole West Parkside area was shut off from the kind of traffic that they need, the kind of transportation services that they need.

Mr. SHAYS. And it was shut down because there was no use, given the trains, when they were running and so on?

Mr. COWDEN. Well, because of the prioritization of getting people out to the suburbs as fast as possible. They didn't want to stop.

Mr. BATTLE. It was demographic, basically. And this happened many years ago. But as you know, times have changed and now we are fighting to reopen that station.

Mr. SHAYS. I am struck by the fact that you are focused on the different—what is interesting to me is we even have trouble coordinating a plan within transportation, and yet you need public safety dollars and you need a whole host of other supportive kinds of programs.

Can you talk at all about that? We thought, and I am interrupting again, but to throw it on the table, the empowerment zone was to provide lots of flexibility, but it still does not provide enough flexibility.

Mr. BATTLE. Well, at this point things are brand new. In one sense we are feeling our way through the process. We are in the infant stages, if you will. I serve on, it seems, many committees in the empowerment zone, economic development, the lending institution which provides low-interest loans to the residents. We are making progress but it is very early yet.

Still, I find that many of us use a lot of our time and energy just coordinating, letting different agencies and groups know what we are doing, what the overall plan is. Oftentimes people are frightened by it. I guess they are frightened by change, but nevertheless we persist. We continue to knock.

Mr. COWDEN. Let me give you an example.

Mr. SHAYS. Then, Mr. Smith, I want to ask you a question.

Mr. COWDEN. I'm sorry.

Mr. SHAYS. Don't be sorry; that is why you are here.

Mr. COWDEN. You have a lot of chicken-and-egg problems with projects like that that are multidimensional and are seen as large. One of our biggest problems is that whenever people refer to this project, they think of it as "the rail station." They always talk of it as the rail station because that is the most expensive part of it. It is the part that requires the most number of entities to change. SEPTA, the Southeast Pennsylvania Transportation Agency, or Administration, needs to agree that they would stop a train there.

We have got to the point where they have said yes, if there is a station there they will stop a train there. So then you have to work up the plans for motivating the money to get the station built, and you also have—the real essence of it is that you have to get the Delaware Valley Regional Planning Commission, one of these big regional metropolitan MPOs, to put this on their priority list for planning.

How do you do that when they don't see the funding? They don't see the funding coming through there. If the city could declare that as a priority and say, OK, we will submit a flexibility plan that will enable us to blend funds that will help build the station and do the planning, make the road improvements, make the infrastructure improvements, do the crime prevention work, do the housing and commercial infrastructure improvements. If they saw something like that coming down the road, that would help put this kind of project higher on the regional planning commission's agenda and

therefore reinforce the overall plan. That is an example of how this sort of thing would be helpful.

Mr. SHAYS. Thank you.

Mr. Smith, when I heard your testimony, I am thinking that you are approaching it from a different position but equally as important. You are basically describing a situation where the categorical grants that you have are running out. Also, you have some nonprofit money coming in.

Mr. SMITH. Yes, foundation.

Mr. SHAYS. The nonprofit money probably allows you greater flexibility than the Government money; is that correct?

Mr. SMITH. In many cases, except that in the foundation community they do not provide the amount of our audited indirect cost, and then we have to make that up.

I will give you an example. If I accept a $3 million grant for 5 years, and my indirect is 22½ percent—that is my audited indirect—most foundations do want to pay more than 4 percent. So I spend the next 5 years trying to figure out how to make up the 18 percent in fundraising, unrestricted fundraising, which is very difficult.

So if you accept a couple of those grants, or you get those to do the things you need to do in the community, you are internally trying to churn money to meet those indirects. Now, in the Federal system under OMA 133, they can provide that, but then you have that imbalance.

But my other piece was that you spend your time chasing grants or trying to find grants to fill in those gaps and serve the community and there is not an overcoordination.

For instance, under ISTEA, the transportation department of the jurisdiction is required to do a comprehensive plan, including an economic development plan, which does not have to be coordinated with the HUD empowerment zone piece or some other plan by another agency, and everybody wants his own plan. So, therefore, nobody is coordinating.

For instance, in this area, in Maryland and Washington, DC, the Metro stations have been undeveloped for 10, 15 years. There are billions of dollars that have been put in this system, but the planning jurisdictions, nobody is really working to kind of coordinate, better coordinate those resources to develop around those stations.

The flexibility, oversight coordination, sort of forcing people to better plan for a neighborhood back to the day care center across the street, pushing people to better maximize the resources or to focus on the goal. What is the goal here? Why ask me to do a plan for our community that goes to HUD and then I have to do another plan to HHS and another plan for transportation and so on and so forth, and those kinds of things?

Mr. SHAYS. There should be one plan and it should be a coordinated plan.

Before recognizing Mr. Souder, I want to say that our challenge is going to be political more than it is policy. Our challenge will be that, for instance, take the Department of Education. It only does 48 percent of education programs. Fifty-two percent are done by other departments, because when Members of Congress wanted their particular bill, they made sure it came through their commit-

tee of jurisdiction and went to the department they oversaw, even though it was an education program.

So one challenge is going to be—when this bill reaches the floor, and I think it will, or on the way to the floor—there will be a number of committees saying, hey, what are you doing, we established the program and now you are allowing people through flexibility to change it. That is going to be one challenge.

The other challenge will be, which I think is easier to deal with, and that is to convince the environmental community and the labor community that we are not going to—and the health community and so on—that we are not going to override public health and safety; that we will have to establish a mechanism that truly gives those communities a voice in saying, the plan notwithstanding, we don't like it, or we like the plan but it has to change a little bit.

One that comes truly to mind is just the prevailing wage issue. Sometimes the unions will recognize that it makes sense for everyone to not have that be the stopping point and that we can maybe even get more dollars and they can do more work, and yet the prevailing wage will be adjusted slightly. But they will have to buy off on that. We will not be able to override that. This is not a backdoor attempt to undo everything that has existed, although, ultimately, it may prove to people that some of our laws may need to be amended.

Mr. Souder, thank you for being here, and you may proceed.

Mr. SOUDER. I thought it sounded like a front-door attempt to undo everything.

Mr. SHAYS. That was really helpful.

Mr. SOUDER. I am very sympathetic to your overall goal and have argued for many years and listened to Bob Woodson make some excellent arguments about community-based organizations and decisionmaking at the local level. But let me play a little bit of a counterpoint here. I don't think you are making a compelling case, and let me try to draw out a couple of points.

Part of the problem was just alluded to. We have sat through hearings from the Departments of Labor and Education and others where they don't even know which programs in their agencies are which, and while that argues for local flexibility, it also argues for us streamlining at our end prior to getting down to local flexibility. So that is partly addressed by this bill and partly addressed by other things we are trying to do here.

But a lot of what I heard you saying, I kind of heard the dominant theme being, hey, this is really messy. We have all these different places we have to go, we have this local government over here and State government over here and Federal over here, and we have nonprofits over here and businesses over here, which is kind of the way life is.

I am finding two problems here as an MBA. Part of it is saying efficiency, that efficiency is important and you are wasting a lot of your time making different plans and spending a lot of time being inefficient. And the other is accountability. And when you are dealing with different people giving you different money, they are accountable to the people who gave them that money and they have to have an accountability form.

A lot of the things here would not really be rectified by local flexibility. You could get the Federal Government out of it, but you will still wind up a wealthy millionaire who put money in the foundation who has a particular goal. The difference is between suburban and urban goals in a transportation system that covers all of them. There may be other people.

So I am not sure you are making a compelling case here, giving us enough examples directly related to where the Federal Government would do that. The other part, in the New Orleans example in particular, I think it was in New Orleans, one of these, there is the question—maybe it was Richmond—I understand, the loan question.

In other words, it is messy when you have to go to multiple places or different loan rates. Government people are having so much time trying to manage the accountability of their program that they cannot begin to figure out what the other agencies are doing, as the chairman alluded to. But another one was the ability to move funds around. Yes, it was Richmond, in the JTPA, because JTPA had tight restrictions on who could be covered.

Now, partly what we are trying to do with the funding is make sure the money gets to the highest risk population. Because already we have this problem—which is true of State governments and the Federal Government to some degree, and may very well happen if the decisionmaking went down to community organizations—that you have a tendency to skim. To some degree, people who would not have necessarily stayed long term unemployed anyway, it is easier to slide some of the funds over there.

When you say we want flexibility for standard changes, what exactly are we talking about here; and is part of this the ability, in effect, not to address your highest risk populations but the ability to change who is covered in job training funds?

On the one hand I want to make sure that as much decision is made at the local level as possible; but if the voters in the end will hold me accountable for the tax dollars, I want to make sure they get to the people we are intending the dollars get to, and not be a random slush fund for a group of people in another State who decide what they want to do there that may not meet the goals I was sent here. And that is the dilemma we are in.

Mr. SMITH. I will respond to that. From my point of view, we are not suggesting that. We are not suggesting—we do not skim, basically. We attack the unemployed, underemployed, people on public assistance, people in public housing. These are the people that we target and we have targeted, and only those would be accepted. So we are not doing that.

What I am saying is, I don't have any JTPA money. I don't have this. What I am taking about is sort of what Congressman Hoyer was talking about, is there could be better coordination, concentration, in following the plan. I am not talking about deviating from the plan or the requirements. That is not our issue. Our issue is trying to get better focus and concentration and flexibility and whatever we can to get a better handle and get more outcome for the dollars.

So I am coming from a business standpoint. We are trying to run our organization like a business. So we want maximum effective-

ness in anything we do. So what we are saying is that there is a myriad of things. We want the plan, but we do not want 20 plans or 15 plans. There should be two or three or one or two agreed upon for the community. There could be 5 plans, a transportation, an economic development plan, housing plan, et cetera that everybody agrees on and then we follow the plan.

So we are not trying to—we do not want to circumvent that. I don't think this is suggesting doing that. But we do need some focus and coordination, better focus and coordination and resource development.

Mr. SOUDER. Let us do a very particular example. We can follow-up with the others, too. I am making this up, but let's say that in a community the WIC program is meant to cover a slightly higher income group of people than the job training and the food stamp program were because we have more of a problem in our society proportionally with prenatal care going up to lower middle and middle, where in some of the others there seems to be some movement there in basic food and basic job training. There we need to concentrate more dollars on just the lower income.

Now, under local flexibility the argument could be similar to the argument here that, well, there are different income standards in the different programs and it would be helpful internally if we could just take all these grants that were coming in for that population and blend them together. But there indeed may be slightly different goals that led to the origination of the program.

In other words, one way to do it, which I understood you as saying, is you tell us who to cover and give us the flexibility of how to cover them. But sometimes the who to cover is significantly enough different that it forces you to have to go to different agencies with different types of proposals because who we are trying to cover is slightly different.

Mr. SMITH. Exactly. See, we don't administer the WIC program. That is done by the city government. So I don't have any—our basic charge is to cover the unemployed, the low-moderate, the low-income people in our community. So that is our basic charge. And so we are pretty clear about that. So everybody that comes into our services range, that is who we try to cover. We are not trying to get away from that.

I think what I am talking about is basically more direction program, overall program coordination, agreement by agencies that this community needs X resources and we all in the Federal system ought to work together to see that that is delivered. Maybe they do not have a certain program that they need to have that that Federal agency would look favorably upon them getting that kind of program.

Mr. SOUDER. That was a pretty good argument for block grants.

Mr. COWDEN. One of the nice things about operating this program through the empowerment zone and enterprise community program is that you can pretty much assure that anybody that walks into or gets services, or anybody who is affected by a program in an area that is designated as an EZ or EC, or even any of the ones that just applied, you are talking about really low-income areas.

In our view, you can pretty much—you can come away with any kind of—I mean, it takes so much to chase down each individual and certify poverty on each individual; whereas, it is very convenient to be able to understand that everybody in this neighborhood is pretty much in need of help.

Let me illustrate how this pans out in the State enterprise zones. We have found that some State enterprise zone programs have required that businesses certify a certain number of their employees that they are trying to get credits for are economically distressed or are below a certain poverty level. Others have not gone to that. They will just assume anybody in that neighborhood needs the job, and is probably supporting a family and so forth. We have found the same hiring patterns in those that require the low-income certification as in those that don't.

In other words, if you can get a company to move into an enterprise zone, they are pretty much trying to tap into that population group there. They are not trying to hire people from the suburbs and sneak them in and get credits for those people. They are there for a purpose. They are trying to get people who are working for entry-level wages.

So to add the burden on those companies to then certify—make all kinds of certifications—is kind of a useless bureaucratic procedure.

Mr. SOUDER. It would be very helpful if you have any data on that, because I have certainly heard enough cases that a lot of businesses in the enterprise zones are not hiring people in the enterprise zones.

Mr. COWDEN. We could try to generate that. It is difficult to generate that data, but let me put it this way: We have been dealing with this stuff many years now, and from our own knowledge in the field, we find that it is the case that when companies move into these zones they are trying to tap into that labor pool.

Now, that does not mean, by the way, that there are not problems. Sometimes they will move into the area and find, through screening of employees, drug abuse problems and find low-skilled problems. But that is a different challenge. That is a challenge to bring in the training programs. So that is why we would say that if you bring in training facilities and training programs under greatly simplified mechanisms into the zones, then that will help to solve the problem that we are talking about.

Mr. SHAYS. If the gentleman would yield. That is a request—when we make that request, we want to make sure we followup on it. It is an important request, it really is. We need to know if, particularly with the enterprise zones, we really are seeing a benefit in terms of not just the presence of a taxpayer creating jobs and paying taxes, but also the creation of jobs for at least some residents in the area.

I know some enterprise zones and empowerment zones require that. In other words, that is part of the deal. Because you have experience in a number of different communities, if you could try to put your feelers out and Chris Allred will followup on that request.

Mr. SOUDER. It is one of those things that sometimes the government asks for too much data and you spend so much time getting data, but it is helpful for us to know, too.

I would make some assumptions that enterprise zones, the larger the metro area and the more the enterprise zone is isolated from surrounding areas, the more likely you are to be able to do that. In the smaller cities, in some places where the businesses—because we also hear from community groups that say these guys are coming in here ripping people off, ripping dollars off meant to help poor people. And if we are responsible for those taxpayer funds and those decisions, we have to be able to measure that.

Mr. COWDEN. I would note anecdotally, having dealt with this for many years, that those kinds of anecdotal cases are brought up and raised constantly by people who are opponents of the concept of enterprise zones they are not statistically valid. They are literally grabbing at stories—somebody's heard of somebody who lived outside the area who got a job.

Like I said, the reality is that when you can get a business person to come in and risk their dollars to set up a plant in an enterprise zone, you can be sure that they are there for more reasons than to get a State tax credit. They are there for many, many reasons, and most of them have to do with they think they can make a buck there. And they are also very often, and we just know it, that they are there because they are wanting to hire the labor pool that is in that neighborhood. That is what they are there for.

Mr. SHAYS. Thank all three of you for coming, and we will get on with our second panel, which is now our third panel. Thank you. Appreciate your testimony.

We have two witnesses, Andrew Norton, State legislator from the extraordinarily great State of Connecticut, and Angela Park, coordinator, Sustainable Communities, President's Council on Sustainable Development.

[Witnesses sworn.]

Mr. SHAYS. Note for the record that both have answered affirmatively.

We will start with you, Mr. Norton, and thank both of you for your willingness to be the third panel.

**STATEMENTS OF ANDREW NORTON (R–48TH DISTRICT), CONNECTICUT STATE REPRESENTATIVE; AND ANGELA PARK, COORDINATOR, SUSTAINABLE COMMUNITIES, PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT**

Mr. NORTON. Thank you very much, Mr. Chairman. I have some written testimony which I would like to submit for the record but only read pieces of it for purposes of expediting.

Thank you, Mr. Chairman. My name is Andrew Norton, and I am a State representative from eastern Connecticut and I am minority whip in the State house. I appear before you today on behalf of the National Conference of State Legislatures, a bipartisan organization representing the Nation's 7,521 State legislators. NCSL has long supported efforts to revitalize the State and Federal partnership, to preserve State authority, and to ensure intergovernmental cooperation. We are pleased to have been invited to testify on House H.R. 2086, the Local Empowerment and Flexibility Act.

Let me say first that we support the thrust of this legislation and, second, with some changes, we will work to assure bipartisan support to ensure enactment.

This legislation builds upon many of the concepts we outlined through our NCSL task force on State and local relations in the late 1980's. Those efforts recommended greater flexibility and more cooperative State and local planning, and targeted use of more limited resources. We have recently renewed that task force and feel we can buildupon the strong relationship we have built with local government to effectuate important changes such as those as in your bill.

NCSL is very supportive of the concepts embodied in H.R. 2086, and with the inclusion of three rather simple but significant points we would then strongly endorse its passage.

I should point out that NCSL is a group whereby three quarters of any assembly is required for endorsing a proposal and it is a bipartisan group.

The three points are the ability of States to submit flexibility plans and apply for grant waivers; two, the involvement of the State legislative branch in the review and application process when State-level decisions are made; and, three, keeping the application and review processes as simple as possible.

We believe that State involvement is important for several reasons. One, States manage a significant portion of the general domestic agenda of the Federal Government and we have often discussed ways in which we could make these programs more efficient.

Two, as far as rural and more sparsely populated communities are involved, States are often the level of government that is most involved.

Three, the States are actively involved in the process of change and experimentation. We have a tremendous capacity as States to learn from one another. It is our feeling the lessons learned from the first round of an innovative proposal that come about as a result of your bill will provide valuable knowledge for others. NCSL can assist as a clearinghouse for those experiences.

With regard to my second point, as Congress is responsible for appropriating Federal funds, State funds are appropriated by the legislative branch, and Federal funds are currently appropriated by the State legislature in most States, as well. Some States may prefer this method for oversight in decisionmaking advantages. States that prefer to have Federal funds administered by the State's executive branch may choose to do so, but Federal laws must also allow the appropriation of these funds.

In essence, while the bill provides now for the executive branch to sign off, we, as legislatures, would like to be involved in some way, represented in some way in those sign-offs, either on a permanent basis or an ad hoc basis, what have you.

Finally, as you blend your plan with the administration's desires and try to take care of the concerns of the groups that are worried about one issue or another, NCSL urges you to keep the application and review process as simple as possible.

As you heard in testimony at previous hearings, other like-minded attempts often did not work because there was not enough incentive to go through the process. In essence, any changes you may make to satisfy different groups out there may add complications and bring us back to ground zero and that is our concern.

But we are very excited by this legislation. It serves a lot of the purposes that NCSL is all about, and if States can be involved, too, we would be even more excited and thoroughly supportive. I want to thank the chairman and the committee for your time.

Mr. SHAYS. Thank you. We will have a question or two for you.

[The prepared statement of Mr. Norton follows:]

# Testimony of
# State Representative Andrew Norton

## on Behalf of
## The National Conference of State Legislatures

Thank you, Mr. Chairman. I am State Representative Andrew Norton, Minority Whip for the Connecticut House of Representatives. I appear before you today on behalf of the National Conference of State Legislatures, a bipartisan organization representing the nation's 7521 state legislators. NCSL has long supported efforts to revitalize the state-federal partnership, to preserve state authority and to ensure intergovernmental cooperation. We are pleased to have been invited to testify on H.R. 2086, the Local Empowerment and Flexibility Act. First, let me say we support the thrust of your legislation. Second, with some fine tuning, we will work with you to ensure a bipartisan approach to ensure enactment.

Sometimes simple changes in the way governments operate can open up a world of new opportunities to improve the way they govern. We believe this bill represents a tremendous opportunity to continue the reinvigoration of the intergovernmental trust that has been built up during the 104th Congress. Beginning with the passage of the Unfunded Mandates Reform Act of 1995, in which you, Chairman Shays, played a key and important role, this Congress has debated how to govern more effectively and efficiently by returning decision-making power to the state and local governments.

This legislation builds upon many of the concepts we outlined through our NCSL Task Force on State/Local Relations in reports from 1986 and 1988. Those efforts recommended greater flexibility, more cooperative state-local planning and targeted use of more limited resources. We have recently renewed that task force and feel that we can build upon the stronger relationships we have built with local government to effectuate important changes such as those that would be put in place by H.R. 2086.

It is fair to say that prior to this Congress, the predominant feeling in Washington, especially among those that oppose the devolution of responsibility to the states, has been that all great wisdom resides here, that only the officials of the federal government know the best way to tackle an issue, and that only the people in Washington care about the needs and problems of the citizens and communities of our great nation. Well, we all know that there are tremendous intellectual resources here inside the Beltway, but it is back in our communities that we, the

elected representatives of state and local governments, make government work for our people. Perhaps one of the greatest legacies of this Congress will be the reinvigoration of the idea that, in terms of making government work, one-federal size does not fit all, and that the creative energies of the community, and our state and local governments are best suited to mend national problems.

The 104th Congress has been one of tremendous progress in restoring the balance between the states and the federal government. Legislation such as yours, Mr. Chairman, would be a fitting companion to not only the Unfunded Mandate Reform Act and other legislation aimed at creating block grants, increasing flexibility, and relaxing regulations while maintaining accountability and shared fiscal participation. Legislation that assists state and local governments in obtaining greater flexibility will help us make more progress in addressing many of our nation's domestic problems. Over the years, federal rules and regulations have made an already puzzling grant system counterproductive to efficiency. They have stifled of creative local approaches to managing change. The myriad number of programs designed to get at the same basic issue, noted most often in the job training and education arenas, are overly targeted and duplicative and take more resources than necessary to administer and evaluate. Limited government resources are much better directed at solving problems than at filing applications.

For many years, NCSL has taken the position that the Administration and Congress should work to consolidate all related federal grant-in-aid programs. We have urged elimination of all crosscutting requirements where justified to enhance flexibility as well as to lessen the administrative costs and burdens. Furthermore, NCSL policy supports the idea that Congress and the states should strive to coordinate federal programs with state programs. To ensure this coordination, state legislatures should not be prohibited from receiving, reviewing, or commenting directly to federal agencies. We have made progress in this area with the unfunded mandates act, Executive Order 12866, FACA reform, and lobby registration reform, but we need to continue to work on strengthening the consultative process between the levels of government.

NCSL is very supportive of the concepts embodied in HR2086 and with the inclusion of three rather simple, but significant points, can strongly endorse its passage. Those points are:

- The ability of States to submit flexibility plans and apply for the grant waiver process.
- The involvement of the state Legislative Branch in the review and application process when state-level decisions and funds are involved.
- Keeping the application and review process as simple as possible.

It is my understanding that testimony in previous hearings raised the point about state applications, and that you are generally supportive of the idea. Therefore, I urge you to complete the process by allowing states to make application for these waivers as well as local governments. This is important for several reasons. First, states manage a significant portion of the general domestic agenda of the federal government and we often have discussed ways in which we could make these programs more efficient. Secondly, as far as rural and more sparsely populated communities are involved, states are often the level of government that is most involved in the programs that serve those communities. Thirdly, the states are actively involved in the process of change and experimentation in how improve service delivery. Finally, we have a tremendous capacity to learn from one another. It is our feeling that the lessons learned from the first rounds of innovative proposals that come about as a result of your bill will provide valuable knowledge for others. NCSL can assist as a clearinghouse for the state/local experience with these new opportunities.

With regard to my second point, as Congress is responsible for appropriating federal funds, state funds are appropriated by the Legislative branch, and federal funds are currently appropriated by the state legislature in most states as well. States may prefer this method for its oversight and decision-making advantages. States that prefer to have federal funds administered by the state's executive branch may choose to do so. Federal laws must allow each state to choose the manner of appropriation of these federal funds. We have made this case strongly in terms of the block grants that are being considered in areas of welfare and job training, and we feel the concept is applied here as well. We certainly agree that State and local governments should be accountable, but instead of creating new regulations and processes, federal laws should use state procedures

when possible to measure or achieve compliance with federal guidelines. Therefore it is important that you, at the federal level, not overly prescribe who at the state (or local) level should have the authority to make decisions at our level. Set forth the idea that you want as expeditious a review and decision-making process as possible, and, knowing the deadlines, each state or local government that wishes to take advantage of this opportunity will lay out for you the process it will use in its' plan.

Finally, as you blend your plan with the Administration's desires and try to take care of the concerns of the groups that are worried about one issue or another, NCSL urges you to keep the application and review process as simple as possible. It is not appealing to have to jump through a dozen hoops to avoid having to jump through two dozen others. I am not saying that the process set forth in the bill as drafted is overly cumbersome. We all know that it is far too easy to create a more complicated process as you address certain concerns. As you heard in testimony in previous hearings, other like-minded attempts often did not work because there was not enough incentive to go through the process that was created, or that there was not enough knowledge of the opportunities. Keeping the process simple and working with the state and local organizations will help ensure the most positive results.

Thank you very much for the opportunity to be here today. I am glad to answer any questions, Mr. Chairman, that you and the other subcommittee members may have.

# NEWS RELEASE

## NATIONAL CONFERENCE OF STATE LEGISLATURES

**For Immediate Release**
**February 22, 1996**

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**CONNECTICUT HOUSE MINORITY WHIP ANDREW NORTON TESTIFIES ON LOCAL EMPOWERMENT AND FLEXIBILITY ACT**

**WASHINGTON, D.C.**--Connecticut House Minority Whip Andrew Norton, testifying on behalf of the National Conference of State Legislatures (NCSL), said today that the nation's state legislators support the objectives of the Local Empowerment and Flexibility Act (H.R. 2086) and he suggested several changes to expand the bill. Norton made his remarks before the U.S. House Subcommittee on Human Resources and Intergovernmental Relations. Norton is from Colchester and represents the state's 48th district.

Norton indicated NCSL's strong endorsement of the legislation as long as it includes three significant provisions:

- the inclusion of applications by states for grant waivers
- the involvement of the state legislative branch in the review and application process when state-level decisions and funds are involved
- keeping the application and review process simple

Norton called the legislation, which was sponsored by Congressmen Christopher Shays (CT) and William Clinger (PA), 'a fitting companion' to the Unfunded Mandate Reform Act.

"Over the years, federal rules and regulations have made an already puzzling grant system counterproductive to efficiency," Norton said. "The Local Empowerment and Flexibility Act would assist state and local governments in obtaining the flexibility needed to creatively address domestic problems. The legislation recognizes a fact long known by state and local officials: the needs of the public are better served by directing resources at problems rather than at administrative redtape."

Representative Norton also clarified NCSL policy regarding the administration of federal funds:

**-more-**

William T. Pound/Executive Director

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"For many years, NCSL has taken the position that the Administration and Congress should work to consolidate related federal grant-in-aid programs and should eliminate all crosscutting requirements where justified to enhance flexibility in terms of efficient use of funds as well as to lessen the administrative costs and burdens," Norton said. "NCSL policy also supports the idea that Congress and the states should strive to coordinate federal programs with state programs."

Norton reiterated NCSL's strong belief that any new federal funds to states must be appropriated according to state law.

"Federal laws must allow each state to choose the manner of appropriation for federal funds," Norton said.

Norton said the legislation will continue the reinvigoration of the intergovernmental trust that began with the Unfunded Mandates Reform Act.

"Sometimes simple changes in the way governments operate can open up a world of new opportunities to improve the way they govern," Norton concluded. "State legislators believe this bill, with the recommended changes, represents a tremendous opportunity to greatly increase the ability of state and local governments to deliver services more efficiently and target problems in an innovative manner."

NCSL represents the legislators and legislative staff of the nation's 50 states, its commonwealths and territories.

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Mr. SHAYS. Ms. Park.

Ms. PARK. Thank you, Mr. Chairman, for allowing me to speak with you today, and thank you to your staff who helped pave the way for my presentation today.

I would like to talk today briefly about the President's Council on Sustainable Development, and a little more specifically about the role of the Sustainable Communities Task Force and the PCSD, and then talk about some of the findings that we have come up with and we are getting ready to implement into a final draft of the Sustainable Communities Task Force report.

Mr. SHAYS. Can you describe the task force a little bit?

Ms. PARK. Sure. I am going to describe a little also about some of the specific examples of some of the communities we have talked to and how this legislation would make an impact on some of the issues these communities are dealing with.

The President's Council on Sustainable Development, as you may know, was formed in June 1993 by the President as the United States' formal obligation that they concurred to at the United Nations Conference on Environment and Development, better known as the UNCED summit in Rio in 1992. At the U.N. conference, all the nations represented there said we will go back to our countries and establish councils of diverse entities to talk about sustainable development specifically with the domestic agenda in mind.

So the council was established by the President, and, as you know, it includes not only a number of cabinet officials on relevant agencies but also environmental leaders, labor leaders, people who head up civil rights groups, people from State government, and also citizens groups as well. So it is a very diverse commission for a Presidential commission's usual standards.

The basic thrust of what the council was charged to do was to develop a national action strategy on sustainable development. In other words, sustainable development being how we link economic prosperity, social well-being as well as environmental health, and see those issues as being connected. How do we in this Nation start to really look at changing some of the things we do, not only in public policy but also in day-to-day decisionmaking that we as individuals or citizens or businesses choose to make?

So this task force is truly a large one. And one of the task forces set up to look at these issues was a task force to focus specifically on how we talk about sustainable development at the community level. The Sustainable Communities Task Force, which I coordinate, involved a couple hundred people in its work over the course of the past 2 years. In addition to a formal membership in the task force, we talked with communities all across the country, and in our report we will be presenting information from many of these communities that we have talked to that include case studies that are about 7 pages long of 11 different communities throughout the country that range from everything from a small border community of Brownfield, TX, to a small rural town in Missouri called Pattonsburg that was annihilated by the 1993 floods, to large urban centers like Chicago and Seattle.

We have also compiled information and learned from the initiatives of communities in all of the 50 States and pulled that information together as well.

I want to talk quickly about some of the findings that we came up with and that we have tried to actually integrate into the recommendations we have made in our report. A lot of them are focusing on a trend that I think is emerging, and that is really a new way of thinking about how we make decisions in this country. I think the power of the President's Council on Sustainable Development is going to be that it is quite remarkable that such an extraordinarily diverse group of people came to consensus on an awful lot of important issues. And particularly, given not only the political climate but certainly other societal issues going on in the United States right now, that is not something we find every day.

The notion of collaboration and consensus and coming to the table and trying to work together on shared solutions to problems is, I think, a model for decisionmaking that we need to further, instead of the bickering and the partisan nature of certain decisions, as well as the fact that in order for us to make long-term progress we have to have everyone at the table contributing what they can. This is happening at the community level in a very unique way, and I want to point to one example in Chattanooga, which is a community that we spent some considerable time in.

Chattanooga in the early 1970's was dubbed as the most polluted city in America, and at that time air pollution was so bad in that city that you often had to use headlights in the middle of the day in order to see. What they managed to do to turn that situation around is they brought the community together, including the average resident on the street as well as people who head up major businesses in the community, local government, and a lot of the housing development groups. A very diverse group of people. And what they decided to do was embark upon a process in which they tried to set goals for the community and start thinking about what do we want Chattanooga to look like in 10, 20 years, in the new century, because, clearly, what is happening now is not working.

What they did was they sat down and included everyone. They took children out of school for certain parts of the day on certain days, and actually had schoolchildren participate in this, and they essentially got out the butcher paper and wrote it down. They got everyone's suggestions on this piece of paper and, using this community-based diverse process, they came up with priorities for that community.

Once they came up with the priorities for the community, they talked about how do we actually accomplish these things, what needs to happen and how do we get the money to make these things happen. They have managed to leverage several hundred million dollars' worth of funding based on this strategic planning process, which is very similar to the process that was referenced to, that a lot of the groups that wanted to apply for community enterprise zones or enterprise communities they had to apply for as well. It is a very similar type of process.

What these groups came together and were able to do is absolutely phenomenal. They now have a riverfront development that is absolutely amazing, if you have had the opportunity to walk down there and see a pedestrian bridge they rebuilt. They have started—they built from scratch a freshwater aquarium, which was originally an idea of a high school student that came to one of these

meetings. They have also managed to diminish all the air pollution problems to the point where they are now in compliance, which they were not before. In addition, they have leveraged some money to build a shelter for battered women and their children. It is really an extraordinary example of the kinds of initiatives communities are doing now.

The link I would make to the legislation that you are proposing has to do with how do communities who have actually embarked on this broad-based process and tried to look at all the issues in their community and set priorities, how do they then go to the Federal Government that has all the funding in these little silos, and how they try to literally run with the bucket from each faucet to the other, as the Congressman mentioned.

I think part of what we have heard over and over again through our work from communities is that the Federal bureaucracy is one in which we have a lot of difficulty accessing the right kinds of information. There is tons of data out there, but the information that would help us make a difference in our communities is hard to get.

Second, the Federal Government people do not know what the local people are talking about. And that is something I have run into in working at the council. I have had four offices of the same agency calling me and asking me about the work of the task force, and I keep saying do you know that someone from your agency is doing work with us, and you might want to call and talk to them, although I am more than happy to share information with you. But that happens all the time.

In some ways I think the emphasis in your legislation on trying to provide opportunities for communities to actually not necessarily get around regulatory rules but have flexibility in regulation, that is not so much the issue as it is that I think a lot of communities that want to do this work don't even know where they go as a first step toward getting Federal funding. They know there is lots of money out there for lots of these initiatives, but they don't know how to access that. And there is no one-stop shopping kind of place to go to have a point of entry and access for that.

There are some examples where I think regulatory flexibility is important, and one example I might point to is a concept called ecoindustrial parks, which is—it is a concept that we take industrial parks, in other words similar manufacturing centers, and put them in a proximity. But also the concept of ecoindustrial park takes it a bit further. In other words, the waste stream from one manufacturing center can oftentimes become the input to a manufacturing entity that is right next to it.

And what they are aiming for is a concept that the President's council talked about, which is essentially zero waste. Zero waste, because waste is, indeed, not only expensive but certainly is not useful to us as a society. It is the same concept as the notion of zero defects. We have been able to embrace the concept of this in our manufacturing sector in the United States, but we don't necessarily think visionarily—if that is a word—when we talk about having zero waste in our kinds of facilities that we have.

Oftentimes when you have ecoindustrial parks, there are issues related to zoning and regulation, that if we do provide some flexibility for the communities that are having these broad-based plans

to bring in these kinds of industrial development, particularly many of which are in rural areas, for example, in Northumberland County in Virginia, they are trying to do this as well as in urban areas, such as one that is trying to be pulled together in Baltimore. That is an example of how regulatory flexibility would help these kinds of projects that are based on really interesting, diverse participation from the community level to get this kind of access to Federal funds.

There are a few suggestions I have very specifically about the legislation, or at least the pieces I was sent from your staff. One is that I think the notion of a participatory democratic process and a new way of opening up decisionmaking, you get to that a lot in the point in certain sections where you talk about participation and having a community advisory board being able to have impact in commenting on these local flexibility plans.

I would turn that on its ear a little bit and say from the get-go that these local flexibility plans should not be pulled together from the local level alone, but from a broad-based sector of people from the community.

That was one thing I think the community EZ–EC program did very well. They said, in order to actually apply for this kind of funding or to have this designation, you must, within your community, have a broad base of people coming together to pull this application together in the first place.

I would suggest that that kind of participation from the very front end of developing these plans is far more helpful than giving people a comment period at the end.

So one other thing you might want to consider is having some guidelines for who needs to be part of this community advisory board; that it does need to be diverse and represent a number of sectors within the community.

In addition, I think there are a number of Federal initiatives that try to encourage regional cooperation, which really, I think, is at the heart of addressing many issues that you simply cannot address within the jurisdictions of the political confines of one community; issues such as land use, transportation, economic development, and public safety. These are issues where we should truly be trying to give communities an opportunity and an incentive to work together with regional approaches.

That is something we heard over and over again from communities; that we can work on suburban issues within our town's boundaries, but we cannot help what someone does next to us, and it has a massive impact on the long-term effect on us to have true progress on these issues.

So I would say that whatever you end up with in this legislation, you should try to ensure that any Federal programs that currently encourage that type of regional cooperation are not undermined by any kind of flexibility plans, because that is fundamental to what we want to encourage communities to do and don't want them to have incentives not to do that as much.

One other thing. I think the notion of accountability and being able to measure the actual improvements that are made within these communities as they try to embark upon whatever funding projects that they have identified as being priorities, there are a

number of initiatives currently under way, not only in the Federal Government with an interagency group that has been working on this issue, but also communities and States that have been working on what they call indicator programs or benchmarks.

Minnesota Milestones in Minnesota, the Oregon Progress Board in Oregon, does this work. We have about 20 pages in the Sustainable Communities Task Force report that literally just lists all of the community-based projects in which they are trying to come up with specific, measurable ways to put a number on a lot of the goals that they have set within their communities.

So, for example, if they talk about diminishing air pollution, what does that mean? It means better compliance with Federal air standards, but it also means other kinds of things that lead up to the ability of a community to have clean air, such as lowering vehicle miles traveled, having access to public transit, increasing ridership, if that is the avenue they have chosen to try to address some of these issues.

And I think that these indicator projects, and having the Federal agencies that have the statistical information and those kinds of resources to allow these communities to better assess their measurement of this kind of progress is also something important that the Federal Government can do.

I think that I will close quickly, because there are lots of other examples I would like to bring up, but I know you have a limited amount of time. I think a lot of what this legislation points to is not just about how do we take Federal funding and Federal regulations and make them either more accessible or more flexible for communities, but also it gets to the whole notion of how do we figure out in the long term how we streamline how Federal Governments work.

Of course, there are a lot of reductions in force in every agency now in the Federal Government. And instead of just trying to make all of these entities essentially just smaller, how do we figure out new ways of having these organizations, i.e., these agencies, work better together?

I think a lot of the issues related to turf, a lot of the issues related to kind of imbalance and expertise on certain issues that different people at different agencies have are all issues that have been brought up today that I would make the emphasis that I think this legislation is a first step to get us to that point where we do have to use the common terminology, "a reinvented government" that better works for the people who eventually need to have the Federal Government's resources.

I think what is eventually going to be measured is how does a person's life change by a project that we actually embark upon and fund at the Federal level. Thanks.

[The prepared statement of Ms. Park follows:]

TESTIMONY

ANGELA PARK
COORDINATOR, SUSTAINABLE COMMUNITIES TASK FORCE
PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT
BEFORE THE
HOUSE SUBCOMMITTEE
ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

February 22, 1996

Mr. Chairman, I am please to have the opportunity today to testify before the Subcommittee on Intergovernmental Affairs on H.R. 2086, Local Empowerment and Flexibility Act of 1995. Many of the issues the President's Council on Sustainable Development (PCSD) has learned about and made recommendations on in its final report are addressed in this legislation and I thank you for the opportunity to address your Subcommittee today.

Since its establishment in June, 1993, the President's Council on Sustainable Development has worked with individuals, companies, and institutions to learn about the direct applications of sustainable development in communities throughout the United States. Learning about local efforts to create more sustainable communities has been a fundamental part of its effort to create a national action strategy.

The President's Council on Sustainable Development (PCSD) established the Sustainable Communities Task Force to examine, identify, and articulate the leadership role communities are playing in creating a sustainable United States. The ten Council members who serve on the task force were charged with developing consensus-based policy recommendations on how the United States can create opportunities, reduce barriers, and encourage collaborative partnerships to implement sustainable development locally.

The term sustainable development was popularized by the World Commission on Environment and Development, which was established by a resolution adopted by the United Nations General Assembly in 1984 and delivered its final report to the General Assembly in 1987. The Commission held meetings on every continent with people from all walks of life. In its report, *Our Common Future*, the commission defined sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs." This definition was adopted by the President's Council on Sustainable Development.

A variety of themes have become closely associated with the idea of sustainable development and they include the concepts of decisionmaking for the long-term, recognition that societal problems are complex and interconnected and therefore solutions must be as well, and that inclusive participation and transparency in any decisionmaking process is imperative.

Sustainable development is one of those rare ideas that could dramatically change the way we look at "what is" and "what could be." It is about doing things in ways that work for the long run because they are better from every point of view -- better economically, environmentally and socially. It provides a new framework for working together to expand economic opportunities, rebuild communities, revitalize democracy, develop a new generation of environmentally superior technologies, link entrepreneurship to

environmental stewardship, and bring our urban way of life into balance with nature. It challenges us to envision a society far superior to our own, and to make it a reality for our children and grandchildren.

The task force has defined sustainable communities as communities that flourish because they build a mutually supportive, dynamic balance between social well-being, economic opportunity, and environmental quality. People working to create more sustainable communities understand that to achieve long-term progress they must integrate these issues and not pit them against each other.

Flourishing communities are the foundation of a healthy society. One vital measure of America's potential for long-term vitality will be the emergence of communities that are attractive, clean, safe, and rich in educational and employment opportunities. Sustainable development can easily remain remote and theoretical unless it is linked to people's day-to-day lives and seen as relevant to fundamental needs, such as jobs, clean air and water, and education.

As your Subcommittee has recognized, it is often easier to make these connections in the context of communities. It is in communities where people work, play, and feel most connected to society. Problems like congestion, pollution, and crime may seem abstract as national statistics, but they become personal and real at the local level, for example, people feel anxious about letting their children play outside during an air quality alert. They are frustrated by long commutes that take time away from family life. It is in communities where people profoundly feel the effects of shifts in the national and regional economy. While the challenges facing the nation are difficult to resolve at any level of government, local communities offer people the greatest opportunity to meet face to face to fashion a shared commitment to a sustainable future.

The role of local communities is becoming increasingly important as the United States, and much of the rest of the world, move toward more decentralized decisionmaking. The federal government will continue to bear the responsibility for bringing together diverse interests to establish national standards, goals, and priorities. These important federal roles are necessary because national interests may not always be represented in local decisions, and the effects of community choices are felt beyond one municipality. The federal government is providing greater flexibility and expanding the roles played by states, counties, and local communities in implementing policies and programs to address national goals. This new model of intergovernmental partnership will require information sharing, and an unprecedented degree of coordination between levels of government. Local government will play a key role in creating stronger communities -- from planning and facilitating development, to creating community partnerships, to providing leadership.

During the last two years, I have focused on learning about initiatives currently underway in communities to address these issues. From small, rural town like Pattonsburg, Missouri to large urban centers like Chicago to growing metropolitan areas like Seattle -- the concepts of sustainable development are being clearly demonstrated in the actions of citizens, local governments, and broad community-based coalitions.

During the course of the task force's work, we have made conscious efforts to provide a platform for community leaders to voice their concerns and provide their recommendations to us. The task force worked with over two hundred people throughout the country in developing its recommendations. I would like to take a few moments to point to some specific examples of initiatives underway directly relate to H.B. 2086.

A trend that is quickly growing into a movement in communities throughout the United States is that of broad, community-based planning. The first recommendation in the Sustainable Communities Task Force report is to bring people together to identify, prioritize, and learn about key issues in their community; develop a vision of what they want their community to be; set goals for realizing that vision; establish indicators for measuring progress; identify the resources needed to reach the goals; and implement actions that will advance them.

This recommendation was developed by learning from the examples of communities that have embarked upon this type of planning and have reaped enormous benefits. Chattanooga, Tennesee is one example of a community that embarked upon this kind of planning in the 1980s and has revitalized its economy and community with the initiatives that followed this process. Categorical financial assistance is a barrier to local innovation because it forces a community that has used a holistic, broad-based planning process to identify key community needs to then turn around and force its projects into often narrowly-structured Federal grants.

For example, flexibility in transportation funding has been enormously helpful to communities who want to improve local transportation. By opening up highway funding for projects such as public transit, the Federal government has enabled communities that believe public transit is the best way to alleviate congestion and improve economic opportunities to make those investments instead of building more road capacity.

The goal of diminishing barriers to innovation at the local level are to be commended and are clearly needed. At the same time, efforts to provide flexibility to communities must ensure that national interests are not compromised and that basic protections, such as environmental health, are not diminished. In addition, Federal efforts to encourage communities to work together to address issues that transcend their municipalities' jurisdictions should be furthered and not undermined in an effort to provide flexibility. Time and time again, community leaders emphasized the need for regional approaches to address systemic, difficult community issues such as public education, economic development, air pollution, and transportation.

One major undercurrent of every community example we learned about focused on expanding the concept of public participation. In H.R. 2086, I recommend that you consider expanding public comments on the plan to include public input and participation in the early phases of developing the local flexibility plan. An excellent example of promoting community-based groups to work together was the Community Empowerment Zone/Enterprise Community application process. By requiring applicants to create a broad-based coalition of community representatives that included a diversity of sectors, this legislation promoted the kind of community planning that is fundamental to a community's success. I also recommend that the community advisory committees in H.R. 2086 should be established to help write the plan, not just review it, and that the legislation encourage diverse composition of the community advisory committees.

Encouraging interagency efforts to work together to identify ways to integrate funding is equally as important, if not more so, than encouraging communities to identify regulations that need to be waived.

The history of America is the history of innovation and communities are leading the way in creating a more sustainable United States -- one that links economic prosperity and environmental health for all citizens. As we look to the future, facing a new set of challenges, it is important that we build on the strength of the experience to innovate while learning both from others and the past. What is ultimately

at issue is whether we can make our communities economically vital, environmentally healthy, safe and livable places for our children and the generations to come.

Nothing could do more to foster sustainable development than a nationwide effort to apply this idea at the local community level. I commend your efforts to enact legislation that will encourage and enable communities to continue to lead on these important issues.

Mr. SHAYS. Thank you. I was going to tell you, Andy, not to speak so quickly, but I am happy I didn't.

Ms. PARK. There was a certain amount of time, and I wanted to get everything in there as quickly as I could.

Mr. SHAYS. And you will have as much time as you need. Both your testimony was quite excellent and helpful.

Let me just say to the transcriber that we will have Cheryl Phelps ask some questions, who is not on the committee but is staff director on the minority side. But before doing that, I want to make an observation.

I think one of the points that Mr. Souder was getting at is that not only do we want flexibility, but we do not want this bill to be a compensation for the fact that we have a Federal bureaucracy that should be allowed to be bureaucratic, which I think is partly your point about streamlining the Federal Government. We don't want this to be a compensation for something we should be fixing on the Federal level. We should fix what we need to fix on the Federal level, but we should also provide local flexibility.

I am struck by the difference between this bill and categorical and block grants. I see categorical grants as being the most specific and the most confining, and block grants giving the greatest flexibility. With this bill, the flexibility will allow for something in between, but it really does more than that because it combines different block grants, in a sense.

It doesn't combine grants in a particular area like a block grant, say a housing block grant or a block grant dealing with child care. And, really, what the bill does is it attempts to get various parts, not just the individual silos but a group of silos, and another group of silos and coordinate all of that.

One other value I see is the reward for having a master plan. And block grants don't necessarily require a master plan. We could require that to be the case, but in the process of doing a master plan, local communities are going to decide to do things differently.

My one concern is how, and one of the challenges is your whole concept, Ms. Park, of involving the community. And the community does need to be involved. We have to involve community in a way we are not just trying to say we involve the community. But I don't quite know at what point you should involve the community, early on, in some cases, and some cases maybe not.

There are problems associated with adding more red tape, adding more politics, a concern about even further delays and so on. So it will be interesting ultimately how we—I think your suggestion has merit. The question is how do we do it. Maybe they should not just respond at the end.

Ms. PARK. I think we live in a representational democracy, and there is no way to have a table big enough to have literally everyone at the table.

The important point in having some input up front and having some direct involvement, and I am making the assumption, reading the legislation, that the people who will actually come to the Federal Government with these local flexibility plans will be local government. But I think that the notion of having at least a representative body that helps guide some of the development of that flexibility plan, that includes a diverse set of individuals and represen-

tation of institutions within that community, it does take a little more time.

But I think you are not certain that you are addressing community issues, I think, unless you have gone through a little bit of that public process, because I don't think that local government on its own, necessarily, has the ability to identify the key priorities of that community.

Mr. SHAYS. It does not, and the point you raise is quite significant. You end up with tradeoffs like New York City did when they started their local boards of education. They ended up with local boards of education that were ripping off the system. They viewed the system as some communities viewed HUD money. It was a way to reward your friends.

And there is a real question of the benefit that has occurred in the education system in New York City, and there are some real obvious negatives with what happened.

So how you involve the community is—elected officials should be involved in the community, and we have to find a way to involve the community without taking away power from elected officials, who should be all doing a better job.

All I am saying to you is that you threw it out as a point, and I think it is quite significant. I just don't quite know what kind of requirements you place in involving the community. It is something I have to sort out.

Ms. PARK. It is something you can include through the application process in the first place, which the EZ–EC program did. I think that point alone created a lot of benefits within that community.

I have talked to some people who worked within their community on these applications, and they said we never got the designation, but in some ways it doesn't matter because what we learned by having to come together and work on this plan did so much in the long term for our community that even though we didn't get the designation, we have a benefit from having actually applied.

Mr. SHAYS. In some communities they found some community leaders were able to manipulate the system so that they shut out some community people. They became the spokesmen for the community when they were not, because a lot of the community people got fed up and walked away. And none of them were elected officials. None of them went before the voters.

Ms. PARK. I am in no way trying to paint elected officials as bad guys.

Mr. SHAYS. I am not suggesting you are saying that; I am just saying there are some real challenges.

Ms. Phelps.

Ms. PHELPS. Thank you. Representative Norton, I would like to ask you a couple of questions on two of your three points that you felt should be included in 2086.

The first was the ability of States—you wanted to see that the ability of States to submit flexibility plans and apply for the grant and waiver process was included in the legislation.

And the second I would like to ask you some questions on was that you also wanted to see the involvement of the State legislative

branch in the review and application process when State level decisions and funds are involved.

I take it that you are here as a representative of NCSL. How do you respond to concerns given the first point, that States will be allowed to submit their own plan; and the second, that States participate in the review and application process?

How do you respond to concerns that States often impose their own barriers, at least to municipalities, in their ability to behave in a flexible manner toward their constituents?

Mr. NORTON. Well, the first response I would give you is that, as I understand it, one hurdle, or the final hurdle in the process, as I understand the bill, is that the Federal Government sign off on this. So to the extent that you worry, and sometimes appropriately so, that the State can be as much a monster to the town as the Federal Government is a monster to the State, the proposal allows the Federal Government as a final check on any abuse that you might see there.

I take it that since, in the current context, you view the Federal Government to some extent as a protector, I don't see how it loses its status as a protector of the local interest versus the State interest, since final approval still must be had at the hands of Federal officials.

Ms. PHELPS. There are efforts being done at the State level, I think you are saying, that will mirror some of the efforts that are being considered here?

Mr. NORTON. Yes. One of the beauties really of this legislation, and I can't report on what has been passed in other States, but just last year Connecticut passed the Neighborhood Revitalization Act, which creates neighborhood rerevitalization zones.

To be honest with you, I represent smaller towns, but the representatives from the urban centers in our State pushed real hard for this legislation. They found that, to some extent, cities were just getting too big. City hall was just getting too difficult to wade through. And if you could allow neighborhoods to gather up all the people who were active, and they might be the people who live in the neighborhood who work at the bank and can get the bank involved, it might be the people in the neighborhood who are active in the church and can get the church involved, and the local city counselor. But if you can get all those people involved, you could put together a good group of people to try to break free of some of the red tape.

What the State of Connecticut has said is we will help you break free of some of the red tape at the State office. So when you talk about the States tying the hands of cities, in our State, anyways, we are in the process of trying to solve the very problem you observe where the State will try to free up the people in the cities to help out their neighborhoods.

And if you could also, the Federal Government, be doing that at the same time we are trying to do it, since obviously a lot of these dollars flow from you, not just from us, if you could join us in freeing up cities from a lot of the bureaucracy, that would just be super. It would dovetail nicely in what we are doing.

So I agree there is that concern out there, and I am pleased to report to you that the problems that you are pointing out, I think,

are being addressed in State legislation and would be addressed in this legislation.

Ms. PHELPS. And we could probably contact your organization to find out if other States are on that same path?

Mr. NORTON. At any time, if I inadequately answer a question or you just are left with any questions, the NCSL people are glad to fill in any holes in my knowledge and in your knowledge and answer any of the questions you may have.

Ms. PHELPS. Thank you.

Second question: GAO testified at a previous hearing that over 1,000 waivers had been requested in applications for grants under the empowerment zone and the enterprise community program. I am interested in knowing from you—oh, and they also said that in order to grant many of these waiver requests that Federal—several Federal statutes would have to be changed.

I am interested in hearing from you whether you feel—what statutory changes you feel would be necessary to facilitate greater State empowerment toward the end that you describe in your testimony.

Mr. NORTON. Well, one of the things I will say is the State is often a partner with the towns in trying to pursue these grants and what have you. So to the extent that everyone's hands can be untied, the better off we are.

In the case—I, in getting ready for today, talked a great deal with the city of Norwich, which is sort of the regional urban center in my world; Norwich, CT. A lot of the programs they are doing, they are doing with the State, with the Federal Government. They don't just jump right to the Federal Government, but the State is part of the process, too. So to the extent that statutory changes can be made that free up the State, they free up the city.

A couple of examples in the city of Norwich, the Federal Government gives out Brownfield grants, which helps out cities in cleaning up the urban centers and allowing industrial development to continue in the cities. In the city of Norwich, they had a $200,000 grant to do a study and a plan for cite remediation. Well, in fact, they don't need all of that money to do the plan. They could use some of that money to do remediation. But the $200,000 can only be used to plan for remediation. They would like to do some remediation.

The changing—changing the statute which ties up the money in that way would be really good for both the State, if the State was the grant applicant, or the city, if the city was a grant applicant.

So I am afraid I won't be able to answer your question if you ask me for specific statutory changes and references, but I will say that when you discuss all of the waivers that people seek, I would suggest that instead of having everyone in the world come to the appellate court that is the Federal Government in this regard and seek all of these waivers, why not just turn the system around and have waiver-seeking be the norm, say we want to submit this plan, and so that you are not seeking to exempt yourself from the system, you are, in fact, working the system in the way it is designed. You are putting a special plan together. That is what the system asks for. You are not trying to work around the system; the system is now that. I think it would be great.

You know, if I just may, for your purposes, just give a couple one-sentence quotes from people I talked to. I am actually much more excited about this legislation as I dug down into researching it with some of the people in the city departments. Our social service, one of the people who runs community development grants, what she said to me was the grants are so specific in nature that the town gets caught between a rock and a hard place, that they can't figure out whether or not they should even apply for the grant or not.

Freedom is being talked about a lot in this bill, but I think simplicity is really important too, because, in especially small towns like mine, now regionalism is really good to answer a lot of problems, but my town may have a different need to address in regard to teen pregnancy than the city nearby. But sometimes they are being forced into regionalizing because the resources involved in applying for the grant are so massive that they have to get together, even though that isn't the best way of doing it.

I have to tell you, I was talking to a colleague of mine the other day who knew of someone who himself had become a rich, rich man, worth more than $1 million, and all he does is do grants for towns that can't do it otherwise because his expertise is so great. That freedom is as important as freedom. I just wanted to throw that in.

Just another line, if I may. The woman who funds the social services department in Norwich, Beverly Goullet, she said it takes a Philadelphia lawyer to figure out what the government requires in these grants. Philadelphia is not in my State, so they are hard to come by.

Ms. PHELPS. Maybe Mr. Battle should come back up.

Mr. NORTON. But it is really tough for them. Some of the teen pregnancy grants they applied for, it will talk about providing for the transportation, the rent, the utilities, but then not the staffing. So you can get the money together and start the program, but then you can't make the program start. Some job training programs out there, the money won't be allowed to be used for transportation, so you can set up all the programs you want in the world, and then in the case of certain people who can't transport themselves, don't have a car, you can't get money to get them to the site.

Drug treatment programs. Maybe you want to do prevention and treatment, but, no, this grant is for prevention, and if you want to do treatment, sorry; and this grant is for treatment, if you want to do prevention, sorry.

Another point I wanted to make is I think that you will gain a lot of oversight. One of the things I have noticed in our State when towns make applications, they start to get clever about how to apply for things. And we had one case in which they were trying to get together an AIDS hospice in one of our cities, and we were going through, and eventually the names started coming up again, and they were applying for grants under the Department of Health and under the Department of Welfare and under the Department of Housing. They were doing their job.

This local group was doing everything they could to get every type of money from this different area. But in the meantime, we had no idea how much money the State was giving them, because it was coming from so many different areas. If a group like that

could just come to the State government, be honest and say we want $700,000, can you give it to us, we could probably do it. But they get $150,000 here and there, I got to tell you, if we had a clean system where we could do that, we would have better oversight and we would know what they were doing.

I am sorry, I went on for a bit there. My apologies.

Ms. PHELPS. I would like to address this question to you both before I ask a couple of questions of you, Ms. Park. Should we be concerned that allowing States and localities to waive Federal statutes and regulations may undermine national labor standards, environmental standards, or health and safety standards?

Ms. PARK. I would say absolutely. I think you cannot have flexibility without some direct accountability to ensure that we don't undermine these national goals. I mean the underlying thrust of everything that has been in the President's Council on Sustainable Development report, and the other things that support it, has been that while we certainly think there are lots of better ways that we can regulate many of the issues that the Federal Government has oversight over, we can't forget about the fundamental need for public health and safety.

I think that there needs to be enough in this legislation that provides for the kind of oversight and enforcement, as well as enough time for the Federal agencies that need to review these applications to be able to provide sufficient expertise in looking over these, to ensure that those issues have not been undermined. It is very important.

I also think that this in some ways gets back to the whole issue of how you put together these local flexibility plans in the first place. If you put together these local plans and they have involvement from folks in the labor and environmental community, in the first place, I don't think you are going to—many times I think you are going to be able to find communities that reach consensus on ways to address these issues that don't necessarily, you know, walk up to the Federal Government and say OK, we want you to waive this, this, this, and this. I think it is going to be a little more holistic and broad-minded as well as representing a number of different views from the very beginning.

So I think that issue from the very beginning has ramifications on how you address these national goals that I don't think can be undermined. I think there are certainly areas in which we can streamline things and make it more flexible, but we need to have an ability for agency staff and others who will review these plans to be able to have enough time to see that that still does hold true, because we can't let go of that requirement.

Mr. NORTON. I would say that that is a legitimate concern, and obviously a lot of the laws on the Federal books you put there because you want them and you are concerned.

It is difficult for me to answer the question objectively. I am a member of a State legislature, and we feel like grownups. I mean we feel that we are there protecting our States and our populations and our workers and our children and our poor.

Mr. SHAYS. The one challenge with that, if I could just interrupt here and reclaim the floor a second, the Federal Government steps in primarily because of a spillover effect. New Jersey pollutes its

air, but the prevailing winds literally bring it into Connecticut. New Jersey, without a Federal incentive, is going to not focus on that.

Connecticut would be a good example, the Connecticut River. People up the river are basically, if the raw sewage or polluted water flows to the next town, it doesn't become their concern.

So part of it is we can expect the State to be responsible, but another part is a real need to make sure we deal with the spillover effect.

One of the questions that we are going to have to answer in order to draft this legislation is, what can we do to guarantee that we are, in fact, protecting those things that are very important in terms of health or the environment. I am going to give the floor back to Ms. Phelps in a moment, but how does Connecticut waive a process? How would it address the concerns that were raised in this question?

Mr. NORTON. Well, again, legislation that we passed just last year, the neighborhood revitalization zones——

Mr. SHAYS. I want to say, parenthetically, it was passed by an—I would like the record to show, we have a Republican Governor, a Democrat-controlled House and a Republican-controlled Senate, and they basically went through this process collectively.

Mr. NORTON. If I may say, I am a Republican. The neighborhood revitalization zones, I was not a part of that legislation in its birth. I was constantly being lobbied by my Democratic urban colleagues. In fact, if anything, I would say that in the State of Connecticut, most of the cities are represented by Democratic legislators, and they were the driving force behind the legislation because they saw how their neighborhoods needed help and they needed freedom.

Mr. SHAYS. So are you familiar with how the legislation came about?

Mr. NORTON. Well, what the State requires is that where—though you may seek a waiver of different types of requirements, environmental or what have you, there must be a substitute, something must stand in its place to provide protection in the way that the requirement being waived provided protection. So any concern out there that is represented in existing law has to still be met.

The proponent of the waiver has to create something else which will operate as the same safeguard. And maybe there is a union rule, whatever; maybe there is an oversight requirement in the workplace that the State may say, well, you know what, I think we can get together a union committee that can oversee the workplace here.

Mr. SHAYS. But the bottom line is that if there is a waiver, there has to be something in its place that is in the statute.

Mr. NORTON. Yes. To provide the same safeguard.

Mr. SHAYS. Do you want to proceed?

Ms. PHELPS. Thank you, Mr. Chairman.

Ms. Park, I first want to commend you for your ability to download so much information. This is a good segue, because I do want to talk about some things that Congressman Hoyer said in his testimony, in particular because you describe how the council in which you serve as a coordinator of one of the areas was able to engineer this coordination between these Federal agencies.

I understand that it was for a targeted outcome. But I wonder if you could share with us, if there were obstacles to getting that kind of coordination and how you envision, if you do think it is an attainable goal or a reasonable goal, how you would pursue coordination of Federal resources between agencies who are notoriously jealous of their turf?

Ms. PARK. I think the jealousy is getting worse in government downsizing, because as all of the Federal Government's agencies are having to struggle to make sure that they meet the very clear political point, that this is what we do and this is what we accomplish, that kind of competition is actually getting worse. Instead of looking at government reinvention as an opportunity to streamline and collaborate, I think sometimes what ends up happening in the day-to-day workings of agencies is that people who are working very hard just kind of have a tendency to look at it from their agency's perspective, and when they come to a table, they come to represent their agency. I don't think that is always the case, but I think it is generally the kind of overall scenario.

I think the President's Council on Sustainable Development, there were so many people coming to the table and kind of having to drop all of their turf issues and essentially try to talk, in many ways struggle with a lot of these issues, and come to some consensus. It wasn't so much of an issue of how do you get these agencies to work together, it is how do you get everyone to work together?

But I think one thing that has been very clear about the way agencies work, many of which have responsibility on some of these communities issues, is that the Federal Government has so many different kinds of funding with so many different kinds of very specific eligibility requirements that I think just that massive number is part of what people find so daunting.

I think one very simple thing that would help, at least when it comes to making some real changes in how we promote sustainable development at the community level when it comes to what Federal analyses do is that there are, you know, for example, you could take the Brownfields issue; Brownfields is, I think, an incredibly important issue because I think the health and vitality and ongoing rejuvenation of our urban centers is fundamental to how we progress as a society, because it has massive impacts on sprawl development, which also gets to the character of rural communities as well.

This is an issue that has come up over and over again in the council's work and has been really, in some ways, a buzzword, the whole "sprawl" word for a lot of things, what we consider to be bad growth. There are things called good growth, and that is what we want to promote, but there are a lot of kind of sprawling developments in growth that we don't want at all.

My point here is that Brownfield is an area in which we are talking about not only economic development, not only land use, not only environmental issues related to the contamination of that land which is sometimes the case in Brownfield sites, and EPA has an extraordinary amount of expertise on this issue. But the Economic Development Administration, which I think economic development is also a very, very big piece of the Brownfields issue, they don't have that same level of expertise.

To some degree, I have had a few just off the sidebar conversations with some people within EDA, and they said, we really want to get some of EDA's focus to work on these issues but it is so hard for us because we don't have their expertise and it is very difficult for us to try to get ourselves up to speed because there aren't necessarily places where we can go in the context of all of the other things that we have to do in order to make those kinds of connections.

So in some ways it is something more than sharing information and making it possible for agency staff who want to make those links between agencies to make it possible for them to be able to come up to speed and be able to think about ways in which their administration or their agency could better connect to some of these issues.

One thing that I think is happening a lot is, and one of the reasons why I think the PCSD was so successful, is that it took a set of issues, sustainable development, which is essentially every issue under the sun because there is something under public policy that does not fit somewhere in that realm but it provided a focal point for all of the agencies to come together, and I think the kind of cooperation and the discussions that took place—and if you look at the recommendations in the PCSD report, for the most part they don't label specific agencies that could do X, Y and Z, but it is not hard to figure out which agencies have jurisdiction over these issues.

But a lot of the agency staff who worked on the PCSD and its recommendations essentially said these are things that could change within our agency to make, you know, to make community sustainable development more of a reality; or to try to promote it, we should get Y of X, Y and Z subsidies, or these things that we do. They were very good at coming to the table, not only with a critical eye of what other agencies need to change, but also for themselves. I think just providing a place for people to come is a very important piece of this work. I know that other interagencies are trying to bring agencies together to talk about specific sets of issues.

You almost need someone with an MBA who has a lot of knowledge on organizational behavior to help talk about some of these issues, because that is part of what it comes down to, I think.

I don't know if that helped clarify your question.

Ms. PHELPS. It is difficult. It is a difficult issue to discuss in the real world, I guess, because we all know that it would make sense to do some of these things, but there is a culture and a bureaucracy that makes it very difficult.

Ms. PARK. Part of it, I think, is showing people why it is in their self-interest to work together. I don't want to point a finger, but I think when people talk about the ways in which agencies don't work well together, they also say, well, you also have to look at Congress; it has all of these committees that are sometimes put together in pieces, too.

So I think we need to think about ways in which we integrate all of our entities that have decisionmaking power within the Federal Government.

Ms. PHELPS. Would you say that the Hoyer measure could be integrated into H.R. 2086?

Ms. PARK. I don't know a whole lot about it, just generally what the Congressman said.

But I think the more we can try to get these pieces of legislation to compliment one another, I think we are better off because I think integration from the front end is a lot better than integration at the last minute. So I think there are a number of ways in which they do overlap, and maybe in some ways they compliment gaps in certain legislation. That is something that I would certainly encourage you all to do.

Ms. PHELPS. Last question. You mentioned that you would see that it would be an advantage to have incentives to regional approaches to some of these flexibility concerns. Can you give me an example of an incentive?

Ms. PARK. Well, I think if you look at the Intermodal Surface Transportation Efficiency Act, there were some really interesting pieces to that legislation in the sense that not only did it require metropolitan planning organizations to have public input, but it also required communities within that jurisdiction, as I understand it, to work together on regional transportation planning.

I think that—I am just making this up at this point. Let's just say a community within that—within a region comes up with some kind of a plan to relieve congestion in their community, they want to make commutes shorter for all of the residents that live in their community, and they come up with some plan to—and they come to the Federal Government or this local flexibility council and they say, we want a waiver to not have to necessarily comply with what we agreed to in the regional context under ISTEA, to be able to do our own thing, because we don't think that, you know, while in a regional plan—and I am completely making this up—in a regional plan, while we decided that there were four key ways in which the region could reduce congestion on the streets, we decided that we essentially don't want to do anything but widen the road and identify which is the major thoroughfare in our community, and then we want to just ride on that road.

I think the local flexibility council might want to put something, and you might want to put some guidance to this council if it is enacted, to say you can't just go against something that has already been decided within a regional framework and that took a lot of work and collaboration, that the Federal Government wants to encourage communities to work together, it doesn't mean they always have to. Because, like the State legislator said, I don't think it is always clear that you have to get every community in an area to agree on X, Y and Z.

There are always going to be differences in how communities choose to address issues. But the differences in which we can create ways to address the long-term issues that really can't get addressed, I don't think we want this piece of legislation to undermine that.

Ms. PHELPS. Maybe that is something that could be in the State Flexibility Plan, Representative Norton.

Mr. NORTON. Well, if I may give a very good example of what you are talking about, in Connecticut we have magnet schools, and we

are starting to get those off the ground even more. Only one magnet school in Connecticut has gotten a Federal grant because we are—we are an area of small cities and small towns. Geographically they are small, and our urban areas are spread out over many governments. For these particular grants from the Federal Government for magnet schools, they are only designed to be in district grants, going from one part of Hartford to another. Well, a whole lot of, maybe even most, of our magnet school movement is crossing town lines. Kids from Hartford go out to the suburban towns or what have you. We are ineligible for, at least I will say this one particular grant program, because you are not allowed to get the grant if you are talking about crossing town lines and crossing district lines.

So right there is a great example of how the restrictions involved in this magnet school grants defeat regionalism. We would love to take the money to move kids from town to town. The grant is only allowed if you are talking about moving kids within the town. So someone in Stanford may get a grant if they are moving around Stanford. But out of Stanford, no go. But I just think that is unfortunate.

Ms. PHELPS. Thank you.

Thank you, Mr. Chairman.

Mr. SHAYS. You are welcome. Loved having you participate.

I thank both of you. You were tremendous witnesses, and, Andy, I have to say that NCSL must think of you as a model witness, because you are a very, very good and faithful servant to their cause. Thank you very much.

Mr. NORTON. Thank you very much.

Ms. PARK. Thank you.

Mr. SHAYS. I will adjourn this hearing.

[Whereupon, at 12:45 p.m., the subcommittee was adjourned.]

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