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SUPPLEMENTAL APPROPRIATION BILL, 1969

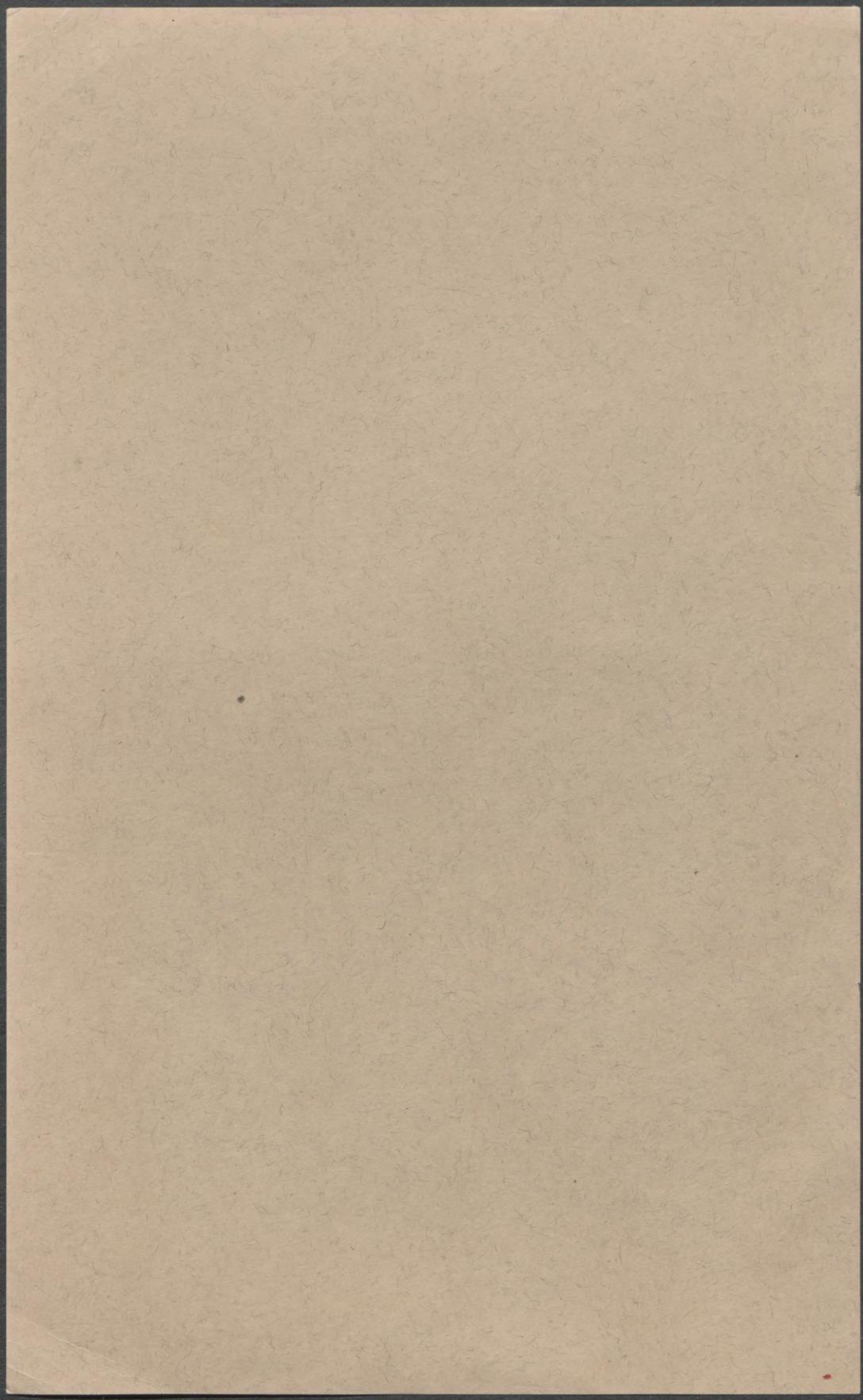
HEARINGS
BEFORE
SUBCOMMITTEES OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS
SECOND SESSION

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¹ Resigned from the Committee effective October 3, 1968.

² Elected to the Committee effective October 3, 1968.

SUPPLEMENTAL APPROPRIATION BILL, 1969

SPECIAL SUBCOMMITTEE TO CONSIDER CERTAIN EXEMPTIONS FROM EXPENDITURE AND OBLIGATIONAL CEILINGS

GEORGE H. MAHON, Texas, Chairman

JAMIE L. WHITTEN, Mississippi

FRANK T. BOW, Ohio

DANIEL J. FLOOD, Pennsylvania

MELVIN R. LAIRD, Wisconsin

ODIN LANGEN, Minnesota

WEDNESDAY, OCTOBER 2, 1968.

APPROPRIATION AND EXPENDITURE CEILINGS FOR 1969

WITNESSES

CHARLES J. ZWICK, DIRECTOR OF THE BUREAU OF BUDGET

JAMES F. KELLY, COMPTROLLER, HEALTH EDUCATION, AND
WELFARE

CHARLES L. GRANT, DIRECTOR OF FINANCE, DEPARTMENT OF
AGRICULTURE

EDWIN A. JAENKE, ASSOCIATE ADMINISTRATOR, AGRICULTURE
STABILIZATION AND CONSERVATION SERVICE

JOSEPH M. ROBERTSON, ASSISTANT SECRETARY FOR ADMINISTRATION,
DEPARTMENT OF AGRICULTURE

Mr. MAHON. The purpose of this meeting is to discuss a general legislative provision which we are considering placing in the final supplemental appropriation bill, to exempt from the ceilings in the Revenue and Expenditure Control Act of 1968 certain mandatory expenditures by the CCC and for public assistance.

Now, as I understand, Mr. Director—and we are pleased to have you and representatives of the Department of Agriculture and of the Department of Health, Education, and Welfare before us this morning—on tomorrow—and I would like to know if this is firm—the President will send us budget requests for some supplemental funds. Is that correct?

Mr. ZWICK. That is correct; as firm as these things are. We have every expectation it will be up at noon tomorrow.

Mr. MAHON. We might have a look, might we, at some of this in the afternoon?

Mr. ZWICK. Yes. We have two open issues at the moment that we are trying to close today. I presume we will get them closed today and send the request up tomorrow.

Mr. MAHON. Now, the question this morning is, How can we best meet this situation involving the increased estimate of spending for farm price supports by Commodity Credit Corporation in Agricul-

ture, and public assistance in HEW? How can we best meet this situation?

As I understand it, if Congress does not act, then instead of having what was anticipated—namely, a \$6 billion reduction in spending—we would have an expenditure reduction of something over \$7 billion in spending areas that all subject to the cut. Is that correct?

Mr. ZWICK. That is correct.

Mr. MAHON. As I understand from conversations with Mr. Mills and Mr. Byrnes of the Committee on Ways and Means—

Mr. FLOOD. Do you mean by that both items would constitute the billion dollars?

Mr. MAHON. In excess of a billion dollars.

Mr. ZWICK. That is correct.

Mr. MAHON. This matter preferably should be handled in a Ways and Means Committee action. But from my conversations with Mr. Mills and Mr. Byrnes there seem to be practical roadblocks to that course because of some developments.

Now, what do you propose that we do in regard to this situation? I have talked to you many times about this and others have talked to you. Would you take whatever time you need and carefully explain what your best suggestions are?

OVERALL SITUATIONS AS TO REDUCTION REQUIREMENTS UNDER EXISTING LAW

Mr. ZWICK. Mr. Chairman, let me just take a minute to note the key numbers in the summer review which we put out on September 9. If you will look at the Revenue and Expenditure Control Act of 1968, I think the easiest way to interpret it is to say that it started with a January expenditure budget of \$186.1 billion. It exempted from the cutback provision four items; special costs of Vietnam, social security trust funds, interest, and veterans' benefits. Another bill later exempted TVA power operations. These exempted items totaled \$84.1 billion in the January budget.

If you subtract from the \$186.1 billion total printed in January this \$84.1 billion, you will find that \$101.9 billion falls under the limitation of the Revenue and Expenditure Control Act of 1968.

In essence, the bill said that this \$101.9 billion that we estimated in January now must become \$95.9 or \$6 billion less. I think that is the clearest way to interpret the expenditure ceiling. That is the ceiling with which we are now living and have to live with under the law. Those items that are not excluded—that is, those other than veterans benefits and services, interest, social security trust funds, special costs of Vietnam, and TVA power operations—must not exceed \$95.9 billion, in total outlays which is \$6 billion less than the \$101.9 billion we printed for these same items in the January budget.

On September 9, when we put out the summer review, obviously we had a number of changes up and down from estimates in the January budget, a total of \$2.3 billion of ups and \$1.4 billion of downs for a net increase of \$900 million. At that time we were looking at an increase in public assistance of \$500 million from the January estimate and an increase in CCC payments of \$700 million from the January estimates, so \$1.2 billion of that \$2.3 billion of ups was in the CCC and public assistance programs.

Mr. FLOOD. By CCC we mean farm price support payments?

Mr. ZWICK. Farm price support payments.

Mr. MAHON. Required by law and uncontrollable through the appropriations process.

Mr. ZWICK. Including the loans, diversion payments, and so forth.

So that to get down to the \$95.9 billion ceiling which is contemplated by the tax bill, we felt we had to cut \$6.9 billion rather than the \$6 billion in the tax bill. Again, I am referring to a ceiling for items not exempted and the ceiling is \$95.9 billion.

On September 9 we thought we had to cut \$6.9 billion rather than \$6 billion.

Of that \$6.9 billion, we were estimating Congress was going to cut a little over \$3.3 billion and we were going to have to cut the remainder—a little over \$3.5 billion—so the total would add up to \$6.9 billion. So that is the problem.

CCC BASED ON SEPTEMBER CROP REPORT

We now have the September crop report in and we think the CCC payments will run a couple hundred million higher than we thought in September. Mr. Jaenke is here from the Department of Agriculture and can describe the current estimates on the CCC for you.

PROSPECTIVE \$7.2 BILLION CUTBACK

We are still carrying public assistance up \$500 million. Mr. Kelly from HEW is here and will be happy to go into these in greater detail.

If nothing else is done—and I have not gone back through the budget and checked all other numbers—this means we will have to be cutting a little over \$7.1 or \$7.2 billion from the budget rather than the \$6 billion cut that is usually associated with the Revenue and Expenditure Control Act because, to repeat, the limiting factor is the \$95.9 billion with which we have to come in under that act.

Now, we think that, first, Congress didn't intend to cut this total by over \$7 billion. I think the bill was widely advertised as a \$6 billion reduction rather than a \$7 billion reduction.

IMPACT ON AGRICULTURE AND HEW

Second, to do this, we are going to have to cut very deeply into other programs of the Department of Agriculture and other programs of HEW.

Now, when we published the summer review on September 9, what we did to absorb the \$900 million increase was to hold the Department of Agriculture and the covered programs of the Department of Health, Education, and Welfare essentially at their January levels. This meant that the rest of the civilian agencies had to cut \$3 billion and the Department of Defense had to cut \$3 billion and HEW and the Department of Agriculture had to absorb the increases in the CCC programs and the public assistance program.

That was a matter of reasonable equity, as I looked across the board and tried to see how we could live with this cut.

We have not looked at where the additional \$200 million of CCC cuts would have to be made if, in fact, we have to absorb those within the ceiling.

I just happened to go back and read the arithmetic in the September 9 summer review. I do think it is important to point out here that these increases are going to have to be offset somewhere and we are reaching that point in the session of Congress where we have got, I think, to face up to the realities of this situation.

EFFORT TO EXEMPT EDUCATION PROGRAMS

I read with much interest the statement put in the record of the Senate yesterday by Mr. Morse on an exemption for the Office of Education, which is in the Vocational Education amendments. In that statement, if I am reading it correctly, it says:

This exempts the Office of Education from any cuts in either expenditure and budget authority, the 202 and 203 provisions of the Expenditure Control Act.

Senator Morse's statement further says that this provision really exempts the Office of Education from the employment limitations and the Director of the Bureau of the Budget should in fact allocate positions to the Office of Education to take care of their needs.

Mr. LAIRD. You understand it a little differently though, don't you, on the basis of the law?

Mr. ZWICK. That is right.

Mr. Bow. This is a fuzzy statement.

Mr. ZWICK. That is correct.

Mr. LAIRD. The law is clear though.

Mr. ZWICK. That is right, but Senator Morse says, further, that any increases in the Office of Education should not be taken out of HEW because HEW has all high priority programs; therefore, the increases should come out of some other programs.

All I am saying is, gentlemen, we are getting near the end of the session and the cuts are going to have to come out of some program. I cannot take instructions to (a) give first priority to the Veterans' Administration, and then (b) give first priority to the Social Security Administration and then (c) give first priority to the Office of Education, and then (d) give first priority to the Department of Agriculture.

There is a problem here and the only point I am making now is that various people with various points of view are saying that if the Director of the Bureau of the Budget wants to do it, he can protect our programs completely. And if we are going to have to cut \$7.1 or \$7.2 billion, I just cannot operate within the limitations that way.

OVERRUNS ON CCC AND PUBLIC ASSISTANCE

Mr. MAHON. Mr. Director, I would like to ask you a few questions.

All of us here realize that budget expenditures are estimates and that your estimates of last January have not been perfect. They never are.

Now, when we passed, the Revenue and Expenditure Control Act, which was signed in late June, Congress relied upon your January figures; that public assistance would entail so much and Commodity Credit Corporation would entail so much. Is that correct?

Mr. ZWICK. That is correct.

Mr. MAHON. We recognized then, as I think we recognize now, that these items are uncontrollable unless we change the basic laws. Is that your view?

Mr. ZWICK. That is correct.

Mr. MAHON. In voting for the \$6 billion reduction bill, we assumed that those estimates were correct. The evidence now is that they are too low. They are uncontrollable. We are committed to finding a way to subtract the impact of the increase in cost of public assistance and CCC farm price supports. I do not want to back away from the \$6 billion cut and we don't want exemptions in controllable areas. We want to maintain the \$6 billion cut. I don't regard these two items as exemptions in the same sense that we would if we were undertaking to exempt any program that is controllable through the budget.

The only point here, as I see it, is how can we best exempt—how can we best carry out what appears to me to have been the judgment of Congress as to a \$6 billion cut.

Now, can we rely on these revised estimates as to CCC and Public assistance as being the best that you can produce at this time?

I understand your estimate now is that CCC will require an expenditure, an uncontrollable expenditure of about \$907 million, and public assistance about \$560 million, above the January budget. Is that correct?

Mr. JAENKE. That is correct in the case of CCC; yes, sir.

Mr. MAHON. Could you use CCC as a sort of slush fund to just finance all manner of things which are not mandatory and which are not uncontrollable?

Mr. JAENKE. The CCC increases are due solely to increased quantity—increases in yield of all of our commodities with the exception of cotton. Three bushels up on corn above our January estimate; one and three-tenths of grain sorghum.

Mr. MAHON. You need not go into that right at the moment, but my point is, you would use these additional funds above the January budget solely for the maintaining of the price support programs as required by law?

Mr. JAENKE. We are obligated to do that.

Mr. MAHON. There is no loophole here that could be used to feather your nest otherwise?

Mr. JAENKE. That is correct, sir. Our estimates are well near \$907 million additional.

Mr. MAHON. That is the best estimate you now have?

Mr. JAENKE. As of the September crop report.

Mr. MAHON. Now then, Mr. Kelly, you are very knowledgeable about HEW matters. Mr. Flood and Mr. Laird have dealt with you through the years and I have dealt with you in a less direct way.

How do you rationalize this additional requirement for public assistance?

Mr. KELLY. Well, first, may I say, Mr. Chairman, the current evidence indicates the requirement will be greater than the \$500 million. In fact, we have received estimates from all of the States that add up to \$560 million in excess of the President's budget. We have had a staff analyzing those and talking on the phone to each of the States and there is every indication that the States have been too conservative; that they have had certain omissions in their estimates and we

could say right now that the States would modify that estimate to show \$650 million more than the President's budget.

There are several reasons for this. One is that when we prepared the budget we prepared it on a basis that certain aspects of the 1967 Social Security Amendments would lower the cost of public assistance. Subsequently those provisions have been deferred for a year so that you have to spend more money to carry out the old provisions rather than the new ones.

Mr. LAIRD. How much?

Mr. KELLY. There is \$126 million which was the estimate associated with the deferral of the freeze on the AFDC—Aid to Families of Dependent Children.

Mr. MAHON. You would agree we could postpone action on this until later in calendar year 1969?

Mr. KELLY. I think in terms of actually appropriating the supplemental funds you could do so, but in terms of knowing whether or not the Government as a whole has to make a \$7-billion reduction or a \$6-billion reduction or an \$8-billion reduction, as Mr. Zwick says, if you do not know now, you can't achieve it, because every day it becomes less and less possible to effect program changes that will make expenditure reductions.

Mr. MAHON. In other words, Mr. Zwick, even though we could delay on this under normal circumstances, by reason of the law providing for the \$6-billion expenditure cut, you need to do this as soon as possible rather than postponing as we have in previous years to a later date; is that the point?

Mr. KELLY. That is correct.

Mr. ZWICK. That is correct.

Mr. MAHON. Do you have any language that you think might be suitable, Mr. Zwick?

Mr. ZWICK. Yes; we have. This is language which would parallel the language for special costs for Vietnam, interest, social security, and veterans benefits, except that it would place an upper limit on the amount that you could run over the budget. So that it is language which is intended to treat public assistance and CCC farm price support programs in the same manner as the existing four exemptions in the law, with the exception that there is an upper limit to the amount of overrun that will not count as part of the reduction.

Mr. MAHON. Why don't you read it aloud to us.

Mr. ZWICK (reading):

Expenditures and net lending during the fiscal year ending June 30, 1969, by the Commodity Credit Corporation (not more than \$907 million) for farm price supports (not including amounts for special activities)—

This language restricts the exemption to just the farm price support program—

and by the Department of Health, Education, and Welfare (not more than \$560,000,000) for grants to States for public assistance as authorized by the Social Security Act, as amended, in excess of the respective amounts estimated therefor on pages 239 and 15 of the Budget for 1969 (H. Doc. 225, Part 1), and new obligational and loan authority heretofore or hereafter enacted for such fiscal year for such purposes in excess of the respective amounts estimated therefor on pages 239 and 306 and 307 of the Budget for 1969, shall not be counted against the aggregate limitations on expenditures and net lending and new obligational authority and loan authority prescribed by Sections 202(a) and 203(a) of Title II of the Revenue and Expenditure Control Act of 1968.

So to repeat, essentially, this treats farm price supports and public assistance as having uncontrollable expenditures up to a specific level, rather than completely open ended, as is the case for special costs in Vietnam, interest, social security trust funds, and veterans programs.

Mr. MAHON. We thank you gentlemen. I would like to yield to Mr. Bow for any questions and then I will yield to Mr. Whitten.

Mr. Bow. I will withhold mine. When my turn comes I would like to have Mr. Laird conduct the questioning.

CONSEQUENCES IF NO EXEMPTION ACTION IS TAKEN AS TO CCC

Mr. MAHON. Mr. Whitten.

Mr. WHITTEN. As I understand it, Mr. Jaenke, the Commodity Credit Corporation's basic charter and other laws having to do with price supports require you to enter into contracts. You have no discretion, and under the law you are directed to do certain things.

If I understand it correctly, a large increase in production of certain crops, except for cotton, has caused you to expend about \$900 million more than was estimated when you reported to Congress in the 1969 budget.

Mr. ZWICK. That is correct.

Mr. WHITTEN. Now, in the event the Congress gives you no relief from these additional uncontrollable expenditures, you will have to take \$900 million from the other operations of the Department?

Mr. MAHON. Or other agencies of the Government.

Mr. WHITTEN. Mr. Zwick could give the Department some relief in another area, but it would be at the expense of somebody else.

Mr. ZWICK. That is correct.

Mr. WHITTEN. I would like for the record to show, if you had to take this additional \$900 million under the present provisions of the law, what the effect would be if you directed all of it to the various conservation and resources programs of the Department? I would also like for you to show for the record, if you directed this to meat inspection and the so-called consumer programs, what the effect would be?

I would like for you to also show what the effects on the other general programs of the Department would be in the event the Congress gave you no relief and you had to reduce those programs of the Department by this \$900 million. You either have to meet these price-support demands or violate the law.

Mr. JAENKE. That is right.

Mr. FLOOD. Would you include resources in that?

Mr. WHITTEN. It will be included in soil conservation.

Mr. JAENKE. Could I just name the programs?

Mr. WHITTEN. I want to know the amounts and the effects.

I notice in the Senate someone put in the record what the effect would be if you directed this cut to the conservation resources, the Soil Conservation Service, the watershed program, and so forth?

Mr. JAENKE. We can provide that for the record.

Mr. WHITTEN. Do you have any general information, subject to correction?

Mr. GRANT. If the full \$907 million reduction were applied to the Department, we would have to make rather substantial reductions in the soil conservation programs totaling \$19 million; Extension Service,

payments to States, \$4 million; special milk program, \$58 million; the REA outlays and payment in disbursements on loans made in prior years, \$58 million; agricultural conservation program, \$15 million.

Mr. ZWICK. If I may interrupt here, these are expenditures. So to get \$15 million in the agricultural conservation program means withholding the \$95 million of add-on that the Congress put in the appropriation bill.

Mr. WHITTEN. I see this appears in the Senate record of September 24. The total that you list there is \$258 million. Mr. Jaenke is talking about \$900 million. What would be the effect of \$900 million?

Mr. GRANT. The decisions on allocating the entire amount have not yet been made.

Mr. WHITTEN. I am asking you to make a decision now. If it were directed to a particular phase, what would be the result? It would absolutely cut over 50 percent, if you directed it all to conservation and resources. If you directed it to meat inspection and inspection at ports of entry, or the land grant colleges and the various State payments, where the Department has obligational contracts and memoranda of agreement, it would be very serious. I am asking you, in answer to my question, to spell it out. I realize you cannot do it now, but I want it spelled out in the record.

(The information requested follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE

Reductions in budget outlays 1969

[In millions]

Budget estimate (January 1968)-----	\$7, 167
Uncontrollable increase in price support expenditures by Commodity Credit Corporation-----	+907
Reductions due to congressional action on appropriation bill-----	-243
Subtotal -----	7, 831
Current limitation-----	7, 167
Reduction required-----	664

Effect of reduction if applied to conservation and natural resource programs

[In millions]	Amount available
Soil Conservation Service-----	\$260
Forest Service (including permanents)-----	510
Agricultural conservation program-----	203
Total -----	973

If the reduction were applied to the above conservation and natural resource programs, it would mean a cut of about 67% below funds available. Such a reduction would make it necessary for the Government to renege' on payments under contracts entered into prior years for watershed protection and flood prevention construction, Great Plains Conservation contracts and payments under the 1968 Agricultural Conservation Program. Most of the payments under 1969 contracts will not come due until the fiscal year 1970.

Effect of reduction if applied to consumer protection and food programs

[In millions]

Meat and poultry inspection and other marketing services-----	\$153
School lunch program-----	249
Food stamp program-----	238
Commodity distribution and related expenses-----	223
Agricultural Research Service—Plant and Animal Disease and Pest Control -----	86
Total -----	949

If the reduction were made in the consumer protection and food programs, it would be necessary to make cuts totalling about 70%. This would constitute a definite threat to the Nation's food supply and would mean eliminatng school lunch, milk, and food programs for the remainder of this fiscal year.

Effect of reduction if applied to all other programs of the Department (excluding CCC and P.L. 480)

[In millions]

Agriculture Research Service—Research-----	\$154
Payments to State extension services and State experiment stations----	159
Rural Electrification Administration (net)-----	369
Farmers Home Administration-----	313
Sugar Act, conservation reserve program, cropland adjustment program and related expenses-----	425
All other items-----	101
Total -----	1,521

Applying the reduction to his category of items would involve cuts totalling more than 40%. Actually for most items, the cut would be much greater because the payments under the Conservation Reserve Program, the Cropland Adjustment Program and the Sugar Program involve firm commitments of the Government which cannot be abrogated.

NOTE: The above is illustrative of the problems involved in trying to apply a decrease of this magnitude. If the reduction were applied to all of these categories equally, it would still involve cuts averaging about 20%. However, because outlays in 1969 for many programs are for firm commitments of prior years the reduction in the controllable programs would run about twice as much. It may be possible to alleviate this to some extent through the sale of loans made by Commodity Credit Corporation and Farmers Home Administration in the open market. There is a question as to whether this can be done without increasing interest rates unreasonably which further increase the cost to the Government. In addition, this may create problems for other Government agencies who have responsibility for obtaining borrowings for financing Government operations.

Mr. WHITTEN. If we do not remedy it, you will have to take the funds from these other programs. I want to know what would happen if the whole \$900 million—

Mr. JAENKE. They would be almost completely wiped out.

Mr. MAHON. Prepare those answers as quickly as you can today to these questions. Make rough estimates if you have to.

ANTI-DEFICIENCY ACT

Mr. WHITTEN. I call Mr. Zwick's attention to the Anti-Deficiency Act, section 665, title 31. It provides for the incurring of certain deficiencies "where emergencies involving the safety of human life are concerned."

It strikes me that that provision might fit this public assistance program. It might cover the aid to veterans hospitals.

That act also provides for deficiencies for the protection of property. If you cut out your watershed programs and conservation services, you would be affecting the resources of the country and the people's property.

Also, I note that you can include deficiencies to make payment of or contributions toward sums which are required to be paid to individuals, either specific amounts fixed by law or in accordance with formulas prescribed by law.

I do not think this would solve the CCC problem, but it says you can do nothing under this apportioning of funds to prevent the corporation from meeting its obligations.

We are now in the second quarter. Couldn't you run a deficiency so you would be borrowing from the fourth quarter to meet your problems now, except where CCC is concerned?

Mr. ZWICK. That would require, I would argue, Mr. Whitten, a strained interpretation of the Deficiency Act.

Mr. WHITTEN. You have made such interpretation in times past. Didn't you do that for meat inspection?

Mr. ZWICK. Yes, we incur deficiencies all the time as permitted by law.

Mr. WHITTEN. You have set a precedent where you could do that, should you decide to.

Mr. ZWICK. That is correct. I want the record to show though that in relation to the Revenue and Expenditure Control Act, as you know, there is a long history on this point. The President stated quite clearly that he thought it was unwise to cut the \$6 billion and put an arbitrary employment reduction into the bill. But, given the choice, he signed the bill and he said at that time he would live with those provisions; and indeed he intends to live with those provisions. We do not intend to leave to the next administration the job of living with these limitations.

This goes back to the question the chairman asked at the beginning. We are implementing cutbacks on the assumption that the law will stand as it now is enacted, and, therefore, the executive branch will have to absorb these additional cuts and we will not use the Anti-Deficiency Act language to get around that problem.

Mr. WHITTEN. Please understand I am on your side. I did not try to saddle you with this responsibility to start with. I want you to have this relief, particularly when it is \$1 billion more than anybody intended.

I am on your side. However, I think the record should show the facts. It is on that basis that I asked you the question.

CONSEQUENCES IF NO EXEMPTION RELIEF IS GRANTED

What will you recommend if we do not give you this relief?

Mr. ZWICK. The position where we were on September 9—and on September 9 I was assuming that CCC would be up \$700 million over the budget—not \$907 million but \$700 million.

On that date, we reported—and Agriculture is operating under—a limitation which says that total expenditures in fiscal 1969 for the Department of Agriculture will be the same as we printed in January. This is equivalent to saying that the Department of Agriculture has to absorb the \$700 million increase in CCC.

Now, Congress, according to our arithmetic—and there are slight differences in arithmetic, here—cut the Agriculture budget, by our estimates, by \$243 million. On that basis, we directed the Department of Agriculture to cut another \$467 billion out of their budget.

That is where they are now operating—with a target, a ceiling which would require them to cut another \$467 million out of their budget.

We have not allocated the additional \$207 million overrun we are now talking about among the departments. I just have not looked at the question as to how much would go to Agriculture and how much would go to the other agencies. So the correct way to summarize it very briefly, Mr. Whitten, is that the Department of Agriculture is operating currently on the assumption that, in addition to what Congress cuts, they will cut another \$467 million. But I still have a further \$200 million problem to deal with.

Mr. WHITTEN. Of course, all of us on the committee, I am sure, including the chairman, are interested in the overall Government. HEW and Agriculture happen to have within their jurisdiction these programs which are virtually uncontrollable. I think this should have been acknowledge at the time the bill was passed.

PERSONNEL CEILING REDUCTIONS

Are you in trouble on the personnel ceiling as a result of these unexpected demands which you have testified about?

Mr. ZWICK. We are in trouble on the personnel ceiling; but I do not think that these additional costs create a significantly greater problem. Obviously, as CCC activities go up, the workload goes up somewhat; but I do not think that is a major problem. The language we are talking about today would leave the employment provisions of the bill untouched.

Mr. WHITTEN. We dug into the Defense Intelligence Agency, and it looked to me that—and the committee made some reference to it in its report—the Defense Intelligence Agency after Cuba was piled on top of the Central Intelligence Agency and we had all sorts of duplication. I had a call from employees of the Defense Intelligence this morning saying that they were avoiding your personnel ceilings by contracting out many of these investigating projects, and that those contractors who were taking the contract with Defense Intelligence were just rehashing old information and rewriting it. But they were getting out from under the personnel ceilings that may have been imposed by your office or by the Defense Department.

Are you aware of that?

Mr. ZWICK. No, sir. Let me make several comments. First, if the Defense Intelligence Agency is doing this, there is a clear violation of the intent of the bill and a violation of the Bureau of the Budget circular 68-15 which specifically addresses this issue. Let me make a second point. Without knowing anything about the details of the case you are talking about, the Department of Defense did come down in total employment by 4,000 during August. So the most recent statistics show that Defense has started to come down. If there is contracting out, I am not aware of it and it is clearly inconsistent with the data I have.

Mr. WHITTEN. I want the record to show that I did not make my statement as a fact. I know nothing about it. When you are identified with something, you begin to get calls and all sorts of information that is not necessarily accurate. I just wanted to raise the question here.

Mr. MAHON. Will you, Mr. Zwick, make appropriate inquiry of the Department of Defense and insert it at this point?

Mr. ZWICK. Yes, sir; I certainly will.

(The information requested follows:)

From the inquiry it was not possible to identify either the specific contractor or the type of work in question. However, information provided by the Defense Intelligence Agency indicates that there has not been any circumvention of the spirit or intent of PL 90-364 in the use of external assistance contracts by DIA. The expected reduction of 87 spaces under PL 90-364 by June 30, 1969, has not been and will not be offset by the use of external assistance contracts.

Mr. WHITTEN. That is all I have, Mr. Chairman.

Mr. MAHON. I would normally recognize Mr. Laird next, but I believe it might make the record more orderly if we first ask Mr. Langen if he has any questions.

CCC PAYMENTS VERSUS LOANS

Mr. LANGEN. Thank you, Mr. Chairman; just a question or two. Mr. Jaenke, first let me see if I understand the problem correctly. You are limited in your expenditures for price-support programs by the Expenditure Control Act of 1968. Because of changes in the crop production, presently estimated expenditures as compared to the original estimates are now some \$900 million higher.

Let me ask about the relationship of that limitation to the borrowing authority of the Commodity Credit Corporation. Were you active in that regard?

Mr. JAENKE. They are not directly related but I can answer the question on borrowing authority because of this very sharp upturn in yield. Therefore, in the volume of production, in the September crop report, and in the anticipated increased loan activity, our borrowing authority will obviously be challenged more severely than we had estimated earlier in the year to the tune of about \$900 million.

Mr. LANGEN. When you say "challenged" more severely at the \$900 million, where will you be as to the borrowing authority?

Mr. JAENKE. Something under \$500 million remaining at the end of 1969.

Mr. LANGEN. As I understand, this anticipates meeting the loan needs of the present expanded crop under the program provisions as applied to the 1968 crop year.

Mr. JAENKE. That is correct.

Mr. LANGEN. Without any changes as of this moment.

Mr. JAENKE. That is correct.

Mr. LANGEN. How much of this \$900 million is crop loans, total?

Mr. JAENKE. Almost all of it.

Mr. LANGEN. So that these are the regular Commodity Credit Corporation loans that have the potential of a return upon disposition in one form or another?

Mr. JAENKE. Yes, sir. Under the loans, if I might elaborate a little bit, there are three opportunities, really. First, is to be repaid prior to the end of the crop year, prior to next summer. Second, to be turned over to CCC, at which point we do have the collateral valued at that or nearly the amount that we lent. Third, to be received by the farmer, which really amounts to an extension of that loan. In the first two cases, the Government will either be repaid the money with interest or will have the commodity in inventory, and the value is somewhere near.

We do not know when and how much of any of these three options will occur, of course.

Mr. LANGEN. I can well understand that. Now, in view of that, what gets to be the total Commodity Credit expenditure for this year, meaning the expenditures that were anticipated under the original budget and now added to the \$907 million.

Mr. GRANT. Mr. Langen, total expenditures for CCC, excluding the Public Law 480 part and adjustments for loans held by banks—just the price support part—in the budget was \$3,175 million. The estimate now is \$4,082 million. That is a difference of \$907 million.

Mr. LANGEN. So that the anticipated total expenditure by Commodity Credit Corporation to sustain the price support programs then exceed some \$4 billion as calculated now?

Mr. JAENKE. The outlay because of the loans, that is correct.

Mr. LANGEN. How much of that \$4 billion is loans?

Mr. JAENKE. It would be about \$2 billion in the form of loans and about \$2 billion in the form of payments.

Mr. LANGEN. They would be the diversion payments and price support payments and so on, and the rest remaining would be loans.

Mr. JAENKE. That is correct.

Mr. LANGEN. So that out of the total expenditure, then, there is a possibility of reimbursement or repayment by the forms that you just stated a moment ago related to about \$2 billion of that expenditure.

Mr. JAENKE. That is correct, sir.

Mr. LANGEN. Should there be any change in the price structure between now and July 1?

Mr. JAENKE. We do not think so, sir. The farmers made their intentions, buyers, users made their plans, and markets are geared to this. So we anticipate no changes in those between now and then.

Mr. LANGEN. So by your estimate there is not any possibility that the price of either corn or wheat or any of the other commodities might go up to a point where there would not be as great a demand for loans as now anticipated?

Mr. JAENKE. That is a different question than the first one. I assumed your first question related to the program provisions which we announced a year ago.

Mr. LANGEN. I understand that.

Mr. JAENKE. We would be hopeful—this is a combination of two things. In the case of the grains, not only do we have just a super bumper crop in the United States this year, but we are heading toward a super bumper worldwide production. This is true particularly in wheat and in the oil seed crops. A third of this is Southern Hemisphere production, Australia, Argentine, South Africa, et cetera. If the Aus-

tralian crop in the case of wheat, if the Brazilian oil seed crop and South African corn crop, if those crops should turn around and therefore our estimates of exports would change somewhat. The picture could change this. The domestic utilization as you well know does not change a great deal from year to year. So the big variable is in production abroad, production here, and export. The bulk of this would be in dollar exports. Some would be involved in Public Law 480 but very little.

Mr. LANGEN. But the fact still remains, and it is the pertinent reason for asking the question, that should there be an improvement in the market price structure, let us say wheat went up 20 cents a bushel, you would have demand for less Commodity Credit loans.

Mr. JAENKE. There would be greater redemptions probably, yes.

Mr. LANGEN. The puzzling thing to me about this combination, and I think it comes about because of the new budget process and so on, in talking of expenditures these Commodity Credit loans, they are expenditures as of this moment, but they are not necessarily finalized expenditures.

Mr. JAENKE. They are not expenditures as you and I handle our personal budgets.

Mr. LANGEN. So when you are saying in view of the demands of the need for this money in Commodity Credit loans under the price support program, it then becomes necessary to reduce expenditures for other purposes. Now you are reducing expenditures in order to get money with which to make loans; is that not correct?

Mr. JAENKE. Yes.

Mr. ZWICK. That is correct, sir.

Mr. LANGEN. It is not really two comparable purposes. In one case you are reducing an actual expenditure. If it were in the watershed program, shall we say, where you cut back an actual expenditure in order to make a Commodity Credit loan which has a reimbursable factor in it.

Mr. JAENKE. That is why I think over the years Congress has classified this as well as other items as noncontrollable.

Mr. LANGEN. I should agree with that. It occurs to me that it is not a proper relationship, really—if it became necessary to make an actual expenditure reduction in order to take care of a loan proposition, that is. To me it seems like two different functions of Government. Wherever the expenditure reduction was made, it is a much more severe curtailment of that program as compared to a curtailment in a loan program where there is a refund possibility. Is that correct?

Mr. ZWICK. May I interject to say you are certainly correct. There is a whole set of discussions to the effect that loan programs really should be treated differently than expenditure programs. This question was debated at great length in the President's Commission on Budget Concepts. I think the correct answer is that it depends on how you look at the budget. If you are looking at it from the point of view of the financial people who are raising the money—Treasury financing in the market in fiscal year 1969—it really does not make any difference whether it is a loan or an expenditure. The Treasury has to borrow that money. If you look at it that way, loans and expenditures are exactly the same thing.

However, if you look at the question from the point of view that you, Mr. Langen, are looking at it—a very valid way—there is an

asset which is later repaid, this is a different question. I think you come down to the awful truth that no one budget presentation will solve all problems. We agreed to treat loans like expenditures in the overall budget totals, where loans and expenditures are lumped together, and this fact does lead you to the dilemma. There is some rationale for it all, I am saying. Because if you look at the total deficit and the needs of the Treasury for financing that deficit, it does not make any difference whether it is a loan or expenditure.

Mr. LANGEN. I can appreciate that and I only wanted to make the point that to me it would seem like great folly to cut back a school lunch or milling program in order to provide money for a loan program.

Mr. ZWICK. I agree completely.

Mr. LANGEN. This would not seem to be an appropriate action in my judgment.

Mr. WHITTEN. If my colleague would yield to me for one question—I should know this, but I am not sure about it. Of course, the commodities do not become available to you for sale as a source of financing until title matures in the corporation.

Mr. JAENKE. That is correct.

Mr. WHITTEN. The notes which are given to you by the borrower—are they available for discount or use by the corporation to get money from private sources?

Mr. ZWICK. Yes.

Mr. WHITTEN. But there again you are caught with your expenditures. You have a source of money but you cannot spend it because of the limitation.

Mr. ZWICK. We can in fact sell some of these certificates of interest, and we do sell certificates, which does give us a source of cash. You can get some cash through the certificates.

Mr. WHITTEN. Could you do it and avoid this expenditure matter? I am not advocating it. I am asking what the law authorizes.

Mr. ZWICK. I think the best answer is, last year or in January of this year, when we printed the 1969 budget, we assumed that at the end of fiscal 1968 we would have \$1,375 million of CCC certificates of interest outstanding. We could actually only get a little over \$900 million. So we had a shortfall of over \$400 million. There is a limit on how much of this paper you can place without competing with other credit needs including rural housing and other rural credit needs. There is a practical upper limit on how much of this paper you can sell. We were too optimistic in January as to what we could sell.

Mr. WHITTEN. You covered part of it, but my point was not covered. The question is, since loans are counted as expenditures, if you could get the money, you still would be caught with the expenditure limitation, is that right?

Mr. ZWICK. No, that is not correct. In fact, if we sold the paper that is treated as a negative expenditure and you would net these estimates down. There is just the question of what is good policy and how much paper you should have outstanding. Certainly in fiscal 1968 we overestimated how much paper we could have outstanding at the end of fiscal 1968.

Mr. MAHON. Is there anything else?

SALES OF CCC PAPER AS EXPENDITURE OFFSETS

Mr. LANGEN. One more question along the same line because I was coming to that point anyhow. Haven't a lot of the Commodity Credit loans actually been financed by the local lending agency? It could be the local bank that supplies the money and Commodity Credit guarantees that loan so it does not become a direct drain on the Treasury. You refer to the paper. Let us suppose the Commodity Credit loan was made at my local bank. The local bank supplies the money. The bank in that case is holding that paper, is it not?

Mr. JAENKE. Yes, sir; they could be held by banks.

Mr. LANGEN. So this would not be salable paper as far as CCC is concerned.

Mr. GRANT. Mr. Langen, the corporation has recently changed its procedure. In making loans, they no longer issue a certificate to the producer, but do give him a negotiable sightdraft. Under the new method, any eligible bank can apply for and buy certificates from our Kansas City data processing center on an over-the-counter basis. In order to sell them, and this is what Director Zwick is talking about, we have to increase the interest rate. Then we get into competition with other Government borrowings and that is the problem.

Mr. LANGEN. I would appreciate that.

Mr. GRANT. To the extent that the certificates are held by banks, they are not counted against expenditures.

Mr. LANGEN. That is not counted against expenditures.

Mr. GRANT. That is correct. Not until it comes in through the Federal Reserve banks. Then it becomes an expenditure.

Mr. LANGEN. In view of that, is the \$900 million all going to be direct Commodity Credit loans, or how much in addition to that will be financed by local lending agencies?

Mr. ZWICK. Let me try to answer that. We are carrying this as additional financing by the Government. We are assuming at this point that we will have outstanding at the end of 1969 \$1,300 million of certificates of interest. This represents the same increase of \$400 million in certificates outstanding that we estimated in January. There is the question, sir, whether or not we can have that much paper outstanding. If we have less than that, the \$900 million would go up. If we had more than that, the \$900 million would come down.

Mr. LAIRD. You won't use the \$900 million?

Mr. ZWICK. No. We will need the \$900 million if we end up the year with \$1,300 million certificates outstanding. We will have the \$907 million as the increase in CCC expenditures in that case. Now, if we end up the year with, let us say, \$1,100 million or \$200 million less than we anticipated, the increased expenditures would be \$1,107 million. If we ended up with \$1,500 million, the increase would be \$707 million.

In other words, this is a swing item. The question is, how much of this can you in fact put into the markets, given the other rural credit needs that are facing the area? All I am saying is that in fiscal year 1968 we didn't get as much out as we anticipated in January, and I would think it would not be prudent to plan that you could get more out than the \$400 million more we plan in fiscal year 1969.

In other words, I think we are assuming a lot of certificates outstanding in the \$907 million estimate. If that much paper is not sold, the expenditures will be even higher.

Mr. LANGEN. Let me pursue that one step further. Are there any possibilities of encouraging more local participation in the Commodity Credit loans? It seems to me I recall hearing ads over the radio at home of certain lending agencies saying, "Bring your Commodity Credit loans to us and we will finance them."

Mr. JAENKE. That doesn't mean necessarily they will hold them. As Mr. Zwick pointed out, of the \$900 million there is already \$400 in here. We don't really know. This depends on the relation of the money market, the interest rate we are paying, and so forth. It is very difficult to be any more optimistic than he has presented here. We would be very much concerned if we assumed anything more optimistic. Some people are concerned that this is too optimistic.

Mr. LANGEN. So the \$900 million is subject to fluctuations whatever that market may or may not be?

Mr. ZWICK. That is correct.

Mr. LAIRD. This \$907 million though, you say you later find you only need \$700 million—I think probably the figure is underestimated, but say you only needed \$700—the \$200 million could not be used in any other way?

Mr. ZWICK. No, given the language we are looking at this morning. That \$200 million just means that it could not be used any other way. You are absolutely right.

Mr. LAIRD. I think that is clear in the language here. With this language written in, which is based on what you anticipate as of today, if the sales go up or down, then you have a different situation. But you can't use this money to get around the expenditure limitations.

Mr. ZWICK. That is absolutely correct. As this language is drafted, it says "in excess"—CCC expenditures "in excess." If the actual excesses turn out to be \$707 rather than \$907, Mr. Laird, we don't make it \$200 million to use in farm conservation programs.

Mr. LAIRD. Your food program and everything else is out of it because you have not included amounts for special activities?

Mr. ZWICK. That is correct.

Mr. LAIRD. So that excludes the food program?

Mr. ZWICK. That is right. So if we end up selling more certificates and this comes out \$707, we do not gain anything by that sale.

Mr. MAHON. Now, if I may, I think this matter has been well explored, and I think it is reasonably clear to us what the problem is, especially with respect to agriculture.

OVERRUN ON PUBLIC ASSISTANCE

Mr. Flood, as chairman of the Subcommittee on Labor, Health, Education, and Welfare, I think you might develop all the pertinent information in regard to the other aspects—you and Mr. Laird.

Mr. FLOOD. Mr. Kelly, you mentioned that there were several reasons why the situation existed. You named only one, which was the \$126 million for aid to dependent children. What were the others?

Mr. KELLY. The public assistance rolls, including medical assistance, are rising for a number of reasons. One of the reasons, as you indicate,

is that the law had anticipated that the number of children on the aid-to-dependent-children program could not rise in terms of Federal participation, but the law was changed to defer that for a year, so it can rise for that reason, and it is rising.

Another element is that the courts have made decisions with respect to residency and with respect to the so-called man-in-the-house rule, where States had heretofore denied assistance to people that did not meet certain residency requirements, and had denied assistance to people for whom they thought there was a male that was responsible for the care of the children. The courts, in some of our States, have modified these rulings to require certain of the States to put on people that are now eligible that otherwise would not have been.

I think we have also experienced the advent of new programs. The migration to large cities has caused a larger than normal increase in the people that are in financial need and that have applied for it. I think we have had a phenomenon, as the Federal Government has worked with communities and developed various kinds of poverty programs, including the community action programs, the neighborhood center programs, that there has become a greater awareness as to what entitlements did exist in the States that the Federal Government assisted in terms of taking care of needy people. This has caused people to apply.

I think the advent of the program for medical assistance has caused people, when they applied for medical assistance, to find out that they were also eligible for financial assistance, and they have applied and have been receiving it. I think some of the States have been modifying the degree of their participation in the program. They have liberalized the program in terms of the people who are eligible and in terms of the benefits that they will pay. Then the medical assistance program has several phenomena in it:

(1) Being a new program, it is difficult to estimate, and there is no question that the estimates at every level—at the State and Federal Government level—as to how many people would use the program and how much it could cost are just estimates.

Then we have experienced, as you know, a much greater rise in cost in the health field than the rise that has occurred in terms of the cost of living generally. This is influencing medical assistance costs. After you have taken all of these into account, I think you have to recognize that we have prepared for you inadequate estimates.

Mr. FLOOD. When you say "we have prepared inadequate estimates," if you mean the Federal agencies of HEW, I think you are being to a certain degree unfair to yourself because I remember during the hearings on the bill we were astounded to discover the extraordinarily high percentage of people all over the country who did not know that they were eligible for public assistance. Also, there was a considerable degree of inefficiency among the several States in the manner in which they supplied you with statistics upon which you operate.

Mr. KELLY. This is true, Mr. Chairman. The President became concerned about this, and when he met with the Governors in February he indicated that he would like to work with the Governors to see if he could not perfect and improve the system of budgeting and monitoring expenditures for medical assistance. He asked Secretary Cohen and Director Zwick to put together a study that would include not only

our own people, but would include representatives of the States and their people.

As a result of that request Secretary Cohen appointed such a task force, including Budget Bureau and departmental representatives and welfare commissioners from the States, health commissioners from the States, State health and welfare commissioners, budget directors and finance commissioners of the States. I was privileged to chair that task force. We have just completed our report. As a matter of fact, this morning I got the galley of it. It has not been sent to the Secretary yet but will be next week. It undertakes to lay out a new program of developing and monitoring budget estimates. It will be a much more carefully developed budget system in which the States and the Federal Government share their knowledge and their experience and it will also keep us much more currently advised of the changes which are occurring, and the reason for the changes that are occurring. So when I say I think at least a substantial part of the program is poor estimates, I mean that the system of estimating both at the State level and the Federal level has not really taken into consideration all of the skills that exist to develop better estimates so that you are better informed as to what the cost of your policies are.

Mr. FLOOD. I was speaking of the older parts of the public assistance program as distinguished from the relatively new medical program. I noticed that in many of these communities commissions and committees identified with the antiproverty program, the manner in which they are reaching out, especially in the rural areas and the city ghettos, contributes a great deal to the increase in knowledge and awareness of applicants of the fact that they are eligible for these various kinds of assistance.

Mr. KELLY. There is no question in my mind that this has had a significant influence and the rolls have been rising during a period of a very high economy and a very low unemployment rate. Nonetheless, people in need are being identified and cared for to a degree that has never heretofore existed.

Mr. FLOOD. You mentioned the increase in cost of the medical program. I noticed in the past week Secretary Cohen indicated that the basic costs or contribution by the patient has increased or will increase for a hospital room and hospital care to a set degree almost immediately.

Mr. KELLY. Correct, sir.

Mr. FLOOD. I think that is all, Mr. Chairman.

Mr. MAHON. Mr. Laird.

ACCURACY OF EXPENDITURE ESTIMATES

Mr. LAIRD. Mr. Zwick, I have several questions here that go to the accuracy of the budget estimates. It seems to me that for the past few years the administration has tended to underestimate costs such as welfare costs, and Vietnam war costs, because the Bureau of the Budget and the executive branch of our Government know full well that they can always come back and pick up the required funds at a later time through supplemental appropriations.

The budget should be, as accurately as possible, a preview of what our fiscal plans are for the coming year. In areas like this it would

seem to me that in order to establish proper priorities in other sections of the budget, if anything is done to shade the figures one way or the other, you would overestimate rather than underestimate this kind of a cost.

A year ago, for the 1968 budget, the Bureau of the Budget shot my estimates out of the water, not only as to the cost of the war but also as to welfare costs. Secretary McNamara, after he appeared before the Senate, said my estimates with regard to the 1967 budget were completely irresponsible. Perhaps my figures have been irresponsible because, while they were higher than the administrations, they have still been too low. Last year I estimated that the Bureau of the Budget had underestimated welfare costs by \$500 million during the budget hearings on the 1968 budget and it turned out to be \$1,100 million. This year when you appeared before the committee on the eighth day of February, I estimated that the welfare costs were underestimated, exclusive of the waiver, by \$350 million and now that has proven to be too low.

It just seems to me that a better job can be done on the estimates of war costs and welfare costs, and we can have a better fiscal picture if you were more realistic in sending the budget to the Congress.

I cannot believe, because of this record, that the relatively uncontrollable costs of the war and of welfare have not been deliberately underestimated in an effort to get Congress to fund other programs that are controllable. What is your comment on that?

Mr. ZWICK. Mr. Laird, I have several comments. Let me first say I completely disagree with your assertion that we have deliberately underestimated these costs.

Mr. LAIRD. You have to admit my estimates were much more nearly correct than yours.

Mr. ZWICK. Second, let me say, and say quite simply, I remember the dialog you and I had on February 9, and it is quite clear now that I was just unduly optimistic about the accuracy of our estimates. There is no excuse or anything else that is going to erase that fact. However, I do think a number of points should be made. First, with regard to the medicaid program within public assistance, I argued at that point—

Mr. FLOOD. Did you say medicaid or medicare?

Mr. ZWICK. Medicaid, I argued that we expected to do better in 1969 for several reasons. First, that we were using a new method of estimating these expenditures. In hindsight, that new method was not much better than the old method. Second, if you go back and look at public assistance over the last 8 years, you will find that on the cash assistance part, we had some years in which the estimates were over and some years under the final results. So there has not been a history of deliberate underestimation. When we had a bad year in 1968, there was no reason to project that into 1969. The third point I made in February was that as we got more experience with the medicaid program, which is a new program, hopefully we would do a better job of estimating. As I say, history has proven that was a fair amount of undue optimism on my part. There is nothing I could say about it. The fact that Congress postponed the freeze, the court decision on man in the House, the residency business, all of these things—

Mr. LAIRD. Mr. Director, the freeze does not have anything to do with the figures I was talking about.

Mr. ZWICK. That is correct.

Mr. LAIRD. The "man in the house" does not have anything to do with it, either. I made that very clear on February 8 when you were before us. It is nice to bring in these side issues, but they have nothing to do with it.

Mr. ZWICK. I am agreeing on the public assistance—medicaid point. We just missed the estimate. On the other points you made, first on the virtue of overestimating budget numbers, I would argue that that is bad budget policy. I think that we did that in the Korean war, for example, and we had a hard time getting those appropriations worked off in the Defense Establishment. I think it is a bad budget policy to overestimate costs in any program. In the public assistance case, I would have more sympathy with the idea because this is a formula program and we must match State funds. But I object to giving any agency any more than we think they will need because that just burns a hole in their pocket.

Mr. LAIRD. I make it clear to you that the public assistance program does not work that way.

Mr. ZWICK. I understand. I am talking about Vietnam.

Mr. LAIRD. The funds for public assistance are spent under a formula program so they won't burn any holes. As far as the Vietnam war is concerned, that is a different question. I am not for purposely overestimating the war costs.

Mr. SWICK. I am sorry; I thought I heard you say that.

Mr. LAIRD. I feel it is better to resolve doubts on the high side because you underestimated those costs by as high as 40 percent. When you get 40 percent off in an estimate for a year, there is something radically wrong with that estimate.

Mr. ZWICK. I agree.

EFFORTS TO EXEMPT EDUCATION PROGRAMS FROM CUTBACKS

Mr. LAIRD. Mr. Director, I am interested in this language that is in the Vocational Education Act that is up before the House tomorrow in a conference report as it has some bearing on this whole question of what we do about the public assistance language in this resolution that we are considering this morning.

I read the record when this was up in the Senate. I have read over the statements by a high-ranking Senator on the Senate Committee on Labor and Public Welfare, which were inserted in the record by Senator Yarborough of Texas. They actually were not delivered on the floor of the Senate, so there was no debate involving these comments, but they were inserted into the Congressional Record. I think that they make this whole question of what effect that bill might have on the expenditure limitation rather hazy. It fuzzes up what is involved as far as the expenditure limitation is concerned. I think that this is the time to try to clear that up so that we have some record here in the Congress as to what that amendment means.

I would like you to tell us the funding levels for the education programs that are involved in this amendment, based on the appropriation conference report which was filed yesterday in the House of Representatives, and then the funding levels, based upon the adoption of the conference report on vocational education.

It is my understanding there will be three items affected, and only three because of the funding levels that have been assigned to these various programs in the Department of Health, Education, and Welfare. Those three programs are title III of NDEA, which is the so-called equipment and minor remodeling program where the appropriation conference agreement is over the budget; title II of ESEA which is the library resources program, because the budget was \$46 million and the appropriations conference report is \$50 million; the third area would be the impacted aid program. As I understand it those would be the only three items that this amendment in the Vocational Education Act would have any effect on in fiscal year 1969, and this is the year with which it concerns itself because this is the year in which the expenditure limitation applies. Is that correct?

Mr. ZWICK. I don't believe that it is correct in that the provision, as I read it, clearly exempts all expenditures by the Office of Education. Now, taking that exemption, which is in the bill and, second, a statement by the administration that they were going to fund these education programs, you reach your conclusion.

Mr. LAIRD. The administration has already made that statement. As a matter of fact, we cut back on title I and the administration took an appeal on our cut and went over to the Senate and asked that these figures be restored. Then this conference report comes back at a lower figure than the administration said they would spend. So they weren't going to apply any of the \$6 billion there.

Mr. ZWICK. That is correct. The only point I am trying to put in the record is this—with an exemption for the total Office of Education, and if public assistance and CCC and others keep going up, we might have to devise our determinations as to where we are going to take the cuts. The only point I am making is, the exemption is not the three items, the exemption is the whole Office of Education.

Mr. LAIRD. Then you say the President didn't mean what he said when he said he wasn't going to cut back on—

Mr. ZWICK. No, sir. I refer you to our August summer review which says he meant what he said and this is how he would take the cuts, given the information that is available.

Mr. LAIRD. If he meant what he said about what the allocation is going to be in this particular area, we came back with a lower figure than he would spend except for these three items.

Mr. ZWICK. That is correct. All I say is, we have history to base actions on and, in the future, things could happen that could cause the President to reassess his priorities.

Mr. LAIRD. My concern here, Mr. Zwick, is that in reading over the interpretation of this language it would seem to me that some of the Senators, if they read this insertion in the record, might get the impression that this applies even to "Salaries and expenses."

There again we came back with a much lower figure than the President requested as far as "Salaries and expenses" were concerned. I believe we are \$4 million under the President's figure there for the Office of Education. Is that not correct?

Mr. KELLY. That is about right.

Mr. LAIRD. We have \$4 million below what the President says he wants to spend in that area. This \$4 million he will be able to apply against his \$6 billion savings, and \$77 million we picked up in this

conference report on HEW, title I of ESEA, \$77 million that he didn't intend to have apply against the \$6 billion.

Mr. KELLY. Could I develop that just a little bit for you?

Mr. LAIRD. I could go to other items, but—

Mr. KELLY. Let me see if I can develop that for you just a little bit?

Mr. MAHON. May I say this, Mr. Laird: I don't think Mr. Zwick answered completely some of the questions which you asked. When the record gets back, I want you to make the position precise and clear.

Mr. LAIRD. I would like to have him answer right now, Mr. Chairman.

Mr. MAHON. I want to understand it myself. I think I do, but I want to be sure that the record is not controversial, that we all have the same understanding.

Now, would you like to amplify anything you have said, Mr. Zwick?

Mr. ZWICK. I prefer to defer for the moment to Mr. Kelly.

Mr. MAHON. Very well.

Mr. KELLY. Mr. Laird, the Budget Director has indicated to you that with respect to Agriculture and HEW that, rather than imposing some part of the \$6 billion cut, he has said that the Secretary has to develop a plan that lives within the expenditure estimate that was presented to the Congress and that, if an item like public assistance is going up, there has to be an offset to go down. So, if you start with the figure which was used in the midyear summer review, that public assistance will go up \$500 million, and I have testified here today I think it will go up considerably more than that. However, this is the basis on which we did our planning.

The first reduction made against that \$500 million is the reduction you have been talking about.

Mr. LAIRD. I hate to interrupt you, but I want to be sure you base your testimony here today on one thing and that is assuming we pass this resolution. Now, I know that your assumption is entirely different if we don't pass this resolution, but if you assume we pass this resolution, I want to know the status then because this is so important from the standpoint of interpreting the Senate language.

Mr. KELLY. I think that is fair.

Mr. MAHON. Now, go ahead and develop your thoughts so we will be absolutely clear.

Mr. KELLY. The Congress, in acting upon our appropriation act, as we interpret it from the conference report filed yesterday, is that you made a net decrease in the requested outlays of the President of \$162,125,000. This is expenditures. This is composed of decreases which in the aggregate equal \$250 million and, offset by increases over the budget estimate which aggregate \$87,900,000.

In compiling this figure, I have excluded the proposed supplemental that is included in the conference report for \$90 million that relates to Federal impact funds for 1968. I have excluded it from this computation because the language adopted by the Senate had this \$90 million treated outside of the area of the \$6 billion reduction.

It is reported in the conference report, in disagreement, and if the House were to adopt the \$90 million but not adopt the language, then the net change which the Congress would have made in the Presi-

dent's budget for HEW would be \$71 million, if that \$90 million had to count. Therefore, you have imposed upon the President, and the President in turn has imposed upon the Secretary of Health, Education, and Welfare, the responsibility for either finding the \$338 million by administrative action or, in the event you do not adopt the impacted area aid language, of finding \$429 million to take out of the budget.

Now, it just seems to me in all fairness that I ought to identify for you what it is you can take it out of.

The President's budget called for expenditures in HEW of \$45,-769,407,000. Of that, \$32,954,607,000 relates to expenditures from the social security trust funds which were not incorporated in the \$6 billion reduction.

Public assistance that we have been talking about here this morning is included in that estimate at \$5,671,741,000.

Vocational rehabilitation basic grants, which are very similar to public assistance in that they are mandatory matching expenditures, are \$336 million, and permanent appropriations over which we do not have administrative control are \$24,811,000.

You, therefore, get down to expenditures for controllable programs of \$6,782,248,000. Of that, \$3,370,448,000 are related to expenditures from prior year authorizations. The huge share of this was obligated in prior years and all we are doing is paying the bills this year. So that, in effect, the Secretary has got to find this reduction of either the \$338 million, or the \$429 million—depending upon the outcome of the impacted area aid language—out of controllable expenditures of \$3,411,800,000 related to the 1969 appropriation.

I just say to you if you put all three items together, if you do not grant relief on the overage on public assistance, if you enact legislation which has the effect of excluding the Office of Education from participating in the \$6 billion cut, and if you enact the \$90 million and treat that as within the \$6 billion, the action will be catastrophic. You are talking about taking out of the Department of Health, Education, and Welfare \$800 million, from \$3,411 million worth of controllable expenditures, the preponderance of which are being carried on at current levels.

Mr. LAIRD. Mr. Kelly, I think it should be understood that we are not talking about not giving relief as far as the public assistance program is concerned. I would have been glad to have put that in the bill when it passed because I knew you were wrong and that our estimates were right. So I would have been willing to put that in the bill when it passed, and I think if we had a little better budget estimates we could have made a better case for a \$5 billion expenditure reduction instead of a \$6 billion expenditure reduction, but you didn't come up and give us the reasonably accurate figures until quite late.

So your statement just now is based upon the public assistance program having to be absorbed?

Mr. KELLY. This is one of the problems we are faced with.

Mr. LAIRD. Let's talk about the situation with the exemption. I think we should know, Mr. Chairman, where we are, as far as these programs are concerned, with the exemption granted to you. Now, I want to know, with the exemption you ask for as far as public assistance is concerned—just assume that for the moment—what will the situation be?

Mr. KELLY. I think it would be fair to say, Mr. Laird, that if the \$90 million supplemental were treated outside of the \$6 billion and if public assistance was in its entirety excluded—not some specific amount now, but was entirely excluded from these considerations—

Mr. LAIRD. Well, we will give you your estimate, what you ask for. You say \$560 million and we will give it to you.

Mr. KELLY. Let's just take it on this basis: If you excluded public assistance entirely, if you did not have to count the \$90 million supplemental in this action, and the Director of the Budget Bureau continued to assign the same expenditure level to HEW that he has now assigned, excluding the Office of Education from what he is spending, the cutback would not be serious. If those contingencies are not met, excluding the Office of Education means that the health programs of the Department of Health, Education, and Welfare have to be practically gutted.

Mr. LAIRD. I don't want that to happen. I want to be sure we are protecting the health programs. This is the reason this is an important question. Isn't it true, then, that the only three programs that will be involved will be title III of NDEA, title II of ESEA and the program of assistance to schools in federally impacted areas for 1969?

Mr. KELLY. Using the present expenditure ceiling which Mr. Zwick has given us—that is, that we have to save \$500 million for the overage on public assistance—if that is all we had to do, as we interpret this language it only applies to nondiscretionary programs.

Mr. LAIRD. It doesn't apply to salaries and expenses?

Mr. KELLY. No; formula grants. It is spoken of in a very total and sweeping way but, as we interpret it, its legal, the mandatory effect, is to exclude nondiscretionary programs for cutback and the only nondiscretionary programs that are currently in our plan of cutback are the three you have identified.

Mr. LAIRD. What has happened here is that a high-ranking member of the Labor and Education Committee called in the National Education Association and other educational groups here in Washington and had a meeting with them. He told them that if this conference report was recommitted it would adversely affect title I of ESEA and, for the life of me, I can't understand how this conference report has any effect on title I of ESEA in view of the fact that the President says he would spend more than Congress has given him in this program.

Mr. KELLY. I think the legal effect of section 406 of the vocational education amendment has the capability of relieving title I of the Elementary and Secondary Education Act from taking any cut. However, you are right that, on the basis of current plans, there is no intention to take any. But I would like to go back. If neither public assistance nor the \$90 million supplemental were excluded from the \$6 billion, we would not stick with current plans.

Mr. LAIRD. But we have given you an extra \$77 million that you didn't intend to have when the President announced his cutback figures on the \$6 billion. We have given you another \$77 million in cutback.

Mr. KELLY. On what?

Mr. LAIRD. ESEA. Title I.

Mr. KELLY. Our plan contemplated you would be that generous.

Mr. LAIRD. Your plan and the President's statement said, and your appeal to the Senate said, that you would program at the level of the budget, and this is \$77 million below the budget. When every Member of this Congress starts getting all these wires—and I must have 125 of them over on my desk right now, talking about title I—

Mr. KELLY. I can only say to you, Mr. Laird, that when we put the plan together we had to use a prediction on the outcome of appropriations, and yesterday we tallied how well we did on that prediction and we were wrong by \$19 million in the aggregate, and the prediction we have on title I of the Elementary and Secondary Education Act was exactly the amount which is in the conference report now before the House.

Mr. LAIRD. You are better estimating on conference reports than you are on the budget.

Mr. KELLY. I thought I was walking into that.

I think it is important to understand if the three elements of contingency would all go against us it would be catastrophic to the Nation's health program. If all three contingencies went for us, in fact we would have no problem with our share of the \$6 billion cut. Now, the balance between those three becomes the element of consideration. The most important one is the public assistance one we are here testifying on. I think of secondary importance is section 406 of the vocational education amendments and of third importance is the language on the impacted area aid supplemental that excludes it from the \$6 billion consideration.

Mr. LAIRD. We are going to have a supplemental. I think we can make some reductions there to help you. If we would give you a little assistance in making some reductions, wouldn't it help you?

Mr. KELLY. I don't want to say, Mr. Laird, that we have already predicted that.

Mr. LAIRD. I think this is fairly clear, Mr. Chairman, as far as what this does and its effect, I just wanted to be in a position where we had a public record we could point to.

Mr. MAHON. Now, let me say this with respect to this whole record: Certain information has been requested. We want this record to go down to you today. Can it go down today, Mr. Reporter?

The REPORTER. Yes.

Mr. MAHON. We want to have immediately this information which we have requested. I think you know what requests have been made. We want to have it tomorrow when we may begin some hearings on the supplementals that will come up tomorrow.

Can you do that, gentlemen?

Mr. ZWICK. Yes.

Mr. KELLY. Yes.

Mr. JAENKE. Yes.

IMPACT OF SECTION 406 OF VOCATIONAL EDUCATION AMENDMENTS ON
ANTIDEFICIENCY ACT

Mr. LAIRD. I wonder if the Budget Director would address himself to the question of whether 406 waives the requirements of the Anti-deficiency Act.

Mr. ZWICK. I cannot answer that question. I would have to have my lawyer look at it.

Mr. Bow. I am worried about this item. It seems to me 406 may go so far as to waive the deficiency act.

Mr. ZWICK. I have not addressed that question so any answer I give you would be purely speculative.

Mr. LAIRD. I think we should have something in the record to make it clear.

Mr. ZWICK. We will put it in the record.

(The following was subsequently provided for the record by the Bureau of the Budget:)

Section 406—previously section 407—of the Elementary and Secondary Education Amendments of 1967, as proposed to be added by the Vocational Education Amendments of 1968—H.R. 18366, conference report, p. S11767 of the Congressional Record for October 1, 1968—would apply “Notwithstanding any other provision of law.” Section 406 thus negates portions of the Anti-Deficiency Act (31 U.S.C. 665) as well as the Revenue and Expenditure Control Act of 1968 (82 Stat. 251), insofar as the authority to establish reserves is concerned. However, we do not believe that it waives those provisions of the Anti-Deficiency Act which prohibit the making of expenditures or the creation of obligations in excess of appropriations.

Mr. LAIRD. I have had conversations with the HEW people and I am sure you don't interpret that as waiving deficiencies, do you?

Mr. KELLY. We don't contemplate that that would have any effect on the deficiencies.

Mr. ZWICK. In section 406, in my opinion, it says moneys appropriated are available. It doesn't say to spend moneys that haven't been appropriated.

(As noted above, the Bureau of the Budget subsequently supplied information on this point.)

QUESTIONS OF EXEMPTIONS TO NOA CEILING

Mr. MAHON. Make that clear for the record.

I have three questions.

The tax bill had two ceilings. One on outlays which called for not less than a \$6 billion cut, and one on new budget authority which called for not less than a \$10 billion cut.

Each allowed exemptions for any overruns in certain areas—the war, interest on the debt, veterans, and social security trust funds.

We have, or I believe will, in the various bills, achieved the \$10 billion reduction goal. We will not make the \$6 billion goal in actions on specific bills. So the President, to reach the \$6 billion, will probably have to make additional cuts in new budget authority.

Now, if we are to set a new ceiling on CCC and public assistance outlays, what about corresponding ceilings on new budget authority? What would you say on that?

Mr. ZWICK. Mr. Chairman, as the provision is drafted, there is no ceiling in here; but I certainly would have no objection to putting ceilings on budget authority that are consistent with these numbers. The specific budget authority numbers that go with the \$907 million and the \$560 million—the outlay numbers—I do not have right now, but we can develop them for you very quickly.

We would have no objection to having specific ceilings.

Mr. MAHON. Mr. Wilson, will you put in the record any questions which you think are pertinent?

Mr. WILSON. One thing I am not clear on, the first set of numbers; that is, the ceilings on expenditures, at least the total ceiling of \$180 billion in the tax bill significantly involves expenditures not just from new budget authority but, of course, from old budget authority as well. I wasn't certain in my own mind, if the committee decides to put specific dollar ceilings on the excess, whether the figures on the budget authority side would be, say, \$907 and \$560 million, or some other numbers.

Mr. ZWICK. There would be some other numbers. The CCC budget authority number is significantly higher than the \$907 million outlay number. I haven't the authority number here, but we can develop it.

Mr. KELLY. Public assistance more nearly comes to the expenditure figure in terms of budget authority. The authority would be within \$50 million of the expenditures.

(The following information was later supplied for the record:)

The budget authority figures consistent with increased outlays of \$907 million for CCC and \$560 million for public assistance, including Medicaid, are (in millions of dollars):

CCC	\$1,206
Public assistance.....	610

Mr. WILSON. I don't know whether this is pertinent in that connection, but in the Summer Review, in one of the tables showing revised estimates of new budget authority for 1969, I recollect a figure of about \$1.8 billion which you labeled "Estimated, to be required later."

Mr. ZWICK. That is correct.

Mr. WILSON. Would that include any amounts with respect to either of the two areas we are speaking of?

Mr. ZWICK. Yes, sir.

If you will look at the Summer Review, we were estimating then that Congress would reduce budget authority by—look on page 5 of the Summer Review—that Congress would in fact reduce budget authority by \$10.5 billion. However, there have been, apart from congressional actions—if you look at the bottom of the table—increases of \$2.4 billion. So, therefore, the net reduction in budget authority would only be \$8.1 billion and we would have to find \$1.9 billion. Roughly half of that \$2.4 billion we were using then was for CCC. The next big item was public assistance, including Medicaid. Then the authorization for the Highway Trust Fund more than we expected in the budget and there are various other increases.

Of that \$2.4 billion increase, outside of appropriation action, the majority is CCC and public assistance. If you exempted those two, then you will be back to doing the entire \$10 billion cutback through congressional action.

Mr. WILSON. If you will turn back to page 3 rather than 5 of the Summer Review, I think I can get a better picture on this.

In table 2, page 3, about midway of the table there is an item of \$1.8 billion under the general heading of "Estimated, to be required later (necessary additions and contingencies)."

What I was seeking to determine was, what amounts, if any—first, what is the \$1.8 billion in broad terms?

Mr. ZWICK. The \$1.8 billion includes the public assistance numbers.

Mr. WILSON. How much for public assistance?

Mr. ZWICK. We had \$500 million so there is another \$1.3 billion in addition.

Mr. WILSON. \$500 million in there for public assistance?

Mr. ZWICK. Yes.

Mr. WILSON. Did you have anything in there for Commodity Credit?

Mr. ZWICK. The next item, \$2.7 billion, "Available without current action by Congress," includes the CCC estimate.

Mr. WILSON. If that be so, if the committee chose to do so, would it still have to insert a specific dollar figure on the excess with respect to CCC—in view of that label, "Available without current action by Congress"?

Mr. ZWICK. This makes it indefinite, but it doesn't exclude it from the budget estimate of \$191.7 billion. So if you put specific numbers for budget authority in here, as you have for expenditures, then it would be symmetrical treatment of budget authority and expenditures.

Mr. WILSON. Mr. Kelly said that with respect to public assistance, he would guess the excess figure on the budget authority side would perhaps be within \$50 million of the expenditure figure we are talking about.

Mr. ZWICK. CCC would be much higher.

Mr. GRANT. About \$1.2 billion. That comes about through the operation of the contract authority as set forth in the basic law.

Mr. ZWICK. This provision, as it now stands, takes care of the budget authority problem. It doesn't put any ceiling on the budget authority. It puts a ceiling on expenditures. We would be willing to do it either way.

Mr. LAIRD. It doesn't make any difference?

Mr. ZWICK. It doesn't make any difference.

(Discussion off the record.)

Mr. WHITTEN. Mr. Zwick, instead of \$6 billion being required by the Expenditure Control Act, what is your present estimate as to what it will require to reduce spending to the level set by the Revenue and Expenditure Control Act?

Mr. ZWICK. \$7.2 billion.

Mr. WHITTEN. That is \$1.2 billion more than all the debate and everything else indicated that the Congress intended to cut; is that correct?

Mr. ZWICK. That is correct.

Mr. WHITTEN. If we were to give you, by action of this Appropriations Committee, the \$1.2 billion which Congress did not intend you to absorb, would you be able to substantially meet the needs you have testified about today?

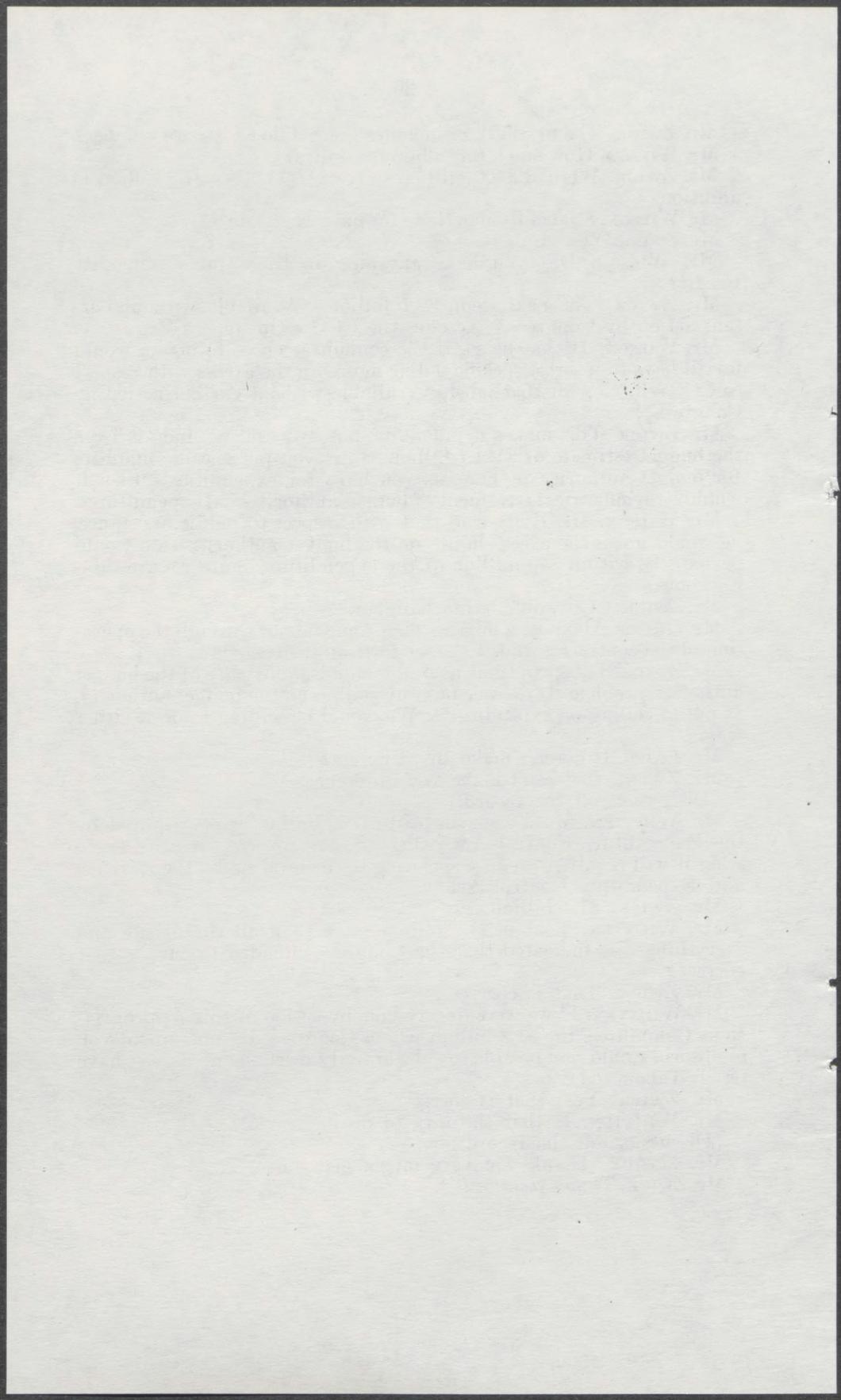
Mr. ZWICK. Yes; that is correct.

Mr. WHITTEN. Is that the way to do it?

(Discussion off the record.)

Mr. MAHON. Thank you very much, gentlemen.

Mr. ZWICK. Thank you.



SUBCOMMITTEE ON THE LEGISLATIVE BRANCH

GEORGE W. ANDREWS, Alabama, Chairman

TOM STEED, Oklahoma
MICHAEL J. KIRWAN, Ohio
SIDNEY R. YATES, Illinois
BOB CASEY, Texas

ODIN LANGEN, Minnesota
BEN REIFEL, South Dakota
MARK ANDREWS, North Dakota
LOUIS C. WYMAN, New Hampshire

THURSDAY, OCTOBER 3, 1968.

LEGISLATIVE BRANCH

Mr. ANDREWS. The committee will come to order.

We are considering this afternoon the supplemental estimates for fiscal year 1969 submitted today, October 3, 1968, by the President. There are three items for the House of Representatives under the legislative branch (in H. Doc. 393). The first is for reporting hearings, where the request is for \$145,000. The next is a joint item, for the Joint Committee on Defense Production, an additional amount of \$8,630; and the third item is for the education of pages, for an additional amount of \$18,581.

Then there is an item for the Library of Congress for an additional amount for salaries and expenses, \$200,000, which relates to space rental.

HOUSE OF REPRESENTATIVES

CONTINGENT EXPENSES OF THE HOUSE

WITNESS

HARRY M. LIVINGSTON, DISBURSING CLERK, HOUSE OF REPRESENTATIVES

REPORTING HEARINGS

Mr. ANDREWS. Mr. Livingston, the disbursing clerk of the House, is here representing the Clerk's office. Mr. Livingston, will you tell us about the first request, \$145,000 for reporting hearings?

Mr. LIVINGSTON. Mr. Chairman, we are requesting a supplemental appropriation of \$145,000 for the fiscal year 1969 for stenographic reporting of hearings. At our request, your committee inserted in the regular 1969 bill the necessary language to pay back to the appropriation, the amounts needed to pay the obligations for the fiscal year 1968.

We have transferred the sum of \$77,000 from the appropriation for 1969 to reimburse the appropriation for 1968. As of August 31, 1968, we have expended \$264,849 from the total of \$300,000 available in the 1963 account, leaving a balance of \$35,151 for payment of the late bills for the fiscal year 1968.

If the expenditures continue at the present rate, this additional appropriation may not be sufficient for the fiscal year 1969.

Mr. ANDREWS. You are asking for \$145,000, of which \$77,000 in effect is to pay what appears to be a deficit for fiscal year 1968?

Mr. LIVINGSTON. Yes; a year ago the Committee on House Administration authorized an increase in the rates to be paid to the reporters.

Mr. ANDREWS. From what amount to what amount?

Mr. LIVINGSTON. Where transcript can be sold, the increase a year or so ago, was from \$1.40 to \$1.75 per folio. Where the sale is not permitted, the charge was increased from \$1.75 to \$2.25 per folio.

Mr. ANDREWS. How much did we appropriate in 1968 for reporting hearings?

Mr. LIVINGSTON. \$223,000.

Mr. ANDREWS. Was there a supplemental?

Mr. LIVINGSTON. No. We did not receive a supplemental but we had payback language so we could transfer the \$77,000 to make up the \$300,000.

Mr. ANDREWS. We appropriated \$223,000 for 1968, but with the \$77,000 transfer, you have available, for 1968, \$300,000 of which you have spent some \$264,000?

Mr. LIVINGSTON. Yes. And we have a balance of \$35,151. Some of these bills come in months late and we are hoping the \$35,000 will be sufficient to pay the balance of any bills that come in for 1968.

Mr. ANDREWS. We are just talking about 1968 now?

Mr. LIVINGSTON. Yes.

Mr. ANDREWS. Is the whole \$145,000 for 1968?

Mr. LIVINGSTON. No; \$145,000 is to reimburse our accounts for 1969 for the \$77,000, and to supply additional funds for necessary expenses.

Mr. ANDREWS. How much did we appropriate in the 1969 regular bill?

Mr. LIVINGSTON. \$223,000.

Mr. ANDREWS. The same as 1968?

Mr. LIVINGSTON. Yes.

Mr. ANDREWS. And the rates have been increased?

Mr. LIVINGSTON. The price per folio or per page of the transcripts.

Mr. ANDREWS. Are we talking about reporters who come up here from downtown?

Mr. LIVINGSTON. Private reporters; yes.

Mr. ANDREWS. All this money of \$300,000 goes to outside reporters?

Mr. LIVINGSTON. It all goes to outside reporters. It has nothing to do with the official reporters to debates or the official committee reporters.

Mr. ANDREWS. Why was it necessary to get so many outside reporters in 1968 and why do you anticipate having so many in 1969?

Mr. LIVINGSTON. The only way we can estimate that is by our experience over the years. They set a pattern and they will run that way until the folio prices are raised. Also, we have so many subcommittees that are using outside reporters and there have been so many hearings this year, and we anticipate the same thing next year.

Mr. ANDREWS. The same level?

Mr. LIVINGSTON. Yes.

Mr. ANDREWS. If we give you \$77,000, you could take care of the 1968 problem?

Mr. LIVINGSTON. Yes.

Mr. ANDREWS. And it is to some extent speculative as to whether or not you will exceed the amount of \$223,000 that we gave you in the regular bill?

Mr. LIVINGSTON. Yes, sir.

Mr. ANDREWS. Any questions?

Mr. LANGEN. Just one, Mr. Chairman, to see whether I understand this. You started out with an appropriation of \$223,000 in 1968?

Mr. LIVINGSTON. Yes.

Mr. LANGEN. And you transferred \$77,000, making a total of \$300,000?

Mr. LIVINGSTON. Yes.

Mr. LANGEN. Of which there is \$35,151 left to take care of late bills?

Mr. LIVINGSTON. Yes.

Mr. LANGEN. What constitutes these late bills?

Mr. LIVINGSTON. Sometimes the reporting companies do not submit their bills promptly for those hearings. Sometimes we get them 6 or 7 months later.

Mr. LANGEN. I do not quite understand why they submit them so late.

Mr. LIVINGSTON. We cannot either.

Mr. LANGEN. Do you have a record now of those bills that might be left out?

Mr. LIVINGSTON. No; we have no way of knowing that.

Mr. LANGEN. Why not?

Mr. LIVINGSTON. Because the reporters are procured through our official committee reporters and the Clerk has no way of knowing how many hearings they cover or how many folios.

Mr. LANGEN. Don't you have any record so we know if they submit the bill in November that it covers actual service? Is there not something against which to check it?

Mr. LIVINGSTON. Yes. First the committee chairman signs the voucher and then the official committee reporters check it against these records for accuracy and sign it before it comes to us.

Mr. LANGEN. But it would seem to me if a bill comes in to you, you need to check that back against something so that we know what we are paying for.

Mr. LIVINGSTON. On the voucher it explains what the hearings were and how many folios there were.

Mr. LANGEN. Don't we have a record of that?

Mr. LIVINGSTON. No.

Mr. LANGEN. Shouldn't we?

Mr. LIVINGSTON. If each committee had to submit it to us each month we would have it.

Mr. LANGEN. It seems to me they could look at this and say, "There is another \$35,000 available." From what I gather, this \$35,000 is a figure picked out of the air.

Mr. LIVINGSTON. That is right. It could be \$80,000.

Mr. LANGEN. To me it seems incredible that we apparently don't know what the accounts are.

Mr. LIVINGSTON. It could be done if a report is sent to our office monthly by each committee.

Mr. LANGEN. Because if we don't know that much about the 1968 year by now, how do we know how much it will cost next year?

Mr. LIVINGSTON. We don't know how many hearings there will be next year.

Mr. LANGEN. But we appropriate on the basis of somebody's estimate.

Mr. LIVINGSTON. The only estimate we can give is based on what has happened in the past.

Mr. LANGEN. I can't imagine why at this point this committee should not be able to get an answer to the question that we have x number of days of hearings that have not been paid for yet, because we must know what we have paid for and we must be able to associate that with every day's hearings there have been, and somebody ought to be able to count those days.

Mr. LIVINGSTON. If you don't know the number of pages we have no way of knowing the costs.

Mr. LANGEN. But somebody should be able to say there are x number of days that have not been paid for.

Mr. LIVINGSTON. That could be done but that would not give the dollar amount.

Mr. LANGEN. It should give some idea so we would know whether it is \$35,000 or \$80,000 or some other amount.

(Discussion off the record.)

Mr. ANDREWS. As I understand it, when a voucher is submitted by the outside reporters to the official committee reporters it is attached to a copy of the transcript covered by the voucher. That transcript and voucher then go to the House Administration Committee where the number of pages billed are checked and, if found to be correct, the voucher is okayed by the House Administration Committee and returned to the official committee reporters. The committee reporters then sign the voucher and send it to the chairman of the committee whose hearings it covers. The chairman of the committee must then also sign it and send it to the Clerk of the House for payment.

Mr. LANGEN. Do you have any time limit within which the bills can be rendered?

Mr. LIVINGSTON. No. We have a special law that if the appropriation is not available and it is a valid bill we can pay it out of the appropriation available at that time.

Mr. LANGEN. I shall not pursue it any further, Mr. Chairman, at this time.

JOINT COMMITTEE ON DEFENSE PRODUCTION

Mr. ANDREWS. We will now take up the joint item, where an additional amount of \$8,630 is requested for the Joint Committee on Defense Production.

Mr. LIVINGSTON. This was submitted at the request of the chairman of the Joint Committee on Defense Production.

Mr. ANDREWS. We will put this letter from Mr. Wright Patman, chairman of the Joint Committee on Defense Production, in the record at this point.

(The letter follows:)

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON DEFENSE PRODUCTION,
Washington, D.C., September 13, 1968.

Hon. W. PAT JENNINGS,
Clerk, U.S. House of Representatives,
Washington, D.C.

DEAR MR. JENNINGS: Public Law 90-370, approved July 1, 1968, amended section 712(e) of the Defense Production Act to provide for an authorization of \$100,000 in any fiscal year for the expenses of the Joint Committee on Defense Production.

Public Law 90-417, approved July 23, 1968, provides for appropriations of \$91,370 for salaries and expenses of the Joint Committee on Defense Production for the fiscal year 1969, which is \$8,630 less than the amount authorized for this committee for the fiscal year 1969.

It is requested that the supplemental appropriations be increased the amount of \$8,630 in order to make the total appropriations equal to the amount authorized. The present appropriation includes only \$1,688 for reporting services, travel, and office expenses. The committee desires to be in a position to carry out its responsibility of making continuous studies of the programs authorized in the Defense Production Act and of reviewing the progress achieved in the execution and administration of these programs.

Sincerely yours,

WRIGHT PATMAN, *Chairman.*

Mr. LIVINGSTON. The House authorized an additional \$8,630 for the Joint Committee on Defense Production and the chairman of that committee has requested that this be appropriated in a supplemental.

Mr. ANDREWS. What will it be used for?

Mr. LIVINGSTON. I believe the letter submitted by the chairman is self-explanatory. I might say this authorization was made after the regular 1969 appropriation bill was passed.

Mr. ANDREWS. In other words, we appropriated in the 1969 bill \$91,370 for salaries and expenses of the Joint Committee on Defense Production for fiscal 1969. After that appropriation was made the House approved Public Law 90-370 on July 1, 1968, amending section 712(e) of the Defense Production Act to provide for an authorization of \$100,000?

Mr. LIVINGSTON. That is right.

Mr. ANDREWS. And what Mr. Patman wants to do is to bring the appropriation up to the authorization?

Mr. LIVINGSTON. That is right.

Mr. ANDREWS. Now let us see what he says he needs it for. He says the present appropriation of \$91,370 includes only \$1,688.24 for reporting services, travel, and office expenses, and the committee desires to be in a position to carry out its responsibility of making continuous studies of the program authorized in the Defense Production Act and of reviewing the progress achieved in the execution and administration of these programs.

Have you any breakdown of the \$1,688.24?

Mr. LIVINGSTON. No. We submitted this item at the request of the chairman of the Joint Committee on Defense Production.

Mr. ANDREWS. Now, if we were to approve this request for \$8,630 they would have \$100,000 and would have this extra money for reporting services, travel, and office expenses?

Mr. LIVINGSTON. If I may go off the record.

(Discussion off the record.)

Mr. ANDREWS. All you are doing is just presenting this letter here?

Mr. LIVINGSTON. Yes.

Mr. ANDREWS. And according to this letter, he wants this extra money for reporting services, travel, and office expenses?

Mr. LIVINGSTON. That is correct.

Mr. ANDREWS. Any questions?

Mr. LANGEN. If we subtract \$1,688.24 from the \$91,370, is the remainder all for salary?

Mr. ANDREWS. That \$1,688.24 is part of the \$91,370.

Mr. LIVINGSTON. Yes.

Mr. ANDREWS. The letter refers to "reporting services, travel, and office expenses."

Well, you have told us all you know about this item?

Mr. LIVINGSTON. That is all I know.

Mr. ANDREWS. Any questions?

Mr. LANGEN. No.

Mr. CASEY. No questions.

EDUCATION OF PAGES

Mr. ANDREWS. An item of \$18,581 for an additional amount for "Education of pages."

Mr. LIVINGSTON. This, Mr. Chairman, again was submitted at the request of the public schools of the District of Columbia for the education of the pages. This is to cover salary increases which were authorized by Public Law 90-319.

Mr. ANDREWS. That salary increase bill passed after we made the appropriation for 1969. We appropriated in the 1969 bill \$94,579. Is that correct?

Mr. LIVINGSTON. Yes.

Mr. ANDREWS. We will put in the record at this point this letter from Joseph M. Carroll, Associate Superintendent of the Public Schools of the District of Columbia, addressed to the Clerk of the House of Representatives.

(The letter follows:)

PUBLIC SCHOOLS OF THE DISTRICT OF COLUMBIA,
DEPARTMENT OF GENERAL RESEARCH, BUDGET, AND LEGISLATION,
Washington, D.C., September 25, 1968.

Mr. W. PAT JENNINGS,
Clerk, U.S. House of Representatives,
Washington, D.C.

DEAR Mr. JENNINGS: On June 17, 1968, I sent to Mr. Ralph Roberts an estimate of the funds needed for Capitol Page School for the school years 1967-68 and 1968-69 which was never received by your office. Due to salary increases for both teachers and classified employees, as well as corresponding personal benefits, the budget estimate for 1968-69 should be increased by \$18,581.

Sincerely yours,

JOSEPH M. CARROLL,
Associate Superintendent.

Mr. ANDREWS. That is more or less a mandatory salary increase item?

Mr. LIVINGSTON. That is right.

Mr. ANDREWS. Any questions?

Mr. LANGEN. I have no questions.

Mr. CASEY. No questions.

LIBRARY OF CONGRESS

WITNESSES

L. QUINCY MUMFORD, LIBRARIAN OF CONGRESS

ROBERT H. ROHLF, DIRECTOR, ADMINISTRATIVE DEPARTMENT

WILLIAM W. ROSSITER, BUDGET OFFICER

SALARIES AND EXPENSES

RENTAL OF SPACE

Mr. ANDREWS. The next item is for the Library of Congress.

Dr. Mumford, we are glad to have you with us.

I believe you want more money for rent?

Dr. MUMFORD. Yes, sir.

Mr. ANDREWS. You are asking for \$200,000 in this supplemental. Do you have a statement?

Dr. MUMFORD. Yes, sir. It is very brief, if I may read it.

Mr. ANDREWS. Go right ahead.

GENERAL STATEMENT

Dr. MUMFORD. Mr. Chairman and members of the committee, I appreciate the opportunity you have given me to appear here in behalf of my request for a supplemental appropriation of \$200,000 for additional rental space for the Library of Congress. I would not be here if it were not for the extremely pressing need of the Library for more space.

Each of you, I know, is aware of the serious space problems the Library of Congress is faced with pending the construction of the James Madison Memorial Library Building. As this committee has pointed out in the last several years, rental space is only a stopgap measure, but it is absolutely essential that we have it if the Library is to meet its commitment to the Congress and to the Nation. Growth is inevitable if a library is to continue to function as such. As the Library of the Congress and as the National Library, we cannot avoid growing if we are to continue to acquire the books and other materials needed by the Congress and the Government.

The following table reflects the current availability of rental funds and our current requirements for additional space.

Budget for rental space—fiscal year 1969

Availability:	
Budget, fiscal year 1969.....	\$613,000
Anticipated supplemental.....	200,000
Total	<u>813,000</u>
Requirements:	
Massachusetts Avenue, Duke Street, and related costs.....	440,500
Copyright Office, 100,000 square feet at \$4.75 per square foot for 6 months (January-June).....	237,500
Geography and Map Division, 75,000 square feet at \$4.50 per square foot for 4 months (March-June).....	112,500
Moving and related costs (estimated).....	20,000
Total	<u>810,500</u>

This supplemental request was prompted by the fact that the General Services Administration has fortunately been able to reserve space in one of the buildings in the complex known as Crystal City in Arlington, Va., for the operations of the Library's Copyright Office. This is an unusual opportunity for us. It is necessary to have additional funds in order to enable the General Services Administration to finalize this negotiation and to seek additional space to house the Geography and Map Division—a move which I outlined to you during our regular appropriations hearings. Unless supplemental funds are made available now we will be unable to obtain the desired square feet needed for the Copyright Office and we will be forced to wait another year because of the necessary procedural regulations required by the General Services Administration in the negotiation and commitment of space. After negotiation, any funds not needed will of course revert to the U.S. Treasury.

Because of the critical overcrowding in the two permanent buildings of the Library, we have been forced to store books and other materials on the floor, making it difficult to service materials and creating an unbearable situation in regard to preservation of the collections. The problem with respect to space for Library staff is just as deplorable. Not only have we impaired efficiency by serious overcrowding but quite naturally the Library has problems in regard to morale because of space. We cannot continue to recruit competent people under these circumstances. The removal of these two operations to rental quarters will do much to alleviate our immediate space problems.

It is for these reasons that I have made this supplemental request for \$200,000. Additional delays in negotiating for this rental space will endanger the Library of Congress' services and collections.

Mr. ANDREWS. Thank you, Doctor.

You have a breakdown of the requirements on page 2 of your statement. I notice in one item that you want 100,000 square feet at \$4.75 per square foot for the period January to June.

The Geography and Map Division, 75,000 square feet at \$4.50 a square foot for 4 months, March through June.

Are these in new buildings?

Dr. MUMFORD. The space proposed for the Copyright Office is in a new building; the Massachusetts Avenue building has been remodeled. We have been occupying that for several months.

Mr. ANDREWS. You are in there?

Dr. MUMFORD. Yes; we are. We also have the Duke Street site but that is an older building. It has been remodeled to some extent to make it more useful.

Mr. ANDREWS. Will the GSA pick up the Duke Street rental in that 1970 budget?

Dr. MUMFORD. Yes, sir.

Mr. ANDREWS. The same is true of the others?

Dr. MUMFORD. Yes, sir.

Mr. ANDREWS. The Copyright Office, you have to stay there a full year before the GSA picks up the check?

Dr. MUMFORD. Through the remainder of this fiscal year and the next fiscal year, about 18 months.

Mr. ANDREWS. You only propose to get the Copyright Office for 6 months, January to June 1969?

Dr. MUMFORD. That is right for this request.

Mr. ANDREWS. In the next budget you ask for the same amount for 6 months, and at the end of the 12 months GSA will pay the rent?

Mr. ROHLF. GSA will pay the rent only after the first full fiscal year.

Dr. MUMFORD. It has been very difficult for GSA to find space suitable for Library use and this is quite an unusual opportunity. I feel it would be extremely unfortunate if we lost this opportunity of moving one of the units that occupies a considerable amount of space in one of the present buildings and which can be detached with a minimum of disruption from other operations of the Library.

Mr. ANDREWS. What other properties are being leased and paid for by GSA now?

Dr. MUMFORD. For the Library of Congress?

Mr. ANDREWS. Yes.

Dr. MUMFORD. The Navy Yard Annex, which was remodeled for us several years ago; the Federal depot in Middle River, Md., which is used primarily for storage of materials that are very infrequently used; and the property at 1291 Taylor Street, where our Division for the Blind and Physically Handicapped is located. We have now occupied the Taylor Street building for a sufficient length of time for the GSA to assume the rental cost.

TOTAL SPACE AND RENTAL COSTS

Mr. ANDREWS. How much space and what is the cost of all the property? I think you put that in the record before?

Dr. MUMFORD. Yes, sir.

Mr. ANDREWS. Put it in at this point.

Dr. MUMFORD. 305,462 square feet, at an annual rental of \$440,500.

Mr. ANDREWS. Is that all paid for by GSA?

Dr. MUMFORD. That is what is being paid by the Library. That does not include the GSA figure.

Mr. ANDREWS. I wish you would put in the record what GSA is paying for. I want to have it all in one place, the total amount and who is paying what.

Dr. MUMFORD. Yes, sir.

(The information follows:)

SPACE OCCUPIED BY LIBRARY OF CONGRESS OUTSIDE OF MAIN LIBRARY AND ANNEX BUILDINGS AS OF JULY 1968

Location	Square feet of assignable space	Annual rental	Maintenance and operation costs only (GSA)
Navy Yard annex (buildings 159 and 159E).....	74,205	(1)	\$125,629
Federal Depot, Middle River, Md.....	39,780	(1)	16,907
1291 Taylor St. NW.....	83,337	² \$266,678	.....
214 Massachusetts Ave. NE.....	53,676	259,330	.....
2028 Duke St., Alexandria, Va.....	54,464	181,244	.....
Total.....	305,462	707,252	142,536
Total annual cost to the Government for fiscal 1969.....		849,788	

¹ Government owned.

² Paid by GSA.

Mr. ANDREWS. Thank you.

Any questions.

Mr. LANGEN. As I understand it, the fiscal year 1969 appropriation contains \$613,000 for rental space.

Dr. MUMFORD. That is right.

Mr. LANGEN. There is now a requirement for an additional \$200,000?

Dr. MUMFORD. That is right.

Mr. LANGEN. Of the items listed here as a requirement, which total the \$810,500, how much of that has already been negotiated for by virtue of the \$613,000 authorization?

Mr. ROSSITER. \$440,000.

Mr. LANGEN. That is the first item?

Mr. ROSSITER. Yes, sir. We occupy those places.

Mr. LANGEN. There remain these other two?

Mr. ROSSITER. That is right.

Mr. LANGEN. I note on these other two we have the number of square feet and the rate per square foot and the figures are calculated. Yet, in your statement you say that we have to negotiate for these. What is the object of that?

Dr. MUMFORD. Perhaps "negotiate" is not the appropriate word. To finalize arrangements, GSA has definitely offered us the space in Crystal City for the Copyright Office. We are still working with them in trying to locate a suitable location for the Geography and Map Division.

Mr. LANGEN. That is not exactly what your statement says. Your statement says that after negotiation any funds not needed will revert to the U.S. Treasury.

It leads me to believe that you are negotiating something other than what these figures imply.

Dr. MUMFORD. No.

Mr. LANGEN. No?

Dr. MUMFORD. That is an estimate for the Geography and Map Division because we do not have a specific site in mind. If we did not find a suitable site for the Geography and Map Division, the amount that we are asking for would revert to the Treasury.

Mr. LANGEN. That is just an estimate that possibly somewhere you will locate 75,000 square feet at \$4.50 a square foot; is that right?

Dr. MUMFORD. Yes, sir.

Mr. LANGEN. As of now, you don't know where that space might be or what might be the cost; am I correct?

Mr. ROSSITER. That is correct.

Mr. ROHLF. May I speak to that?

Mr. LANGEN. Sure.

Mr. ROHLF. Part of the problem is in the term "negotiation." It is not as inclusive as it should be. We are not certain, for example, whether the space will be available on January 1 or 15 or February 1. There is a promised construction date. If it is not available until February 1, obviously we will save 1 month's rent. The contract date now is for January 1. Therefore, in order to sign the agreement, GSA must have the appropriation for that amount, even though they may not spend all of it. Therefore, this is a little like going to a new house. We may not take occupancy when the contractor tells us we are going to, but we will only pay rent on the date we do take occupancy.

The other variable is that the GSA negotiation figures are based on what they will pay in any given building for that particular kind of space. This \$4.50 may end up \$4.62 or \$4.45 for example, but under their procedures they must have the information from the agency that they already have the appropriation approved for a certain amount before they will enter into the negotiations. Therefore, you have to have the appropriation for the full amount that you may spend, knowing that you may not spend all of it.

Mr. LANGEN. I note that you have identified that rental will be only from March to June, one-third of a year.

Mr. ROHLF. That is correct for the Geography and Map Division space.

Mr. LANGEN. It puzzles me how you can negotiate with an appropriation that identifies 75,000 square feet at \$4.50 a square foot. You are not going to get it for any less than that, are you?

Mr. ROHLF. \$4.50 per square foot?

Mr. LANGEN. Yes. Having identified it in the appropriation here, you expect to rent 75,000 square feet of space at \$4.50 a square foot. If you are negotiating, you are not going to get it for any less than that if they know that there is appropriated an amount based on that rental rate, are you?

Mr. ROHLF. I think this may vary, because the Geography and Map Division will occupy a large amount of space which is storage-type space. They will also require public reading and office space. GSA does not tell any potential landlord how much money they have to work with. The only one who knows that is GSA. They have established a scale within the Washington area of what they will pay for certain types of space. They will not exceed that scale.

Mr. LANGEN. This hearing will be public knowledge.

Mr. ROHLF. That is true.

Mr. LANGEN. All one has to do is get a copy of this hearing to see the figures.

Mr. ROHLF. I believe GSA will not go above their standard, is that right?

Dr. MUMFORD. That is my understanding, sir. Regardless of what amount is available, they have standards for what they will pay for certain grades of space, and they would not go above that.

Mr. LANGEN. That is in accordance with their standards?

Dr. MUMFORD. This is in accordance with our estimate of the kind of space that we should have for the Geography and Map Division.

Mr. LANGEN. You want to know how it compares with their standards?

Dr. MUMFORD. The estimates have been worked out after conferring with the GSA. We have worked for weeks and months with them in looking for space for this particular Division.

Mr. LANGEN. All right.

Dr. MUMFORD. You raised a point, if I may go off the record—

Mr. ANDREWS. All right.

(Discussion off the record.)

Mr. ANDREWS. How do these rates projected here compare with the Massachusetts Avenue and Duke Street properties?

Dr. MUMFORD. Do you have that?

Mr. ROSSITER. Yes, sir. The Duke Street space is \$3.33 per square foot, the Massachusetts Avenue space is \$4.83, and Taylor Street is \$3.20.

Mr. ANDREWS. I would assume it might be higher if it is a new building.

Dr. MUMFORD. It is a new building being completed about January or February. The Taylor Street space was somewhat less because it was an older building.

Mr. ANDREWS. Is that all?

Mr. LANGEN. Yes.

Mr. ANDREWS. How much of the Copyright Office will be moved into the 100,000 square feet?

Dr. MUMFORD. All of it, with the exception of the space which certain deposits occupy. All of the personnel would be moved there.

Mr. ANDREWS. What you are telling us in substance is that you have a need for these 175,000 square feet?

Dr. MUMFORD. Yes, sir.

Mr. ANDREWS. You hope to get that at these prices that you have indicated, but without the money you cannot make the contract?

Dr. MUMFORD. That is exactly true. We have already been assured of the offer of the space for the Copyright Office.

Mr. ANDREWS. Who passes judgment on the reasonableness of these prices, the Library or the GSA?

Dr. MUMFORD. The GSA.

Mr. ANDREWS. Mr. Yates?

Mr. YATES. Will this relieve the difficulty that the Library has had for some years now in failing to have adequate office space for its staff? Will it relieve the situation that requires you to put offices in corridors?

Dr. MUMFORD. It will not enable us to remove those temporary partitions that we have at the present time. Because of the continued increase in the volume of business, this committee has allowed additional positions for the Copyright Office and it is terribly crowded as it is now. The Copyright Office needs the space which this would provide. This committee has also allowed additional personnel for the Legislative Reference Service because of the great increase in volume of work for the Congress. We are sorely put to find a place for those people to work. By moving th Copyright Office out and doing some shifting around, we can give some relief to the Legislative Reference Service as well as to the Copyright Office and some to our Processing Department activities which are also desperately crowded. By transferring the Copyright Office and the Geography and Map Division to other buildings, we would also provide badly needed space for the storage of our rapidly growing collections. Collections which must be near the Legislative Reference Service.

Mr. YATES. You cannot wait for your regular appropriation for that?

Dr. MUMFORD. Unfortunately, space would not be available if we waited until then.

Mr. YATES. Thank you.

Dr. MUMFORD. This kind of opportunity, availability of space, I should say, comes very seldom because we have been working with GSA for several years attempting to find suitable space.

Mr. CASEY. How much space is the Madison Library going to have?

Dr. MUMFORD. About 1,600,000 net square feet of space, a little over 2 million gross.

Mr. CASEY. I wondered if we ever got it built, would you still have to be renting space?

Dr. MUMFORD. We would hope not. We would be able to bring at least some of these activities back unless the building construction of the Madison Memorial is deferred too long. As I have indicated and emphasized, it is inevitable the Library will continue to grow.

Mr. CASEY. I have no more questions, Mr. Chairman.

Mr. ANDREWS. Thank you, Doctor.

Dr. MUMFORD. Thank you very much, Mr. Chairman.

The first part of the document discusses the general principles of the proposed system. It outlines the objectives and the scope of the project, emphasizing the need for a comprehensive and integrated approach to the problem at hand. The document then proceeds to describe the various components and their interrelationships, providing a detailed overview of the system's architecture and its operational requirements.

The second part of the document focuses on the implementation details, including the specific methods and techniques used to develop the system. It provides a thorough analysis of the challenges encountered during the development process and the solutions that were implemented to overcome them. The document also includes a discussion of the system's performance and its ability to meet the requirements of the user community.

The final part of the document concludes with a summary of the key findings and a discussion of the implications of the research. It highlights the contributions of the work and suggests areas for future research and development. The document is intended to provide a clear and concise overview of the project and its results, serving as a valuable resource for researchers and practitioners in the field.

**SUBCOMMITTEE ON DEPARTMENT OF THE INTERIOR AND
RELATED AGENCIES**

JULIA BUTLER HANSEN, Washington, Chairman
MICHAEL J. KIRWAN, Ohio **BEN REIFEL, South Dakota**
JOHN O. MARSH, JR., Virginia **JOSEPH M. McDADE, Pennsylvania**
JOHN J. FLYNT, JR., Georgia **WILLIAM H. HARRISON, Wyoming**
CHARLES S. JOELSON, New Jersey

THURSDAY, OCTOBER 3, 1968.

DEPARTMENT OF THE INTERIOR

BUREAU OF OUTDOOR RECREATION

WITNESSES

EDWARD C. CRAFTS, DIRECTOR, BUREAU OF OUTDOOR RECREATION
**HARRY W. RICE, ASSISTANT DIRECTOR, BUREAU OF OUTDOOR
RECREATION**
**M.E. HOFT, ASSISTANT DIRECTOR, BUREAU OF OUTDOOR RECREA-
TION**
CARL C. CLOSE, CHIEF, DIVISION OF BUDGET ADMINISTRATION

LAND AND WATER CONSERVATION FUND

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 presently available	1969 revised estimate	1969 proposed supplementa
BUREAU OF OUTDOOR RECREATION			
Personnel compensation:			
11.1 Permanent positions.....	2,094	2,233	139
11.3 Positions other than permanent.....	16	16	-----
11.5 Other personnel compensation.....	10	10	-----
Total personnel compensation.....			
12.1 Personnel benefits, civilian employees.....	2,120	2,259	139
21.0 Travel and transportation of persons.....	160	171	11
22.0 Transportation of things.....	148	198	50
23.0 Rent, communications, and utilities.....	11	21	10
24.0 Printing and reproduction.....	84	90	6
25.0 Other services.....	70	90	20
26.0 Supplies and materials.....	275	4,237	3,962
31.0 Equipment.....	22	25	3
32.0 Lands and structures.....	10	16	6
41.0 Grants, subsidies, and contributions.....	1,000	88,793	87,793
	71,300	71,300	-----
99.0 Total obligations, Bureau of Outdoor Recreation.....	75,200	167,200	92,000

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 presently available	1969 revised estimate	1969 proposed supplementa	
ALLOCATION ACCOUNTS				
Personnel compensation:				
11.1	Permanent positions.....	3,622	3,622	
11.3	Positions other than permanent.....	222	222	
11.5	Other personnel compensation.....	15	15	
	Total personnel compensation.....	3,859	3,859	
12.0	Personnel benefits, civilian employees.....	340	340	
21.0	Travel and transportation of persons.....	350	350	
22.0	Transportation of things.....	101	101	
23.0	Rent, communications, and utilities.....	135	135	
24.0	Printing and reproduction.....	10	10	
25.0	Other services.....	2,225	2,225	
26.0	Supplies and materials.....	103	103	
31.0	Equipment.....	78	78	
32.0	Lands and structures.....	47,603	50,153	2,550
	Subtotal.....	54,804	57,354	2,550
95.0	Quarters and subsistence charges.....	-4	-4	
	Total obligations, allocation accounts.....	54,800	57,350	2,550
99.0	Total obligations.....	130,000	224,550	94,550
Obligations are distributed as follows:				
Interior:				
	Bureau of Outdoor Recreation.....	75,200	167,200	92,000
	National Park Service.....	37,000	39,550	2,550
	Bureau of Sport Fisheries and Wildlife.....	1,300	1,300	
	Agriculture: Forest Service.....	16,500	16,500	

PERSONNEL SUMMARY

BUREAU OF OUTDOOR RECREATION			
Total number of permanent positions.....	199	209	10
Full time equivalent of other positions.....	3	3	
Average number of all employees.....	196	206	10
ALLOCATION ACCOUNTS			
Total number of permanent positions.....	424	424	
Full time equivalent of other positions.....	45	45	
Average number of all employees.....	430	430	

PERSONNEL SUMMARY—AVERAGE GRADE AND SALARY

	1967 actual	1968 estimate	1969 estimate
BUREAU OF OUTDOOR RECREATION			
Average GS grade.....	9.3	9.4	9.5
Average GS salary.....	\$9,689	\$10,171	\$10,749
ALLOCATION ACCOUNTS			
Average GS grade.....	7.9	8.0	8.0
Average GS salary.....	\$8,192	\$8,791	\$9,228

Mrs. HANSEN. The committee will come to order. This afternoon the committee will consider various items contained in the 1969 supplemental budget estimate as submitted in House Documents 393 and 318. The first item for consideration is the Land and Water Conservation Fund, Bureau of Outdoor Recreation. Mr. Crafts, we are glad to have you with us this afternoon.

Mr. CRAFTS. It is nice to be back.

GENERAL STATEMENT

Mrs. HANSEN. If you have a prepared statement, would you place it in the record and then summarize it for the committee.

Mr. CRAFTS. I do have a prepared statement Madam Chairman, and I would like to put it in the record.

I think I can summarize this very quickly.

(The statement follows:)

REDWOOD NATIONAL PARK

Madam Chairman and members of the committee, I appreciate the opportunity to appear before you today to discuss a supplementary appropriation to carry out the provisions of recently enacted legislation establishing a Redwood National Park. The legislation establishing this park was approved by the President on October 2.

We are requesting a total of \$92 million for this purpose, all of which would be derived from a repayable advance to the land and water conservation fund as authorized by section 4(b) of the Land and Water Conservation Fund Act of 1965.

The area defined by the boundary maps of the Redwood National Park encompasses approximately 55,700 acres, exclusive of submerged lands, including ownership as follows:

Private	27, 406
Lumber companies (4 large)	22, 453
Other private	4, 953
Public	28, 263
State parks	27, 468
Federal forest lands	779
County parks	16
Total (exclusive of submerged lands)	55, 669

The act permits an additional 2,331 acres of land to be included within the park. State lands within the park may be acquired only by donation.

During the regular appropriation hearings before this committee last February, Secretary Udall indicated that a supplemental appropriation would be needed if a Redwood National Park bill was enacted by this Congress. This need is now accentuated by the "legislative taking" provision of the act. Its effect is to vest in the United States, as of the date the President signs the bill, title to all lands within the park boundaries owned by the four major lumber companies, to all other tracts of more than 50 acres, and to tracts of 50 acres or less held or occupied primarily for nonresidential and nonagricultural purposes. With respect to such tracts of 50 acres or less, the Secretary must within 60 days after the effective date of the act, notify the owner that the legislative taking applies to his property.

The legislative taking provision is unprecedented in conservation legislation. Its purpose is at least twofold: (1) to prevent the felling of any more trees within the established park boundaries and (2) to forestall escalation of values that historically has taken place on Federal park and recreation acquisition projects in the time period between the act of authorization and the settlement of purchase. Normally this escalation factor has greatly exceeded the average annual increase of 5 to 10 percent of land values throughout the country.

The legislative taking method of acquisition accomplishes the above purposes, but can become expensive if prompt settlement of due compensation to the former owners is not accomplished. For instance, the act provides for interest payments on all legislative taking actions at the annual rate of 6 percent from the moment of signing the act to the date of payment thereof. Based on our present estimates of the land and timber values involved, this interest alone may amount to as much as \$13,000 per day. At this rate, if no appropriation were made until the next regular appropriation cycle, the interest could amount to as much as \$3.5 million by the end of next June.

According to the act, settlement can be accomplished in three ways: (1) by payment in cash using money appropriated from the land and water conservation fund, including advance appropriations which can be made to the fund, (2) by exchanging certain federally owned lands in lieu of cash payment, or (3) any combination of money and land. Under any or all of these three circumstances, the former owners can seek settlement through the Court of Claims or settlement can be reached by negotiation outside of court.

We are hopeful of being able to settle out of court with some and perhaps all of the major lumber companies. Whenever this is the case, it is, of course, to the advantage of the United States to settle such negotiations as soon as possible. In order to take advantage of such situations that may occur, the Federal Government must have appropriated funds available in substantial quantities. Appropriation of the full amount will provide maximum flexibility and enable the Department to negotiate the most timely and economical agreements possible.

The conference report covering the proposed Redwood National Park recommends that if a settlement in kind is not likely, or cannot be negotiated, the Secretary of the Interior pay over to the companies whatever appropriated funds are available to him within the limits of his estimate of the fair market value of the land taken. Such payments are to be made without prejudice, and if the Secretary's estimate of the value is not satisfactory to the companies, will be subject to further determination of the value either by negotiation or by judicial action.

Section 5 of the act permits the Secretary—if a former owner concurs—to use certain Federal lands in northern California in lieu of cash payments. Such Federal lands include about 13,000 acres of the Forest Service northern redwood purchase unit. At this point we have received no specific indication as to which of these lands or if any of these lands are desired by the former owners in lieu of cash compensation.

The appropriations language submitted with this supplemental provides that not to exceed \$85 million shall be for liquidation of obligations incurred pursuant to section 3(b) (1) of the Redwood Act. This sum is the amount estimated to be needed to cover the costs of those lands acquired through the legislative taking provisions of the act. The difference between \$85 million and \$92 million requested will be needed to acquire small tracts of land not covered by the legislative taking provision and to cover the costs involved in handling the administrative work necessary to complete the land acquisition program as contemplated by the act.

For instance, we need to start immediately to survey and locate on the ground the boundaries of the park. Also we need to conduct a thorough timber cruise of the taken lands in order to determine accurately the amount and value of the redwoods and other values covered by the legislative taking. We cannot protect the interests of the United States by any lesser means. These procedures are expensive. It is urgent that we initiate this necessary fieldwork as soon as possible. In fact, the act requires certain actions to be taken within 60 days after its effective date. Much of this will have to be done by private contract appraisers and surveyors and we will need funds to issue these contracts. We cannot proceed otherwise.

In summary, then, I urge that favorable consideration be given to this request for supplemental appropriations—funds that are needed now—so that we can carry out the intent of Congress to compensate the former owners of these magnificent redwood trees as soon as possible.

NEED FOR APPROPRIATION

Mr. CRAFTS. The request is for \$92 million under the advance appropriation authorization of the Land and Water Fund Act. This is to implement the Redwood National Park Act which was signed by the President yesterday, and to permit us to go forward in acquiring the land, most of which has been taken under the terms of the authorizing legislation, and is now, as a matter of fact, National Park land. The \$92 million is the authorization contained in the basic act. It was derived, Madam Chairman, in case you are interested, by the conferees who worked up the compromise proposal between the House and

Senate. They obtained from us by individual block units of their own selection—these were delineated by the committees—our estimate of the value of these particular selections—the land value and the timber value. The estimate roughly is \$100 an acre for land and I think \$60 per thousand for redwood and \$40 for whitewood and so on.

They added up those items which they concluded would be in the park. They added, I believe, a 15-percent margin for unforeseeables, and it came to \$92 million.

Mrs. HANSEN. That would not be for speculators.

Mr. CRAFTS. No; it is not for speculators, because the act specifically says that the price paid shall be as of the day the President signs the bill. This was one of the reasons they did it this way.

The other reason, of course, was to immediately prevent further operations on this land and preserve the trees. They also made available the land and timber from the northern purchase unit from the Forest Service except for a small experimental area. We are just entering negotiations now with the landowners. There is divided responsibility here between the Park Service and the Bureau of Outdoor Recreation. The Bureau of Outdoor Recreation is responsible for negotiating the price with the four major timberland owners.

Mrs. HANSEN. Will you list those for the record?

Mr. CRAFTS. Those are the Georgia-Pacific Co., the Arcata National Corp., the Rellim Redwood Co., and the Simpson Timber Co.

LAND EXCHANGE

Mrs. HANSEN. How many acres of Federal forest land are for exchange?

Mr. CRAFTS. I think the northern redwood purchase unit is between 11,000 and 14,000 acres. I do not remember the exact figure. But this may or may not be taken. This depends on whether the affected companies want land and timber in lieu of dollars.

Mrs. HANSEN. Would this exchange arrangement, that could or could not be effectuated, lessen the appropriation?

Mr. CRAFTS. Yes, it would, to the extent that the estimate of \$92 million is correct.

Mrs. HANSEN. By how much?

Mr. CRAFTS. I cannot tell you that. I am not holding back on you.

Mrs. HANSEN. I understand.

APPRAISAL OF PROPERTY VALUE

Mr. CRAFTS. I just don't know. I have no idea what the companies are going to come in for and what their estimate of valuation is going to be. We are going to have to make a detailed boundary survey and a detailed evaluation that we figure will stand up in court if this goes to court, and it may, and in the light of that information attempt to negotiate a price.

The value of the Forest Service land also has to be appraised with more care and more specificity than it has heretofore. The value estimates on that at the present time range all the way from about \$25 million to \$40 to \$45 million.

Mrs. HANSEN. What is the relationship between acreage available from the national forest and private land to be taken by the Government?

Mr. CRAFTS. It is about 13,000 acres that is available for transfer to the companies on an exchange basis, equal value, if they wish it, including both land and timber. There would be taken in terms of private land about 27,000 acres altogether. So it is roughly a 2 or 1 ratio.

HOUSE INTERIOR COMMITTEE RECOMMENDATIONS ON APPROPRIATIONS

There are some things I would like to bring out. One, in the conferees' report the statement of the House managers of the bill, and also in the debate on the floor, the House managers recommended that the administration seek an immediate appropriation to fill the obligation of the United States. This is in the middle of page 8 of that report. This we are doing here today. On the floor of the House there were several Congressmen—I think Congressman Kyl, Congressman Johnson, and Congressman Morton who specifically inquired from Mr. Aspinall whether this money would have the effect of slowing up the other aspects of the land and water conservation fund program. I have this colloquy here. Mr. Aspinall makes clear that in his judgment it would not if the appropriation is made from the advance authorization. We have under the terms of the modified Land and Water Conservation Fund Act, as amended earlier in this session, about \$110 million available to us from the remaining advance authorization.

Mrs. HANSEN. Cash on hand?

ADVANCE APPROPRIATION AUTHORIZATION

Mr. CRAFTS. No; authorization. This \$92 million for redwoods under the terms of the language that is in the message here would come from that advance authorization. It would be repayable beginning in the 11th year of the fund. This is an important point, that it come from the advance authorization because if it does not come from the advance authorization then it would result in a major slowdown on acquisitions for Assateague or Fire Island and other new proposals.

EFFECT ON EXPENDITURE CEILINGS

Mrs. HANSEN. It could become part of the \$6 billion expenditure reduction package, which could result in a curtailment of other programs?

Mr. CRAFTS. This is precisely what I am trying to say. It would do just that.

Mrs. HANSEN. I just had a letter this morning from the White House explaining soil and water conservation reductions. Whether or not there will be reductions cannot be considered until after the Appropriations Committee has finished its work, and the gap between the actual expenditure cuts by the Appropriations Committee and the mandatory \$6 billion expenditure reduction is determined. I am sure that this appropriation will affect the expenditure limitation.

Mr. RICE. I think it would.

Mr. CRAFTS. I think it will.

Mrs. HANSEN. Then you are automatically going to increase expenditures by \$50 million and that \$50 million has to be considered in the general funding picture.

Mr. CRAFTS. I think that is right. I think in working on the \$6 billion cut according to what I have been told by the gentlemen with whom I work in the Bureau of the Budget, this is within the framework of that \$50 million expenditure.

That \$50 million ceiling is the Budget Bureau's estimate of the expenditure in this fiscal year. I talked to the Bureau of the Budget about that this morning and they told me if the appropriation is \$92 million, and if we run up against that \$50 million expenditure figure, which Mr. Evans just pointed out to you, that the administration would then make other adjustments and would make available to us the additional \$42 million, or whatever amount may be needed.

Mrs. HANSEN. The other adjustments have been very fancy. For example, in my own district there are two soil and water conservation programs that are very essential and part of the overall conservation picture, yet we cannot spend any money there because of the expenditure ceiling. So we spend more money for this item and overall we have to spend less.

Mr. CRAFTS. All I can tell you is that this is the information I received.

Mrs. HANSEN. Things may look lovely on the surface, but when you get underneath and measure the expenditures, you are just going to reduce funds available for other programs, because that \$6 billion is a solid figure that is demanded by the Congress for budget reductions.

Mr. CRAFTS. I know that. I think the hope is that the cash need—this is not an expectation, this is a hope—would be substantially less than the \$92 million. It is again made clear in the legislative history that to the extent that the Forest Service or BLM land is used for exchange, it is hoped that it would reduce the \$92 million. I would expect that it would.

There are two or three reasons why I am hopeful. To the extent that I can be persuasive that the \$92 million be granted, is one. It comes out of the advance authorization, which expires in June. Therefore, if \$50 million were appropriated in the supplemental and it turns out not to be enough, then there is no advance authorization to appropriate it from next fiscal year, because under the terms of the Fund Act, the advance authorization authority expires next June 30. There are one or two other factors. The interest which started to run yesterday runs about \$3 to \$4 million a year. This will come out of this figure of \$92 million or whatever the Congress may decide to appropriate. If the companies decide to go to court to litigate the amount, and this may well happen, our attorneys advise us that even though it is settled in the court of claims as provided in the act, that this also would come out of the \$92 million ceiling.

UNUSED FUNDS RETURNED TO TREASURY

I should make this one additional point. If a figure like \$90 or \$92 million were appropriated, and it turns out that it is not all needed, then that amount reverts back to the Treasury. It will not be used for any other purposes. We would not propose it for reprogramming for other purposes. It is for this purpose only. It is a safety measure utilizing an authorization which ends this fiscal year.

I think those really are my points. I cannot tell you what it is going to cost. The companies will submit their estimates to us. There are four major ones which make up the bulk of the land and the timber and the values. There are a little over a hundred owners actually involved in this park area. It is going to take some time.

Mrs. HANSEN. We will insert in the record at this point the item from page 16 of House Document 393 and the justifications.

(The item and justification follow:)

BUREAU OF OUTDOOR RECREATION

LAND AND WATER CONSERVATION

For an additional amount for "Land and water conservation" to carry out the property acquisition provisions of the act of October 2, 1968, Public Law 90-545 and the provisions of the act of June 4, 1968 (82 Stat. 168) to be derived from the land and water conservation fund and to remain available until expended, \$94,550,000, of which not to exceed \$85 million shall be for liquidation of obligations incurred pursuant to section 3(b) (1) of said act of October 2, 1968.

For a repayable advance to the land and water conservation fund, as authorized by section 4(b) of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460-7), \$92 million to remain available until expended.

Appropriation: Land and water conservation.

Appropriation to date: \$157,847,000.¹

Obligations to June 30, 1968: \$118,225,274.

Expenditures to June 30, 1968: \$99,347,500.

Budget estimate next fiscal year: Not available.

Employment:

Average number, current appropriation: 196.

Number involved this estimate: 10.

Actual employment June 30, 1968: 199.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The supplemental estimate of \$94,550,000 is urgently needed to:

1. Carry out the provisions of recently enacted S. 2515 establishing a Redwood National Park: \$92 million.
2. Pay deficiency judgments rendered against the United States in civil actions for the acquisition of lands and interests in lands for Cape Hatteras National Seashore. Authorization of appropriations to pay these judgments is provided by Public Law 90-326, approved June 4, 1968: \$2,550,000.

¹ Includes a carryover balance of \$67,847,000.

AMOUNTS AVAILABLE FOR APPROPRIATION (IN THOUSANDS OF DOLLARS)

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Unappropriated balance, start of year.....	86	86	
Receipts.....	199,914	199,914	
Unobligated balance returned to unappropriated receipts.....			
Total available for appropriation.....	200,000	200,000	
Appropriation.....	90,000	92,550	2,550
Unappropriated balance, end of year.....	110,000	107,450	

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

Program by activities:				
1.	Assistance to states.....	81,300	81,300	
2.	Federal programs.....	55,800	144,350	88,550
3.	Administrative expenses.....	2,900	2,900	
	Total program costs, funded.....	140,000	228,550	88,550
	Change in selected resources.....	-10,000	-4,000	+6,000
10	Total obligations.....	130,000	224,550	94,550
Financing:				
	Unobligated balance available, start of year (-):			
21.40	Appropriation.....	67,847	67,847	
21.49	Contract authorization.....			
	Unobligated balance available, end of year (+):			
21.40	Appropriation.....	27,847	27,847	
21.49	Contract authorization.....	30,000	30,000	
	Budget authority.....	120,000	214,550	94,550
Budget authority:				
40	Appropriation:			
	Special fund.....	90,000	92,550	2,550
	General fund.....		7,000	7,000
69	Contract authorization: 82 Stat. 355, Redwood Nat. Park Act, P.L. 90-545.....	30,000	115,000	85,000
Relation of obligations to outlays:				
71	Obligations incurred, net.....	130,000	224,550	94,550
	Obligated balance, start of year:			
72.40	Appropriation.....	101,074	101,074	
72.49	Contract authorization.....			
	Obligated balance, end of year:			
74.40	Appropriation (-).....	100,271	144,821	44,450
74.49	Contract authorization (-).....			
90	Outlays.....	130,803	180,803	50,000

STATUS OF UNFUNDED CONTRACT AUTHORIZATION (IN THOUSANDS OF DOLLARS)

Unfunded balance, start of year.....			
Contract authorization.....	30,000	115,000	85,000
Unfunded balance, end of year.....	30,000	30,000	
Appropriation to liquidate contract authorization.....		85,000	85,000

LAND AND WATER CONSERVATION

JUSTIFICATION

Federal programs

A. Redwood National Park

The enactment of S. 2515 establishes a redwood national park. The law provides for a legislative taking of all private ownerships within the boundaries of the park except those of 50 acres or less used primarily for residential or agricultural purposes. These smaller ownerships are authorized to be acquired by other methods. The act provides also for acquisition of certain interests in lands outside the park.

Ninety-two million dollars is authorized to be appropriated for Federal land acquisition to carry out the provisions of the act. Interest on the value of the properties subject to legislative taking is provided for at the rate of 6 percent annually.

A supplemental appropriation of \$92 million is needed immediately to facilitate negotiations for acquisition of properties and carry out activities related thereto such as an inventory of all ownerships within the prescribed boundaries, title searches, timber cruises, and appraisals.

The conference committee strongly recommended that the Secretary of the Interior, as far as he can do so consistently with other commitments on the Land and Water Conservation Fund, seek an immediate appropriation to fulfill the obligations of the United States.

In order to carry out the intent of Congress, it is of paramount importance that the Federal Government complete negotiations as soon as possible. Delays will deny prompt compensation to property owners within the park, whose property passed to the United States on the date of the act, and increase interest payments by the United States.

To demonstrate the urgency of the necessity for immediate appropriation of the \$92 million, the Federal Government will be obligated to pay interest on properties subject to the legislative taking provisions of the act (sec. 3(b)) at an annual rate of 6 percent. This interest alone may be as much as \$13,000 per day which, if no appropriation were made until the next regular appropriation cycle, could amount to as much as \$3,500,000 by the end of next June. We believe that the major redwood timber companies owning land within the boundaries of the park are now willing to negotiate with the Federal Government. Whenever this is the case, it is to the advantage of the United States to settle such negotiations as soon as possible. In order to take advantage of such situations that may occur, the Federal Government must have appropriated funds available.

Section 5 of the act provides that the Secretary may acquire some redwood national park property from the grantor by exchange for certain federally owned properties in California, of approximately equal value. If there is a difference in value, such difference is to be settled by cash payment.

There is not nearly enough federally owned redwood land in the vicinity to exchange for the total amount taken under this act, and further, the grantors may not wish to accept such federally owned redwood lands in lieu of money. Thus, it is to the best interests of the Federal Government that the total amount authorized be appropriated for the Secretary's immediate use.

Area to be acquired

The area defined by the boundary maps of the Redwood National Park encompasses 55,669 acres, exclusive of submerged lands, including ownership as follows:

Private	27,406
Timber companies (4 large)	22,453
Other private	4,953
Public	28,263
State parks	27,468
Federal forest lands	779
County parks	16
Total (exclusive of submerged lands)	55,669

The act permits an additional 2,331 acres of land to be included within the park. State lands within the park may be acquired only by donation.

The requested supplemental of \$92 million will cover the cost of acquiring private and county lands. Property values in private ownerships within the park boundaries have been based on aerial surveys of much of the timberlands in the park and going land and timber values in the area. This estimate is exclusive of any contingency for underestimating timber volumes, of interest for property acquired by legislative taking, or of any additional costs resulting from deferred payments. Detailed appraisals or timber cruises of individual ownerships have not yet been made.

Ten additional man-years will be required to accomplish this project.

B. Cape Hatteras National Seashore—payment of judgments

An additional appropriation of \$2,550,000 is requested to satisfy deficiencies in judgments against the United States in civil actions for the acquisition of lands and interests in lands at Cape Hatteras National Seashore. Declarations of taking for these lands were filed in the period 1953-59. Final judgments rendered, plus interest, amount to approximately \$2,550,000 in excess of the amount deposited with the court. Many landowners have been waiting for payment 10 years or more. In addition, interest on the outstanding awards is accumulating at the rate of nearly \$90,000 annually. Equitable treatment of the landowners and the rapidly accumulating interest require an immediate appropriation to satisfy the outstanding judgments.

The act of August 17, 1937, which authorized Cape Hatteras National Seashore, provided that properties within the seashore boundary could be acquired only by donation or by purchase with donated funds. Approximately 18,000 acres of land have been acquired by donation of land and funds from the State of North Carolina, the Avalon Foundation, and the Old Dominion Foundation.

By 1956, however, it became apparent that donated funds would not permit acquisition of all private lands within the seashore boundary and the Congress on August 6, 1956, authorized the appropriation of not to exceed \$250,000 to match funds donated for such acquisition.

During the period 1953-59, the United States instituted civil actions 263 and 401 in the U.S. District Court for the Eastern District of North Carolina to acquire the approximately 6,400 acres of private land which remained within the boundary. The United States filed declarations of taking and simultaneously deposited with the court the sum of \$334,488, its estimate of just compensation for the taking, which immediately vested title to the properties in the Federal Government. The question of just compensation for his land was referred to court appointed commissions. The commission in civil action 401 was delayed in completing its findings and report due to the death of the chairman. The second commission appointed in civil action 263 was also delayed by the death of a commission member midway through the hearings in that action. The Government objected to the commissions' 1965 and 1966 recommendations on the grounds that the amount did not reflect market value at the time title was vested in the United States, but rather reflected increments in value from the dates of filing to the commissions' findings. The court overruled the Government's objections in civil action 401, but remanded several of the tracts for revision of the awards under civil action 263. This resulted in material reductions in earlier commission awards. Court awards have now been rendered on all tracts included in the two cases.

The United States is now obligated to pay the difference between its estimate of just compensation deposited with the court and the final judgments, plus interest. Such differences on tracts on which final judgments have been rendered, plus interest to June 30, 1969, is \$2,550,000. Interest is continuing to run at the rate of nearly \$90,000 per year, or about \$7,200 per month. Thus, if payment is made in advance of June 30, the United States will have \$7,200 for each month prior to June 30 that the payment is made.

Public Law 90-326, approved June 4, 1968, was enacted specifically to authorize additional appropriations to cover these court awards.

The prolonged delay in the settlement of these cases has deprived the original landowners of full compensation for the lands taken for periods ranging from 10 to 15 years. Now that final awards have been determined and legislation authorizing payment has been enacted, it is incumbent on the United States to make payment as soon as possible. Any further delay would be unfair to the landowners, and would raise interest costs even higher. An immediate appropriation is needed to close this case.

No additional employees will be required.

GRADES AND RANGES

Executive level V, \$28,000.....	1	1	
GS-17, \$26,264 to \$28,000.....	1	1	
GS-16, \$22,835 to \$28,000.....	4	4	
GS-15, \$19,780 to \$25,711.....	25	27	2
GS-14, \$16,946 to \$22,031.....	37	38	1
GS-13, \$14,409 to \$18,729.....	57	59	2
GS-12, \$12,174 to \$15,828.....	67	68	1
GS-11, \$10,203 to \$13,263.....	70	71	1
GS-10, \$9,297 to \$12,087.....			
GS-9, \$8,462 to \$11,000.....	50	51	1
GS-8, \$7,699 to \$10,012.....	5	5	
GS-7, \$6,981 to \$9,078.....	50	51	1
GS-6, \$6,321 to \$8,221.....	34	34	
GS-5, \$5,732 to \$7,456.....	42	43	1
GS-4, \$5,145 to \$6,684.....	35	35	
GS-3, \$4,600 to \$5,981.....	18	18	
GS-2, \$4,231 to \$5,501.....	4	4	
Total.....	500	510	10

HIGHER LEVEL POSITIONS

Executive level V, \$28,000: Director.....	1	1	
GS-17, \$26,264 to \$28,000: Associate Director.....	1	1	
GS-16, \$22,835 to \$28,000: Assistant Directors.....	4	4	

PUBLIC LAW 90-545 REDWOOD NATIONAL PARK

Mrs. HANSEN. It would be well for you to insert in the record the provisions of Public Law 90-545 signed by the President yesterday creating the Redwood National Park.

(The information follows:)

[90th Cong., second sess.]

AN ACT To establish a Redwood National Park in the State of California, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in order to preserve significant examples of the primeval coastal redwood (*Sequoia sempervirens*) forest and the streams and seashores with which they are associated for purposes of public inspiration, enjoyment, and scientific study, there is hereby established a Redwood National Park in Del Norte and Humboldt Counties, California.

SEC. 2. (a) The area to be included within the Redwood National Park is that generally depicted on the maps entitled "Redwood National Park," numbered NPS-RED-7114-A and NPS-RED-7114-B, and dated September 1968, copies of which maps shall be kept available for public inspection in the offices of the National Park Service, Department of the Interior, and shall be filed with appropriate officers of Del Norte and Humboldt Counties. The Secretary of the Interior (hereinafter referred to as the "Secretary") may from time to time, with a view to carrying out the purpose of this Act and with particular attention to minimizing siltation of the streams, damage to the timber, and assuring the preservation of the scenery within the boundaries of the national park as depicted on said maps, modify said boundaries, giving notice of any changes involved therein by publication of a revised drawing or boundary description in the Federal Register and by filing said revision with the officers with whom the original maps were filed, but the acreage within said park shall at no time exceed fifty-eight thousand acres, exclusive of submerged lands.

(b) The Secretary is authorized to acquire by donation only all or part of existing publicly owned highways and roads within the boundaries of the park as he may deem necessary for park purposes. Until such highways and roads have been acquired, the Secretary may cooperate with appropriate State and local officials in patrolling and maintaining such roads and highways.

SEC. 3. (a) The Secretary is authorized to acquire lands and interests in land within the boundaries of the Redwood National Park and, in addition thereto, not more than ten acres outside of those boundaries for an administrative site or sites. Such acquisition may be by donation, purchase with appropriated or

donated funds, exchange, or otherwise, but lands and interests in land owned by the State of California may be acquired only by donation.

(b) (1) Effective on the date of enactment of this Act, there is hereby vested in the United States all right, title, and interest in, and the right to immediate possession of, all real property within the park boundaries designated in maps NPS-RED-7114-A and NPS-RED-7114-B, except real property owned by the State of California or a political subdivision thereof and except as provided in paragraph (3) of this subsection. The Secretary shall allow for the orderly termination of all operations on real property acquired by the United States under this subsection, and for the removal of equipment, facilities, and personal property therefrom.

(2) The United States will pay just compensation to the owner of any real property taken by paragraph (1) of this subsection. Such compensation shall be paid either: (A) by the Secretary of the Treasury from money appropriated from the Land and Water Conservation Fund, including money appropriated to the Fund pursuant to section 4(b) of the Land and Water Conservation Fund Act of 1965, as amended, subject to the appropriation limitation in section 10 of this Act, upon certification to him by the Secretary of the agreed negotiated value of such property, or the valuation of the property awarded by judgment, including interest at the rate of 6 per centum per annum from the date of taking the property to the date of payment therefor; or (B) by the Secretary, if the owner of the land concurs, with any federally owned property available to him for purposes of exchange pursuant to the provisions of section 5 of this Act; or (C) by the Secretary using any combination of such money or federally owned property. Any action against the United States for the recovery of just compensation for the land and interests therein taken by the United States by this subsection shall be brought in the Court of Claims as provided in title 28, United States Code, section 1491.

(3) Subsection 3(b) shall apply to ownerships of fifty acres or less only if such ownerships are held or occupied primarily for nonresidential or non-agricultural purposes, and if the Secretary gives notice to the owner within sixty days after the effective date of this Act of the application of this subsection. Notice by the Secretary shall be deemed to have been made as of the effective date of this Act. The district court of the United States for that district in which such ownerships are located shall have jurisdiction to hear and determine any action brought by any person having an interest therein for damages occurring by reason of the temporary application of this paragraph, between the effective date of this Act and the date upon which the Secretary gives such notice. Nothing in this paragraph shall be construed as affecting the authority of the Secretary under subsections (a) and (c) of this section to acquire such areas for the purposes of this Act.

(c) If any individual tract or parcel of land acquired is partly inside and partly outside the boundaries of the park or the administrative site the Secretary may, in order to minimize the payment of severance damages, acquire the whole of the tract or parcel and exchange that part of it which is outside the boundaries for land or interests in land inside the boundaries or for other land or interests in land acquired pursuant to this Act, and dispose of so much thereof as is not so utilized in accordance with the provisions of the Federal Property and Administrative Services Act of 1949 (63 Stat. 377), as amended (40 U.S.C. 471 et seq.). The cost of any land so acquired and disposed of shall not be charged against the limitation on authorized appropriations contained in section 10 of this Act.

(d) The Secretary is further authorized to acquire, as provided in subsection (a) of this section, lands and interests in land bordering both sides of the highway between the present southern boundary of Prairie Creek Redwoods State Park and a point on Redwood Creek near the town of Orick to a depth sufficient to maintain or to restore a screen of trees between the highway and the land behind the screen and the activities conducted thereon.

(e) In order to afford as full protection as is reasonably possible to the timber, soil, and streams with the boundaries of the park, the Secretary is authorized, by any of the means set out in subsections (a) and (c) of this section, to acquire interests in land from, and to enter into contracts and cooperative agreements with, the owners of land on the periphery of the park and on watersheds tributary to streams within the park designed to assure that the consequences of forestry management, timbering, land use, and soil conservation practices conducted thereon, or of the lack of such practices, will not adversely affect the timber, soil, and streams within the park as aforesaid. As used in this subsection,

the term "interests in land" does not include fee title unless the Secretary finds that the cost of a necessary less-than-fee interest would be disproportionately high as compared with the estimated cost of the fee. No acquisition other than by donation shall be effectuated and no contract or cooperative agreement shall be executed by the Secretary pursuant to the provisions of this subsection until sixty days after he has notified the President of the Senate and the Speaker of the House of Representatives of his intended action and of the costs and benefits to the United States involved therein.

SEC. 4. (a) The owner of improved property on the date of its acquisition by the Secretary under this Act may, as a condition of such acquisition, retain for himself and his heirs and assigns a right of use and occupancy of the improved property for noncommercial residential purposes for a definite term of not more than twenty-five years or, in lieu thereof, for a term ending at the death of the owner or the death of his spouse, whichever is later. The owner shall elect the term to be reserved. Unless the property is wholly or partially donated to the United States, the Secretary shall pay the owner the fair market value of the property on the date of acquisition minus the fair market value on that date of the right retained by the owner. A right retained pursuant to this section shall be subject to termination by the Secretary upon his determination that it is being exercised in a manner inconsistent with the purpose of this Act, and it shall terminate by operation of law upon the Secretary's notifying the holder of the right of such determination and tendering to him an amount equal to the fair market value of that portion of the right which remains unexpired.

(b) The term "improved property," as used in this section, means a detached, noncommercial residential dwelling, the construction of which was begun before October 9, 1967, together with so much of the land on which the dwelling is situated, the said land being in the same ownership as the dwelling, as the Secretary shall designate to be reasonably necessary for the enjoyment of the dwelling for the sole purpose of noncommercial residential use, together with any structures accessory to the dwelling which are situated on the land so designated.

(c) The Secretary shall have, with respect to any real property acquired by him in sections 5 and 8, township 13 north, range 1 east, Humboldt meridian, authority to sell or lease the same to the former owner under such conditions and restrictions as will assure that it is not utilized in a manner or for purposes inconsistent with the national park.

SEC. 5. In exercising his authority to acquire property by exchange, the Secretary may accept title to any non-Federal property within the boundaries of the park, and outside of such boundaries within the limits prescribed in this Act. Notwithstanding any other provision of law, the Secretary may acquire such property from the grantor by exchange for any federally owned property under the jurisdiction of the Bureau of Land Management in California, except property needed for public use and management, which he classifies as suitable for exchange or other disposal, or any federally owned property he may designate within the Northern Redwood Purchase Unit in Del Norte County, California, except that section known and designated as the Yurok Experimental Forest, consisting of approximately nine hundred and thirty-five acres. Such federally owned property shall also be available for use by the Secretary in lieu of, or together with, cash in payment of just compensation for any real property taken pursuant to section 3(b) of this Act. The values of the properties so exchanged either shall be approximately equal or, if they are not approximately equal, the value shall be equalized by the payment of cash to the grantor or to the Secretary as the circumstances require. Through the exercise of his exchange authority, the Secretary shall, to the extent possible, minimize economic dislocation and the disruption of the grantor's commercial operations.

SEC. 6. Notwithstanding any other provision of law, any Federal property located within any of the areas described in sections 2 and 3 of this Act may, with the concurrence of the head of the agency having custody thereof, be transferred without consideration to the administrative jurisdiction of the Secretary for use by him in carrying out the provisions of this Act.

SEC. 7. (a) Notwithstanding any other provision of law, the Secretary shall have the same authority with respect to contracts for the acquisition of land and interests in land for the purposes of this Act as was given the Secretary of the Treasury for other land acquisitions by section 34 of the Act of May 30, 1908 (35 Stat. 545; 40 U.S.C. 261), and the Secretary and the owner of land to be acquired under this Act may agree that the purchase price will be paid in periodic installments over a period that does not exceed ten years, with interest on the un-

paid balance thereof at a rate which is not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities on the installments.

(b) Judgments against the United States for amounts in excess of the deposit in court made in condemnation actions shall be subject to the provisions of section 1302 of the Act of July 27, 1956 (70 Stat. 694), as amended (31 U.S.C. 724a), and the Act of June 25, 1948 (62 Stat. 979), as amended (28 U.S.C. 2414, 2517).

SEC. 8. The present practice of the California Department of Parks and Recreation of maintaining memorial groves of redwood trees named for benefactors of the State redwood parks shall be continued by the Secretary in the Redwood National Park.

SEC. 9. The Secretary shall administer the Redwood National Park in accordance with the provisions of the Act of August 25, 1916 (39 Stat. 535; 16 U.S.C. 1-4), as amended and supplemented.

SEC. 10. There are hereby authorized to be appropriated \$92,000,000 for land acquisition to carry out the provisions of this Act.

Mrs. HANSEN. We have already discussed the necessity, in your view, of the appropriation of the total authorization at this time. Do you have any additional comments?

Mr. CRAFTS. No, I think I have made the points that seem pertinent to me.

INSTALLMENT PAYMENTS TO ACQUIRE LAND

Mrs. HANSEN. The act provides for installment payments over a period of 10 years for land acquired. If you followed this policy, would it not reduce the amount of funding needed at this time?

Mr. RICE. That is true. If in the negotiations with the lumber companies installment payments are negotiated, less cash would be required this year. Again, we do not know at this point in time whether they would be receptive to such a procedure. The 6-percent interest they draw on their investment is not a high rate of income on money today. So I do not think this would be a compelling reason for them to be interested in a long-term payout period.

Mr. CRAFTS. There is one further point. If they seek payment over a prolonged period, and the total money needed is not appropriated out of this advance authorization source, it would subsequently have to be appropriated out of the income from the fund and thus adversely affect the other Federal and State purchases that the fund is engaged in.

TRANSITION OF PRESENT TIMBER OPERATIONS

Mrs. HANSEN. From the standpoint of the operations of the landowners, does this immediate appropriation make it possible for them to have a more orderly transition into other operations?

Mr. CRAFTS. I think it makes it more orderly both for them and for the Government. I have been in contact with all four of the companies. They have all appointed their negotiators. I know that at least two of them want national forest timber as quick as they can get it.

Mrs. HANSEN. This is so their timber operations may proceed and they may keep their crews.

Mr. CRAFTS. That is right. It is really impossible for the Government to proceed seriously with acquisition unless it has money available to carry out the necessary preliminary work and the appraisals and let contracts, and we cannot really negotiate in good faith with these companies unless we know there is going to be money available to meet these obligations.

LAND EXCHANGE

Mrs. HANSEN. We have discussed in some detail the provisions for the exchange of lands. I believe all the Bureau of Land Management lands in California and about 13,000 acres of the northern redwood purchase unit, excluding the research tract, are available for exchange. In the conference report it was stated that this exchange provision would materially reduce the need for actual cash. Have you given consideration to this aspect and may we have your comments?

Mr. CRAFTS. I believe the Bureau of Land Management lands that would be available are those that the Secretary classifies as suitable for exchange, not necessarily all the Bureau of Land Management lands in California. There is a qualification on that first point.

Mrs. HANSEN. What will some of the priorities be?

Mr. CRAFTS. The Bureau of Land Management is going through a classification procedure, where it is classifying some of its land for permanent retention and management and others suitable for disposal. It is the latter that the companies are interested in. I would say that Bureau of Land Management owns, so far as I am aware, no redwood lands within the operating radius of any of these four companies. They have a little redwood land of about 1,000 acres south of Eureka. So the Bureau of Land Management lands are a negligible factor.

UNOBLIGATED FUNDS AVAILABLE

Mrs. HANSEN. What is the unobligated balance for Federal activities in the land and water conservation fund as of the latest reporting date?

Mr. RICE. Madam Chairman, as of June 30 of the past fiscal year there was \$23,600,000 of unobligated funds. These are the amounts shown on fiscal records. However, not included in the fiscal records were options accepted, which means they are binding, of \$2.2 million, and options that will be accepted, where the negotiations have not been completed, of a little over \$9 million. If you subtract that from the total, the uncommitted balance of the Federal fund on June 30 was \$12.3 million.

USE OF PRESENT FUNDS

Mrs. HANSEN. Why could not some of the acquisition costs for the Redwood National Park be absorbed from funds already appropriated?

Mr. RICE. Our feeling on this is that the moneys appropriated for Assateague and Fire Island and other very important areas are needed. The programs for acquisition of these areas are moving ahead. This committee made these funds available.

Mrs. HANSEN. We made the funds available before the Redwood National Park was authorized.

Mr. RICE. That is right.

Mr. CRAFTS. The question is we could reprogram certain unobligated funds into the Redwoods. I do not know what the figure is today, but it is not a very large amount of money in relation to the \$92 million we are talking about.

EXPENDITURE CEILING

Mrs. HANSEN. How much has the Bureau of the Budget increased your expenditure ceiling in connection with the land purchases for the Redwood National Park?

Mr. CRAFTS. The \$50 million which we were talking about a few minutes ago.

Mrs. HANSEN. That leaves a gap.

Mr. CRAFTS. That leaves a gap of some \$42 million, which will be taken up partly by use of Forest Service land or partly, if we get up against this, and we will because the \$50 million is not going to be enough, of raising the ceiling when the time comes.

Mrs. HANSEN. When would that be?

Mr. CRAFTS. My guess is that it will be several months. I don't know. It will probably be 4 to 6 months before we have made all the surveys and evaluations and appraisals, before we can really get down to the point where they have their price and we have our price.

OTHER SERVICES

Mrs. HANSEN. \$3.9 million is budgeted for other services. Give us the detail on this.

Mr. CRAFTS. One of the things that is going to be costly for us, if you will notice on that map there of the park, it is necessary to survey the meandering lines, lines that do not run on section lines. You see there is a lot along Redwood Creek and Little Lost Man Creek. There are such lines along the seacoast strip. I have a very preliminary estimate that in order to make the type of boundary survey that is a prerequisite to making a solid inventory of the timber and thus the value, that it will take about 100 men from the Bureau of Land Management, many of these temporary employees. Down in that narrow strip along the creek, the boundary meanders through very heavy timber, and we will probably have to make 100 percent surveys in there.

Mrs. HANSEN. What are you going to do with personnel ceilings that affect temporary employees?

Mr. CRAFTS. As far as I know we do not have ceilings on temporary employees, do we?

Mrs. HANSEN. Yes, you do.

Mr. CRAFTS. Then you will have to answer that, Mr. Hoft.

Mr. HOFT. There is a ceiling on personnel. We are negotiating to get relief to take care of this.

Mrs. HANSEN. Negotiating to get relief from whom?

Mr. HOFT. The ones that imposed the ceiling on the Bureau.

Mrs. HANSEN. Do you hope to get relief?

Mr. HOFT. Yes.

Mr. CRAFTS. We will have to get relief if this is going to move. We are trying to get men in the field next week on this.

CONTRACTING OUT FOR APPRAISERS AND SCALERS

Mrs. HANSEN. How much will be contracted out to the private scalers and appraisers?

Mr. CRAFTS. Our idea is that the Bureau of Land Management will do the boundary surveying for us and the timber evaluations and

appraisals will be contracted out to private forestry consultants. We have been in consultation with the Department of Justice.

Mrs. HANSEN. How much will it cost?

Mr. CRAFTS. We have not gotten to the point of writing up the prospectus yet. We are just in the process of writing it up now. I do not know what their estimate of price is going to be.

Mrs. HANSEN. This committee is going to be very interested in this particular phase to see the difference between what it would cost for regular employees to do the job and what it would cost by contract. This is one place to measure the cost effectiveness of contracting.

Mr. CRAFTS. Yes, that is right. We have contacted the BLM with respect to their making the timber surveys for us, and they said to do so would require them to reduce their allowable cut in Oregon by two-thirds. They just do not have the capacity. This is a tremendous problem we are undertaking to do on a crash basis. The Justice Department has also advised us that they believe it advisable in situations which may be litigated to not have the surveys done in-house, so to speak, but to have them done by an independent private contractor. We have contacted the Forest Service with respect to the ability to make these, and they advise us that they do not feel they are able to touch it.

Mrs. HANSEN. Because of lack of personnel?

Mr. CRAFTS. Because of lack of personnel and because they do not have enough personnel that are skilled in this redwood timber. This is a very specialized situation here.

Mrs. HANSEN. Do you feel that the appraisal work and title research and other necessary activities in connection with the transfer of this land can be accomplished in sufficient time to properly protect the interest of the Government and result in the need of funding for land acquisition at this time?

Mr. CRAFTS. Yes, I do.

Mrs. HANSEN. You are more cheerful about the speed of some title companies than I am.

Mr. CRAFTS. You mentioned protecting the interest of the Government. The Government's interests are protected right now by the taking provisions of this bill—the great bulk of it.

QUALITY OF APPRAISALS

Mrs. HANSEN. I am talking about good appraisals, though. You know as well as I do that in the timber business there are good and bad appraisers.

Mr. CRAFTS. We have to have good appraisals in this case.

Mrs. HANSEN. Because they will have to stand up in court.

Mr. CRAFTS. The appraisals we had in connection with the passage of the act were what you might call empirical appraisals, based on a combination of aerial photographs and ground checks, and they will not stand up in the situation that is confronting us now.

So we have to make the detailed appraisals that will. We are getting standards for appraisals from the Forest Service, the State of California, and the Bureau of Land Management, as to what they deem is necessary to make the kind of appraisal that will stand up in court.

Again on that, we have been in consultation with the Department of Justice.

PERSONNEL COMPENSATION

Mrs. HANSEN. You have budgeted \$150,000 for 10 additional permanent employees. This averages out to \$15,000 per employee per half year and would equate to an average salary of \$30,000 for a full year.

What is the basis for this estimate?

Mr. CRAFTS. I would like to ask Mr. Rice to answer that question.

Mr. RICE. Madam Chairman, I do not readily follow your figures, but the estimate includes the direct salaries of 10 individuals.

Mrs. HANSEN. That is right.

Mr. RICE. It would include administrative overhead and technical support.

Mrs. HANSEN. Such as?

Mr. RICE. The individuals that might be doing accounting work and things of that nature that would support the people that are involved here.

Mrs. HANSEN. How much is the overhead?

Mr. RICE. We show here that the total is \$41,000.

Mrs. HANSEN. Of the \$150,000?

Mr. RICE. That is correct.

Mrs. HANSEN. About a third?

Mr. RICE. Yes.

Mrs. HANSEN. Isn't that relatively high?

What makes it so high?

Mr. RICE. I would like if I may ask the Assistant Director for Administration to elaborate on this, Mr. Hoft.

Mr. Hoft. We feel since it is a temporary type of assignment and also requiring the best expertise that we can get ahold of, we will have to pay pretty heavy money for the individuals. We are asking in this figure for two Grade 15's.

Mrs. HANSEN. A \$30,000 per year average is very high.

Mr. CRAFTS. May Mr. Close try to answer that?

Mr. CLOSE. Madam Chairman, there will be many people involved in this on a part-time, overtime basis.

Mrs. HANSEN. You have 10 full-time positions.

Mr. CLOSE. That is correct. There will be 10 additional positions required, plus overtime for existing personnel.

Mrs. HANSEN. For \$150,000.

Mr. CLOSE. The annual salary rate for the 10 positions would be \$128,000, approximately, but allowing for 9 months of the year rather than for the full year, they would cost \$97,500 rather than the full year amount.

Mr. HANSEN. You do not show any part-time positions in your personnel summary. You show 10 permanent positions.

Mr. CLOSE. That is correct. However, we do also show 10 man-years. That is an estimate, of course, and is made up primarily of people who are already on board and paid from other appropriations for their regular time, but who would be required to work overtime to provide special services for this activity.

Mrs. HANSEN. If they are paid from other appropriations, you do not need this money.

Mr. CLOSE. They are paid from regular appropriations for their regular hours. For the overtime and other special services not pro-

vided for in other appropriations, we would have to pay out of this.

Mrs. HANSEN. How much overtime does that add up to?

Mr. CLOSE. It would be a good deal. I do not know precisely how much, but I believe it is about 3 man-years.

Mr. RICE. May I differ somewhat, because if there are 10 positions, and it is \$139,000 for the personnel compensation, it would be somewhere around \$15,000, would it not?

Mrs. HANSEN. This is for a half year.

Mr. CLOSE. We had computed it for three-quarters of a year, Madam Chairman. If it were for a half a year only, it would be reduced proportionately.

PERSONNEL CEILING EXEMPTIONS

Mrs. HANSEN. What relief on your personnel ceiling do you anticipate for these additional 10 employees?

Mr. HOFT. We are expecting complete relief. We are asking for the full 10.

Mrs. HANSEN. Supposing you do not get them.

Mr. HOFT. We will have to come up with an alternative method of using our own people.

Mr. CRAFTS. I think we are going to get them because the Secretary is giving very high priority to this. We do not have final action.

Mrs. HANSEN. Who is going to lose?

Mr. CRAFTS. I don't know.

Mrs. HANSEN. I suppose it will be the poor Bureau of Commercial Fisheries.

Mr. CRAFTS. I couldn't tell you that.

Mrs. HANSEN. Or something in my District, wouldn't you guess?

Mr. CRAFTS. I have no comments.

Mrs. HANSEN. We are kind of curious about these details because we do not like these things popping on us unexpectedly.

Mr. CRAFTS. I understand that.

Mrs. HANSEN. All of a sudden I see a press release stating that 40,000 personnel have been reduced, and something else is gone here, and reductions are necessary here. This is not enjoyable reading material after you have presided over a hearing and supposedly have had the full truth on all these matters.

Mr. CRAFTS. Of course, this bill just passed yesterday—

Mrs. HANSEN. We have lots of them that just passed.

Mr. CRAFTS. I mean it was just signed. As I say, some of these details we do not have the answer to yet.

NECESSITY FOR APPROPRIATION

Mrs. HANSEN. Do you think we should wait until the annual appropriations so we have all the details?

Mr. CRAFTS. I think not. Of course, this is the Congress' choice. As I say, the legislative history indicates to the contrary. I think the way the interest is running indicates to the contrary. I think it would be very difficult for the economy of the area for the companies to make their adjustments, which they will have to make.

Mrs. HANSEN. They are almost at a complete standstill now.

Mr. CRAFTS. They are at a complete standstill. Arcata has had to stop its logging. It is putting a logging road into one area that was not taken. The only thing they are allowed to do is clean out their downed logs in the areas where they had been operating. The size of their employment, the size of their cut, many of the details of their operations are up in the air.

I might say this, Madam Chairman: I know that all these companies are anxious to get on with this, and get it settled as quickly as possible.

Mrs. HANSEN. There are many things involved, such as keeping crews together, roads, and also their tax problems.

Mr. CRAFTS. Yes, the tax base in the counties is a matter of some uncertainty. The employment is a matter of uncertainty. People do not know whether to stay with these companies or to leave.

Mrs. HANSEN. In other words, this can be very upsetting within the economy of the community, can it not?

Mr. CRAFTS. It is in two counties in northern California. It has been a major readjustment of their economy. It is all now in a state of flux.

Mrs. HANSEN. Mr. Reifel, do you have any questions?

Mr. REIFEL. No; I think you covered it very well.

Mrs. HANSEN. Mr. McDade?

Mr. McDADE. Yes, I have a few, Madam Chairman, thank you.

METHODS TO ACQUIRE LAND

Mr. Crafts, would you explain to me in your judgment the advantages of proceeding in this fashion rather than the normal fashion?

Mr. CRAFTS. By fashion, do you mean taking the land and then paying for it?

Mr. McDADE. As you are proposing to do it right now.

Mr. CRAFTS. The advantage it seems to me is that, one, the cutting in the Redwoods is stopped as of yesterday. There was no other way to stop it.

Mr. McDADE. Is it quite clear to you that it would not be stopped if you tried to proceed in the normal fashion?

Mr. CRAFTS. It is very clear to me. Secondly, this stops extra payment by the Government for price escalation, because the value is as of the value as of yesterday.

If the prices go up during the year or how many months it may take us to settle this, the Government pays no extra for that.

Mr. McDADE. You hope.

Mr. CRAFTS. No; that is the law. I think these are the two major advantages.

TOTAL COST OF REDWOOD NATIONAL PARK

Mr. McDADE. How much is this park going to cost?

Mr. CRAFTS. It will cost us somewhere around \$92 million, plus or minus the value of the Forest Service purchase unit. That could be added onto this or it could be subtracted from it. My guess is—I am reluctant to guess—my guess is that the Forest Service purchase unit will be taken, if not entirely, almost in its entirety by the companies. I think they are going to want most of it.

Mr. McDADE. It is my understanding that this \$92 million is to pay for land and timber.

Mr. CRAFTS. That is right.

Mr. McDADE. The value of the land and the value of the timber; is that correct?

Mr. CRAFTS. That is correct.

Mr. McDADE. Does this mean you will not be back to this committee requesting additional funds for interests that are being bought in this park?

Mr. CRAFTS. This is my understanding unless the court makes a judgment that is in excess of the amount authorized.

Mr. McDADE. We have been through that route before, have we not?

Mr. CRAFTS. That is right. But you always had price escalation in there before.

COST OF GOVERNMENT BORROWING

Mr. McDADE. I notice the 6-percent figure here. That is the legal rate of interest that any judgment against the United States is paid for. In fact, we are paying for bonds at that rate now. In fact, we are paying more than that to borrow money in the money market.

Mr. CRAFTS. Yes.

Mr. McDADE. You are requesting that we advance \$92 million to the land and water conservation fund.

Mr. CRAFTS. So we can pay the companies for the land and timber which the Government took yesterday.

Mr. McDADE. And the Treasury will have to go into the money markets and pay 6 percent and maybe more to do it, because this is money that is not coming out of the land and water conservation fund.

Mr. CRAFTS. It is being appropriated into the land and water conservation fund out of general revenues; that is correct, Mr. McDade. There will be a cost in the money market that will probably run up to 6 percent to provide these funds. All of which means to me is that accruing of interest on the takings is not that relevant.

FUTURE NEED FOR ADDITIONAL APPROPRIATIONS

Mr. McDADE. I want to have some assurances that we are not going to be asked to appropriate additional funding for these properties. If this \$92 million is supposed to be the figure, or if it is the figure, I would like to know it.

Mr. CRAFTS. It is supposed to be the figure. That is the best I can tell you. I cannot look into the future and tell you. I cannot give you an advance determination on what the courts may say. I would say this, Mr. McDade, my expectation is that this matter will be litigated and a decision made in the courts.

Mrs. HANSEN. Mr. Crafts, I have one more question concerning litigation. Those companies applying for exchanges of land will not litigate in connection with land exchanges.

Mr. CRAFTS. I believe that is right, although they might litigate the value. If there is a difference in value, it will be made up by dollars. They might challenge our estimate of the value of the Forest Service purchase unit.

AGREEMENT WITH PRESENT COMPANIES

Mr. McDADE. Mr. Crafts, have you reached an agreement with the landowners for this \$92 million or will there be a dispute involving certain sections of the park?

Mr. CRAFTS. No; we have reached no agreement with any companies as yet.

Mr. McDADE. Of any sort?

Mr. CRAFTS. No.

Mr. McDADE. What happens to the \$92 million if you go into litigation, as you say you expect to?

Mr. CRAFTS. It is not paid out to the companies until the court makes an award; although there is some history in a statement by the House managers on the bill to the effect that a partial payment or an advanced payment might be made without prejudice as to the total ultimate payment. This was a point on which the viewpoint of the House and Senate conferees differed substantially—on whether to make a part payment.

Mr. REIFEL. May I ask a question?

Mr. McDADE. Yes.

Mr. REIFEL. Part payment is now permitted?

Mr. CRAFTS. Under the law it could be made.

Mr. REIFEL. The part payment would not be included as far as the interest that would have to be paid?

Mr. CRAFTS. That is correct; it would reduce the interest payments.

Mr. REIFEL. Thank you.

ROAD CONSTRUCTION FINANCING

Mrs. HANSEN. Let me ask you one more question; because this has a direct bearing on the operations of the companies involved. Isn't it true when you relocate operations, where the construction of roads is involved, the companies have the problem of financing their part of the construction of these roads?

Mr. CRAFTS. That is right.

Mrs. HANSEN. This requires a firm base for them to operate on to secure the necessary capital.

Mr. CRAFTS. That is correct.

LIQUIDATION OF PRESENT BUSINESSES

Mr. McDADE. Are you going to have to make any payments to the businesses as such? Are you liquidating any businesses here?

Mr. CRAFTS. I would not say we were liquidating. We are coming pretty close to liquidating Arcata Redwood Co. Their estimated life prior to the passage of this act was 20 years or more. Now the estimate is something less than 5 years.

Mr. McDADE. Is there financial consideration given to that in your request?

Mr. CRAFTS. No. We are not compensating them for shortening the life of the operation.

Mrs. HANSEN. In other words, the community loses the 15 years of production?

CHANGE IN AREA ECONOMY

Mr. CRAFTS. But on the other hand, there are offsetting factors like the development of the park and employment and tourism and this sort of thing coming in which, it is hoped, will change the economic facts somewhat.

Mrs. HANSEN. But it is a complete change in the economic picture of the area?

Mr. CRAFTS. A very substantial change in the economic picture of that area.

Mrs. HANSEN. In some areas there are ghost villages and in other areas there are developments lending themselves to tourism; but it is a completely different kind of population.

Mr. CRAFTS. That is exactly right.

SUSTAINED YIELD OPERATION

Mr. REIFEL. You are not contemplating they will proceed on a sustained-yield basis, so at the end of 20 years they would have to find something else?

Mr. CRAFTS. This one company was on that basis according to its own statement, which was filed with the House legislative committee. The other three companies were on a substained-yield operation.

Mr. REIFEL. This particular one with 20 years will have to look to something else after that.

Mr. CRAFTS. Yes.

TIME REQUIRED TO REACH AGREEMENTS

Mr. McDADE. This would allow you to reach agreements with these companies before January; wouldn't it?

Mr. CRAFTS. I doubt it; because I don't believe that the surveys and appraisals will have been completed by the Government.

Mr. McDADE. How long will they take?

Mr. CRAFTS. This is what we are in the process of getting estimates on right now.

You see, we can't even make contracts with these consulting firms to make these appraisals for us unless we have some money to pay them and to enter into contracts.

NEGOTIATION PROCEDURE

Mr. McDADE. What do you have to do, if I might ask you, before you spend any of this \$92 million? You say you have to reach an agreement with the companies. Now, you had a colloquy with the chairman about hiring temporary personnel and doing inventory and you had a colloquy about surveying.

Mr. CRAFTS. That is right.

Mr. McDADE. Do you have to do this before you can make any kind of commitment with these companies?

Mr. CRAFTS. This is the way it works: We will invite them to indicate to us how much, if any, of the Forest Service timber they want; where, how much, and their estimate of its worth.

Mr. McDADE. On the land exchange?

Mr. CRAFTS. On the land exchange. We will also invite them to give us an estimate in such detail as they care to give us on the value of the land and timber that is taken and they will supply whatever they choose to supply to us.

Mr. MCDADE. By that you mean descriptions, inventories, et cetera?

Mr. CRAFTS. Yes, and the justification for their estimate of price. Then we have to be in a position to decide whether this is a fair price or whether they are asking too much. In order to make that judgment we have to be able to form an independent judgment of our own and to make that independent judgment we have to have our own appraisals, surveys, and inventory. So when we get both parts of the picture, then we can make the decision and either the parties come together or they decide to go to court.

TIME NEEDED TO COMPLETE NEGOTIATIONS

Mr. MCDADE. Can you estimate how long that is going to take?

Mr. CRAFTS. I think I gave the chairman an estimate of 4 to 6 months. I don't know. It may not take that long. It depends on how many crews we put out. It depends on the terrain. It depends on the number of qualified timber appraisers you can find with redwoods experience. There are not too many, because this is something unique unto itself.

A qualified timber appraiser on yellow pine or some other species is lost in the redwoods.

Mrs. HANSEN. This would be the season of the year when you could get timber appraisers much easier than you could get them in the early spring. In the logging industry and in the lumber industry you have the problem of securing people in the so-called offseason. Isn't this true?

Mr. CRAFTS. That is right.

Mrs. HANSEN. This is the time when they are not engaged in a lot of land transactions?

Mr. CRAFTS. That is right.

PARTIAL PAYMENT

Mr. REIFEL. In this unique approach to land acquisition, and the legislative taking, in what part would you need a sizable amount of money to make a deposit in escrow or in some other manner as an expression of good faith?

Mr. CRAFTS. If we follow what the House manager said in the conferees report and make a partial payment—

Mr. REIFEL. Yes.

Mr. CRAFTS. There is a policy decision on whether we do that or not. But, if we decide to do that, I would say that it probably could be done in the next couple of months. In the next month or 6 weeks.

Mr. REIFEL. If you decide to do this, this will save interest payments on the amount paid in and therefore it is important that you do have this amount of money available.

Mr. CRAFTS. It is very important. If this goes over to the next session, we are really sort of marking time. We can't even get our own inventories underway.

Mr. McDADE. Suppose you got a sufficient amount of money to do the inventory work?

Mr. CRAFTS. Then we couldn't make any partial payments. We can make partial payments without completing the inventory.

Mr. McDADE. If you are going to save money, I wonder if it would be better to go into the money market or pay the interest at 6 percent?

Mr. CRAFTS. It is about a tossup.

Mr. McDADE. The difference here is that the Land and Water Conservation Fund doesn't have the resources. Most of this is to be appropriated out of general revenues into the fund.

Mr. CRAFTS. That is true. Out of advance authorization.

LIMITING APPROPRIATION TO APPRAISALS AND SURVEYS

Mr. McDADE. What would it do to you if the \$92 million request was scaled back to provide you a means to carry on your operations that might be necessary for surveying and other activities to lead you toward being able to make that judgment we talked about that is so important, assuming you get an offer from the companies?

Mr. CRAFTS. Well, I think it would be a major deterrent to quick action. I think we would be right back to you when Congress convened, for a supplemental, immediately. We certainly can't wait until the next fiscal year. It seems to me it is about equal, from a financial standpoint, from the standpoint of the total budget, between taking it now and taking it in February.

This is the last piece of evidence that is necessary for Congress to show that it really means business on Redwoods.

EFFECT ON ECONOMIC TRANSITION

Mr. REIFEL. Dr. Crafts, wouldn't there be need for having the funds available as soon as possible in order that—whether you break even, whether you pay 6-percent interest because you hadn't made the payment yet—a transition from what they are now doing to something else in order to—

Mr. CRAFTS. Yes, I meant to add that. That is right. The companies may need this money to make the transition.

Mr. REIFEL. Even though it is a partial payment to make this transition?

Mr. CRAFTS. That is right.

Mr. RICE. I think it would also strengthen the position if you have the cash in hand and they know you have the cash in hand to deal with.

Mr. CRAFTS. The case is greatly strengthened.

CAPE HATTERAS NATIONAL SEASHORE

Mrs. HANSEN. \$2,550,000 is included in this estimate for settlement of the judgment on Cape Hatteras. I note the budget estimate provides for payment of this claim from the Land and Water Conservation Fund rather than claims and judgments. Does this establish the policy for all future condemnation costs?

Mr. HARTZOG. Madam Chairman, I have a statement on the Cape Hatteras estimate.

GENERAL STATEMENT

Mrs. HANSEN. Without objection, that will be placed in the record at this point.

(The statement follows:)

The supplemental estimate includes an additional fund requirement of \$2,550,000 to satisfy longstanding deficiencies in judgments against the United States in civil actions for the acquisition of certain parcels of land and interests in land at Cape Hatteras National Seashore.

Public Law 90-236, approved June 4, 1968, authorizes additional appropriations to pay the court awards in excess of deposits.

Delay in the settlement of these cases has deprived the original landowners of full compensation for the lands taken for periods ranging from 10 to 15 years. Now that final awards have been determined and payment has been authorized, delay in payment would be extremely unfair to the landowners. Furthermore, these judgments should be paid as soon as possible since they are accumulating interest at the rate of approximately \$7,200 per month.

A supplemental appropriation for payment of these deficiencies is the only means of payment at this time without causing serious disruption to the existing land acquisition program. If the National Park Service were to request reallocation of funds from its existing approved program, the land cost escalation resulting from the delay in the acquisition program of the areas deprived of funds would exceed the 6-percent interest presently accumulating on the Cape Hatteras deficiency.

In addition, most of the approved program has been appraised and negotiations for acquisition are proceeding. Any cutback in the program, especially one as large as would be needed for Cape Hatteras deficiencies, would seriously impair the efficient use of existing manpower in addition to causing exorbitantly high expenses in the future. The type of expenses are those incurred for appraisals on tracts which would be deleted until future years, necessitating additional expenses for updating. The momentum gained to date in the consummation of the approved program is evidenced by the fact that as of the end of September, 37 percent of the program available for obligation this fiscal year (\$36 million) was obligated or committed.

Your favorable consideration of these supplemental fund requests will be appreciated.

Mr. HARTZOG. This is the last time you will see this as a land acquisition request because after some 15 years all of the judgments have now been entered and they are final and the amount requested liquidates all of them. These people have been waiting through a series of circumstances that are no fault of anybody. The lands of these people were taken some 15 years ago and because of a misfortune involving the Judiciary, where one judge got sick and another judge died in the process of the trials, these cases have just finished being tried and the judgments have been entered. We finally got the ceiling on Cape Hatteras raised in June of this year and this is our first opportunity to present the Congress with a supplemental estimate to liquidate. The determination has been made that these deficiencies should be paid from the land and water conservation fund.

Mrs. HANSEN. Who made that decision?

Mr. HARTZOG. The Bureau of the Budget.

Mrs. HANSEN. Upon what did they predicate their thinking?

Mr. HARTZOG. As Dr. Crafts well knows, we discussed this at great length because the question was whether or not we had to go back and get an increase in authorization, which is the basis upon which we approach you for an appropriation from the land and water conservation fund, or whether we should accept the position that this is a claim against the United States, and have it certified as such, in

which case it comes to the Congress without regard to the appropriation limitation in the authorizing legislation.

This is the position we finally came to. The intent of the Congress very clearly is to establish an authorization ceiling and when you reach that, to come back and review it with them, and this is why this decision was made. I was simply trying to give you the background of why this was not handled as a claim against the United States. If you follow that route, then you ignore the authorizing ceilings.

REDUCTION IN INTEREST COSTS

Mrs. HANSEN. You have computed interest at Cape Hatteras through June 30, 1969. If this appropriation is approved, surely the claim could be paid by the end of December, which would reduce interest costs by about \$45,000. May I have your comments?

Mr. HARTZOG. Yes, ma'am; you are correct. You may reduce this amount by any amount we are able to save at the rate of \$7,200 a month.

SOURCE OF FUNDS

Mrs. HANSEN. I notice your budget estimate provides an advance appropriation of \$92 million as authorized by section 4(b) of the Land and Water Conservation Act of 1965. What was the reasoning for this approach rather than appropriating these funds out of the general treasury receipts in accordance with the provisions of Public Law 90-401, which provides \$200 million for the land and water conservation fund, beginning in fiscal year 1969?

Mr. CRAFTS. Well, the only answer I can give to that is that the general policy that the administration has followed is that acquisition for the national parks and other units of the national park system for the Forest Service recreation lands and certain lands in the Bureau of Sports Fisheries and Wildlife were set up within the framework of the fund. This was the idea when the land and water conservation fund was passed, and we have had policy discussions on that with the Bureau of the Budget, and we either had to say, "Well, we built this fence, this pattern, this framework for the land and water conservation fund and we want to make it work," or whenever we get in a tight spot we jump outside and use the general funds of the treasury.

The idea was to stay within the framework of the land and water conservation fund. Because there was the vehicle of the advance authorization available, this was the way the administration decided to send it up.

Mrs. HANSEN. But you could still use this \$200 million and stay within the framework of the Land and Water Conservation Act?

Mr. CRAFTS. Yes; you could. This relates somewhat to what the administration may come up with next fiscal year. No, we don't know what that is going to be, and I think nobody knows at this time.

Mrs. HANSEN. There are many Members who felt when they were voting for the Land and Water Conservation Fund Act, that the major part of the \$200 million would probably be spent on the redwoods and other park additions. This is why I am bringing this subject to your attention.

Mr. CRAFTS. I don't have these figures entirely in mind, but I think over the period of 5 or 10 years that we have programed—5 years I guess it was—the \$200 million, we programed \$60 million, which was our estimate for the Redwood National Park at that time—that was the administration estimate. I would have to check this, but I believe that was footnoted as intended to come out of the advance authorization.

I believe there is consistency there.

If Congress appropriates as proposed here, of course, the \$200 million is not available either and Congress can elect to offset it by not appropriating up to the \$200 million. I can't tell you offhand whether the offshore oil receipts for which we are eligible will give us this amount of money at the present time or not. I just don't know.

RESTRICTIONS ON ADVANCE APPROPRIATION

Mrs. HANSEN. Are you aware of any legal restrictions that would necessitate the advance appropriation rather than using the authority I have just mentioned under Public Law 90-401?

Mr. CRAFTS. Not to my knowledge.

Mr. RICE. Ultimately it does come from the fund, as everyone recognizes; thought it is advanced from the general funds of the Treasury, it is a repayable advance and will come from the land and water conservation fund starting in 1975. It will be repaid from revenues from the land and water conservation fund.

NATIONAL PARK SERVICE

WITNESSES

GEORGE B. HARTZOG, JR., DIRECTOR

EDWARD A. HUMMEL, ASSOCIATE DIRECTOR

LUIS A. GASTELLUM, DEPUTY ASSISTANT DIRECTOR, ADMINISTRATION

MILTON A. PILCHER, CHIEF, DIVISION OF BUDGET

FRANK WILES, ACTING BUDGET DIRECTOR, DEPARTMENT OF THE INTERIOR

MANAGEMENT AND PROTECTION
OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Personnel compensation:			
11.1 Permanent positions.....	23,884	23,928	44
11.3 Positions other than permanent.....	4,905	4,915	10
11.5 Other personnel compensation.....	1,566	1,570	4
Total personnel compensation.....	30,355	30,413	58
12.0 Personnel benefits.....	2,626	2,631	5
21.0 Travel and transportation of persons.....	1,194	1,203	9
22.0 Transportation of things.....	746	751	5
23.0 Rent, communications, and utilities.....	1,272	1,363	91
24.0 Printing and reproduction.....	564	565	1
25.1 Other services.....	2,055	2,067	12
25.2 Services of other agencies.....	2,017	2,017	-----
26.0 Supplies and materials.....	1,395	1,401	6
31.0 Equipment.....	736	745	9
32.0 Lands and structures.....	1	1	-----
41.0 Grants, subsidies, and contributions.....	88	88	-----
99.0 Total obligations.....	43,049	43,245	196

PERSONNEL SUMMARY

Total number of permanent positions.....	3,068	3,074	6
Full-time equivalent of other positions.....	850	852	2
Average number of all employees.....	3,672	3,677	5

CONSOLIDATED SCHEDULE OF PERSONNEL COMPENSATION PAID FROM FUNDS AVAILABLE TO THE NATIONAL PARK SERVICE—AVERAGE GRADE AND SALARY

	1967 actual	1968 actual	1969 estimate
Average GS grade.....	8.4	8.4	8.4
Average GS salary.....	\$8,685	\$9,190	\$9,107
Average salary of ungraded positions.....	\$6,337	\$6,519	6,502

Mrs. HANSEN. Next is "National Park Service, management and protection."

GENERAL STATEMENT

Mr. Hartzog, if you have a general statement, you may insert it in the record and then summarize it for us.

(The statement follows:)

The supplemental estimates of the National Park Service now under consideration represent additional fund requirements brought about by the creation of the Redwood National Park in the State of California. I am pleased to have this opportunity to discuss these requirements with the committee.

The activation of the Redwood National Park will create an immediate need for funds to provide a minimum of staffing and to cover other necessary expenses of operation and management. Action should be taken at once to protect this valuable forest from the ravages of fire and the inroads of timber trespassers. Provision must also be made for visitor safety and protection since we are taking over a park which is already being used and in which the interest and use will continue to increase. We must also provide for maintenance of existing roads, trails, beaches, and grounds.

Funds have not been provided under any appropriation for these purposes and cannot be made available from existing appropriations without curtailing other activities. Since land acquisition of a major portion of the new park is expected to take place immediately under the terms of the legislation, a minimum of staff will be required to assume responsibility for the area and its resources. The

Service will also have the responsibility of working with the local communities, the State, and other Federal agencies to initiate coordinated and cooperative planning and to make the management decisions to adequately promote the policies of the Service, and at the same time, provide for the well-being of the surrounding locality.

Financing will be from two appropriations. The management activities will require \$196,000 under the "Management and protection" appropriation and the operation and maintenance requirements, amounting to \$94,000, will be from the "Maintenance and rehabilitation" appropriation. The funds will be used to staff eight permanent positions and necessary temporary employees and for general expenses, particularly equipment, including the installation of a radio system.

These are minimum requirements in fiscal year 1969 to initiate our program to conserve and make available for use the outstanding resources of this new park. Your favorable consideration of this request will be appreciated.

Mr. HARTZOG. The supplemental request relates to management and protection funds for the operation of the Redwood National Park which, as Dr. Crafts explained to you, came into being yesterday when the President signed the bill. It amounted to a legislative taking and for the first time, unlike most other park proposals, we actually have land to manage and responsibility to discharge with respect to this proposed park beginning the moment the bill was signed.

What we are asking for in this supplemental is \$196,000 of management and protection money and \$94,000 of maintenance and rehabilitation money for a total of \$290,000.

STAFFING

The \$196,000 request covers a superintendent, a secretary, a clerk-typist, a chief of interpretation and resources management, two park rangers, and two and four-tenths man years of seasonal personnel service.

Mrs. HANSEN. Such as—

Mr. HARTZOG. Seasonal park ranger, 0.7 man-year; seasonal ranger-naturalist, 0.3 man-year; seasonal park guard, 0.9 man-year; seasonal fire control aids, 0.5 man-year.

Mrs. HANSEN. We will insert the item from page 17 of House Document 393 and the justifications in the record at this point.

(The item and the justifications follow :)

NATIONAL PARK SERVICE

MANAGEMENT AND PROTECTION

For an additional amount for "Management and protection," \$196,000.

Funds are requested to provide for management, forestry and fire control in the Redwood National Park authorized by Public Law 90-545.

Appropriation : Management and protection.

Appropriation to date : \$43,049,000.

Obligations to August 31, 1968, \$9,347,874.

Expenditures to August 31, 1968, \$5,883,539.

Employment :

Average number, current appropriation 3,672.

Number involved this estimate, 5.

Actual employment August 31, 1968, 4,500.

Budget estimate next fiscal year : not available.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

Public Law 90-545, approved October 2, 1968, authorized the creation of the Redwood National Park in the State of California. The amount of \$196,000 is needed to provide limited staffing and general expenses immediately to take possession of the resources of this new national park and protect them from fire and other hazards and from further commercial exploitation. This amount cannot be absorbed without curtailing regular program functions.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Program by activities:			
1. Management of park and other areas.....	36,440	36,614	174
2. Forestry and fire control.....	2,079	2,101	22
3. Park and recreation programs.....	4,530	4,530	
10 Total program costs, obligations.....	43,049	43,245	196
Financing:			
40 Budget authority.....	43,049	43,245	196
Relation of obligations to outlays:			
71 Obligations incurred, net.....	43,049	43,245	196
72 Obligated balance, start of year.....	6,008	6,008	
74 Obligated balance, end of year.....	-5,819	-5,839	-20
90 Outlays.....	43,238	43,414	176

JUSTIFICATION

Management of park and other areas.....	\$174,000
Forestry and fire control.....	22,000

The park will consist of approximately 58,000 acres, of which 27,468 acres are State parks and other public lands and 30,500 acres are in private ownership. This will preserve some of the most impressive virgin redwood groves and forests for the inspiration and enjoyment of future generations.

There is an immediate need to protect this valuable forest from the ravages of fire and the inroads of timber trespassers. By location the area is also extremely susceptible to visitation by the public which presents the immediate concern for visitor safety and protection. Funds have not been heretofore provided under any appropriation for these purposes.

The activation of the Redwood National Park will create an immediate need for funds to provide a minimum of staffing and to cover other necessary expenses of management and protection. These funds are needed for a portion of the 1969 fiscal year since land acquisition of a considerable portion of the new park is expected to take place immediately under statutory provision of the establishment legislation.

The responsibility of the National Park Service to the local community must be recognized along with its immediate protection responsibilities. Community relationships must be initiated at once to provide coordinated and cooperative planning with local political bodies and citizen groups. Important management decisions will need to be made to adequately promote the policies of the Service, at the same time providing to the extent possible for the well-being of the surrounding locality. Close and sympathetic contact must be maintained with officials in Crescent City, Orick, and Eureka; political leaders in Del Norte and Humboldt Counties; with several major and a number of minor lumber companies; with the local populace and its various organizations; and certainly not the least, with State and other Federal agencies.

Master planning, land acquisition, and programing of development projects will assume an early importance because of the popularity of the area and its accessibility to the public. The well-being of the local economy will depend to a great measure upon expeditious action by the National Park Service. Compatible services to be provided outside the park cannot be intelligently planned until park plans are known. Because of the unusual amount of publicity given to the area,

the general public will demand early access and adequate interpretation. Portions of the park particularly susceptible to timber trespass will need to be surveyed as quickly as possible and boundaries positively marked. Other land acquisition must be pursued expeditiously to guard against incompatible construction or use of proposed park lands. Already there are several threats to subdivide private lands within the park.

The estimated requirements for the balance of the 1969 fiscal year are \$196,000. The minimum staffing requirement is as follows:

Superintendent's office: Superintendent, GS-15; secretary, GS-7; clerk-typist, GS-3.

Protection division: Chief, interpretation and resources management, GS-12; park ranger, GS-9; park ranger, GS-7; seasonal park ranger, 0.7 man-year; seasonal ranger-naturalist, 0.3 man-year; seasonal park guard, 0.9 man-year; seasonal fire control aides, 0.5 man-year.

Total requirement for personnel compensation and benefits, \$58,400.

This skeleton staffing envisions the need for such services on approximately 30,000 acres of park land. This is exclusive of the three existing State parks which are included with the national park since it is not expected that the State of California will donate them to the Federal Government within the present fiscal year.

The park is approximately 40 miles in length and divided into two sections. To adequately manage and protect the park from fire, vandalism, and tree cutting, installation of a radio system is required. Without this radio system, additional protection personnel would be required.

Estimated cost to this appropriation of the radio system.....	\$85,000
Estimated requirements for general expenses, including a nominal amount for equipment.....	52,600

Total amount required for "Management and protection".....	196,000
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BUDGET ESTIMATE

Mrs. HANSEN. \$196,000 is requested for "Management and protection." Of this amount, \$63,000 is for personnel and \$133,000 is for other costs. Give us a detailed summary of your requirements for this funding.

Mr. HARTZOG. We have included in this appropriation a radio system which is estimated to cost \$85,000.

Mrs. HANSEN. Why do you need that?

Mr. HARTZOG. You saw the picture of that park. It is over 50 miles long and we have to have some communication system in there because this is forested country, of course, and you have fire protection responsibilities and you have to have a communications system that ties you in with other forest protection programs there.

Mrs. HANSEN. Why is it necessary to have both a stenographer and a clerk-typist?

Mr. HARTZOG. This clerk-typist will serve principally as a receptionist. This is the title we used administratively but we put them in uniform and they serve as receptionists.

Mrs. HANSEN. What is the difference in the pay scale?

Mr. HARTZOG. No difference.

Mrs. HANSEN. Then why can't you have a stenographer as a receptionist?

Mr. HARTZOG. The stenographer will work with the Superintendent and for this Chief of Interpretative Services and you simply can't have her doing the clerical work and trying to jump up and serve the public at the same time.

Mrs. HANSEN. Well, I have to in my office.

Mr. HARTZOG. This clerk-typist will be doing more than just greeting the public, but it is difficult to have a personal secretary likewise answering the telephone and serving as the information receptionist.

Mrs. HANSEN. Well, we all do in Congress. You fellows are getting too fancy.

Mr. HARTZOG. Perhaps I should call her an information receptionist then. It is the same thing.

Mrs. HANSEN. There isn't a person in a single congressional office who doesn't have to answer the telephone, including the Member.

Mr. HARTZOG. And this is exactly what I always do, Madam Chairman, I assure you; but in addition to the four permanent people we feel the need for both of those clerical positions to both serve the public and take care of the necessary correspondence.

Mrs. HANSEN. You haven't any other funds you can use for this purpose?

Mr. HARTZOG. Well, Madam Chairman, of course, it can be reprogrammed, but if we do as the Secretary announced on September 20, it means further curtailment of operations.

Mrs. HANSEN. You should have thought of that this summer.

Mr. HARTZOG. Well, we are starting it now.

Mrs. HANSEN. You started 6 months too late.

RESURRECTION CITY

Were the costs of Resurrection City funded from "Management and protection funds"?

Mr. HARTZOG. Yes, ma'am, and from "Maintenance and rehabilitation."

Mrs. HANSEN. Would you include in the record a detailed summary of the costs for Resurrection City.

Mr. HARTZOG. I have it here and I will be pleased to insert it in the record.

(The information follows:)

NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION—STATEMENT OF TOTAL COSTS INCURRED IN CONNECTION WITH POOR PEOPLE'S CAMPAIGN, MAY 11—JULY 31, 1968

Resurrection City	Management and protection, management of park and other areas	Maintenance and rehabilitation, buildings and utilities
Policing.....	\$144,989	
Laying out site.....		\$178
Dismantling of structures and restoration of area:		
NPS forces.....		60,335
GSA forces.....		29,482
District of Columbia highway force.....		26,009
Solidarity Day march:		
Policing.....	9,027	
Cleanup of area after march.....		5,580
Total.....	154,016	121,584
Grand total.....	\$275,600	

Mrs. HANSEN. Did you sell the lumber that was leftover from Resurrection City?

Mr. HARTZOG. These are the matters now in litigation.

Mrs. HANSEN. How much were the estimates for that lumber?

Mr. HARTZOG. Madam Chairman, I believe it was about \$10,000. It was finally sold for \$5,500.

Mrs. HANSEN. I believe you told me at one time it was quite valuable.

Mr. HARTZOG. It was, but it is now salvage, you know. Madam Chairman, I would like to point out that we have billed the Southern Christian Leadership Conference for \$71,795, and we have repeatedly written to them on the matter, and on the 24th of September we transmitted a request to the Solicitor's Office to enter suit for this amount.

We now hold in escrow \$10,500, which is made up of the \$5,000 deposit that we received at the time of the issuance of the permit and \$5,500 which we received for the lumber.

Mrs. HANSEN. That leaves a total balance you have spent of how much?

Mr. HARTZOG. The total amount that was spent was \$275,600, and of that the GSA spent \$29,482 and the District of Columbia Highway Department spent \$26,009. That is within that \$275,600. So our expenditures were \$220,109.

Mrs. HANSEN. Out of that you have had reimbursement of \$5,000.

Mr. HARTZOG. None has been reimbursed, Madam Chairman. It is all being held in escrow, pending resolution of this issue.

Mrs. HANSEN. Next we have Maintenance and Rehabilitation of Physical Facilities.

MAINTENANCE AND REHABILITATION OF PHYSICAL FACILITIES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Personnel compensation:			
11.1 Permanent positions.....	12,039	12,051	12
11.3 Positions other than permanent.....	6,884	6,906	22
11.5 Other personnel compensation.....	436	437	1
Total personnel compensation.....	19,359	19,394	35
12.0 Personnel benefits.....	1,376	1,379	3
21.0 Travel and transportation of persons.....	188	191	3
22.0 Transportation of things.....	550	557	7
23.0 Rent, communications, and utilities.....	1,650	1,667	17
24.0 Printing and reproduction.....	70	70	-
25.1 Other services.....	2,583	2,595	12
25.2 Services of other agencies.....	250	250	-
26.0 Supplies and materials.....	4,869	4,873	4
31.0 Equipment.....	1,095	1,108	13
32.0 Lands and structures.....	110	110	-
42.0 Insurance claims and indemnities.....	25	25	-
99.0 Total obligations.....	32,125	32,219	94

PERSONNEL SUMMARY

Total number of permanent positions.....	2,213	2,215	2
Full-time equivalent of other positions.....	1,240	1,244	4
Average number of all employees.....	3,298	3,303	5

CONSOLIDATED SCHEDULE OF PERSONNEL COMPENSATION PAID FROM FUNDS AVAILABLE TO THE NATIONAL PARK SERVICE—AVERAGE GRADE AND SALARY

	1967 actual	1968 actual	1969 estimate
Average GS grade.....	8.4	8.4	8.4
Average GS salary.....	\$8,685	\$9,190	\$9,107
Average salary of ungraded positions.....	\$6,337	\$6,519	\$6,502

Mrs. HANSEN. We shall insert the item from page 17 of House Document 393 and the justifications in the record at this point.

(The item and the justifications follow :)

MAINTENANCE AND REHABILITATION OF PHYSICAL FACILITIES

For an additional amount for "Maintenance and rehabilitation of physical facilities," \$94,000.

Funds are requested for maintenance of existing roads, trails, and beaches in the Redwood National Park authorized by Public Law 90-545.

Request : \$94,000.

For 9 months from October 1, 1968.

Appropriation : Maintenance and rehabilitation of physical facilities.

Appropriation to date : \$32,125,000.

Obligations to August 31, 1968, \$6,722,970.

Expenditures to August 31, 1968, \$3,985,955.

Employment :

Average number, current appropriation, 3,298.

Number involved this estimate, 5.

Actual employment August 31, 1968, 3,500.

Budget estimate next fiscal year : not available.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

Public Law 90-545, approved October 2, 1968, authorized the creation of the Redwood National Park in the State of California. The amount of \$94,000 is needed to provide limited staffing and general expenses immediately to operate and maintain the existing roads, beaches and grounds to prevent their deterioration and to permit continued public use. This amount cannot be absorbed without seriously curtailing program functions.

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 Presently available	1969 Revised estimate	1969 Proposed supplemental
Program by activities:			
1. Roads and trails.....	12,175	12,250	75
2. Buildings, utilities, and other facilities.....	19,950	19,969	19
Financing:			
40 Budget authority.....	32,125	32,219	94
Relation of obligations to outlays:			
71 Obligations incurred, net.....	32,125	32,219	94
72 Obligated balance, start of year.....	3,783	3,783	
74 Obligated balance, end of year.....	-3,649	-3,658	-9
90 Outlays.....	32,259	32,344	85

NATIONAL PARK SERVICE

JUSTIFICATION

Roads and trails..... \$75,000
Buildings, utilities, and other facilities..... 19,000

The park will consist of approximately 58,000 acres, of which 27,468 acres are State parks and other public lands and 30,500 acres are in private ownership. This will preserve some of the most impressive virgin redwood groves and forests for the inspiration and enjoyment of future generations.

There is an immediate need to begin operation and maintenance of the physical facilities in the park to prevent their deterioration.

Funds are needed to provide a minimum of staffing and to cover other necessary expenses of maintenance and operation. These funds are needed for a portion of the 1969 fiscal year since land acquisition of a considerable portion of the new

park is expected to take place immediately under statutory provision of the establishment legislation.

The well-being of the local economy will depend to a great measure upon expeditious action by the National Park Service. Because of the unusual amount of publicity given to the area and because of its location and popularity, the general public will demand continued access. Maintenance of existing roads and facilities and general park cleanup will be required to assure a pleasurable visit and the safety of the public.

The immediate needs are \$94,000 for the maintenance of existing roads, trails, beaches, and grounds. The minimum staffing requirement is as follows:

Foreman II, ungraded.
 Laborer, ungraded.
 Temporary truck drivers, 1 man-year.
 Temporary laborers, 3 man-years.

Total requirement for personnel compensation and benefits----- \$38, 000

This small staffing envisions the need for such services on approximately 30,000 acres of park land. This is exclusive of the three existing State parks which are included with the national park since it is not expected that the State of California will donate them to the Federal Government within the present fiscal year.

General expenses, including \$15,000 estimated cost to this appropriation of a radio system to enable efficient use of maintenance personnel; contracts for hazardous tree removal, to provide visitor safety; purchase of two dump trucks, and stream cleaning and two small foot bridges on Redwood Creek----- 56, 000

Total amount required for maintenance and rehabilitation of physical facilities----- 94, 000

Mr. HARTZOG. The maintenance and rehabilitation item is for \$94,000 of which \$75,000 is applicable to roads and trails, and \$19,000 to buildings.

Mrs. HANSEN. These are roads and trails within the Redwoods Park?

Mr. HARTZOG. Yes, ma'am.

OLYMPIC NATIONAL PARK

Mrs. HANSEN. You better fix up the roads and trails at Lake Crescent in Olympic National Park before you build any more roads and trails. There are some that a snake could not get through.

Mr. HARTZOG. I agree they are in terrible condition.

This is a situation that has arisen as a result of the lag in our maintenance money during the past 10 or 15 years, in which we have many roads that are way beyond the period of time at which they should be reconstructed.

Mrs. HANSEN. Some of those curves are very dangerous.

Mr. HARTZOG. They are indeed. The road services are dangerous. We are some \$5 million behind in the very minimum maintenance requirements. This is precisely why we are simply not going to open up some of these roads to public use if they are not up to standard.

Mrs. HANSEN. I think that is exactly what you are going to have to do because public safety is involved.

Mr. HARTZOG. That is right.

(Discussion off the record).

MAINTENANCE OF ROADS AND TRAILS

Mr. HARTZOG. This section 2(b) of the act provides that the Secretary is authorized to acquire by donation only all or part of the existing publicly owned highways and roads within the boundaries of the park as he may deem necessary for park purposes. Until such highways and roads have been acquired the Secretary may cooperate with appropriate State and local officials in patrolling and maintaining such roads and highways. We feel it is very important in light of the economic factors that are at work in respect to the county programs here in this area that we are in a position to participate with them in their road maintenance, and we have trails in this park.

Mrs. HANSEN. Is this largely contract maintenance?

Mr. HARTZOG. This would be; yes. We only propose to have two permanent positions to do maintenance work.

MAINTENANCE OF FACILITIES

Mrs. HANSEN. Will you give the committee a description of the other facilities you will have to maintain during this interim period?

Mr. HARTZOG. There will be certain buildings that are on this property.

Mrs. HANSEN. Such as?

Mr. HARTZOG. Madam Chairman, frankly, I am in the same position Dr. Crafts was; we do not have an inventory of what is on this property.

Mrs. HANSEN. You have some shacks in the Olympic Peninsula that have been there a long time and have not been razed.

Mr. HARTZOG. We want to work on them because they should be out of there.

TRAVEL OF EMPLOYEES

Mrs. HANSEN. In combining the amounts for the two appropriation items you have budgeted for various activities, we get some strange results. For example, you have budgeted a total of \$12,000 for travel for one-half year. This is for eight people which includes a secretary and typist who will not travel, as well as a foreman and laborer. Is this estimate somewhat inflated?

Mr. HARTZOG. Madam Chairman, I do not think so.

Mrs. HANSEN. You are not sure, though?

Mr. HARTZOG. I say it is not, for the simple reason that this is one of the peculiarities of accounting. If I buy a piece of equipment and assign it to a ranger and he drives it in the park that is not accounted for as travel. If I rent the equipment and give it to the same ranger to drive in the same park, it is travel.

If I have a car that is owned by the National Park Service and assigned to a ranger, he can drive it 100,000 miles a year and you never know whether there is a dime of it for travel. If I rent a car from GSA and I give it to that same ranger and he drives it a hundred thousand miles, it all shows up as travel. This has been one of the big issues that we have had with this committee about our travel.

We go to a GSA motor pool to get more efficient travel management, and when we are told on the other hand to cut down on travel, it is to the advantage of management not to go to a GSA pool. This

is one of the things that constantly harasses us in our management of travel. I would like Mr. Wiles to verify it.

Mr. WILES. That is right. If the Park Service buys the equipment, it shows up as equipment and not travel. If we rent the car, the whole cost goes into travel.

It is practically the same cost but it shows up in two different places.

Mr. HANSEN. Is it practically the same cost?

Mr. WILES. Yes; although the motor pools may be more economical than the agencies owning cars.

Mrs. HANSEN. What about an agency, such as the Park Service, which has operations at great distances from a central GSA motor pool?

Mr. HARTZOG. We found instances in GSA—I am not blaming this on GSA, because they have been very constructive, creative, and cooperative with us in this arrangement—there are some instances in which they can run a more effective operation, particularly in urban environments near central pools.

Mrs. HANSEN. Many of your installations are out in the hinterland.

Mr. HARTZOG. That is right. We have some that are not on the GSA schedule, and therefore you never see any travel in connection with those parks, except modest amounts when the superintendent has to travel to Washington or go to the regional office. We are proposing GSA vehicles here and I think \$12,000 is a reasonable figure when you consider the automobiles and the mileage that is involved in this park.

Mrs. HANSEN. I can see where your management and protection budget is reduced by the cost of these vehicles.

Mr. HARTZOG. You put it in one place or put it in another place. In other words, you capitalize it and put it in vehicles.

Mrs. HANSEN. You should develop a practical policy for this procedure.

Mr. HARTZOG. We have been trying to. We have said to our people when it can be demonstrated that it is more economical to go to GSA, go to GSA. But we have said to you, and I said substantially this to you last year, you will remember, or the year before—I forget which one it was—when I was pleading with you to remove that ceiling on me that we were managing our travel appropriately. I pointed out to you that when we made a transfer to GSA motor pool that it changed the place where our money showed up in the schedule, and we therefore needed travel funds in our travel account for it.

RADIO SYSTEM

Mrs. HANSEN. You have budgeted \$108,000 for rent, communications, and utilities. Of this amount \$85,000 is for radio facilities. This amount is needed because of the size of the park.

Mr. HARTZOG. Yes, and you need the communications system, now.

Mrs. HANSEN. Mainly for fire protection?

Mr. HARTZOG. Yes, ma'am.

Mrs. HANSEN. What about protection of the public?

Mr. HARTZOG. There will be quite a bit of this involving people down at Redwood Creek and on the back country trails that are in this park.

PERSONNEL CEILINGS

Mrs. HANSEN. What relief do you anticipate in the manpower ceiling for the hiring of the additional people you want for the Redwood National Park?

Mr. HARTZOG. Madam Chairman, if you give us this item, then I expect that we will get the ceilings raised for the permanent positions. In other words, this will be additional.

Mrs. HANSEN. You mean you hope you will.

Mr. HARTZOG. No, I confidently expect we will, because you will increase our overall ceiling and therefore I would think we would get the permanent ceilings to go with it.

EXPENDITURE CEILINGS

Mrs. HANSEN. What relief from the expenditure ceiling do you anticipate for the proposed expenditures at this location? You partly answered that.

Mr. HARTZOG. We would have this as a result of them having cleared the supplemental budget.

Mrs. HANSEN. Mr. Reifel?

Mr. REIFEL. I have no questions.

Mrs. HANSEN. Mr. McDade.

DIFFERENCE BETWEEN PROPOSED AND ACTUAL CEILINGS

Mr. McDADE. Can you tell me what the difference is between the personnel limitation imposed on the Park Service and what the appropriations were to the Park Service for the current fiscal year?

Mr. HARTZOG. If I understand you are asking me how many positions you authorized and how many positions I now have ceiling for?

Mrs. HANSEN. I do not want just the fiscal year authorization but the appropriation total and what was done to that and also the number of personnel and what was done to that.

Mr. HARTZOG. Yes.

Mrs. HANSEN. That is the limitation imposed by the Bureau of the Budget?

Mr. HARTZOG. It is imposed by the Bureau of the Budget on a departmental basis and the Department administers the ceiling.

This fiscal year you authorized a total of \$7,575 permanent positions. My ceiling at June 30, 1968, is 6,290 and I have to be down to 5,998 by the end of next year in accordance with the Revenue and Expenditure Control Act which requires that I cut back to June 30, 1966.

Mr. McDADE. Why should we increase your personnel ceiling, then?

Mr. HARTZOG. Because you will give me relief at least for another year and a half. If funds are provided for these positions, I will expect to get an increase in ceiling in this fiscal year which will permit me to man this operation.

Mr. McDADE. Are you meeting that limitation by not filling the vacancies? Is that the way it is being done?

Mr. HARTZOG. Yes.

Mr. WILES. This is on a Department-wide basis.

Mr. McDADE. I am asking him about the Park Service. It is the same throughout the Department; is it not?

Mr. WILES. Yes, sir.

Mr. McDADE. That is all I have. Thank you, Madam Chairman.

Mrs. HANSEN. Thank you very much. The Christian Science Monitor carried an excellent series on your national parks and in today's paper there was an excellent questionnaire which should be very helpful in getting some answers on these problems before the national parks.

Mr. HARTZOG. Thank you very much, Madam Chairman. I am very grateful.

Mrs. HANSEN. How many visitations per year are there in the Redwood National Park?

Mr. HARTZOG. The anticipated visitation schedule? This is one of the real spectacular areas of the United States. We will furnish that for the record.

(The information follows:)

STATEMENT ON PROJECTED VISITORS TO REDWOOD NATIONAL PARK

Visits to the State parks which are in operation will approximate 400,000 in 1969. Estimated visits to the national park 5 years following construction of facilities will approximate 1.2 million annually.

Mrs. HANSEN. Thank you, Mr. Hartzog.

DEPARTMENT OF HEALTH, EDUCATION, AND
WELFARE

HEALTH SERVICES

WITNESSES

DR. ERWIN S. RABEAU, DIRECTOR, DIVISION OF INDIAN HEALTH
HENRY V. CHADWICK, EXECUTIVE OFFICER, DIVISION OF INDIAN
HEALTH

RICHARD S. GREEN, CHIEF, OFFICE OF ENVIRONMENTAL HEALTH,
DIVISION OF INDIAN HEALTH

JAMES B. CARDWELL, DEPUTY ASSISTANT SECRETARY, BUDGET,
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mrs. HANSEN. Dr. RabEAU, it is a pleasure to welcome you this afternoon. We will be pleased to hear your general statement.

GENERAL STATEMENT

Dr. RABEAU. Madam Chairman and members of the committee, since 1965 there has been a growing effort on the part of Indian tribes and Federal agencies to correct the poor housing conditions which exist on Indian reservations throughout the country. The main source of new and improved housing has been through programs of the Department of Housing and Urban Development and the Bureau of Indian Affairs. Agreements between these agencies and the Division of Indian Health provide that sanitation facilities for housing projects will be constructed by the Division. Funds to construct the facilities are included in the annual appropriations by the Congress under Public Law 86-121, the Indian Sanitation Facilities Construction Act. These funds, specifically designated for use in providing facilities for housing projects, are in addition to those made available for

regular sanitation facilities projects for existing Indian homes and communities. These regular projects, during fiscal year 1969, are expected to provide an adequate water supply and means of waste disposal for about 4,500 Indian homes.

Until the latter part of fiscal year 1968, the amount of funds made available to the Indian health program has been sufficient to keep pace with the rate of Indian housing construction and improvement. However, due to markedly increased interest and acceptance of new housing program innovations by Indian tribes, the number of Indian homes which could be constructed and improved has now exceeded the financial capacity of the Division to provide the necessary water and waste facilities. Unless additional funding is made available for sanitation facilities construction, Indian housing programs will be greatly retarded.

The fiscal year 1969 appropriation request for sanitation facilities construction included \$2.5 million to support housing program activities. This amount was based upon an anticipated housing construction level of approximately 2,000 units. However, in response to the President's wishes, as expressed in his message to the Congress concerning the problems of the American Indians, both the Department of Housing and Urban Development and the Bureau of Indian Affairs have increased their housing programs for Indians substantially beyond levels of prior years. The result of these efforts has been that, as of the beginning of fiscal year 1969, the Division had on hand requests for assistance to serve approximately 2,900 housing units. Additional proposed housing projects totaling more than 500 units have been brought to our attention since that time. Authorization for construction of many of these homes are being withheld by HUD until such time as the Division can give assurance that necessary sanitation facilities will be constructed. In addition to the above mentioned units, HUD officials have advised us that they have on hand other requests for housing projects which they would also like to approve this fiscal year.

With the \$2.5 million made available to us for fiscal year 1969 we will be able to provide facilities for approximately 1,500 units. In fact, projects serving 1,329 housing units are already underway.

The requested supplemental of \$4,238,000, together with \$767,000 which we have requested to be reprogrammed from other Indian health construction, will provide funds for sanitation facilities to serve an additional 2,200 housing units. These units would constitute a significant forward step in the correction of the gross environmental deficiencies which exist in Indian communities and would most certainly elevate the health status of the Indian families who will occupy these homes, for this reason, we urgently request favorable action by the committee.

Madam Chairman, I deeply appreciate the opportunity to be here today and welcome the opportunity to answer any questions you may have.

INSUFFICIENT SANITATION FACILITIES

Mrs. HANSEN. Dr. Rabeau, I read a news item early this summer concerning Indian houses in the West that were constructed without sanitation facilities.

As I recall, this was caused by a failure in the budgetary process to provide funds for sanitation facilities for these houses.

Dr. RABEAU. The news item was inaccurate. There was a misinterpretation by the press.

May I go off the record.

Mrs. HANSEN. Yes.

(Discussion off the record.)

Mrs. HANSEN. Thank you very much, Dr. Rabeau.

We will insert in the record at this point the item from page 13 of House Document 393 and the justifications.

(The item and justifications follow:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE

HEALTH SERVICE

Construction of Indian Health Facilities

For an additional amount for "Construction of Indian health facilities", \$4,238,000, to remain available until expended.

This supplemental appropriation would provide water and sewage facilities for new housing or in conjunction with improvements to existing housing under programs of the Department of Housing and Urban Development and the Department of the Interior.

HEALTH SERVICE AND MENTAL HEALTH ADMINISTRATION

Construction of Indian Health Facilities

For an additional amount for "Construction of Indian Health Facilities", \$4,238,000 to remain available until expended.

AMOUNTS AVAILABLE FOR OBLIGATIONS

	1969 presently available	1969 revised estimate	Increase
Appropriation.....	\$14,100,000	\$18,338,000	\$4,238,000
Unobligated balance from prior years.....	8,442,576	8,442,576	
Total amount available.....	22,542,576	26,780,576	4,238,000

OBLIGATIONS BY ACTIVITIES

Hospitals and clinics.....	\$3,320,534	\$3,320,535	
Personnel quarters.....	1,750,339	1,750,339	
Alterations.....	2,587,134	2,587,134	
Community hospitals serving Indians and non-Indians.....	158,000	158,000	
Construction of Indian sanitation facilities.....	13,998,650	18,236,650	\$4,238,000
Total obligations.....	21,814,658	26,052,658	4,238,000
Unobligated balance carried forward.....	727,918	727,918	
Total available.....	22,542,576	26,780,576	4,238,000

OBLIGATIONS BY OBJECTS

	1969 presently available	1969 revised estimate	Increase
Total number of permanent positions.....	33	33	0
Full-time equivalent of other positions.....	7	7	0
Average number of all employees.....	207	222	+15
11 Personnel compensation.....	\$2,067,000	\$2,213,000	+\$146,000
12 Personnel benefits.....	104,000	112,000	+8,000
21 Travel and transportation of persons.....	90,000	99,000	+9,000
22 Transportation of things.....	250,000	318,000	+68,000
23 Rent, communications, and utilities.....	29,000	36,000	+7,000
24 Printing and reproduction.....	15,000	16,000	+1,000
25 Other services.....	6,401,000	8,122,000	+1,721,000
26 Supplies and materials.....	179,000	189,000	+10,000
31 Equipment.....	404,000	409,000	+5,000
32 Lands and structures.....	12,117,658	14,380,658	+2,263,000
41 Grants, subsidies, and contributions.....	158,000	158,000	
Total obligations.....	21,814,658	26,052,658	+4,238,000

Recently, the President in a message to Congress wholly devoted to the problems of the American Indian stated, "Indian living standards should equal those of other Americans." The message paid particular attention to the Indian housing shortage and proposed increases in fiscal year 1969 to support Indian housing programs of the Housing Assistance Administration and the Bureau of Indian Affairs in order to correct the shortage.

The 1969 appropriation for the construction of Indian sanitation facilities contains \$2,500,000 for the construction of water and sewer facilities to serve Indian housing projects that were anticipated by the Housing Assistance Administration, the Bureau of Indian Affairs, the Office of Economic Opportunity and Indian tribes. However, in response to the President's wishes these agencies have greatly accelerated their efforts beyond that of prior years. Senate Report No. 1269 dated June 19, 1968, states as follows:

"The committee is disturbed lest houses be completed but not available for occupancy because of lack of sanitation facilities. It is the understanding of the committee that reprogramming by all agencies concerned as well as the possibility of an early 1969 supplemental will be considered by the Department."

In consideration of the Committee's concern and as a result of recent consultations with representatives of Housing Assistance Administration, Bureau of Indian Affairs, Department of Health, Education, and Welfare and the National Council on Indian Opportunity, it has been determined that the Division of Indian Health could provide facilities for a total of approximately 3,700 new or improved units during fiscal year 1969 if additional funds for this purpose were to be made available through this supplemental request.

The \$2.5 million appropriated in 1969 for facilities for housing in conjunction with other agencies, will be combined with \$767,000 requested to be made available by reprogramming the following funds: \$307,000 for fluoridation of previously constructed water systems; \$30,000 for emergency works in the community sanitation program; and \$430,000 for a school health center at Riverside, Calif. These funds will provide facilities for approximately 1,900 houses. To provide for the balance of 1,800 units a supplemental appropriation of \$4,238,000 is requested.

The average cost of \$1,900 per home for the housing units covered by this request is considerably higher than the average cost of \$1,250 per home as indicated in the President's 1969 request for funds to assist Indian housing. That estimate of funds was prepared in October 1967 and at the time locations for the proposed housing were unknown. It was assumed that a large portion of the housing units would be located on previously constructed water and sewer systems and would therefore require only service connections at minimal cost. Experience has proven this assumption to be inaccurate. The current average cost per home is based upon preliminary estimates furnished by field engineering staff consisting of a list of 82 specific projects involving 2,939 housing units.

It should be further noted that because of the staffing limitations imposed as a result of Title II, Public Law 90-364, additional engineering and support staff normally required to organize, design, and supervise construction will not be

available to implement this additional workload. Therefore it will be necessary to contract for the following types of services for the additional units: project coordination, site review, and approval, preliminary and final design, contract and specification preparation, bid evaluation, construction supervision, preparation of "as built" drawings, and training of water and sewer system operators.

BASIS OF SANITATION FACILITIES ESTIMATE

Mrs. HANSEN. \$4,238,000 is requested for sanitation facilities. Give us a detailed explanation of the basis upon which this amount is based.

Mr. GREEN. As Dr. Rabeau has pointed out, we believe we can do close to 1,500 homes with the regular \$2.5 million which has been made available to us in 1969.

Mrs. HANSEN. This is for water and sewer service?

Mr. GREEN. Yes, water and sewer; full service.

The remaining money in this request, when combined with money included from reprogramming, would handle, as Dr. Rabeau said, about 2,200 additional homes.

We pointed out that the main problem we have in addition to funding, is the availability of positions for implementation and therefore, for some of these projects we will have to go to outside contracts for the engineering services. We think that we can squeeze out an additional 500 housing units over the 1,500 units, with our own staff. The remaining 1,700 would probably be accommodated by using outside private consulting engineering services.

Mrs. HANSEN. What is the total funding available for this purpose as provided in the 1969 appropriation bill?

Mr. GREEN. \$2.5 million.

Mrs. HANSEN. How many houses will that accommodate?

Mr. GREEN. 1,500.

URGENCY OF BUDGET REQUEST

Mrs. HANSEN. As you are well aware, the supplemental budget is known as an emergency budget request. How much of an emergency is this request inasmuch as construction in many parts of the country is limited in November, December, January, and February? Are these homes in areas that will permit winter construction?

Mr. GREEN. Some of them are, Madam Chairman. We would, of course, concentrate first on the ones that are in the southern parts of the country.

Mrs. HANSEN. How "emergent" is this request?

Mr. GREEN. The Housing and Urban Development Department, and BIA both have projects pending right now and they are holding them up—

Mrs. HANSEN. You do not have the funds for sanitation facilities?

Mr. GREEN. That is right. We do not have the funds needed.

Dr. RABEAU. And they will not approve the awarding of these housing projects unless they have the guarantee from us.

Mrs. HANSEN. And this is because it is impractical to build housing without sanitation facilities?

Dr. RABEAU. Also, in the Department of Housing and Urban Development it is contrary to their regulations, for houses to be built without providing sanitation facilities.

ACCURACY OF ESTIMATE

Mrs. HANSEN. Total funding for 1969 would provide sanitation facilities for an estimated 3,700 new or improved housing units. How solid is this estimate of new or improved housing units to be made available?

Dr. RABEAU. This is an accurate figure. The Department of Housing and Urban Development, under their authorizations, could build and have requests for many more houses in addition to the 3,700 units.

Mrs. HANSEN. Please insert in the record the 82 specific projects involving 2,939 housing units which will be accommodated.

(The information follows:)

PROPOSED SANITATION FACILITIES PROJECTS TO SERVE INDIAN HOUSING PROGRAMS AS OF JULY 1, 1968

Reservation or tribe	State	Number of houses in project	Reservation or tribe	State	Number of houses in project
Rosebud	South Dakota	400	Cherokee	Oklahoma	104
Sisseton	do	20	Do	do	100
Sac and Fox	Iowa	14	Do	do	100
Turtle Mountain	North Dakota	40	Do	do	96
Leech Lake	Minnesota	12	Creeks	do	40
Upper-Lower Sioux	do	5	Cherokee	do	14
Bad River	Wisconsin	20	Choctaw	do	45
Red Lake	Minnesota	10	Do	do	30
Pine Ridge	South Dakota	125	Do	do	15
L'Anse	Michigan	20	Creeks	do	40
Standing Rock	North Dakota and South Dakota	120	Creek and McIntosh	do	10
Red Lake	Minnesota	35	Seminole	Florida	18
Pine Ridge	South Dakota	50	Cherokee	Oklahoma	40
Leech Lake	Minnesota	16	Poncas	do	10
Do	do	12	Sac and Fox	do	40
Zuni	New Mexico	23	Caddo	do	40
Jicarilla-Apache	do	14	Creek	do	10
Southern Ute	Colorado	30	Fort McDowell	Arizona	10
Bethel	Alaska	30	Kiabab	do	10
Do	do	270	Cibique	do	25
Honnah	do	15	San Carlos	do	10
Metlakatla	do	15	Laytonville	California	12
Lower Kalskag	do	30	Yerrington Colony	Nevada	24
Fort Peck	Montana	16	Fort Mojave	California	48
Wind River	Wyoming	14	LaJolla Ranch	do	14
Northern Cheyenne	Montana	15	Rincon	do	5
Fort Peck	do	50	Pauma-Yuma	do	10
Blackfeet	do	13	Pala	do	12
Do	do	55	Carizzo	Arizona	12
Fort Belknap	do	22	Salt River	do	30
Navajo:			Fort Yuma	California	20
Crownpoint	New Mexico	20	Reno Sparks	Nevada	25
St. Michaels	Arizona	20	Worley	Idaho	10
Chinle	do	20	Taholah	Washington	20
Shiprock	New Mexico	50	Tulalip	do	17
Keyenta	Arizona	20	Lower-Elwha	do	7
Fort Defiance	do	30	Makah	do	27
Many Farms	do	20	Umatilla	Oregon	14
Poncas	Oklahoma	20	Lummi	Washington	20
Choctaw	do	30	Kamiah	Idaho	10
Do	Mississippi	30			
Seminole	Florida	24	Total		2,939

OTHER SERVICES

Mrs. HANSEN. Of the total estimate, \$1,721,000 is budgeted for "Other services." Give us a detailed breakdown on the items included in this amount.

Mr. CHADWICK. We can give you that specifically for the record. Mr. Green just pointed out the extent of the additional engineering contractual services required. The remainder would be other contractual services. We can give you this analysis for the record.

(The information follows:)

Object class 25, other services.—Comprises all contracted services not otherwise classified. It provides for engineering firm contracts, repairs and alterations to buildings, viaducts, equipment, pumphouses, and like items when done by contract. Supplies and materials furnished by the contractor in connection with such services are included. Approximately 50 percent of the increase is for engineering firm contracts.

LANDS AND STRUCTURES

Mrs. HANSEN. \$2,263,000 is budgeted for "Lands and structures." What is involved in this amount?

Mr. CHADWICK. These are the facilities acquired under the contract, Madam Chairman, that falls in this particular object classification. The itemization of the budget by object assigns a part of it into that object.

PERSONNEL COMPENSATION

Mrs. HANSEN. Although you have not increased the number of permanent or temporary positions, this estimate includes an increase of \$146,000 for personnel compensation. How do you explain this?

Mr. CHADWICK. These are the intermittent employment that do not fall within the personnel ceilings.

EXPENDITURE LIMITATION

Mrs. HANSEN. What relief can you anticipate from the expenditure ceiling if the total amount requested is made available?

Mr. CARDWELL. Speaking for the Department as a whole, we can and will extend the funds requested in this bill if they are appropriated, within the expenditures limitation that will be assigned to our Department within the amounts prescribed by the Revenue and Expense Control Act of 1968.

In other words, we will expend these funds, if appropriated, and can do so within the limitations of that Act.

EXPENDITURES IN FISCAL YEAR 1968

Mrs. HANSEN. Based on your budget estimate of \$4,238,000, what will be the total amount of expenditure related to this amount in fiscal year 1969?

Mr. CHADWICK. Madam Chairman, we would have to compute that figure for you.

Mrs. HANSEN. You may provide that for the record.

Mr. CHADWICK. We will.

(The information follows:)

The estimated expenditures in 1969 for the \$4,238,000 requested supplemental are \$1,695,000.

Mr. CHADWICK. Our experience has been that between 45 and 50 percent of the money has been expended, but the timetable of the weather conditions would affect this and this is why I wouldn't have a more specific figure at this time. This is actually work completed.

NEED FOR ADDITIONAL FUNDS

Mrs. HANSEN. And housing will not be constructed if this appropriation is not made?

Dr. RABEAU. Much of the housing will not be constructed.

Mr. CHADWICK. To give you a frame of reference, of the 3,700 houses we are talking about, on July 1, 1968, 2,939 of these houses had been specifically located and identified as actual projects.

Since July 1, an additional 538 houses have been identified and are ready to proceed. That means, of the 3,700 units, all but 223 are specific identified projects.

Mrs. HANSEN. What is the average family size these houses will accommodate?

Dr. RABEAU. 5.4 people per family.

Mrs. HANSEN. Before we conclude, I want to congratulate you on the Taholah Health Center. I think that is a magnificent building.

Thank you very much, Dr. Rabeau.

THURSDAY, OCTOBER 3, 1968.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

WITNESSES

THEODORE W. TAYLOR, DEPUTY COMMISSIONER

CHARLES N. ZELLERS, ASSISTANT COMMISSIONER, EDUCATION

J. LEONARD NORWOOD, ASSISTANT COMMISSIONER, ADMINISTRATION

EDUCATION AND WELFARE SERVICES

Mrs. HANSEN. Next, we have the Bureau of Indian Affairs, Education and Welfare Services. We shall insert the item from page 16 of House Document 393 and the justifications in the record at this point. (The item and the justifications follow:)

BUREAU OF INDIAN AFFAIRS

EDUCATION AND WELFARE SERVICES

Further consideration is requested of the \$10,752,000 estimate for the Bureau of Indian Affairs, set forth in House Document No. 318 (p. 5) of May 22, 1968. The appropriation would provide for expanded Indian adult vocational training programs and scholarship aid for Indian college students.

(The item from House Document 318 follows:)

DEPARTMENT OF THE INTERIOR—BUREAU OF INDIAN AFFAIRS

Budget appendix page	Heading	Request pending	Proposed amendment	Revised request
575	Education and welfare services.....	\$154,723,000	\$10,752,000	\$165,475,000

This proposed amendment would provide (1) \$10 million to expand the Indian adult vocational training program and (2) \$752,000 for scholarship aid for Indian college students. This request is a part of the President's program for American Indians outlined in his message of March 6, 1968.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Education and Welfare Services

For an additional amount for "Education and welfare services," \$10,752,000.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Education and Welfare Services

Appropriation, 1968	\$126,478,000
Estimate, 1969	154,723,000
Supplemental, 1969	10,752,000
House allowance, 1969	145,693,000
House allowance supplemental, 1969	
Additional request supplemental, 1969	10,752,000

Amendment requested:

Page 5, line 19, strike out "145,693,000" and insert in lieu thereof "156,445,000," an increase of \$10,752,000 in the appropriation.

HOUSE REPORT

The additional amount requested was submitted in H. Doc. 318 but was not considered by the House.

JUSTIFICATION

The additional amount proposed in the amendment is distributed to the following activities:

Activity	Appropriation, 1968	Amendment, 1969	House allowance, 1969	Additional request
1. Educational assistance, facilities, and services	\$86,244,000	\$752,000		\$752,000
2. Welfare and guidance services	16,153,000			
3. Relocation and adult vocational training	21,079,000	10,000,000		10,000,000
4. Maintaining law and order	2,984,000			
Total	126,478,000	10,752,000		10,752,000

A breakdown of the amendment request by objects of expenditure follows:

11 Personnel compensation	\$377,000
12 Personnel benefits	31,000
21 Travel and transportation of persons	52,000
22 Transportation of things	6,000
23 Rent, communications, and utilities	2,000
24 Printing and reproduction	3,000
26 Supplies and materials	17,000
31 Equipment	12,000
41 Grants, subsidies, and contributions	10,252,000
Total	10,752,000

BUREAU OF INDIAN AFFAIRS
EDUCATION AND WELFARE SERVICES

Justification

1. *Educational assistance, facilities and services, \$752,000*

Higher education funds make it possible for many Indian young people to attend college. These funds are used to make grants to students who cannot qualify for other types of scholarship aid and who would otherwise be unable to attend. They are used primarily to supplement funds provided by private and public organizations, some schools, some States, tribal groups, and Federal and tribal loans. In 1967 aid was given to 2,358 students; the average Bureau grant was \$811. It is estimated that the program for 1969 will provide for approximately 2,551 students of which 1,200 will be first-time grantees and 1,000 will be returnees with grants averaging approximately \$1,000 each or a total of \$2,248,000.

For several years there has been an increasing demand and need to assist married students who desire to complete college. We know that there are many eligible college students who do not apply for grants because they cannot support themselves and their families while attending college. For the first time we are requesting funds to assist 300 married students requiring \$660,000 or an average grant of approximately \$2,200.

As the education requirements for employment increase, the demand for assistance to postgraduate students increases. To make a small beginning in meeting this need, we are asking for \$31,000 to assist 21 postgraduate students. This will provide an average grant of \$1,500 for each postgraduate student.

With the increasing number of college students we now find it necessary to provide limited supervision and administration.

Included in the total number of students to be assisted are grants for approximately 30 urban-based students.

300 married students-----	\$660, 000
21 postgraduates-----	31, 000
Administration and supervision-----	30, 000
Service to needy urban students-----	31, 000
	752,000

3. RELOCATION AND ADULT VOCATIONAL TRAINING, \$10,000,000

Explanation	Increase (+) or decrease (-)		Total program
	Amount	Positions	
(1) To provide training which will lead to self-support-----	+\$10,000,000	+50	\$25,000,000

Need for increase.—The increase will provide for 4,400 additional new entries into training and 50 staff positions to support the increased program.

Program of work.—The estimate of \$25 million will provide services and financial assistance to 10,400 units—22,100 persons—in training. Of these 10,400 units, 1,700 represent backlog from fiscal year 1968. Services will also be provided to approximately 2,500 units—8,250 persons—in on-the-job training.

An overwhelming interest in institutional training by the Indian people has resulted in the accumulation of a backlog of applicants. These applicants have been waiting up to 6 months for an opportunity to enter training due to the lack of funds during fiscal year 1968 to provide training services. With additional funding, this program will eliminate the accumulated unfunded fiscal year 1968 program demands and serve an estimated 4,400 additional applicants who it is anticipated will request training services when it is known that sufficient funds are available. Although it is impossible to predict the number of applicants desiring institutional training services, the funding of the program at this level can be expected to take care of the known current demand for services. However, an upsurge of interest could develop as additional funds become available and an unfunded program demand of applicants could still accrue.

Technical and clerical staff will be increased at the reservation levels to facilitate application processing and predeparture counseling for the increase in applicants. Technical staff will be increased at both the urban and area training destinations to furnish vocational guidance and employment counseling to the increased number of trainees being served.

ADULT VOCATIONAL TRAINING PROGRAM
INSTITUTIONAL TRAINING

	Fiscal year 1967 actual	Fiscal year 1968 base	Fiscal year 1969 base	Fiscal year 1969 as amended
Units continuing training (carryovers).....	2,075	2,265	2,200	2,200
New entries.....	3,441	3,265	3,800	8,200
Total institutional training units served.....	5,516	5,530	6,000	10,400
ON-THE-JOB TRAINING				
Units continuing training (carryovers).....	831	768	1,000	1,000
New entries.....	1,344	1,732	1,500	1,500
Total on-the-job training units served.....	2,175	2,500	2,500	2,500
Total AVT units served.....	7,691	8,030	8,500	12,900
Total funds available or estimated.....	\$13,085,067	\$13,830,000	\$15,000,000	\$25,000,000

GENERAL STATEMENT

Mrs. HANSEN. Mr. Taylor, please place your prepared statement in the record and summarize it for us.

Mr. TAYLOR. We will be very happy to, Madam Chairman.
(The statement follows:)

STATEMENT OF THEODORE W. TAYLOR, DEPUTY COMMISSIONER OF INDIAN AFFAIRS,
ON APPROPRIATION REQUEST FOR THE FISCAL YEAR 1969

The Bureau of Indian Affairs is requesting \$10,752,000 as an amendment to the 1969 education and welfare services appropriation request.

The amount requested includes \$752,000 under the educational assistance, facilities, and services activity for higher education funds in order to make it possible for many more Indian young people to attend college. These funds are used to make grants to students who cannot qualify for other types of scholarship aid and who would otherwise be unable to attend. These funds will be used primarily to supplement funds provided by private and public organizations, colleges and universities, States, tribal groups, and Federal and tribal loans. Applications for financial assistance have been received for 3,100 eligible prospective college students of which approximately 900 could not be accommodated on a full-year basis.

The amount also includes \$10 million for the adult vocational training program to provide training to Indian people which will lead to self-support. An overwhelming interest in institutional training by the Indian people has resulted in the accumulation of a backlog of applicants. With additional funding, this program will eliminate the accumulated unfunded fiscal year 1968 program demands and serve an estimated 4,110 additional applicants who, it is anticipated, will request training services when it is known that sufficient funds are available.

Mr. TAYLOR. The amount requested totals \$10,752,000 and it is a part of the "Education and Welfare Services" appropriation.

The item includes two items; \$752,000 under the educational assistance, facilities and services for higher education funds, and \$10 million for adult vocational education.

SCHOLARSHIP PROGRAM

Mrs. HANSEN. Is the \$752,000 for scholarships?

Mr. TAYLOR. Yes, ma'am.

Mrs. HANSEN. How many students will this take care of?

Mr. ZELLERS. It will take care of 300 on a full-time basis and 600 on a half-time basis.

Mrs. HANSEN. Actually this is the end of the first quarter in most colleges, so the requested funds wouldn't be available to them until the beginning of the second quarter?

Mr. ZELLERS. The 300, the full-time people would be able, in some of the quarter schools, if this gets through soon enough, to pick up now. The others would be able to pick up on a quarter semester basis and then go to summer school.

Mrs. HANSEN. You have that many applicants waiting for scholarships?

Mr. ZELLERS. Yes, ma'am.

Mrs. HANSEN. How many applicants do you have?

Mr. ZELLERS. We have 300.

Mrs. HANSEN. Three hundred that are eligible?

Mr. ZELLERS. That are eligible for scholarships and then we have another 600 who have only been funded for half year and these are primarily freshmen.

Mrs. HANSEN. If the money is not granted, then they cannot continue—

Mr. ZELLERS. We cannot fund them for the second half of the year.

Mrs. HANSEN. Where would they then go for scholarship funds?

Mr. ZELLERS. Presumably they have already exhausted all sources before they come to us.

ADULT VOCATIONAL TRAINING

Mrs. HANSEN. You have requested \$10 million for relocation and adult vocational training. You might give us the details of this.

Mr. TAYLOR. We will be very happy to. It is in the material which went to the committee and the details are modified in some respects from that which was submitted when the amendment was originally proposed last spring.

The number of pupils that will be taken care of with this \$10 million is changed from 4,400, which we originally estimated, to 4,110. The reason for the cut is that costs of subsistence have gone up. This is all we think we can afford under current costs.

Mrs. HANSEN. This \$10 million is for adult vocational training, isn't it?

Mr. TAYLOR. The adult vocational training portion of the moneys that we receive. The relocation portion is \$8,477,000 and the amount appropriated for adult vocational training this year was \$15 million. We requested \$25 million but the authorization didn't get through in time. The authorization has since passed.

RELOCATION AND ADULT VOCATIONAL TRAINING CENTERS

Mrs. HANSEN. Where are the relocation and the adult vocational training centers?

Mr. TAYLOR. The adult vocational training centers are as follows: Chicago, Seattle, Phoenix, Denver, Dallas, Los Angeles, Oakland, San Francisco, San Jose, Minneapolis, Tulsa, Oklahoma City, Great Falls, and Cleveland.

The ones where most of the training is done are Chicago, Seattle, Denver, Dallas, Los Angeles, Oakland, San Jose, and Cleveland. We have contracts with over 400 institutions for such training.

Mrs. HANSEN. Higher learning or vocational?

Mr. TAYLOR. Private institutions and public, vocational in nature.

Mrs. HANSEN. What is the cost per pupil for training?

Mr. TAYLOR. It depends on the nature of the course and how long the student has to be there and they vary all the way from 9 months to 2 years, depending on the nature of the course.

DROPOUT RATIO

Mrs. HANSEN. What is your percentage of dropouts?

Mr. TAYLOR. Percentage of dropouts is approximately 20 of those who start.

Mrs. HANSEN. That is 20 out of—

Mr. TAYLOR. Twenty percent of a hundred percent.

Mrs. HANSEN. What are the reasons for the dropouts?

Mr. TAYLOR. The reasons primarily are lack of followthrough and interest and motivation on the part of the students who come. Some of those who don't finish the AVT courses stay on and get jobs. They get tired of the educational business and they think they know enough to go out and go to work and start earning money.

Mrs. HANSEN. How successful are they?

Mr. TAYLOR. Some of those 20 percent who do not finish, some stick it out and some do not. Many are not sufficiently prepared.

Mrs. HANSEN. What happens to that 20 percent?

Mr. TAYLOR. Largely they return to the reservation.

Mrs. HANSEN. What is the return percentage of those who continue the training?

Mr. TAYLOR. We just completed a study of a pilot group. You will remember we made a study of a sample of the 1963 graduates in 1966 and now we have just finished another study of the same group and we find that around 40 percent of the group that does finish goes back to the reservation and are engaged in employment there.

Mrs. HANSEN. Are any of them involved in new industries on reservations or starting new industries?

Mr. TAYLOR. Yes, and in other activities on or near the reservation for which they are now qualified, for which they weren't qualified before they had the training. About 60 percent are in cities or non-reservation locations doing work related to their training, of which about 10 percent remain in the city in which they took their training. That is an interesting distribution.

NEED FOR ADDITIONAL FUNDS

Mrs. HANSEN. If you don't receive this money, will the 4,110 people have to wait until some future date to continue the training?

Mr. TAYLOR. That is correct.

Mrs. HANSEN. What do they do in the meantime?

Mr. TAYLOR. They will be on welfare, some of them, or odd jobs, part-time employment; anything they can do.

Mrs. HANSEN. How many of them will be on welfare?

Mr. TAYLOR. I just don't know. I don't know the present situation of these.

Mrs. HANSEN. If we had some comparable costs, we could see a direct relationship between the trainees and nontrainees as to their future success.

How many of those who have completed this course return to welfare? BIA has a lot of statistics, I am sure.

Mr. TAYLOR. On this sample we have made, we might be able to find out what happened to those who didn't complete, if we can track them down, as to whether they are on welfare or not.

Mrs. HANSEN. If your welfare percentage is being reduced, it then becomes a very important factor to us when we consider additional funds for the Bureau. Do we provide funds to take people off welfare and, therefore, create a better economy not only for them but for ourselves? Everyone who is employed pays back an income tax to the Government.

It would seem to me, if you develop statistics on this, it might be very valuable.

Mr. TAYLOR. That is right.

Some of the figures that might be of interest are some of the income levels they are now getting.

Mrs. HANSEN. Let's have them. I think that would be very helpful to the committee.

Mr. TAYLOR. On direct employment the average hourly rate of the study sample was \$2.07; the OJT, \$1.78; and institutional training, which is the one we are talking about today, \$2.36 an hour on the average and this includes the ladies, some of whom were in much lower paying jobs than some of the men in higher hourly rates. Average overall was \$2.18.

The annual income of recipients of institutional training ran \$4,900 a year. If you take the household income—because sometimes more than one person is working—it came out at \$7,460 a year. So we are getting to where they can make their way in the urban environment, which is very encouraging to us.

Mrs. HANSEN. You had better be prepared to provide us a good summary of statistics in January.

PERSONNEL COMPENSATION

Your personnel compensation request is for \$377,000. Would you give a breakdown of this figure?

Mr. NORWOOD. We have 50 positions in AVT and none in the education item.

Mrs. HANSEN. None in the scholarship fund?

Mr. NORWOOD. That is right.

Mrs. HANSEN. Can your current staff handle this?

Mr. NORWOOD. Yes.

Mrs. HANSEN. Why do you need a large staff for vocational training?

Mr. TAYLOR. These people come from all reservations to the employment centers for training and the main impact on personnel is processing applicants at the reservation level. The person indicating an interest in employment comes to the reservation employment officer and is told about alternatives and the circumstances in the city and we try to get him ready for this to see if he really wants to go.

Mrs. HANSEN. Do you have a followup service?

Mr. TAYLOR. In the place to which they go there is a very definite followup.

Mrs. HANSEN. What about during the training time?

Mr. TAYLOR. During the training time, yes. And especially visits to the home during the training time so the dependents are employed in some activity and not just bored to death while the trainee is out working. The family is made aware of the social services, school facilities, recreational activities, and other facilities of the city. They don't sit around and wonder how to work their stove, somebody comes in and helps them.

Mrs. HANSEN. Frequently there is a transition from a very unsophisticated environment to one that is very sophisticated.

How will you provide for these additional personnel under your present personnel ceiling?

Mr. TAYLOR. This will up the amount of money available for personnel, the authorized personnel, but it will be very difficult to utilize because of the general ceiling under which we are operating, so it will put a squeeze on us.

Mrs. HANSEN. Then why do you need additional funds for this program?

Mr. TAYLOR. We won't be able to use it for personnel. We will use it for additional trainees. We will probably have to work these poor fellows out on the reservation overtime to process these people and get them into training.

TRAVEL AND TRANSPORTATION

Mrs. HANSEN. Are your travel and transportation funds for the trainees?

Mr. TAYLOR. Yes, ma'am.

Mrs. HANSEN. And the supervisors, I take it.

Mr. TAYLOR. In a very limited amount.

This money would be primarily for trainees.

SUPPLIES AND MATERIALS

Mrs. HANSEN. You request \$17,000 for supplies and materials. What is this for?

Mr. TAYLOR. I do not know which item that is. Is that the AVT item?

Mr. NORWOOD. Yes.

Mr. TAYLOR. I do not know what it is other than forms, gas and oil, and other things they need to run these offices and help the trainees when they arrive in the city. I do not know the details of what is in there.

Mrs. HANSEN. You better provide the details for the record.

Mr. TAYLOR. Yes.

Mr. NORWOOD. Part of the explanation is that we buy clothing for some of these people.

Mrs. HANSEN. That is what I wanted to know.

Mr. NORWOOD. We have to buy household items, such as pots and pans and dishes.

Mrs. HANSEN. Suppose a family leaves the reservation to move into an urban area for training and they have to make a deposit for gas and electricity service. Does this item take care of service deposits?

Mr. NORWOOD. It does.

Mrs. HANSEN. What is the \$12,000 requested under equipment to be used for?

Mr. NORWOOD. We buy some furniture that would be classified as equipment. Office equipment for the staff handling these services is also included in this item.

Mrs. HANSEN. Why don't you use some of the equipment you have sitting around in your Indian schools?

Mr. TAYLOR. We would not want to put that in these homes.

Mrs. HANSEN. Mr. Reifel, do you have any questions?

ADULT VOCATIONAL TRAINING PROGRAM

Mr. REIFEL. I have no questions. I do want to make an observation that with the high demand for skills that are now upon our economy, this is the time to develop skills among the Indians so that you can get these folks in jobs that will get them off the reservations. I look upon this adult vocational training as one of the best programs we have in the Government for the Indian people. I hope we will be able to act favorably upon your request.

Mr. TAYLOR. As a matter of information, the backlog we have on completed applications and applications in process is 2,500. This program is really rolling. There has never been so much enthusiasm and motivation on the part of the people on the reservation. In other words, we do not think the barrel will run dry at all. It is a matter of being physically able to handle the applications. Of course, the committee knows that both of these items were presented in the President's message and recommended.

Mr. REIFEL. Yes.

Mrs. HANSEN. You have never found this committee at any time reluctant to fund a sufficient program for the Indians. This committee has at all times done everything they could for the Indian programs. Maybe when Mr. Zellers gets pushing on these programs, you will be able to lower the cost of Indian education and have some more money available for scholarships.

I am sure that when you work out the details with the State of Alaska, and you are able to do it on an orderly basis as part of the public school system of Alaska, they and we are going to be better off, and the whole system of Indian education is going to be improved. Don't you agree?

Mr. ZELLERS. Yes; we think so.

ADEQUACY OF INDIAN PROGRAMS

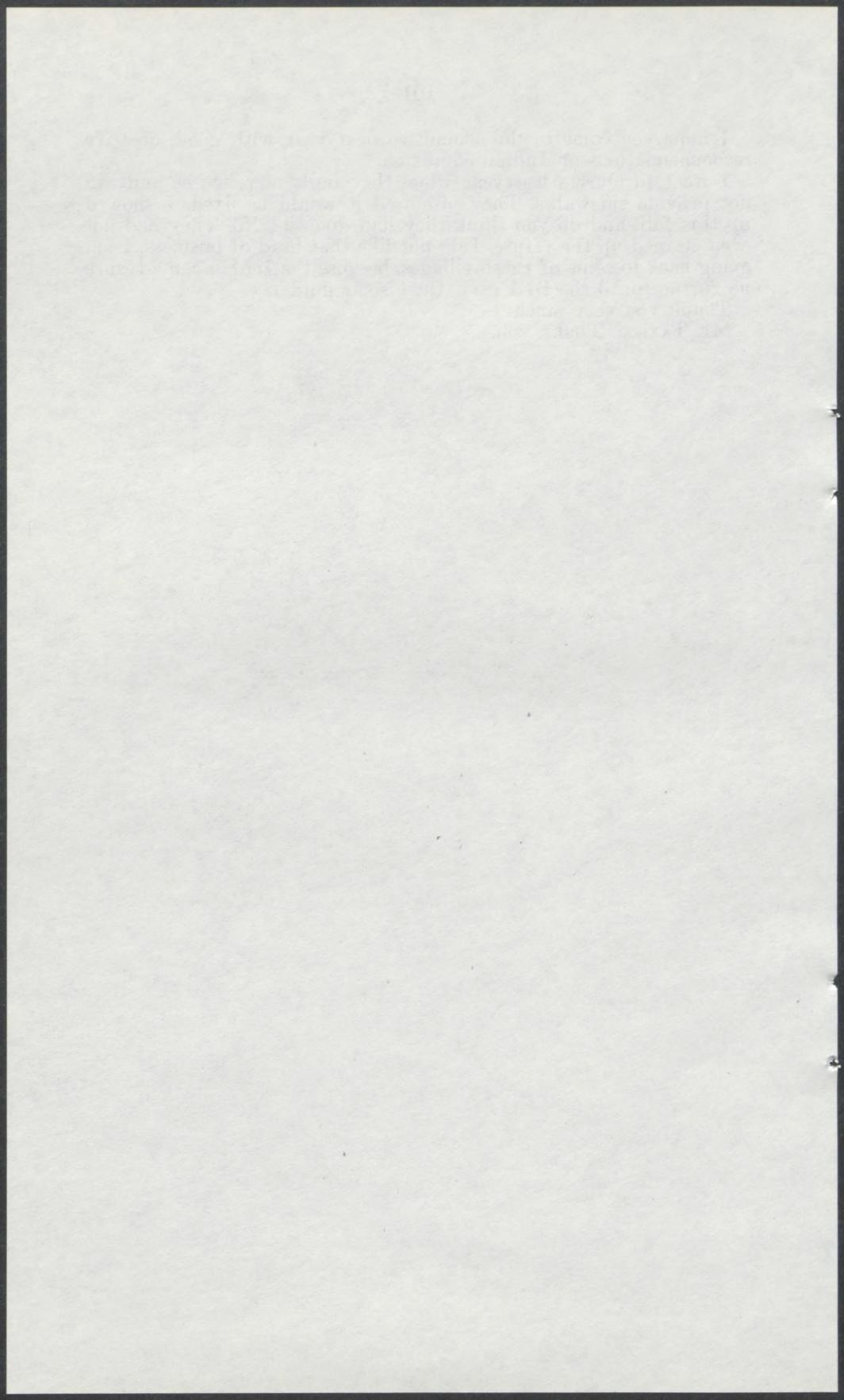
Mrs. HANSEN. I am very glad I went to Alaska. That was a very profitable trip. We have an exciting challenge in Indian education there, and it must be met. The Bureau of Indian Affairs can no longer afford not to have an imaginative, creative, well-programed organization.

I hope you come to the committee next year with good, creative recommendations on Indian education.

I went to Queets last year when they built new houses and did not provide sidewalks. They promised it would be fixed. I showed up this fall, and do you think they had done it? No. They had not even cleaned up the refuse. I do not like that kind of business. I am going back to some of those villages, because the Indian can advance no further until the BIA gives them some guidance.

Thank you very much.

Mr. TAYLOR. Thank you.



SUBCOMMITTEE ON DISTRICT OF COLUMBIA APPROPRIATIONS

WILLIAM H. NATCHER, Kentucky, Chairman

ROBERT N. GIAIMO, Connecticut GLENN R. DAVIS, Wisconsin
EDWARD J. PATTEN, New Jersey JOSEPH M. McDADE, Pennsylvania
DAVID PRYOR, Arkansas DONALD W. RIEGLE, Jr., Michigan

DISTRICT OF COLUMBIA

FRIDAY, OCTOBER 4, 1968.

WITNESSES

THOMAS W. FLETCHER, DEPUTY COMMISSIONER
D. P. HERMAN, BUDGET OFFICER, DISTRICT OF COLUMBIA

Mr. NATCHER. The committee will come to order.

At this time we take up the supplemental requests for the District of Columbia contained in H. Doc. 393.

I believe the amount that we are considering at this time totals \$8,562,000 in Federal funds and \$11,644,900 in District of Columbia funds. Also, we are considering a request for \$150,000 for the Commission on the Revision of the Criminal Laws of the District of Columbia which would be financed by the direct appropriation of Federal funds. A similar request for 1968 was denied by the Congress in the Second Supplemental Appropriation Bill, 1968.

At this point in the record we shall insert the entire justifications for the amount set forth in the House document that I just mentioned.

(The justifications follow:)

Appropriation: Loans to the District of Columbia for Capital Outlay

For an additional amount for "Loans to the District of Columbia for Capital Outlay," \$8,562,000, to remain available until expended and to be advanced upon request of the Commissioner to the general fund.

A statement of the financial condition of the general fund for Fiscal Year 1969 follows:

	Conferees Action	Supplemental H. Doc. 373	Proposed for later Transmittal	Revenue Changes August 1968	Total Revised Request to Congress
<u>Estimated funds available:</u>					
Balance at beginning of year.....	(-)4,029	.....	.....	.....	(-)4,029
Unexpended balance released to surplus.....	6,000	.....	.....	(-)1,700	4,300
<u>Revenues:</u>					
<u>Collections:</u>					
Current taxes.....	330,600	.....	.....	(-)6,650	323,950
Revenues from new taxes.....	22,600	.....	.....	(+)1,500	24,100
Total collections.....	353,200	.....	.....	(-)5,150	348,050
Federal payment.....	79,000	.....	11,000	.....	90,000
<u>Federal loan:</u>					
Public works.....	51,564	5,412	.....	.....	56,976
Higher education.....	5,659	.....	.....	.....	5,659
Rapid rail transit.....	.....	3,150	.....	.....	3,150
Total Federal loans.....	57,223	8,562	.....	.....	65,785
Total estimated funds available.....	491,394	8,562	11,000	(-)6,850	504,106
<u>Estimated funds required:</u>					
Operating expenses.....	400,433	395	.....	.....	400,828
Capital outlay.....	81,235	11,250	.....	.....	92,485
Repayment of loans and interest.....	3,603	.....	.....	.....	3,603
Total estimate of appropriations.....	485,271	11,645	.....	.....	496,916

	Conferees Action	Supplemental H. Doc. ³⁹²	Proposed for later Transmittal	Revenue Changes August 1968	Total Revised Request to Congress
<u>Estimated funds required (continued):</u>					
1969 appropriation funded in 1970.....	22,781	.....	.....	.....	22,781
1970 appropriation funded in 1971.....	(-)42,493	(-)2,688	.....	.....	(-)45,181
Funds required, estimate of appropriation..	465,559	8,957	.....	.....	474,516
(Funds required, capital outlay).....	(61,523)	(8,562)	.....	.....	(70,085)
Reserves:					
Pay raises, classified employees.....	4,775	.....	.....	.....	4,775
Pay raises, policemen and firemen.....	6,610	.....	.....	.....	6,610
Pay raises, teachers.....	12,800	.....	.....	.....	12,800
Pay raises, wage board employees.....	.....	.....	1,779	.....	1,779
Indefinite appropriation.....	600	.....	.....	.....	600
Other supplementals.....	.....	.....	3,026	.....	3,026
Total reserves.....	24,785	.....	4,805	.....	29,590
Total funds required.....	490,344	8,957	4,805	.....	504,106
Balance at end of year.....	1,050	(-)395	6,195	(-)6,850	.....

Appropriation: General Operating Expenses

For an additional amount for "General Operating Expenses," \$367,000 payable from the general fund.

Neighborhood Service Centers, Executive Office, \$305,000:

An appropriation is requested in the amount of \$305,000 to provide for the opening on or about January 1, 1969, of five neighborhood service centers in the areas of Shaw, near northeast, Northwest #1, Congress Heights and upper Cardozo. These centers will bring residents of these neighborhoods into closer contact with the District Government, provide the District Government with better knowledge of neighborhood needs and uses of government services, and allow the District Government to provide an improved and coordinated service to the neighborhoods.

Authorization for thirty-five (35) positions is requested. Each center will have a staff of seven, including a director, an assistant director, two program analysts, an administrative assistant and two clerical positions.

These five centers are the first of a planned network of centers serving all District of Columbia neighborhoods.

Space rental, Department of General Administration, \$62,000:

This amount is necessary to rent a facility to house a new detoxification unit of the Department of Public Health. Availability of these funds will enable the Department to meet its commitment under recent legislation relating to alcoholics in the District of Columbia.

Appropriation: Settlement of Claims and Suits

For payment of claims in excess of \$250, approved by the Commissioner in accordance with the provisions of the Act of February 11, 1929, as amended (45 Stat. 1160; 46 Stat. 500; 65 Stat. 131), \$27,900, payable from the general fund.

<u>Claimant</u>	<u>Nature of Claim or Suit</u>	<u>Amount of Claim or Suit</u>	<u>Amount of Settlement</u>
American Home Assurance Co. (Manning, Walter)	Claim for damage to auto owned by Walter B. Manning when struck by Highways and Traffic vehicle in front of 1135 W St., N.E., on 2/1/66.	\$480.04	\$405.59
Hannah Friedlander et al. V. D.C., et al	Suit for personal injuries (fracture of bone in left foot) from a fall on the public sidewalk opposite 2917 Q St., N.W., on Sept. 18, 1965. Mr. Friedlander claims loss of consortium.	\$10,500.00	\$500.00 (contribution)
Erwin Asam	Claim for damage to auto when in collision with Highways and Traffic vehicle at Wisc. Ave. & Brandywine St., N.W., on 6/1/67.	\$906.29	\$400.00

<u>Claimant</u>	<u>Nature of Claim or Suit</u>	<u>Amount of Claim or Suit</u>	<u>Amount of Settlement</u>
Aetna Cas. & Surety Co. (Henry George David)	Claim for damage to auto owned by Henry George David when struck by MPD vehicle in front of 1423 Penna. Avenue, S. E., on 2/19/67.	514.64	307.27
Mary M. Calhoun v. D. C.	Claim and lawsuit for personal injuries (injury to back) from a fall on patch of frozen snow on the public sidewalk at 5001 Georgia Avenue, N. W., on 1/11/63.	10,000.00	395.00
Tinsley, et al. v. D. C.	Claim and lawsuit for personal injuries to Mrs. Tinsley (contusions and abrasions to knee; lacerations) from fall on public sidewalk at 2620 31st Place, N. E., on 9/26/66.	10,000.00	2,500.00
Benjamin Franklin Herbert, et al. v. D. C.	Lawsuit for damage to auto when struck by MPD vehicle at Georgia Avenue and Aspen Street, N. W., on 8/21/67.	644.55	644.55
Government Employees Ins. Co. v. D. C.	Claim and lawsuit for damage to auto owned by Grant Lau when in collision with Sanitary Engineering vehicle on Kenilworth Avenue, N. E., near Benning Road, on 2/24/65.	842.00	400.00
Reliance Ins. Co. (Ambrose Rusher)	Claim for damage to auto owned by Ambrose Rusher when struck by Highways and Traffic vehicle at Michigan Avenue and South Dakota Avenue, N. E., on 9/13/62.	450.00	330.00
Sarah G. Horne, et al. v. D. C.	Claim and lawsuit for personal injuries to Mrs. Horne (laceration temporal to right eye) when she was struck in the eye with object thrown by rotary mower being operated by Public Schools employee at 26th and Benning Road, N. E., on 10/12/62. Mr. Horne claims loss of consortium.	10,000.00	5,000.00 Mrs. Horne 1,000.00 Mr. Horne

<u>Claimant</u>	<u>Nature of Claim or Suit</u>	<u>Amount of Claim or Suit</u>	<u>Amount of Settlement</u>
Featherstone v. D. C.	Claim and lawsuit for personal injuries (traumatic injuries to neck back and shoulders; whiplash) sustained when the auto in which he was a passenger was struck by Sanitary Engineering vehicle at 4th and W Streets, N. W., on 12/31/64.	10,000.00	500.00
Jo Ann Powell, et al. V. D. C.	Claim and lawsuit for personal injuries (strain of cervical and lumbar spine and mild cerebral concussion) and damage to auto as a result of collision with Sanitary Engineering dump truck at 18th and Q Streets, N. W., on July 9, 1963. Mr. Powell claims loss of consortium.	65,000.00	5,000.00 Mrs. Powell 1,000.00 Mr. Powell
Hattie E. Miller, et al. v. D. C., et al.	Claim and lawsuit for personal injuries from fall on public sidewalk adjacent to 6000 13th Street, N. W., on 12/28/63, as a result of ice and snow. (Plf. sustained impacted fracture of lateral tibial plateau of left leg.)	65,000.00	2,900.00 (contribution)
George & Co.	Claim for damage to store front at 429 7th Street, N. W., when sprayed by tree spray by Tree and Landscaping Division employees on 4/10/67.	495.00	495.00
Barbara J. & George H. Adams	Claim for damage to cabin cruiser when struck by Fire Boat off Marbury Point on Potomac River 7/4/67.	684.00	456.00
Hartford Ins. Group (Smith, Robert S.)	Claim for damage to auto owned by Robt. S. Smith when struck by Department of Sanitary Engineering vehicle in front of 3216 Cleveland Avenue, N. W., on 1/25/66.	321.63	321.63

<u>Claimant</u>	<u>Nature of Claim or Suit</u>	<u>Amount of Claim or Suit</u>	<u>Amount of Settlement</u>
Alec L. France v. D. C.	Claim and lawsuit for personal injuries (fracture of right wrist) from a fall over stone carriage step located on the public sidewalk in front of 3043 N Street, N. W., on 7/2/63.	100,000.00	3,000.00
Star Mailing Service, Ins.	Claim for damage to truck when struck by Sanitary Engineering vehicle at the rear of 1833 West Virginia Avenue, N. E., on 2/17/66.	774.46	475.00
Christian v. D. C.	Claim and lawsuit for personal injuries (broken right ankle) from a fall over head of sprinkler system in tree box space at Canal Street and Independence Avenue, S. W., on 9/6/61.	75,000.00	500.00
Booker, et al. v. D. C.	Lawsuit for damage to auto when struck by Department of Highways and Traffic vehicle on Benning Road, S. E., at E Street, on 4/27/66.	719.03	464.27
Lumbermens Mutual Casualty Co. (Falls Church Garage)	Claim for damage to auto of Falls Church Garage when struck by Department of Sanitary Engineering vehicle at the intersection of South Capitol and N Streets, S. E.	378.59	378.59
Francis L. Carter	Claim for damage to auto when struck by Department of Highways and Traffic vehicle on Massachusetts Avenue at 18th Street, N.E., on 3/23/68.	436.38	436.38
Total		363,146.61	27,809.28

Appropriation: Capital Outlay

For an additional amount for "Capital Outlay," \$11,250,000, payable from the general fund. Of this amount \$8,562,000 would be financed in fiscal year 1969 by borrowing funds under existing loan authority.

Fort Lincoln Urban Renewal Area, \$7,426,000:

A new urban renewal project has been approved for the Fort Lincoln area (site of the former National Training School for Boys). Funds are requested to initiate the work of providing public facilities in this new area, as follows:

Public Schools, \$7,060,000, of which \$500,000 is for preliminary planning of schools and other types of D. C. facilities in order that they will be properly coordinated with school facilities.

Elementary School No. 1, \$5,500,000, including \$500,000 for construction services.

This school, which is to have a capacity of approximately 1,400 pupils, is to be designed and constructed over a period of eighteen months. Because the school is to be designed and constructed at an accelerated rate, the cost estimate included \$1.1 million for premium pay.

Elementary School No. 2, \$400,000.

Funds are requested for construction services for elementary school No. 2 which is to have a capacity of approximately 1,400 pupils. Construction funds, estimated to be \$4 million, would be requested in fiscal year 1970.

Junior High School, \$660,000.

Funds are requested for construction services for this junior high school which is to have a capacity of approximately 1,600 pupils. Construction funds, estimated to be \$6,600,000, would be requested in fiscal year 1970.

Public Library, \$71,000.

Funds are requested for construction services for a branch library to serve the community. Construction funds, estimated at \$715,000, would be requested in fiscal year 1970.

Fort Lincoln Urban Renewal Area - continued

Recreation Department, \$50,000.

Funds are requested for construction services for a playground to serve the community. Construction funds, estimated to be \$500,000, would be requested in fiscal year 1970.

Fire Department, \$45,000.

Funds are requested for construction services for a fire station to serve the area. Construction funds, estimated to be \$450,000, would be requested in fiscal year 1970.

Community Renewal, \$200,000.

Funds are requested for construction services for a neighborhood center to serve the community. Construction funds, estimated to be \$2 million, would be requested in fiscal year 1970.

Public Schools, \$674,000.

Benning Elementary School Replacement, \$415,000.

Additional funds for construction services, \$38,000, and for construction, \$377,000, are required as a result of a change in site location. Initially the Benning Elementary School replacement was to be erected on the site of the existing school. When it developed that a rapid transit line is scheduled to go through this property, this alternate site at East Capitol and 40th Streets, N. E. was selected.

New Elementary School, Payne Cemetery Location, \$259,000.

Additional funds are required as a result of a change in site for this new elementary school. Initially it was proposed that this school be erected on a site at 54th and C Streets, S. E. Certain civic organizations, the National Capital Planning Commission, and the Board of Education recommended that the location be changed in order to prevent the purchase of owner-occupied dwellings and relocation of families. The Payne Cemetery site was selected.

Washington Metropolitan Area Transit Authority, \$3,150,000.

Sustantive Authority and Source of Financing

The "National Capital Transportation Act of 1960," Public Law 86-669, July 14, 1960, established a National Capital Transportation Agency and authorized the State of Maryland, the Commonwealth of Virginia, and the Board of Commissioners of the District of Columbia to negotiate an interstate compact. The Act further provided that the National Capital Transportation Agency develop a regional transit plan and undertake its construction and arrange for its ultimate operation.

Public Law 89-173, the "National Capital Transportation Act of 1965," September 8, 1965, endorsed the objectives outlined in the previous Act. It approved the construction of a central core transit system as described in the Agency's report entitled "Rail Rapid transit of the Nation's Capital, 1965," and authorized appropriations of \$100,000,000 by the Federal Government and \$50,000,000 from the District of Columbia Government for financing the system.

The Washington Metropolitan Area Transit Authority was created, effective February 20, 1967, through Interstate Compact by Maryland, Virginia, and the District of Columbia, pursuant to Public Law 89-774, November 6, 1966. The Compact Consent Legislation provided that the Authority assume the functions and duties of the National Capital Transportation Agency.

Program Highlights

The Authority, in designing a Regional Rapid Rail Transit System, is working closely with the Transportation Planning Board. This Board was established pursuant to the Federal Aid Highway Act of 1962 to assure that transportation plans throughout the region, including highway and rail transit, are properly coordinated. Transit planning assumptions continue to incorporate highway programs of the District of Columbia and the other compact signatories. Rapid rail transit must be regarded as an important contributing element within the total complex of a balanced regional transportation system.

Budget estimates originally submitted for the Fiscal Year 1969 Capital program of the Washington Metropolitan Area Transit Authority included a Federal share of \$55,147,000 and a District of Columbia proportionate matching share of \$27,571,000. A Federal share of \$43,772,000 was appropriated. The availability of that amount in the reports of the House and Senate Appropriations Committee was conditioned upon the approval of a proportionate matching share of \$21,886,000 from the District of Columbia. That amount was not included in the District of Columbia appropriations authorized by P.L. 90-473 owing to the concern of the Congress over the status of the District's highway program.

Washington Metropolitan Area Transit Authority - continued

With the enactment of P.L. 90-495, a solution to the provision of a balanced transportation system is being developed by the District of Columbia and the Federal agencies concerned. The completion of this plan and the initiation of construction prior to January 1, 1969, has been directed by the President. Consequently, the appropriation of \$3,150,000 of the District of Columbia share of \$21,886,000 is being requested as a supplemental appropriation at this time.

The approval of a District of Columbia share of \$3,150,000, the release of \$6,300,000 of the appropriated Federal share of \$43,772,000, and the use of a Fiscal Year 1968 carry-over balance of \$2,908,000 will provide a sum of \$12,358,000. Within this amount, the Authority will be able to maintain a program of orderly progress short of construction. The details of the proposed program are as follows:

Engineering and design	\$6,303,300
Rights-of-Way and land	4,710,300
Reimbursements and jointly undertaken preparatory projects	<u>1,344,400</u>
	12,358,000
F.Y. 1968, Carry-over	2,098,000
New obligational authority required:	
Federal share	6,300,000
District of Columbia share	3,150,000

Engineering and design work will consist of the continuation of the general engineering, architectural and soils investigations activities now underway; final design and finish detail contracts on eleven sections of the basic system; and design work on three stage elements. Rights-of-way and land acquisition will be limited to those tracts which must be acquired to permit design to proceed. Reimbursements and jointly undertaken preparatory work include four projects requiring advance work in cooperation with the District of Columbia and the Washington Aqueduct System. This work will not involve any construction on the transit system. Rather, it will avoid costly delays and modifications at a future date.

In summary, the program described will be limited to those elements required to allow an orderly advancement of the rapid transit objective. While construction work will be deferred, costly disruption of engineering and design work will be avoided. Appropriation of construction funds early in the next session of the Congress would then make it possible to complete the Authorized Basic System in 1974.

Addendum to Supplemental Budget Request

Request to reprogram \$220,000 of the Office of Community Renewal Capital Appropriated funds to meet the capital facility requirements for neighborhood service centers. (See page 2)

In 1969 the Office of Community Renewal received a capital budget appropriation of \$650,000 for neighborhood facilities construction in the Northwest #1 Area. This was to provide 1/3 matching share for a HUD 703 capital grant of \$1.3 million. Subsequent to this appropriation the District was notified that it was designated an economic redevelopment area. This designation reduces the local matching requirements for HUD 703 neighborhood facility grants from one third to one fourth. Accordingly only \$430,000 in direct funds are needed to match the \$1.3 million grant. This means \$220,000 is available for reprogramming to match other neighborhood facilities construction grants. To support this operating budget request of \$305,000 with the necessary capital programming of service center facilities, it is requested that the Congress approve the reprogramming of the \$220,000 to acquire and renovate capital facilities suitable for service centers, in the Upper Cardozo Area and in the Near Northeast Area. This sum will earn matching Federal funds for neighborhood facilities construction grant in the amount of \$612,000.

Mr. NATCHER. We have before the committee at this time Mr. Thomas W. Fletcher, the Deputy Commissioner of the District of Columbia, together with our friend, Mr. Pete Herman, with members of his staff and other department heads that will testify before our committee on the supplemental request.

I believe you have a general statement for us, Mr. Fletcher, and we will be pleased to hear from you at this time.

GENERAL STATEMENT OF THE DEPUTY COMMISSIONER

Mr. FLETCHER. Thank you, Mr. Chairman.

I am glad to have this opportunity to appear before this subcommittee to testify on additional items for 1969, as contained in House Document 393. These requests have been limited to proposals that are of the utmost importance to the District of Columbia.

The total requests amount to \$11,645,000, which consists of \$395,000 for operating expenses and \$11,250,000 for capital outlay. The entire cost of the proposed supplemental will be charged to the general fund. The financing of operating items is well within the surplus of \$1,050,000 resulting from the final action on the 1969 appropriations. In the case of capital outlay projects, it is proposed to defer \$2,688,000 of the expenditures until 1970, leaving a balance of \$8,562,000 to be financed in 1969. It is recommended that the loan authority be increased by an equivalent amount.

The requests in operating expenses consist of \$305,000 to establish five neighborhood centers, \$62,000 for space rental to provide a new detoxification unit to enable the District to meet its commitment under new legislation pertaining to alcoholics, and \$27,900 for the payment of claims that have been approved by the Commissioner.

In capital outlay, \$7,426,000 is required to initiate projects in the Fort Lincoln Urban Renewal Area, \$674,000 for increased cost of school sites, and \$3,150,000 to maintain an orderly program for rapid rail transit short of construction.

Mr. Chairman, this presents a very brief summary of the requests and we are now prepared to discuss in detail the supplemental items for 1969.

Mr. NATCHER. Thank you very much, Mr. Fletcher.

As I understand, the total amount requested in the supplemental request under this document that we have before the committee totals—how much? What is the grand total of all the requests that we will consider this morning?

Mr. FLETCHER. \$11,645,000.

Mr. HERMAN. That is District funds, and \$8,542,000 Federal funds.

Mr. NATCHER. Now, in order for the committee to understand fully, what would you like to say about the funding of the request?

Mr. FLETCHER. As to the details or as to the source of the funds?

Mr. NATCHER. As to the source of the funds.

Mr. FLETCHER. Mr. Herman will answer that.

Mr. HERMAN. The total for capital outlay is \$11,250,000. What we are recommending is that we defer \$2,688,000 of this amount until 1970, leaving a balance of \$8,562,000 to be financed in 1969. It is our

recommendation that the loan authority be increased by an equivalent amount.

Mr. NATCHER. The loan authority would be increased accordingly for the \$8,562,000?

Mr. HERMAN. Yes, sir.

In operating expenses we are requesting \$395,000. When the conferees complete the final action on the appropriation bill there is a balance left of \$1,050,000. Our proposal is that this \$395,000 be charged against the \$1,050,000 left over from 1969.

Mr. NATCHER. Thank you, Mr. Herman.

GENERAL OPERATING EXPENSES

NEIGHBORHOOD SERVICE CENTERS

WITNESSES

MRS. MARCIA R. KUNEN, ACTING DIRECTOR, PROGRAM COORDINATION

THOMAS W. FLETCHER, DEPUTY COMMISSIONER

Mr. NATCHER. We take up at this time "General operating expenses," and the first item that appears on page 2 of the justifications is \$305,000 for five neighborhood service centers.

We are glad to have you before the committee again, Mrs. Kunen.

Mrs. KUNEN. Thank you.

Mr. NATCHER. First I would like to know if this is the beginning of a new program and what do you contemplate as far as the future is concerned?

Mrs. KUNEN. This is the beginning of a new and we feel very important program in the District of Columbia. It represents a new approach based upon past experiences and the problems that the District government is faced with in dealing with services to the inner city. It represents what has commonly been called the pooling of resources and the decentralization of resources in the District of Columbia so that we can bring them down to the neighborhood level, make them more effective, and produce an optimum result from the effort.

I would like, if I may, to read to you the justification on this program.

Mr. NATCHER. Go right ahead.

GENERAL STATEMENT

Mrs. KUNEN. We are submitting for your consideration a proposed 1969 supplemental appropriation request in the amount of \$305,000 to launch what we call the impact neighborhood center program—one of the most vital and important program development efforts of the District government. This sum of money provides administrative and operating funds for a 6-month period, January 1 through June 30, 1969 for five strategically located centers in neighborhoods of greatest need. The entire request would be payable from the general fund. Surplus funds are available to finance the request within existing revenue estimates.

JUSTIFICATION

In May of this year, the Commissioner launched a comprehensive program development effort to solve the manifold problems of the inner city. This effort is going forward on many fronts, including economic and physical rehabilitation. The Commissioner also laid stress on the clear need to revitalize and improve the process and delivery of governmental and private social services. He proposed that multiservice neighborhood centers be developed in seriously depressed areas of the District. This program development went forward as a cooperative effort between the District government and the institutions of the community. The focus of the effort is to decentralize public services, close program gaps and provide through existing institutions, new and important services at the neighborhood level. The five areas selected for this important project are Cardozo, Shaw, Northwest No. 1 area, the Near Northeast and the Highland Dwellings in the Congress Heights Southeast area. Each of these centers will provide for many of the vital governmental services which are, for the most part, either only available at central locations, which visits hardships on those in need of service, or which cannot under present arrangements fulfill their maximum potential for service. The centers will also program for valuable additions to the level of activities within the selected areas such as, quality day care; youth centers, activities and services for the aging, vocational counseling, employment programs, tutoring, and remedial education and many others. These programs and services are being developed in cooperation with all relevant public and private agencies including model cities, the neighborhood development centers, the neighborhood services project, MICCO, the National Capital Day Care Association, and community representatives through a careful distribution and development of existing resources.

By bringing together under one roof at the neighborhood level the many services which must become increasingly interrelated, we foresee that the product of the whole will far exceed the sum of individual programs operating in isolation.

In order to provide for a coordinated, cohesive program operation, and to establish the all-important liaison between the community and the center, we are requesting this supplemental appropriation to support central administrative staff at each of the five centers. The budget request includes: directors, assistant directors, program analysts, information specialists, administrative assistants, secretaries, and clerks-typists. The remainder of the budget requests funds for office equipment, telephone, stationery, maintenance and utilities, and rental and renovation costs at one prospective site.

This staff will "house-manage" each center, working with all the participating agencies and programs to achieve the maximum in quality and efficiency in center operation. The staff will be responsible for extending and expanding the opportunities for interagency dialog and interagency planning. Through these efforts we propose to launch a small but hopefully constructive effort at bridging the gap between the people and their institutions.

Mr. NATCHER. Thank you very much, Mrs. Kunen.

Mr. FLETCHER. Mr. Chairman, may I add something to Mrs. Kunen's statement?

Mr. NATCHER. Yes, Mr. Fletcher.

Mr. FLETCHER. The Commissioner strongly recommends this for the consideration of the committee. When the Commissioner made his 1970 budget presentation to the Council on Monday he stressed that this was probably the most important item in the budget so far as a new program is concerned. He feels very strongly this is a needed service and it is one he strongly recommends.

Mr. NATCHER. Mr. Fletcher, we want to thank you for your statement. I wonder why this was not brought up at the time we had the regular bill before the committee for 1969? This is a supplemental request and of course, as you understand, Mr. Fletcher, supplemental requests deal with emergencies and matters that must be attended to during the fiscal year 1969. So I am wondering how this would fit in the procedure we have followed all through the years concerning emergencies and new programs. This is a new program?

Mr. FLETCHER. Yes, it is a new program. There are two reasons for that. The first is we were still in the process of developing this program in our first year of this new government. We were not prepared at the time of the regular 1969 budget presentation to present it to you.

The other reason is that after the April disturbances it was indicated this was one of the things needed. The studies we made after the April riots, which culminated in a report made to the Council just a month ago, indicated this was one of the strong needs. We do feel it is an emergency and is proper at this time.

PERSONNEL

Mr. NATCHER. Mrs. Kunen, you have indicated to the committee in your statement that you would have to have certain directors, assistant directors, program analysts, information specialists, and other personnel if the committee approved this request. Can you give us some idea as to the number?

Mrs. KUNEN. Yes. The total is for 35 persons, seven at each of these centers.

Mr. NATCHER. Seven at each of the five centers?

Mrs. KUNEN. Yes.

Mr. NATCHER. And this would not increase your personnel over the years, this would be adequate to maintain those centers into the future?

Mrs. KUNEN. Mr. Chairman, honestly we do not know this. I have prepared a budget which represents a skeletal or very minimum budget. We are trying to move ahead with one center now, and we have borrowed from participating organizations staff to begin a center operation with existing resources in hand. We do know that the staff we have been able to borrow is at a minimal level and it is running at least to seven persons.

Mr. NATCHER. The \$305,000 requested would be for funding over how many months?

Mrs. KUNEN. Six months.

Mr. NATCHER. How are these centers located with reference to those under community renewal? Is there any connection?

Mrs. KUNEN. There are no operating centers under the community renewal program. This is a realization of a concept that was introduced in a previous budget for urban development centers. This is the first actual realization of the concept on a very minimal level.

REPROGRAMING REQUEST

Mr. NATCHER. I note here a statement attached to the supplemental justifications. You might want to explain that to the committee. It states in 1969 the Office of Community Renewal received a capital budget appropriation of \$650,000 for neighborhood facilities construction in the Northwest No. 1 area. That is one area?

Mrs. KUNEN. Yes.

Mr. NATCHER. How does that fit in?

Mrs. KUNEN. There is a neighborhood services project which flows from Federal legislation, and in the Nation, Washington is one of 16 cities, I believe, that has been selected to implement that neighborhood services project concept. When the project was begun the District government cooperated with the community effort to move forward with this, and committed itself to requesting Congress for the matching moneys to house that neighborhood services project when it is developed. Development is going forward now and the Department of Housing and Urban Development set aside a certain amount of funds to build the structure to house the program being developed by the neighborhood services project, and Congress honored the request to provide the match for the Federal grant that had already been reserved for this project.

In truth, this is a project that will ultimately house one of the centers which are going to be temporarily housed now in whatever facilities we can get either rent free or at minimal rental. But we cannot wait for that, and until that structure is built we feel it is very important for the District government to move forward with a prototype of what might come.

In this addendum to the supplemental budget it is pointed out that because the District was designated an economic redevelopment area the requirements for matching funds were lowered from one-third to one-fourth. Our appropriation was made on the basis of one-third. Therefore, we are asking you to reprogram the difference between a one-third match and a one-fourth match to help us provide the match for other neighborhood facilities. This one is not enough. The city wants to move forward with a program for at least five this year and we are going to need matching moneys. So we are requesting the committee to consider the use of these moneys for the same purpose but for other grants in other parts of the city.

Mr. NATCHER. I believe according to the local newspapers, beginning last week the District started five field offices for the members of the Council. In addition to the location and establishment of these offices we have, of course, our Health and other services. Would we end up with a duplication of services if these offices were established? Would you be over in Health?

Mrs. KUNEN. No, sir.

Mr. NATCHER. We would not want you to be in Health. Would you be in Welfare?

Mrs. KUNEN. We would not. All this planning is done with the agencies and departments of the District government and private institutions. No department or agency of government will propose that they can bring a service to one of these sites if they have something five or 10 blocks away that provides comparable service. This effort is to really bring to an optimum level the concept of the service departments, and it is really very difficult now, from the point of view of those who have worked with the community and watched the dynamics of community life and who know full well there is a wide area in which we can move into the community and barely touch the services needed. We will not supplant or supplement a single service now given.

Mr. NATCHER. We thank you for your statement, Mrs. Kunen.

At this point in the record we will insert the breakdown of the \$305,000 requested.

(The information follows:)

PROPOSED SUPPLEMENTAL APPROPRIATION, 1969, OPERATING EXPENSES—GENERAL FUND

GENERAL OPERATING EXPENSES

EXECUTIVE OFFICE—OFFICE OF PROGRAM DEVELOPMENT

Funds in the amount of \$305,000 are requested to establish a 6-month operational budget for five impact neighborhood centers: Upper Cardozo, Shaw, Northwest No. 1, Near Northeast, and Congress Heights, Southeast area. A breakdown of funds required is as follows:

Personnel	Number	Personnel compensation	Personnel benefits	Total
GS-13 Director.....	5			
GS-12 Assistant director.....	5			
GS-12 Program analyst.....	5			
GS-11 Information specialist.....	5			
GS-7 Administrative assistant.....	5			
GS-6 Secretary.....	5			
GS-5 Clerk-typist.....	5			
Total (6 months).....	35	\$169,917	\$13,083	\$183,000
Office equipment.....				31,000
Other expenses (travel, telephone, stationery, etc.).....				15,000
Rentals.....				19,000
Renovation.....				27,000
Maintenance and utilities.....				30,000
Grand total.....				305,000

Mr. NATCHER. Mr. Patten.

Mr. PATTEN. I take it we are making five little city halls?

Mrs. KUNEN. We are making five neighborhood service centers which may have some city hall functions. By the way, talking about the City Councilmen offices, when we began to develop one center we went to the City Councilman who represented the area in which the center was to be located and asked if he wanted an office there and he said he did, so we set up the first space for an outpost for a City Council member.

If you mean by city hall will there be budget offices and management—

Mr. PATTEN. No. It is a large area, 100 square miles, and the neighborhoods need many services. You are not just going to provide welfare services? What about information?

Mrs. KUNEN. No. The thing that is of interest about this is we have pledged ourselves to work with each of the communities where the centers will be, and each community comes up with their own concept of what their own needs are over and above the basic services. For example, the service you have just described is terribly important because the knowledge of how to move for a service or understand it is missing. So that would be a service. But above that, many of the communities have their own ideas of the needs of the community and we will try to realize that.

Mr. PATTEN. Of course you are only in the planning stage. It will take a pretty capable person with government background to get action and give the people satisfaction. It cannot be done by an amateur.

Mrs. KUNEN. That is correct.

Mr. PATTEN. In a way we, as Congressmen, are the liaison with the Federal Government. The Federal Government takes more money out of my district than the State, county, and city together, by far, yet they have no big 10-story office building there. Their office facilities are nothing like the State, city, and county have in my district, and who do you think is carrying the ball? Me. What I do for the Federal Government on routine social security cases, veteran cases, and so on, is tremendous, and it is just making the relationship intelligent and informative. This takes up 80 percent of my time.

Mrs. KUNEN. I really think our information officers need the training.

Mr. PATTEN. It is not easy. The mailman tells us who gets the most mail on our floor. It takes a lot of doing. To give you an illustration of what I mean, we had a very clever fellow who was a supervisor over 800 men and was very good at it but he had cataracts and his vision was very poor, so they put him on as a clerk in a department of the city where he gets the phone calls if there is a hole in the street or if they don't pick up the garbage. The supervisor tells me he is worth more than five men because he has the ability and he follows through. A lot of people listen and make a note and that is the end of it, they don't have a followthrough. This has been a lively topic in New York and in Philadelphia and I wish you success, but I really think you are shooting very low. How can you get a fellow to do a good day's work who is a GS-13, and you will have five of them, and just one typist. Who will answer the telephone, who will type the letters, who will do the filing? You will have just one typist?

Mrs. KUNEN. Well, we will try this on for size if you will allow us.

Mr. PATTEN. You can see this in operation, you know. It is already being done in places.

Mr. KUNEN. Do you know a good example of one?

Mr. PATTEN. Yes, in Philadelphia, and in New York I think they have had something going about a year now and there is quite a fight over it. I know if I walked into city hall to see the engineer or anybody else, these people know they can go down to 16th Street and talk to somebody.

Mrs. KUNEN. That is very interesting.

Mr. PATTEN. This is a supplemental you are asking for. I know you need it.

I have nothing further, Mr. Chairman.

Mr. NATCHER. Thank you very much, Mrs. Kunen.

Mrs. KUNEN. Thank you.

AVAILABILITY OF REVENUES TO FUND REQUESTS

Mr. NATCHER. Before we take up the next item, Mr. Herman, I would like to know if there are sufficient funds on hand to fund the request before us. A few moments ago I directed certain questions to you concerning the amounts. What would be the answer to this question, Mr. Herman?

Mr. HERMAN. In the statement we submitted to the committee we show we have suffered a drop in revenues of \$6,850,000. We have also reserved for pay raises roughly \$25 million. Before we submit the estimate for the pay raises we will see if we can reduce that amount. We will not know how we stand until we take a further look at our financial situation.

Mr. NATCHER. So you could not give us an estimate of a deficit that might occur at this time?

Mr. HERMAN. The deficit now is estimated at \$6,195,000. We do have to look at it closer to see what the revenues for 1969 will be.

Mr. NATCHER. Thank you, Mr. Herman.

SPACE RENTAL, DEPARTMENT OF GENERAL ADMINISTRATION

WITNESSES

JAMES L. McCALLISTER, ADMINISTRATIVE SERVICES OFFICER

DR. MURRAY GRANT, DIRECTOR OF PUBLIC HEALTH

THOMAS W. FLETCHER, DEPUTY COMMISSIONER

Mr. NATCHER. Now we take up the item of \$62,000 requested for space rental. Who will testify for this item?

Mr. HERMAN. Dr. Grant and Mr. McCallister.

Mr. NATCHER. Come around, gentlemen.

Dr. Grant, it is always a pleasure to have you and Mr. McCallister appear before this committee. You are in the same category as Pete Herman. And, Mr. Fletcher, as I have said on many occasions, the District government ought to be proud of Mr. McCallister and Dr. Grant and Mr. Herman. You are extremely fortunate in having Dr. Grant as head of the Department of Public Health of the District of Columbia.

Mr. FLETCHER. Thank you. I agree.

Mr. NATCHER. The item of \$62,000 is to rent a facility to house, I believe, a certain section of the Department of Public Health. What is this, Dr. Grant?

Dr. GRANT. Just 2 months ago, Public Law 90-452 was passed which provides and requires that the District of Columbia develop plans for the implementation of a comprehensive alcoholic rehabilitation program. As part of that program beginning on November 2, it will be required that the police department, in handling alcoholics on the streets, bring them to a detoxification center in the District of Columbia and turn them over to the custody of the Department of Public Health.

This work is a radical change from what has heretofore taken place, and it requires that the Department of Public Health have resources and facilities for coping with this problem.

We have one detoxification center authorized by this committee which has been in operation for several months now and I think is going extremely well. We expect to see some 4,500 alcoholic patients going through the facility in the first year of operation. It has 50 beds and we believe we will be able to expand this to 75 beds. We believe it will be necessary, in order for us to properly implement this statute that was enacted just 2 months ago to have 150 detoxification beds. In other words, we will need a second detoxification center and I believe if we acquire it these two will be adequate to enable us to comply with this section of the statute which I have mentioned.

This request would enable us, if granted, to move ahead in negotiating with a builder to construct a building similar to the one we have now for a second detoxification center.

Mr. NATCHER. Dr. Grant, is this an urgent matter?

Dr. GRANT. Yes. Actually, it will be very difficult for us to implement the law beginning on November 2, and the only way we can comply with it on a temporary basis is to set up certain facilities pending the construction of a second detoxification center. This act was passed just 2 months ago, and it would have been impossible for us to incorporate it in the 1969 budget presentation.

Mr. NATCHER. As I understand, this facility would be constructed privately and then rented to the District of Columbia?

Dr. GRANT. Yes, exactly as we have done on the existing detoxification center.

Mr. NATCHER. How many months would this request cover?

Dr. GRANT. Actually, we do not need the \$62,000 in this fiscal year. We do need the authorization because we will need immediately to work with a builder. It will take him probably 5 months to construct the building. I would not contemplate it would be finished before probably the beginning of the next fiscal year.

Mr. NATCHER. Dr. Grant, as I understand it, the full amount requested of \$62,000 would not be necessary at this time if you had the authority to proceed?

Dr. GRANT. Yes, sir.

Mr. NATCHER. I believe this would then encompass the payment of 1 month's rent?

Dr. GRANT. Yes, sir.

Mr. NATCHER. Mr. McCallister, let me direct this question to you.

Has the rental increased? Have any changes been made as far as this particular figure is concerned, \$62,000? Has there been any change?

Mr. McCALLISTER. We think the \$62,000 will go to \$66,500. That is based largely on the increased cost of material and labor in construction. We will not have a delay, as the doctor pointed out, assuming that we are going to use the same plan previously developed. That took quite a bit of time. Those plans are to be used. They are already approved by the Department of Licenses and Inspections and we should get very rapid treatment in the construction of this building.

Mr. NATCHER. Mr. McCallister and Dr. Grant, how much would we have to consider at this time from the standpoint of a month's rental? Give us some figures so that we can consider that; \$5,500?

Mr. McCallister. Make it \$5,500 or \$6,000.

Mr. NATCHER. Don't carry us that fast. You are carrying us real fast; \$5,500?

Mr. McCallister. Yes, sir.

Mr. NATCHER. Is that about right?

Mr. McCallister. Yes, sir.

Mr. NATCHER. Mr. Patten.

Mr. PATTEN. Did you have in mind where you will put these 50 beds?

Dr. GRANT. Yes, sir. Generally in an area between the municipal center and 15th and H Streets NW.

Mr. PATTEN. That is all.

Thank you very much, gentlemen.

SETTLEMENT OF CLAIMS AND SUITS

WITNESSES

CHARLES DUNCAN, CORPORATION COUNSEL

LYMAN J. UMSTEAD, ASSISTANT CORPORATION COUNSEL

GLORIA L. POWELL, ADMINISTRATIVE OFFICER

Mr. NATCHER. Now we take up settlement of claims and suits. The amount requested is \$27,900.

We have before the committee Mr. Duncan, our Corporation Counsel, together with certain members of his staff.

It is a pleasure to have you appear at this time.

Mr. DUNCAN. It is a pleasure to be here, Mr. Patten, Mr. Chairman, and Mr. Silsby.

Could I ask Mr. Umstead and Mrs. Gloria Powell, our administrative officer, to come up with me?

Mr. NATCHER. We are glad to have all you appear at this time.

What about the \$27,900 we have before the committee?

Mr. DUNCAN. As the chairman knows, any settlement that we enter into for claims made against the District of Columbia in excess of \$250 must be specifically appropriated. The amount here is to cover the claims which are itemized, covering a period from February to August of 1968.

Mr. NATCHER. Is there anything else the committee should know? This is a mandatory item?

Mr. DUNCAN. It is a mandatory item. I should like to say, with your permission, this is one aspect of the operation of the Corporation Counsel's Office of which I am most proud. The thought and review that was given to the settlement of each claim is meticulous and represents a real savings to the government of the District of Columbia. I am very proud of the Civil Division and the care and attention they have devoted to these claims. You can see the total now is \$363,000 that was settled for less than 10 percent of that—\$27,000.

Mr. NATCHER. Mr. Duncan, I want to thank you and the members of your staff for presenting this request to the committee. Certainly I want to concur with you that the amount involved represents, I think, a fair amount by way of settlement insofar as the District government is concerned. I think that you do a good job on these claims.

Mr. DUNCAN. Thank you.

CAPITAL OUTLAY

FORT LINCOLN URBAN RENEWAL AREA

WITNESS

HON. THOMAS W. FLETCHER, DEPUTY COMMISSIONER

Mr. NATCHER. We take up next the urban renewal area project, where the amount of \$7,426,000 is requested. This is a matter that I believe, Mr. Fletcher, was considered by the Senate in their regular bill but not by the House.

Mr. FLETCHER. That is correct.

Mr. NATCHER. When it was brought up in conference it was deferred since the matter had not been presented to the House and we had held no hearings.

At this time we would like to consider this amount of \$7,426,000.

Mr. Fletcher, do you or any of the department heads want to make a brief statement to the committee concerning this project?

Mr. FLETCHER. Yes, sir.

Let me start out with a brief statement.

GENERAL STATEMENT

Mr. FLETCHER. As the chairman of the committee is aware, this particular property was assigned to the District government by the President of the United States just a little over a year ago. It is the former training school for boys site, now known as Fort Lincoln. The request of the President was that it be developed as a model community for the District of Columbia, a model not only for us, but for the Nation.

We have been working very hard on this project since it was given to us by the President. We have hired outstanding consultants and experts to advise us on the way to develop this particular property. The matter before you today is the required public funds to start the public facilities for the development of this area.

The specific item that we are asking you for is for the first elementary school of \$5.5 million, the beginning of the construction funds for the second elementary school of \$400,000.

Again, construction services for the junior high school of \$660,000, and then the Public Library, \$71,000; Recreation Department, \$50,000; Fire Department, \$45,000; and Community Renewal, \$200,000. All of these items being for construction services.

I might mention as far as the schools are concerned, we have before you, in addition to the request for \$5.5 million, a reprogramming of \$660,000, which will reduce this amount by that \$660,000. The reason behind this, Mr. Chairman, is that our original plan is—had been and still is—to develop what is known as Project 1.

Recognizing that the housing would be put in rather quickly, we felt at that time we did not have time to build a permanent final school in that area. In working with the Citizens Council in the area, it is their desire—and in which we concur—we should not use portables but in fact provide a permanent school facility in that area.

One of the reasons that the price of this school is higher than normal is that we intend to have this school built from beginning to end in about 18 months, which will require some additional cost on construction costs and contracts. To offset that, we are recommending that the \$660,000 be applied to this construction cost so that as soon as the housing units, which will have family housing, at the Fort Lincoln site is completed, the school will be ready for them at that time.

Mr. NATCHER. Thank you very much, Mr. Fletcher.

Mr. PATTEN. You are going to have houses out there?

Mr. FLETCHER. Yes, sir. The objective is to complete the development of a community with housing. There will be some public housing—housing for the elderly, high income, and low income.

Mr. PATTEN. I go right past that as I go home.

Mr. FLETCHER. Right off New York Avenue.

Mr. PATTEN. Where?

Mr. FLETCHER. Right at the edge of the District.

Mr. PATTEN. How much land do you have there?

Mr. FLETCHER. 370 acres.

Mr. PATTEN. How much are your improvements going to take? You have to put in public schools and elementary and junior high. You are going to have a playground and sports arena or athletic field.

Mr. FLETCHER. There will be substantial costs in a development of an area this size. This is just the beginning.

Mr. PATTEN. I am thinking of the land area. You have not thought of how much you are going to save for your library of the three hundred some thousand dollars.

Mr. FLETCHER. The library is \$715,000. The recreation department facilities will be approximately half a million dollars. The fire department will cost \$450,000. Community renewal will be approximately \$2 million. There will be others, high schools, and so on.

You have to recognize—

Mr. PATTEN. How much housing will you have? How much room will you have left for housing? Those highways lock you in pretty good. Are these facilities going to be for people in this new housing construction alone? Can you reach other people?

Mr. FLETCHER. Primarily for people living in the area. In the high school and junior high area there will be some facilities available for the community itself.

Mr. PATTEN. It seems to me you have a lot of highway there. You meet the Baltimore-Washington Parkway at that point and that certainly is a barrier.

Mr. FLETCHER. This is basically to provide the service of a major community.

What is the ultimate population?

Mr. APPLEBY. The ultimate population will be 4,500 homes, some 16,000 people. It would serve, as you suggest, some surrounding area.

Mr. PATTEN. That is all.

Mr. NATCHER. Mr. Fletcher, I understand full well this is probably the most important item contained in the supplemental request before our committee.

Mr. FLETCHER. Yes, sir.

Mr. NATCHER. We read from time to time about this project.

COURT SUIT

Mr. Fletcher, I was really surprised to read, if I am not right correct me, that the committee named by the Commissioner to study, to plan and to work on this particular project, the Fort Lincoln urban renewal area project, has since their appointment filed a suit in court on this matter.

Mr. FLETCHER. They filed their intention to sue. The story behind that is this:

One of the problems that developed in the area was to get a citizens council formed in the first place. We experienced substantial difficulty in time to get all of the various interested groups to agree to sit together and form a unified citizens council. We could not wait on the planning of the Fort Lincoln project while that council was being formed.

The original intent was to appoint the council and have them go parallel with us, together, on the preliminary planning of the Fort Lincoln project. That was not possible.

We have gone ahead with the planning. Their concern was they did not want us to go ahead and implement that plan unless they themselves had an opportunity to fully participate in going over those plans. Their announced intent to file suit was in order to inform us of the fact that they wanted to participate as far as the planning is concerned.

It is my opinion that we have the full legal authority to go ahead. We are under a very tight time schedule. I am also firmly convinced we will be able to reconcile any differences we have with the council.

Mayor Washington is working closely with the council. He had a series of meetings with them and has another in the next few days. A meeting of the council was held last night and it was an excellent meeting of the council. They do feel that they can cooperate with us on this. We feel hopeful that they will plan with us and we do not feel that there will in fact be merit to the suit.

Mr. NATCHER. No suit has actually been filed up to this time?

Mr. APPLEBY. Yes, I believe so.

Mr. FLETCHER. I know they announced the intent.

Mr. NATCHER. The suit has been filed?

Mr. FLETCHER. Yes, sir.

Mr. NATCHER. Can you give the committee any idea as to when you expect the decision?

Mr. FLETCHER. No, sir. We intend to move right ahead with this project, Mr. Chairman. We are under a very tight time schedule. It is our intent, as requested by the President, to break ground in the fall on the area which will be for housing for the elderly. We recognize it is a difficult problem. We recognize that we must work with the Citizens Council. We want to work with the Citizens Council. We will work with them. At the same time, we have to proceed.

Mr. NATCHER. Mr. Fletcher, considering the facts as we have them before the committee at this time, is the \$7,426,000 requested necessary?

Mr. FLETCHER. Yes, sir.

URGENCY OF REQUEST

Mr. NATCHER. Why do you have to have all of it at this time?

Mr. FLETCHER. In order to do the proper planning and the construction services to provide facilities for the housing that we are going to start building in that area very shortly. There are not sufficient facilities in the surrounding community. One of the principal problems and the reason the Citizens Council expressed great concern—in which we concur—there has not been in the past sufficient facilities in the existing housing areas in that particular part of the District of Columbia. They do not now have sufficient public facilities.

Their concern is putting a substantial amount of increased housing and increased number of people in that area without assurance that full public facilities are going to be provided.

We want to be sure that they will have a fire station and high schools and recreation facilities and libraries and community centers that are required to provide that service to this new housing project.

AVAILABILITY OF SITE

Mr. NATCHER. Mr. Fletcher, has the land been acquired?

Mr. FLETCHER. The land is available to us upon actual filing. We don't have to pay.

Mr. NATCHER. Upon the actual filing?

Mr. FLETCHER. Yes, sir.

Mr. NATCHER. It involves how many acres?

Mr. FLETCHER. 307 acres.

Mr. NATCHER. You consider this is an urgent request, notwithstanding the fact that you do have a suit pending in court?

Mr. FLETCHER. Yes, sir.

Mr. NATCHER. Instituted by the council named by the Commissioner and which might result in a decision of the court that could hold the project up for a matter of months.

Mr. FLETCHER. Mr. Chairman, in my opinion the court will not find that way. I think we have to proceed as rapidly as we can on the development of this particular area.

There is a need for this type of facility and this service and this housing in the District of Columbia. I do not think the suit will be successful. I do feel that we can resolve our differences with the council. I feel quite confident we can do that.

I think we have to move ahead right now if we are to meet our deadline.

Mr. NATCHER. Anything else that any of you want to say in regard to this particular project?

As I said to you a few minutes ago, Mr. Fletcher, I know this is if not the most important item in the supplemental request, probably one of the most important.

Mr. FLETCHER. Yes, sir.

Mr. NATCHER. You can rest assured that we will consider it carefully.

I say to you as just one member of the committee, if you didn't have a suit pending, you would not have any trouble.

Mr. Patten?

Mr. PATTEN. I don't know anything about the suit, but I would like to see you break ground in November. That, I think, is important. I hope nobody blocks it.

Mr. FLETCHER. I don't think they will.

Mr. PATTEN. You have not had an opportunity like this in your tenure.

Mr. FLETCHER. That is correct.

Mr. PATTEN. This is where you can make a real showing. I have no further questions.

Mr. NATCHER. Thank you very much.

PUBLIC SCHOOLS

WITNESSES

**DR. WILLIAM R. MANNING, SUPERINTENDENT OF SCHOOLS
GRANVILLE WOODSON, ASSISTANT SUPERINTENDENT, BUILDINGS
AND GROUNDS**

D. P. HERMAN, BUDGET OFFICER, DISTRICT OF COLUMBIA

Mr. NATCHER. Now we want to take up next the \$674,000 item requested under "Public schools." This, I believe, pertains to the Benning Elementary School replacement, \$415,000, and also to the new elementary school, Payne Cemetery location, of \$259,000.

We have before the committee at this time, Dr. Manning, the Superintendent of Schools, together with Mr. Woodson, one of the Assistant Superintendents, and other members of their staff.

Dr. Manning, what do you want to say to us about these two items?

GENERAL STATEMENT

Dr. MANNING. Both represent a change in sites for each elementary school. With respect to the first one, it has been necessary for us to change the site as a result of the rapid transit line scheduled to go through the present site. We have selected an alternate site. This alternate site will cost some additional amount of money because of the contour of the land.

Our estimate is that the total cost will be \$415,000 on the Benning Elementary School.

Mr. NATCHER. Dr. Manning, keeping in mind the additional amount would be \$415,000, what, then, would be the total cost of the site?

Mr. WOODSON. We had \$324,000 appropriated for this site. That was in fiscal year 1968. We do have sufficient funds so that in this case we are not asking for an increase in the site costs. None of this money applies to site costs.

Mr. NATCHER. What would it apply to, then, if it is not for the site?

Mr. WOODSON. There is an increase of \$38,000 for construction services and \$377,000 for construction.

Mr. NATCHER. No part of the amount would apply to site?

Mr. WOODSON. No, sir.

Mr. HERMAN. Mr. Chairman, there will be savings in the site. We have appropriated \$324,000 for the site now and the cost is revised so that would be \$250,000. We are saving \$74,000.

Mr. NATCHER. This is an emergency matter. Dr. Manning, in your opinion should it be approved by the committee pertaining to the construction of this particular school replacement?

Dr. MANNING. Yes, sir.

Mr. NATCHER. Let us take up next the new elementary school, Payne Cemetery location, \$259,000.

What does this \$259,000 apply to?

Mr. WOODSON. This is for site.

Mr. NATCHER. Mr. Woodson, this particular item bothers the committee considerably. It involves a cemetery which encompasses some 13 acres. Explain to the committee about this and just what you were saying.

Mr. WOODSON. Mr. Chairman, in the site which we had selected for these two schools, the elementary school and the junior high school, as we propose to locate on the Payne Cemetery, presently occupied by improved property, this is a former site for these two schools.

The sites previously selected had 47 households or businesses. Twenty of these households were owner-occupied single-family dwellings and so the community and the Board of Education were pretty much aroused by the complaints from citizens. It was decided, in line with our policy to disturb as few existing units as possible, and because there was a site available that contained no live human beings, that we should move to this cemetery site.

Mr. NATCHER. Is this action the committee should take, Mr. Woodson?

Mr. WOODSON. Yes, sir.

Mr. NATCHER. Is there anything else, Dr. Manning, on this project?

Dr. MANNING. No; other than to say if we do not use this cemetery site it will be used by another organization. We are told we will have it free and clear. The only disadvantage is that it will cost more to build a school there. And I might say that in addition to an elementary school on that site there will also be a junior high school there.

Mr. NATCHER. Mr. Patten.

Mr. PATTEN. Is this filled in land?

Dr. MANNING. The contour of the land will require more grading and the actual construction will be more expensive because of the contour of the land.

Mr. PATTEN. So even if you get the land for free it will cost you more?

Mr. WOODSON. I might say we will have more land than we would have had with the combined sites. The combined sites previously were 9 acres and this was going to be very hard for us to use.

Mr. PATTEN. The most valuable land down our way is for cemetery purposes. With the increase in population we will have hundreds of thousands more to be buried every year.

Mr. NATCHER. Anything else?

Mr. PATTEN. No.

Mr. NATCHER. Thank you very much, Mr. Woodson and Dr. Manning.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WITNESSES

JACKSON GRAHAM, GENERAL MANAGER
 WARREN D. QUENSTEDT, DEPUTY GENERAL MANAGER
 SCHUYLER LOWE, EXECUTIVE OFFICER AND COMPTROLLER
 THOMAS W. FLETCHER, DEPUTY COMMISSIONER, DISTRICT OF
 COLUMBIA

Mr. NATCHER. We want to take up next the Washington Metropolitan Area Transit Authority request for \$3,150,000.

We are pleased to have before the committee at this time General Jackson Graham, along with other members of the Board and staff of the Washington Metropolitan Area Transit Authority.

General Graham, it is always a pleasure to have you appear before our committee, and I believe you have a statement for us concerning the amount requested of \$3,150,000. We will be pleased to hear from you at this time.

GENERAL STATEMENT OF GENERAL MANAGER

Mr. GRAHAM. Thank you very much. It is always a pleasure to appear before your committee.

On my left is Mr. Schuyler Lowe, our Executive Officer and Comptroller; and on his left is Mr. Warren D. Quenstedt, our Deputy General Manager.

The Washington Metropolitan Area Transit Authority appears before you today to seek your assistance in maintaining an orderly progress toward the realization of a rapid transit system in the National Capital region.

In asking this committee to approve a supplemental appropriation in the amount of \$3,150,000 of the District of Columbia proportionate share and the release of \$6,300,000 of the \$43,772,000 previously appropriated as the Federal share, the Authority is mindful of the force of circumstances which prompted the original withholding of District of Columbia funds. Your further consideration is requested at this time in view of developments since the enactment of Public Law 90-473, "District of Columbia Appropriation Act."

With the subsequent enactment of Public Law 90-495, "Federal-Aid Highway Act of 1968," a solution to the provision of a balanced transportation system is being worked on by the District of Columbia and the Federal agencies concerned. The completion of this plan and the initiation of construction prior to January 1, 1969, has been directed by the President. Consequently, the appropriation of \$3,150,000 of the District of Columbia share of \$21,886,000 is being requested as a supplemental appropriation at this time.

Inasmuch as the new highway legislation removes barriers to progress by the District of Columbia government, and the President has emphasized his concern over prompt development of a plan and rapid progress toward its execution, it is hoped that similar progress toward the rapid transit objective will now appear appropriate to this committee. In view of the need for community reassurance, such action is

extremely important to the maintenance of its confidence in Federal-local partnership which the Congress has sought.

During our previous appearance before this committee, the authority outlined in detail the progress which had been made by the several jurisdictions operating in concert under the congressionally sponsored interstate compact. While I shall not take your time today in a repetition of that presentation, there are several important features which the committee may wish to consider in the context of the situation which now prevails.

The Authority, created pursuant to that interstate compact, has moved rapidly and developed a regional mass transit plan. On March 1, 1968, the Authority and the participating jurisdictions unanimously approved a regional system. Simultaneously, a financial apportionment in support of the system was worked out. This financial program was developed around a time frame calling for completion of the authorized basic system in 1974 and of the regional system in 1980. Cost computations upon which the shares of the participants are based are made on this basis. Since each year of delay in construction will bring about a cost increase of \$25 million to the basic system and \$90 million to the regional system as a whole, it is most important to the participating jurisdictions that an early, firm fix on the financial structure underlying the system be established.

The Authority is also developing a proposed Federal-local cost-sharing arrangement. During the next several months, remaining details will be worked out. It is proposed to submit legislation in support of an administration-approved plan early in the next session of the Congress. Compact participants are planning to complete their financial arrangements prior to congressional consideration of that legislation. This will include not only the assurance of the availability of their shares of the construction costs, but the completion of all service agreements.

In view of all of these considerations, it is extremely urgent that an orderly progress toward advancement of the transit objective be maintained. This can be accomplished within the amount of funds sought and within the limits of a program that stops short of construction. Appropriation of \$3,150,000 of the District of Columbia proportionate matching share of \$21,886,000, release of \$6,300,000 of the appropriated Federal share of \$43,772,000, and the use of the \$2,908,000 fiscal year 1968 carryover will provide a program of \$12,358,000. The program thus developed is as follows:

Engineering	\$6,303,300
Rights-of-way and land	4,710,300
Reimbursements and jointly undertaken preparatory projects.....	1,344,400

Details of the program are provided for the record. Engineering and design work will consist of the continuation of the general engineering, architectural and soils investigations activities now underway; 11 final design contracts on six sections of the basic system; and design work on three equipment and train control elements. Rights-of-way and land acquisition will be limited to those tracts which must be acquired to permit design to proceed. Reimbursements and jointly undertaken preparatory work include four projects requiring advance work in cooperation with the District of Columbia and the Washington aqueduct. This work will not involve any construction on the transit sys-

tem. Rather, it will avoid costly delays and modifications at a future date.

At the close of fiscal year 1968, all but \$2,908,000 of the funds previously appropriated has been committed. The time table for District of Columbia sewer projects requires that the features which must be built in to accommodate future transit construction be financed in fiscal year 1969. These costs amount to \$815,000. The dewatering and lining of a section of the Washington aqueduct will require \$500,300. This work can be undertaken only during late fall. If it cannot be done this fiscal year, a delay of a year in the scheduling of one of the first two projects proposed for later construction will result. General engineering and design contracts basic to the orderly progress of system planning and design will require \$2,549,000. A final design contract now in progress will require \$580,500 for completion.

Thus it is evident that the funds carried over are not adequate even for past and present commitments; and, therefore, termination of the Authority's final design program and an extremely serious curtailment of the overall engineering and design program would result without the provision of additional funds. The amount sought would avoid the necessity for such actions and the resultant dissipation of the scarce skills which have been assembled by our contractors. A delay of over a year, with its attendant escalation cost, would be but the minimum effect to the program.

As serious as these problems may be, however, an even more critical situation would develop through a hiatus in the program of the Authority at this point in time. As indicated, when these budget estimates were previously discussed with this committee, the jurisdictions participating under the interstate compact had planned to place all necessary bond referendums on the November ballot. This is still their plan. Approval at this time is considered in the best interest of an orderly and timely approach to the funding of a regional system. Arresting of progress at this time would deal a serious blow to community leadership in its efforts to obtain such approval. The consequent undermining of the community efforts which have brought the transit objective to the threshold of realization would be a far more serious setback than the delay of the initiation of construction.

For all of these reasons, I respectfully urge this committee to allow the transit system an opportunity to advance along with the other elements of a balanced transportation system. As this Authority has consistently maintained, each is a part of an urgently needed whole. You may be assured of our support and participation in this common endeavor.

In completing my statement, I wish to convey the sincere regrets of James P. Gleason, Chairman of our Board of Directors, over his inability to be present because of absence from the city. A letter from Mr. Gleason, which he requested be placed in the record, was delivered to your office yesterday afternoon.

Mr. NATCHER. We want to thank you for your statement. General Graham, and I want you to know that I appreciate the full cooperation I have received from you and from the other members of your staff and from the Board generally. Certainly I understand the difficulty we are now confronted with concerning the advancement of the freeway system and the rapid transit system cannot be laid at your door. I

understand this full well. I want you to know I appreciate the efforts you and Schuyler Lowe and all these other gentlemen present with you have made to be fair, frank, sincere, and honest with your plans and proposals, keeping in mind the difficulties we have on this committee from the standpoint of trying to see that we have a balanced system of transportation. That is all we are interested in, General Graham, and as you have heard me say on more than one occasion, on our committee we are interested in seeing that we do have a balanced system, and we still believe on this committee that there is a place both for a freeway system and for a rapid transit system in our Capital City. We know that with the present-day growth of the city and the traffic situation generally, certainly there is a place for both systems in the city. There has never been any desire on my part, nor on the part of any member of this committee, to stop the rapid transit system or to kill it, because we believe on our committee there is a place for it, and I want you to know I certainly appreciate the manner in which you have handled this matter down through the last several months, which have been very difficult.

You request in your statement that Mr. Gleason's letter be filed of record. Before we file Mr. Gleason's letter of record I think it would be appropriate for me to again say to you, General Graham, and to the members of your staff, that for a number of years the members of this committee have expressed the belief that there is a place for both a freeway system and a rapid transit system in the Capital City. Since 1962 a series of delays and obstacles to the construction of the authorized highway projects have occurred. The Three Sisters Bridge project has been the focal point of the freeway system proposed in the District of Columbia and has been continuously blocked. In 1959, it was a part of the transportation plan for the region developed after 5 years of study and cooperative effort by nationally recognized experts and officials of the local governments concerned. In 1962 the Congress first appropriated money for the project. By 1966 the project was still being delayed, so the Congress asserted its position by insisting that there be a balanced transportation system instead of one so limited that the people of the area and the entire country would find their Nation's Capital to be a transportation nightmare. Progress was made in 1966 in breaking the planning logjam, but in 1967 the newly created Department of Transportation came into the picture to such an extent that the Three Sisters Bridge project was used by that Department as a means by which the entire interstate highway project in the District of Columbia was blocked.

On January 23, 1968, the Department of Transportation imposed an obligation ceiling of \$600 million in Federal funds upon the highway departments of the country which was purported to represent a normal 5 percent reduction. When applied to the District of Columbia, only \$15.8 million was allowed for the entire calendar year 1968, or an actual cutback of 70 percent based on the funds regularly apportioned to the District, or a cutback of 88 percent based on the program the District was undertaking to catch up with past delays. Later, in May of 1968, the Department of Transportation raised the District's portion of funds available to \$47 million.

In February of 1968 the U.S. court of appeals reversed a lower court ruling on a citizen's suit opposing elements of the freeway sys-

tem and in effect stopped the freeway program completely. The appeals court decision only named four projects, the Three Sisters Bridge, the North Central Freeway, and the east leg of the inner loop, all of which are on the Interstate System, and the Missouri Avenue Expressway, which is a part of the A-B-C system. The District has held, however, that even though only four projects were named in the suit, that a legal cloud has been thrown over all freeway projects and thus no further freeway projects will be started without specific authorizing legislation.

From 1962 to 1966 these kinds of delays had caused authorized highway projects which had undergone the complete appropriations process to be shunted aside so that in mid-1966 the District had accumulated \$165 million in funds that could not be used. Each year during the period, 1962 to 1966, the same thing happened, the Congress would appropriate the money, and then obstacles would be raised; so that more and more of the money provided could not be spent.

There was a slight breakthrough in fiscal year 1967 when the District was able to obligate \$58 million out of an \$82 million program. This was a greater obligation than had occurred in any of the 4 previous years, but still not keeping pace with the current program, let alone catching up with the backlog. As a result the accumulation of funds that could not be used reached \$189 million in 1967.

For the fiscal year 1968, the District had obligated \$34 million up to May 1, but due to the cutback in Federal funds and the pending lawsuit, it is estimated the accumulation of unused funds may be over \$200 million.

The delays to the freeway program in the District of Columbia have resulted in increased project costs, which are cause for considerable concern. For example, the first appropriation for the Northeast-North Central Freeway was made in fiscal year 1965, and totaled \$26,056,000. The present estimated cost is \$76,420,000. The first appropriation for the Three Sisters Bridge, now referred to as the Central Potomac River Bridge Crossing, was made in fiscal 1962, and the total estimated cost at that time was \$5,800,000. Current estimates are about \$15 million. As of May 1, 1968, the Department of Highways and Traffic has expended \$3,325,314 in preliminary engineering and design plans which have been discarded due to changes in planning, and \$1,419,431 in plans held in abeyance, for a grand total of \$4,744,745. The details supporting the figures and facts just summarized appear in part 2 of the printed hearings on the regular bill for fiscal year 1969 on pages 7 through 27.

The committee's position, that there is a place for both a freeway system and a rapid transit system in the Capital City, is still unchanged. It has been expressed over the years, both during the hearings, in its reports, and on the floor of the House. Both systems are necessary to meet the tremendous day-by-day growth of traffic and population in the metropolitan area. In 1966 the committee recommended that the funds requested for the rapid transit system be denied until approval was granted to proceed on the freeway system. The House concurred in this recommendation. A slight breakthrough did occur, as I mentioned earlier, and funds were obligated for the highway program. As a result the rapid transit funds were agreed to in conference. A similar situation existed at the time we considered the

regular bill in July of this year and the funds requested for rail rapid transit construction were denied. The following statement appeared in the committee report (House Report No. 1729, 90th Cong., 2d sess.) :

Until the freeway system is allowed to proceed the committee is again reluctant to provide additional funds for the construction of the rail rapid transit system by the Washington Metropolitan Area Transit Authority, and has accordingly denied the \$27,574,000 requested for the District of Columbia's share of capital outlay for the rail rapid transit system.

At this point in the record we shall insert the letter which I received from Mr. James P. Gleason, the chairman of the board of directors of the Washington Metropolitan Area Transit Authority.

(The letter follows:)

WASHINGTON METROPOLITAN
AREA TRANSIT AUTHORITY,
Washington, D.C., October 3, 1968.

HON. WILLIAM H. NATCHER,
*Chairman, Subcommittee on District of Columbia,
Committee on Appropriations,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: I regret, due to a scheduled trip with other governmental officials and representatives of the news media to inspect the Montreal transit system, that I am unable to be present at the hearing October 4 on the supplemental request for fiscal year 1969 funds for the Washington Metropolitan Area Transit Authority.

The decision by your committee and the Congress to delay construction funds for the rail transit system for fiscal year 1969, pending firm decisions in the District of Columbia to proceed on the freeway program, could place a considerable strain on financial aspects of the regional rail transit program for the Washington metropolitan area. Being aware of your regard for responsible utilization and programing of Federal funds, as well as your concern for balanced transportation in the Nation's Capital, I am sure you would not want the WMATA to conceal the effects of delaying the construction funds on the rail transit system.

These effects, in the main, are as follows :

1. Due to accelerating escalation in major construction costs throughout the Nation, every hour of delay is adding \$3,000 to \$4,000 per hour to the cost of the authorized basic system.

2. The basic system authorized by Congress in 1965 carried an unescalated total authorization of \$431 million—subsequently modified by Congress to \$472.5 million. With escalation computed and other costs added through necessary changes, the eventual cost of the basic system was estimated in fiscal year 1969 appropriations hearings earlier this year to be \$676 million. Delay in construction will add at least \$25 million for each year's delay.

3. The benefits lost to the metropolitan area for each year of delay—to the Federal interests, the District of Columbia, and the suburban areas of Maryland and Virginia—could effect another \$50 million in lost economic benefits annually.

The board of WMATA has on many occasions brought to the attention of responsible officials in the District of Columbia and the Federal Government your concern over the stalemate in the freeway system in the Nation's Capital. As you know, the rail transit system is closely coordinated with the completion of the region's freeway network and we are advised that District officials are working on an accelerated schedule to complete their part of the network.

Many members of Congress, through the years, have complained bitterly of the constant planning and replanning that has delayed major segments of the Nation's transportation network in our urban centers. WMATA has completed much of its planning program and has been ready to advertise contracts for construction for the past 2 months.

The Congress mandated WMATA to proceed with the construction of the basic system in the Nation's Capital which it authorized in 1965. We hope that we will be allowed to proceed before the increased costs referred to herein make it substantially more difficult for us to comply with the congressional mandate.

I appreciate your committee's consideration of these comments.

Sincerely yours,

JAMES P. GLEASON.

Mr. NATCHER. General Graham, as I understand from your statement and from the information that I have received during the past several weeks, no part of the amount requested of our committee at this time will be used for construction.

Mr. GRAHAM. This is correct, Mr. Chairman.

Mr. NATCHER. We want to say to you on the record, General Graham, the items composing the \$3,150,000 seem to be fair and seem to be items that we should approve on this committee. I think that should be on the record.

Now, Mr. Fletcher, we are glad to have you appear again before our committee and at this time I would like for you to give us a brief statement as to the freeway system. Where does it stand at this time?

STATUS OF FREEWAY PROGRAM

Mr. FLETCHER. Under the direction of the President we are proceeding under the act of Congress, title 23 of the Highway Act, to develop a proposal for a comprehensive highway plan. It is our intention to submit this plan to the Council the first week of November and also to the National Capital Planning Commission. It is contemplated the Council will hold hearings in November on the plan, which the Council is expected to adopt tentatively, and after that the NCPC will make their decision, and we hope we can let a contract for designs prior to the first of January as we have been directed by the President.

Mr. NATCHER. I would like to say to you that I hope the freeway system is expedited as much as possible. I think it is very unfair for there to be any delay that is not necessary or any delay brought about by anybody downtown which, directly or indirectly, will affect the rapid transit system we have underway.

Mr. FLETCHER. I agree with you.

Mr. NATCHER. I hope every effort will be made to move both systems. We are ready on this committee to help you move them. We are ready. Now, I believe that generally that gives our committee a good, clear understanding about the amount that is being requested.

Mr. PATTEN, any questions?

Mr. PATTEN. Well, if we are confining ourselves to the supplemental I have no questions at this time.

Mr. NATCHER. At this point in the record we will insert your supplemental budget justifications, General Graham.

(The information follows:)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

F.Y. 1969 CAPITAL BUDGET

Budget estimates originally submitted for the Fiscal Year 1969 Capital program of the Washington Metropolitan Area Transit Authority included a Federal share of \$55,147,000 and a District of Columbia proportionate matching share of \$27,574,000. A Federal share of \$43,772,000 was appropriated. The availability of that amount in the reports of the House and Senate Appropriations Committee was conditioned upon the approval of a proportionate matching share of \$21,886,000 from the District of Columbia. That amount was not included in the District of Columbia appropriations authorized by P.L. 90-473, owing to the concern of the Congress over the status of the District's highway program.

With the enactment of P.L. 90-495, a solution to the provision of a balanced transportation system is being developed by the District of Columbia and the Federal agencies concerned. The completion of this plan and the initiation of construction prior to January 1, 1969, has been directed by the President. Consequently, the appropriation of \$3,150,000 of the District of Columbia share of \$21,886,000 is being requested as a supplemental appropriation at this time.

The approval of a District of Columbia share of \$3,150,000, the release of \$6,300,000 of the appropriated Federal share of \$43,772,000, and the use of a Fiscal Year 1968 carry-over balance of \$2,908,000, will provide a sum of \$12,358,000. Within this amount, the Authority will be able to maintain a program of orderly progress short of construction.

Engineering and design work will consist of the continuation of the general engineering, architectural and soils investigations activities now underway; final design and finish detail contracts on eleven sections of the basic system; and design work on three stage elements. Rights-of-way and land acquisition will be limited to those tracts which must be acquired to permit design to proceed. Reimbursements and jointly undertaken preparatory work include four projects requiring advance work in cooperation with the District of Columbia and the Washington Aqueduct System. This work will not involve any construction on the transit system. Rather, it will avoid costly delays and modifications at a future date.

In summary, the program described will be limited to those elements required to allow an orderly advancement of the rapid transit objective. While construction work will be deferred, costly disruption of engineering and design work will be avoided. Appropriation of construction funds early in the next session of the Congress would then make it possible to complete the Authorized Basic System in 1974.

SUMMARY OF ESTIMATES

(Dollars in Thousands)

<u>ACTIVITY</u>	<u>ESTIMATE</u>
Engineering and Design	\$ 6,303.3
Rights-of-Way and Land	4,710.3
Reimbursements and Jointly Undertaken Preparatory Projects	<u>1,344.4</u>
TOTAL	<u>\$12,358.0</u>

 FUNDING

Carryover From Prior Year Funds-FY 1968	2,908.0
New Obligational Authority Required:	
Federal Share	6,300.0
District of Columbia Share	<u>3,150.0</u>
TOTAL FUNDING	<u>\$12,358.0</u>

The specific elements of the program are as follows:

I. <u>ENGINEERING AND DESIGN</u>	\$ 6,303,300
A. <u>System standards, criteria, specifications and scheduling</u>	\$ 2,249,000

This item, which includes both engineering and architectural design, is a continuing work item that will last throughout the design and construction periods of the rail rapid transit system.

The standards, criteria, general specifications, general plans, and directive drawings for the subway construction were completed in FY 1968. The standards, criteria, general specifications, general plans and directive drawings for the balance of the system will be in process during FY 1969.

Work on final design, started in FY 1968, will continue throughout FY 1969.

Specific work programs for this item are as set forth below:

System Scheduling. Programming and coordination of final design activities and preparation of schedules for operational testing of facilities and equipment for proper phasing into entire system program will continue. This includes preparation of critical path networks and use of critical path methods and scheduling for all phases of the project to insure meeting required dates.

Property Surveys. Property surveys for easement and deed descriptions as indicated by design schedules will be required.

Subsurface Investigation Coordination. Subsurface soil and geological investigations for Connecticut Avenue, B&O, and Pentagon Routes were completed in early FY 1968. Work under this item will be the coordination and supervision of work specified under the item for soils investigation and testing (see subsequent section).

Design Coordination and Supervision. This activity will require coordination of design activities, including review, appropriate recommendations as to approval of plans, special provisions, and other items of construction contract documents as submitted by section designers.

Utilities Coordination. Work under this item will consist of coordination of utility construction supervision for relocation of utilities required for construction. It will also be design work for relocation of utilities on further segments in accordance with the construction schedule.

Coordination of Public Agencies and Private Interests. Coordination of the Authority's program with programs of other affected agencies, local jurisdictions, and private interests will continue.

Cost Control and Estimating. Preparation and maintenance of project expenditure and commitment schedules, estimates of the various project costs, and forecasts for budgeting and project control will continue and be expanded.

This work will be continuous in one or more of its various forms throughout the length of the project. Funds obligated to date represent major contracts with engineering and architectural firms for the above services. Funds required currently will cover the extension of these same type services into the next period.

B. Final Design Projects

\$ 3,754,300

Funds requested will provide for the award of eleven final design contracts on six projects. Each contract will require the preparation of contract plans, final engineer's estimate of cost, construction specifications and other elements of the construction contract documents. A first phase submission of contract plans and documents will insure the compliance by designers with system standards, design criteria, standard specifications and design directives previously established. The estimate of cost represents approximately five percent of the preliminary estimate of the construction cost for each design section.

Connecticut Avenue Route

Section A-1. Design includes 1,840 linear feet of double track cut and cover box plus the two level station at 12th and "G" Streets, N.W. Contract scheduled to be awarded in November, 1968 and will require ten months for completion.

Baltimore and Ohio Route

Section B-6. Design of 15,540 linear feet of double track facilities for surface operation on the right-of-way of the B&O Railroad's Metropolitan Branch. Includes two surface station in the vicinity of Michigan Avenue and Riggs Road. Contract scheduled to be awarded in November 1968 and will require fifteen months for completion.

Section B-7. Design of 5,870 linear feet of double track transit facilities for surface operation on the right-of-way of the B&O Railroad's Metropolitan Branch. Includes the surface station in the vicinity of Takoma Park. Contract scheduled to be awarded in November 1968 and will require fourteen months for completion.

Section B-8. Design of 12,760 linear feet of double track transit facilities for surface operation on the right-of-way of the B&O Railroad's Metropolitan Branch. Includes two surface stations in the vicinity of Silver Spring and Woodside. Contract scheduled to be awarded December 1968 and will require fifteen months for completion.

Section C-4. Design of 5,150 linear feet of subaqueous rock tunnel beneath Potomac and Little River Channels. Contract scheduled to be awarded in February 1969 and will require fifteen months for completion.

Section C-6. Design of 9,570 linear feet of double track transit facilities for subway and surface operation including the station at the Pentagon. Contract scheduled to be awarded in April 1969 and will require fifteen months for completion

C. Stage Contracts

Substation Equipment. Design work for the substation equipment procurement for the substations comprising the first operational phase. Contract scheduled to be awarded in November 1968 and will require twelve months for completion.

Fare Collection Equipment. Design work for the fare collection equipment to be installed in those stations comprising the first operational phase. Contract scheduled to be awarded in November 1968 and will require eighteen months for completion.

Operations Control Building. Design work for the building housing the operational control functions of the Authority. Contract scheduled to be awarded November 1968 and will require fifteen months for completion.

D. Soils Investigation and Testing \$ 300,000

With funds requested, specific information relative to localized design problems and support - excavation techniques will be obtained through the use of specialized tests. These will include instrumented excavations, test pits and borings, well pumping installations, and obtaining supplemental information on design parameters and underpinning requirements for affected structures.

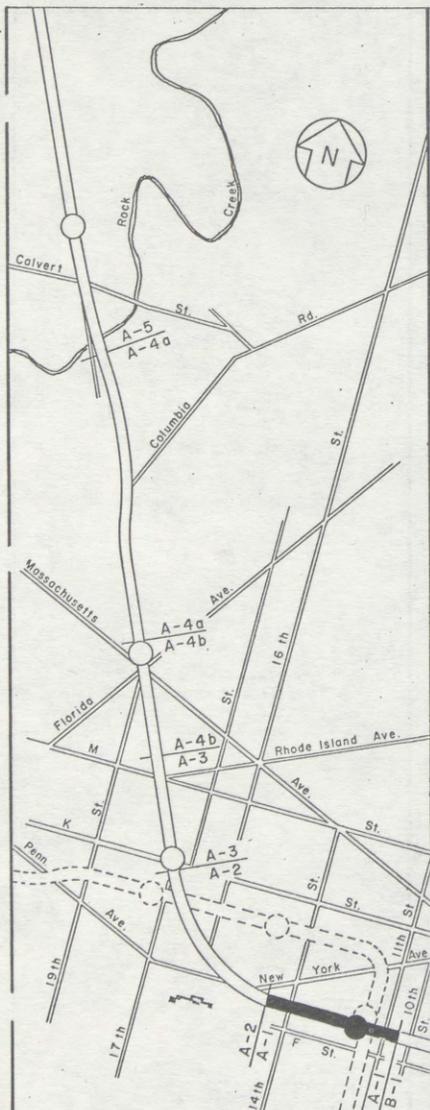
II. RIGHTS-OF-WAY AND LAND \$ 4,710,300

This program provides for the acquisition of land and rights-of-way in the total estimated amount of \$4,710,300.

The estimates are based on preliminary appraisals compiled by competent appraisers and in accordance with accepted professional standards. The individual estimates also reflect market activities in the areas where the property is located.

III. REIMBURSEMENTS AND JOINTLY UNDERTAKEN PREPARATORY PROJECTS \$ 1,344,400

Funds requested will enable the Authority to reimburse the District of Columbia for the incorporation of special transit requirements into sewer projects which are currently being undertaken by the District. Through this joint effort, substantial cost savings will be realized. It is also essential to provide for the dewatering and strengthening of the Lydecker tunnel in order to prevent costly future delays. This work can only be undertaken during the Fall when water requirements are off-peak.



ROCKVILLE ROUTE (A)

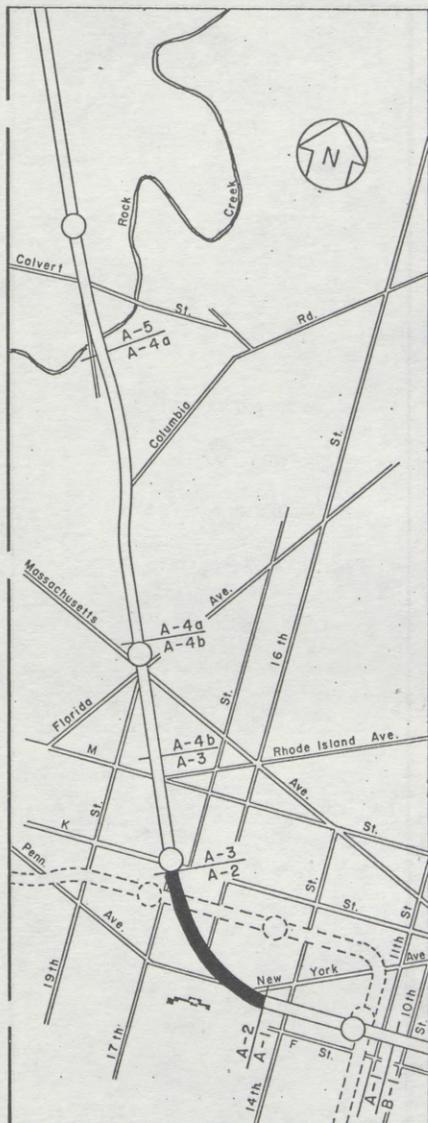
FISCAL YEAR 1969

FINAL DESIGN PROJECT A-1

RIGHT-OF-WAY COST

\$2,700,000

Location - From 10th & "G" Streets
to midblock of "G" Street
between 14th & 15th Streets



ROCKVILLE ROUTE (A)

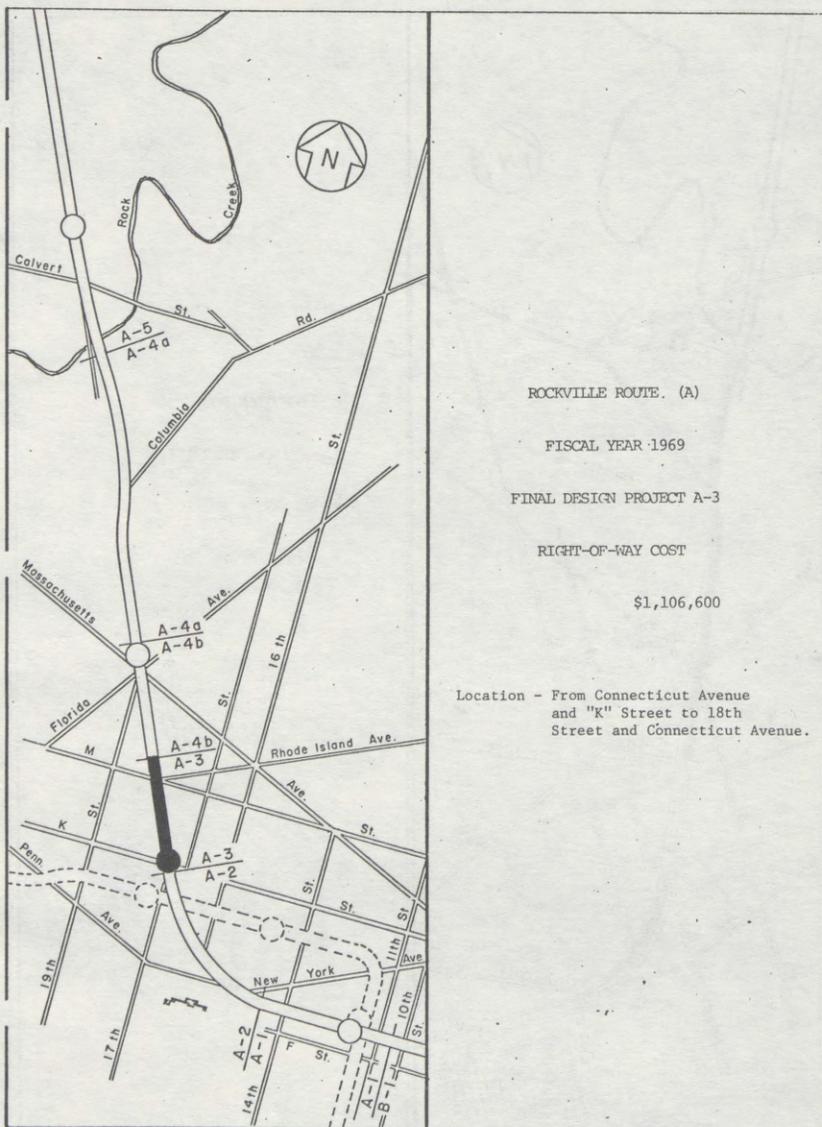
FISCAL YEAR 1969

FINAL DESIGN PROJECT A-2

RIGHT-OF-WAY COST

\$101,200

Location - From midblock of "G" Street between 14th & 15th Streets to Connecticut Avenue and "X" Street



ROCKVILLE ROUTE. (A)

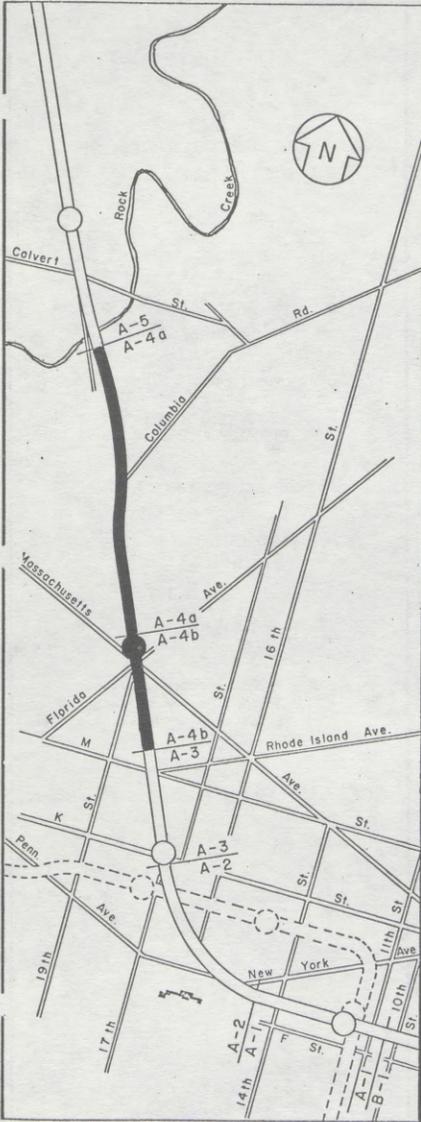
FISCAL YEAR 1969

FINAL DESIGN PROJECT A-3

RIGHT-OF-WAY COST

\$1,106,600

Location - From Connecticut Avenue
and "K" Street to 18th
Street and Connecticut Avenue.



ROCKVILLE ROUTE (A)

FISCAL YEAR 1969

FINAL DESIGN PROJECT A-4

RIGHT-OF-WAY COST

\$802,500

Location - From Connecticut Avenue
and 18th Street to South
Side of Rock Creek-
Belmont Road.

COMMISSION ON THE REVISION OF THE CRIMINAL LAWS OF THE
DISTRICT OF COLUMBIA

WITNESS

WILEY BRANTON, CHAIRMAN OF THE COMMISSION

Mr. NATCHER. We have one other item. We have before the committee at this time Mr. Wiley Branton, the Chairman of the Commission on the Revision of the Criminal Laws of the District of Columbia. The amount requested for the Commission on the Revision of the Criminal Laws of the District of Columbia is \$150,000 for salaries and expenses.

Mr. Branton, I believe we had the same request presented before our committee at the time the budget for fiscal year 1969 was presented. Or, I believe that was in a supplemental for 1968?

Mr. BRANTON. It was in a supplemental.

Mr. NATCHER. In a supplemental, that is correct. Go ahead and make your statement to the committee concerning this amount.

Mr. BRANTON. Mr. Chairman, the Congress created this Commission in December 1967. It had 3-year lifespan and the Congress authorized an appropriation of \$150,000 for the life of the Commission.

The Commission was appointed last spring but has never been given any money and we have almost used up 1 year of our 3-year lifespan.

We prepared a budget which totals \$149,578. Because of the fact we do not have a staff, we worked under a handicap to find out what it would really cost to do this work. It is our best judgment that \$150,000 will not do the job. We have prepared a budget which totals almost \$150,000 for 18 months. We think we will have to ask for an extension of the life of the Commission because we have used up almost 1 year of the 3 years. We will have to come back with a supplemental request to do the full work. I am satisfied that the work of the Commission can be accomplished within the 3-year period, but I think we will have to have additional money, and we probably will need about another \$100,000. Our best judgment is the total cost will run about \$250,000. At this time we have no funds, no staff director, and no staff, and we have not started work yet.

Mr. NATCHER. Is that \$250,000 a firm figure?

Mr. BRANTON. It is as firm as we can make it. There is a Federal Commission to revise the entire Criminal Code. They were given \$500,000 and 3 years to do the job and they think they will complete pretty much within that budget. We will borrow substantially from them because much of their work we can pick up in toto. They are starting with felonies and we would start with misdemeanors and work toward them and work together. In that way we think we can do it for about half the cost to them. This is how we reach the figure of \$250,000.

Mr. NATCHER. Mr. Branton, certainly I understand full well this is one of the items recommended in the Crime Commission report and one that has a high priority insofar as the District of Columbia is concerned. The thing that has bothered us is the overall cost. That is the matter that has concerned the committee. It was brought up, as you will recall, at the time the request was previously before the committee.

You believe the figure you fix here is as firm as you can get it at this time as far as the overall cost of this code revision request is concerned?

Mr. BRANTON. The \$150,000 will only carry us for 18 months. That leaves us 6 months short of our expiration date but because we have already gone 1 year without doing any work, we will have to have that year added on, at which time we will make a request for supplemental funds, but it is my best judgment we will not need more than \$100,000 at that time.

Mr. NATCHER. The \$150,000 is Federal money and the additional \$100,000 will be District of Columbia money?

Mr. BRANTON. No. It will be a nonexpiring grant. If we are able to save any part of the \$150,000 in the 18 months that would go forward into the next year if we have to go another year.

Mr. NATCHER. Thank you, Mr. Branton.

Mr. PATTEN. I was situated near the rooms of the Judiciary Committee and I believe in 1964 there was a Commission on the Revision of the District of Columbia Laws working in some space there. Do you know what that group did?

Mr. BRANTON. No, but they did not revise the criminal laws.

Mr. FLETCHER. There was a revision of the civil code at that time.

Mr. BRANTON. This is strictly for the Criminal Code.

Mr. PATTEN. My only thought is many of the States are revising their own Criminal Codes.

I have no further questions.

Mr. NATCHER. At this point in the record we will insert, Mr. Branton, your proposed budget as you have submitted it to the committee, together with the general breakdown of these amounts.

(The information follows:)

PROPOSED BUDGET FOR THE COMMISSION ON REVISION OF THE CRIMINAL LAWS OF
THE DISTRICT OF COLUMBIA

The Commission is authorized to receive an appropriation of \$150,000 and to exist until December 27, 1970. However, on the basis of the projection set forth below, it cannot operate beyond June 30, 1970; \$150,000 will cover only 18 months of operation.

Fiscal Year 1969

(6 months—Jan. 1 to June 30, 1969)

I. Staff of the Commission:

A. Personal compensation:

Executive director (GS-15).....	\$19,780.00
1 research assistant (GS-12).....	12,174.00
1 research assistant (GS-11).....	10,203.00
1 stenographer (GS-8).....	7,690.00
1 stenographer (GS-5).....	5,732.00

Total annual salaries..... 55,579.00

One-half year..... 27,789.50

Personal benefits (minus 8 percent to cover social security, insurance, health benefits)..... 2,345.00

Total personnel cost..... 30,134.00

B. Rent and communications:

Rent:

GSA rent is \$5.00 sq. ft.:

Director's office (10 by 15).....	750.00
2 research assistants (10 by 15).....	750.00
2 secretaries (10 by 15).....	750.00

Total..... 2,250.00

One-half year..... 1,125.00

Communications:

Estimated cost for service for 6 months (5 instruments and 3 lines at \$15 per month)..... 90.00

Estimated local and long distance units..... 1,200.00

Total communication cost for 6 months..... 1,290.00

C. Travel expenses:

Estimated cost for 6 months: (Local and out of city for staff of 5)..... 500.00

D. Printing and reproduction:

Reproduction cost for 6 months..... 720.00

(This projection is made in the basis of utilization of a SCM Coronastat 55 at the estimated monthly volume of 3,000 copies. Rent per month is \$40 and cost per copy of .00163. Paper is supplied by SCM. Increased volume decreases cost per copy.)

No printing costs were projected.

E. Supplies and materials including books: Estimated cost for 6 months..... 1,000.00

F. Equipment:

Item	Purchase cost	Rented cost per month	Rented cost for 18 months
Desks, 60 by 34 (5).....	\$105.00	\$12.50	\$225.00
Chairs, swivel (3).....	25.00	5.00	90.00
Chair, secretary (2).....	16.00	5.00	90.00
File cabinets (3).....	62.00	6.00	108.00
Electric typewriters (2).....	425.00	25.00	450.00
Straight chairs (5).....	20.00	3.00	54.00
Coatrack (1).....	11.50	3.00	54.00

On the basis of the above comparison, it is clear that purchasing equipment would be more economical than renting. On this basis, purchase costs would be as follows:

Desks (5)-----	\$525.00
Chair, swivel (3)-----	75.00
Chair, secretary (2)-----	32.00
File cabinet (2)-----	124.00
Electric typewriter (2)-----	850.00
Straight chairs (5)-----	100.00
Coat rack (1)-----	11.50
Total equipment costs-----	<u>1,717.50</u>
G. Consultants and other miscellaneous expenses-----	5,392.00
Total expenditures for staff of the Commission-----	<u>41,878.00</u>
II. Members of the Commission:	
The statute specifies service by non-Government members at rate of \$100 per diem. There are 4 non-Government members.	
Estimated 10 days each-----	<u>4,000.00</u>
III. Advisory committee:	
The statute specifies travel, subsistence and other necessary expenses for members of the advisory committee:	
100 days of per diem at \$16-----	1,600.00
Travel cost and miscellaneous-----	<u>1,500.00</u>
Total -----	<u>3,100.00</u>
Total expenditures fiscal year 1969-----	<u>48,978.00</u>
FISCAL YEAR 1970 (12 MONTHS)	
I. Staff of the Commission:	
A. Personnel compensation-----	53,621.00
Personnel benefits 8 percent-----	4,690.00
1970 pay increase of 8 percent-----	4,000.00
Total personnel costs-----	<u>62,311.00</u>
B. Rent and communication:	
Rent -----	2,250.00
Communication -----	2,380.00
Total -----	<u>4,630.00</u>
C. Travel expenses: Local and out of city travel-----	<u>3,500.00</u>
D. Printing and reproduction:	
Reproduction -----	3,000.00
Printing of final report (Partial cost remainder financed by sale of copies)-----	1,500.00
Total -----	<u>4,500.00</u>
E. Supplies and material: As per estimates fiscal year 1969-----	2,500.00
F. Equipment and repairs: As per estimates fiscal year 1969-----	500.00
G. Consultants and miscellaneous expenses: as per estimates fiscal year 1969-----	10,059.00
Total expenditure for staff of Commission-----	<u>90,000.00</u>

II. Members of the Commission: Estimated 20 days each for 4 non-Government members at rate of \$100 per day-----	\$8,000.00
III. Advisory committee:	
100 days of per diem at \$16-----	1,600.00
Travel costs and miscellaneous expenses-----	3,000.00
Total -----	4,600.00
Total expenditure for fiscal year 1970-----	100,600.00
Total expenditures for Commission-----	149,578.00

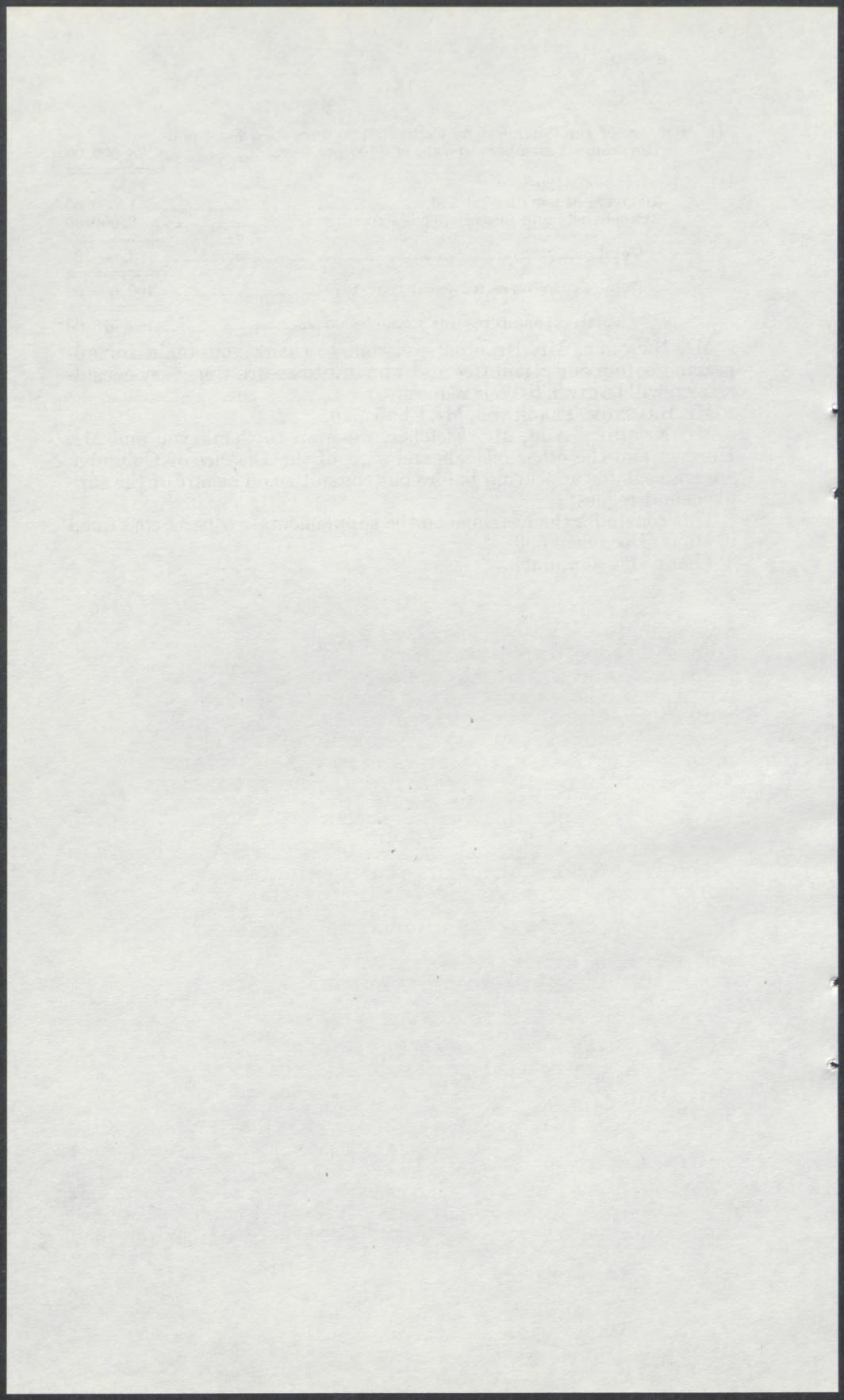
Mr. NATCHER. Mr. Branton, we want to thank you again for appearing before our committee and we want to assure you every consideration will be given to your request.

Mr. BRANTON. Thank you, Mr. Chairman.

Mr. NATCHER. And, Mr. Fletcher, we want to thank you and Mr. Herman and the other officials and staff of the District of Columbia government for appearing before our committee on behalf of the supplemental request.

This concludes the hearings on the supplemental requests contained in House Document 393.

Thank you very much.



SUBCOMMITTEE ON INDEPENDENT OFFICES AND DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

JOE L. EVINS, Tennessee, Chairman

EDWARD P. BOLAND, Massachusetts	CHARLES R. JONAS, North Carolina
GEORGE E. SHIPLEY, Illinois	WILLIAM E. MINSHALL, Ohio
ROBERT N. GIAIMO, Connecticut	LOUIS C. WYMAN, New Hampshire
JOHN O. MARSH, JR., Virginia	BURT L. TALCOTT, California
DAVID PRYOR, Arkansas	

THURSDAY, OCTOBER 3, 1968.

DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT

WITNESSES

OFFICE OF THE SECRETARY

HON. ROBERT C. WEAVER, SECRETARY
ROBERT C. WOOD, UNDER SECRETARY
THOMAS McGRATH, GENERAL COUNSEL
WILLIAM B. ROSS, DEPUTY UNDER SECRETARY
ASHLEY FOARD, DEPUTY GENERAL COUNSEL
ANDREW I. HICKEY, CONGRESSIONAL SERVICES STAFF
JOHN M. FRANTZ, SPECIAL ASSISTANT TO THE SECRETARY
NATHANIEL J. EISEMAN, DEPARTMENTAL BUDGET OFFICER

FEDERAL HOUSING ADMINISTRATION

PHILIP N. BROWNSTEIN, ASSISTANT SECRETARY FOR MORTGAGE
CREDIT AND FEDERAL HOUSING COMMISSIONER
JOHN R. McDOWELL, DIRECTOR, BUDGET DIVISION

RENEWAL AND HOUSING ASSISTANCE

DON HUMMEL, ASSISTANT SECRETARY
NAT A. WHITMIRE, ACTING CHIEF, BUDGET BRANCH

METROPOLITAN DEVELOPMENT

CHARLES M. HARR, ASSISTANT SECRETARY
ARTHUR A. DAVIS, DEPUTY ASSISTANT SECRETARY

Mr. EVINS. The committee will come to order.

We have with us this afternoon Secretary Robert C. Weaver of the Department of Housing and Urban Development, and his competent and able staff. We know them all and they are all able gentlemen.

Mr. Secretary, I want to observe that this is October 3, 1968. The hour is late and the Congress is supposed to be adjourning. We have before us a budget estimate for the Department of Housing and

Urban Development that is almost as large as the original one that we had in the spring of this year. Ordinarily supplemental requests come in small amounts. This is a very large and voluminous set of justifications at this late hour. The committee does not look with too much favor on such a large number of requests at this late hour. We always try to dissuade and discourage these supplementals. We recognize, however, that you have some items in here of great urgency and we will hear your statement on the emergency items.

Secretary WEAVER. Mr. Chairman and gentlemen, let me say that these items are all items which represent legislation that has been passed since we appeared before. None of these items has been before this committee.

Mr. EVINS. We recognize this is an outgrowth of the Housing and Urban Development Act of 1968 which was passed and signed into law this year.

GENERAL STATEMENT

Secretary WEAVER. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before your committee to support certain supplemental estimates for the fiscal year 1969 which the President has today forwarded to the Congress.

These supplemental estimates cover programs and activities which were not considered by this committee during its review of the annual budget program last spring. Specifically, the estimates cover requirements to meet the new responsibilities assigned to the Department by title VIII of the Civil Rights Act of 1968, generally referred to as the fair housing program; and the Housing and Urban Development Act of 1968.

I am going to be brief because I know the demands on your time. I want to emphasize one general thought: If these programs are not allowed to proceed promptly, the promises held out by these two major pieces of legislation will turn out to be empty gestures, and the hopes engendered among large segments of the American people will be replaced by a sense of frustrated disillusionment.

FAIR HOUSING PROGRAM

The revised request for the fair housing program is \$8 million and 775 year-end personnel, a substantial reduction over the original estimate and reflecting the lapse of some 4 months of the fiscal year.

I would like to establish some basic premises about this request and later I will be glad to discuss them in detail at your pleasure.

The functions of title VIII, the fair housing program, are new to the Department.

They are not functions that are being performed by other departments or agencies of the Federal Government that may be working in related fields.

The present equal opportunity and civil rights staff of the Department is not engaged in title VIII functions, and that staff is not adequate to take on the new responsibilities.

HOUSING AND URBAN DEVELOPMENT ACT OF 1968

On August 1, 1968, the President signed the Housing and Urban Development Act of 1968—a far-reaching statute embodying many new programs and approaches and containing substantial alterations and expansions of several existing programs. Many of these are critical to the success of the President's 10-year housing goals.

The 1968 act contained additional authorizations totaling almost \$6 billion for these programs over a period of 3 years. The supplemental estimates before you involve:

CONTRACT AUTHORIZATIONS

A. Approval of contract authorities in the amount of \$157.5 million. These will involve Federal commitments to make interest reduction payments for the following new programs:

1. \$75 million for the new homeownership assistance program, often called the section 235 program;
2. \$75 million for the new rental housing assistance program, often called the section 236 program; and
3. \$7,500,000 for the additional means of supporting the provision of college housing.

PROGRAM APPROPRIATIONS

B. Appropriations totaling some \$36.5 million for the startup of the following new programs.

1. \$15 million for grants for tenant services in low-rent public housing projects as authorized by section 204;
2. \$5 million for grants for planned areawide development, originally authorized in title II of the 1966 act and amplified by section 602 of the 1968 act;
3. \$11.5 million for interest reduction payments for the homeownership and rental housing assistance programs; and
4. \$5 million for the low- and moderate-income sponsor fund authorized by section 106.

SALARIES AND EXPENSES APPROPRIATIONS

C. Salaries and expenses appropriations of some \$8.4 million to permit the start of several programs not requiring program appropriations, including:

1. Counseling services for the homeownership assistance and marginal credit assistance programs as authorized in sections 101 and 102 of the 1968 act;
2. New community assistance in the form of grantees for financing land development, as authorized by title IV of the act; and
3. Administration of the Interstate Land Sales Disclosure Act contained in title XIV of the act.

LIMITATIONS

D. Limitations on administrative and nonadministrative expenses of the Federal Housing Administration amounting to \$5,700,000 to handle the substantial additional processing workload that is anticipated in connection with the new and expanded programs of housing mortgage insurance.

I regard these requests as a modest—but vital—beginning toward the goals the President has enunciated.

I will be glad to answer such questions as the committee may wish to ask.

10-YEAR HOUSING GOALS

Mr. EVINS. Thank you, Mr. Secretary, for a very concise and good statement.

We have had a chance to look over your well-prepared budget. You mentioned that this is all related to the 10-year housing goals. Since this is a 10-year program, why is it necessary to act on all these items in the closing days of the Congress?

I know that you are very diligent and able and that you have a big responsibility. We can appreciate your sense of urgency. But the Congress does not see the same sense of urgency for all these items at this time.

Secretary WEAVER. Sir, I think there would be two reasons. The first is in the very nature of the goals which, as far as housing is concerned, is a prodigious goal for a 10-year period. We are already 3 months into the first fiscal year of the 10 and we are behind schedule already—behind the goals already. The longer we put it off the longer there is going to be delay.

Let me say in that connection that we have been tooling up for these programs and we have a large backlog of requests for this type of construction under our 231(d)(3) below-the-market interest rate program we cannot fund. We will lose momentum if we cannot continue this at some rate.

The second reason is the one I tried to set forth in my statement.

Mr. EVINS. We though when we talked to you personally after the passage of our recent appropriation bills, we batted about 99 percent. Now we find that you have about 15 additional requests.

Secretary WEAVER. Let me say two things to that. The first one is obvious; that is, when the action was taken on the regular appropriation bill, these items were not involved. The item on fair housing comes in because it had been enacted before we went to the Senate committee for hearings and the President sent the request over there. We never had hearings on that item before your committee.

Mr. EVINS. We never had hearings on any of these items?

Secretary WEAVER. We couldn't.

Mr. EVINS. All are new items?

Secretary WEAVER. Yes, sir.

FAIR HOUSING PROGRAM

Mr. EVINS. Let us go down the list.

The first item under your justification, gentlemen, is the fair housing program. We will insert the justification for this item at this point.

(The information follows:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpt from House Document No. ³⁹³)
90th Congress, 2nd Session

DEPARTMENTAL MANAGEMENT

FAIR HOUSING PROGRAM

"For expenses necessary to carry out the functions of the Secretary of Housing and Urban Development under the provisions of title VIII of the Civil Rights Act of 1968 (82 Stat. 81), \$8,000,000.

"This proposed supplemental appropriation would provide funds to carry out responsibilities assigned to the Secretary of Housing and Urban Development by Title VIII of the Civil Rights Act of 1968 (82 Stat. 81). These responsibilities include: (1) carrying out educational activities aimed at achieving voluntary compliance; (2) the investigation and conciliation of complaints; (3) making studies and issuing reports concerning the nature and extent of discriminatory housing practices; and, (4) assisting and cooperating with Federal, State, local and private agencies and organizations which carry on programs to prevent or eliminate discriminatory housing practices."

Fair Housing Program

HIGHLIGHTS OF BUDGET ESTIMATE

The Budget Estimate of \$8,000,000 will provide a direct staff of 675 in Washington and the field and other resources for the prompt implementation of the Department's assigned responsibilities.

This estimate for the Fair Housing Program is in addition to that contained in the regular fiscal year 1969 Budget for contractor compliance and affirmative action programs under Executive Order 11246 and under Title VI of the Civil Rights Act of 1964, and for carrying out the Executive Order on Equal Opportunity in Housing.

Title VIII of the Civil Rights Act of 1968 assigns to the Secretary specific responsibilities for carrying out the provisions against discrimination. It directs him to carry out an affirmative compliance program (including the handling of complaints) a program of education, technical assistance, and cooperation with Federal, State, Local and private groups and to promote understanding and acceptance of the law and voluntary compliance.

Prohibited discriminatory practices. Title VIII makes discrimination unlawful, if on account of race, color, religion or national origin, in the following actions:

- *** To refuse to sell or rent or to negotiate for sale or rental of a dwelling; to discriminate in the terms or conditions of sale or rental; to discriminate in advertising respecting the sale or rental of a dwelling; to falsely represent that a dwelling is not available for sale or rental; to practice blockbusting;
- *** To deny a loan or discriminate in the terms and conditions of financing;
- *** To deny access to real estate services, including multiple listing services.

Coverage and timing. The law provides for a time-staged coverage of prohibitions. Those prohibitions affecting various types of Federally-assisted housing become effective immediately. Certain other types of housing, (but not single-family owner occupied houses) are covered after December 31, 1968, as are the provisions concerning brokerage services and financing. All dwellings, including single-family houses sold or rented through real estate agents, but with certain other exceptions, are covered after December 31, 1969.

Fair Housing Program

Role of the Department. The law provides for an Assistant Secretary, who will carry out the directives assigned to the Department. These include the following:

- *** To begin immediately such educational activities which will further the purposes of the law;
- *** To render technical assistance to and cooperate with Federal, State, public or private agencies and organizations involved with programs to end discriminatory housing practices;
- *** Through administrative procedures, to handle complaints filed by aggrieved persons, and, through investigations, hearings and informal processes of conciliation, to resolve complaints and obtain voluntary compliance.

DEPARTMENT RECOMMENDATION

The Department recommends an appropriation of \$8,000,000 to carry out the provision of Title VIII of the Civil Rights Act of 1968.

Introduction

Title VIII of the Civil Rights Act of 1968 assigns to the Secretary specific responsibilities for carrying out the provisions against discrimination in the sale and rental of housing, in housing financing practices and in the providing of brokerage services. The Act, approved April 11, 1968, declares the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States. It charges the Secretary to begin immediately programs to achieve a climate of understanding and acceptance of the law, to promote voluntary compliance and, as specific provisions of the law become operative, to carry out a program of affirmative compliance.

EXPLANATION OF THE LEGISLATION

The text of the Fair Housing Title of the Act is reproduced beginning on page 28 of this section. The key provisions are summarized below.

Acts Prohibited by the Fair Housing Title

The following acts are prohibited where they are based on discrimination on account of race, color, religion or national origin:

- (1) Refusal to deal. To refuse to sell or rent or to negotiate for the sale or rental of a dwelling. (Section 804(a));

Fair Housing Program

- (2) Discrimination in terms. To discriminate against any person in the terms or conditions of sale or rental of a dwelling (Section 804(b));
- (3) Discriminatory advertising. To make any statement with respect to the sale or rental of housing, indicating any racial or religious preference, or an intention to discriminate (Section 804(c));
- (4) False representations. To represent falsely to any person that a dwelling is not available for sale or rental (Section 804(d));
- (5) Blockbusting. For profit, to induce owners to sell or rent dwellings by representations regarding the entry into the neighborhood of a person or persons of a particular race, color, religion or national origin (Section 804(e));
- (6) Discrimination in financing. To deny a loan to any person on discriminatory grounds, or to discriminate in the fixing of the terms or conditions of a loan. This prohibition is applicable to banks, building and loan associations, insurance companies, or any other business involved in the making of commercial real estate loans (Section 805);
- (7) Discrimination in real estate services. To deny access to or participation in any multiple-listing service, real estate brokers' organization or other service, organization or facility relating to the business of selling or renting dwellings (Section 806).

Coverage and Timing of the Prohibitions

- (1) Discrimination in Financing, Real Estate Services and Advertising. The prohibition against discrimination in financing and the prohibition against denying access to or participation in real estate services becomes effective after December 31, 1968 and apply to all dwellings. The prohibition of Section 804(c) against discriminatory advertising applies upon enactment to all dwellings which have received the kind of Federal assistance described below and applies to all other dwellings after December 31, 1968.
- (2) The Other Prohibitions - Three Stage Coverage. With respect to the other four categories of acts prohibited by Section 804, namely, Refusal to Deal, Discrimination in Terms, False Representations and Blockbusting, the prohibitions become applicable on a three stage basis over a two year period.

Fair Housing Program

STAGE 1 - Upon enactment, the kinds of housing listed below are covered by the prohibitions if they are Federally owned or operated or if they have received (under agreements or contracts entered into after November 20, 1962 and still outstanding at the time of passage of the Fair Housing Title) Federal assistance; such as, public housing loans or grants, FHA mortgage insurance, construction or rehabilitation loans or grants, and urban renewal or slum clearance program assistance:

- Multi-family dwellings of five or more units;
- Multi-family dwellings containing four or fewer units, if the owner does not reside in one of the units;
- Single family houses not owned by a private individual;
- Single family houses owned by a private individual who owns more than three such houses or who, in any two year period, sells more than one in which he was not the most recent resident.

STAGE 2 - After December 31, 1968, the prohibitions apply to any of the four kinds of dwellings described immediately above, regardless of whether they are Federally assisted.

STAGE 3 - After December 31, 1969, single family houses owned by private individuals become covered if they are sold or rented through a broker or other person in the business of selling or renting dwellings, or if a discriminatory written notice or advertisement is used in offering to sell or rent.

These stages are summarized in the chart on the following page.

Fair Housing Program

Effective Dates of Coverage of Dwellings
Under Title VI (sec. 804)

<u>April 11, 1968</u>	<u>After Dec. 31, 1968</u>	<u>After Dec. 31, 1969</u>
Dwellings below covered if Federally assisted under agreements made after Nov. 20, 1962 and outstanding on April 11, 1968.	Dwellings below covered regardless of whether or not Federally assisted.	All dwellings previously covered plus any:
<ol style="list-style-type: none"> 1. Multi-family dwellings of five or more units; 2. Multi-family dwellings containing four or fewer units, if the owner does not reside in one of the units; 3. Single family houses not owned by a private individual; and 4. Single family houses owned by a private individual who owns more than three such houses or who, in any two-year period sells more than one such house in which he was not the most recent resident. 		<ol style="list-style-type: none"> 1. Single family houses sold or rented through a broker or other person in the business of selling or renting dwellings. 2. Single family houses offered for rent or sale through a discriminatory written notice or advertisement.
<p>The Prohibitions Do Not Apply To:</p> <ol style="list-style-type: none"> 1. Single family houses owned by a private individual owner of three or less, where a broker is not used to sell or rent and discriminatory advertising is not used. 2. Rentals in owner occupied multi-unit dwellings for two to four families. 3. Religious organizations, associations or societies in giving preferences to their members in the sale, rental or occupancy of dwellings or lodgings which they operate for other than a commercial purpose unless membership in such religion is restricted on account of race, color, or national origin; and, private clubs. 		

Fair Housing Program

MEANS FOR OBTAINING COMPLIANCE

Title VIII provides three methods of obtaining compliance: administrative investigations and conciliation, private civil action, and suits by the Attorney General.

Private individuals can seek enforcement of the Fair Housing Title by making a complaint to the Secretary of Housing and Urban Development or by bringing a civil action in court. Where the act complained of is also a violation of a State or local fair housing law, the private individual may choose under certain conditions to pursue his rights under such law rather than under the Federal Fair Housing Title.

The Attorney General may seek enforcement of the Title, through court action, in cases where there is a pattern of practice of resistance to the law or where the denial of rights to a group of persons raises an issue of general public importance.

The Complaint and Conciliation Procedure

Filing a Complaint. Any person who claims that, as of the effective date of the Title he has been discriminated against in housing may file a complaint by writing to Fair Housing, c/o U. S. Department of Housing and Urban Development, Washington, D. C., 20410. The complaint should state all the facts upon which the charge of discrimination is based, and should be notarized if possible. All FHA offices and HUD Regional Offices will be available to assist in filing of complaint and filling out complaints forms.

Upon receipt of a complaint, the Secretary will furnish a copy to the person charged with the discriminatory practice. The person charged may file an answer in writing, which should be notarized.

Referral to a State or Local Agency. In those cases where State or local law apply to the complaint and provide rights and remedies "substantially equivalent" to those under the Fair Housing Title, the complaint will be referred to a State or local agency. If the State or local agency does not commence proceedings within 30 days and carry them forward with reasonable promptness, the Secretary may require that the case be returned to him.

Investigation by the Secretary. The Secretary will investigate and notify the complainant (within 30 days of receipt of the complaint or within 30 days of the return of a case from a State or local agency) of his intent to resolve it.

Conciliation. If the Secretary decides to resolve a complaint, HUD will engage in informal and confidential conciliation to obtain resolution. If conciliation fails or if the Secretary decides not to resolve a complaint or

Fair Housing Program

otherwise does not act, the complaining party may, within the next 30 days, file a suit under section 810 of the Title.

Court Action by Private Individuals

After failure of conciliation, a party who has complained to the Secretary may bring civil suit under section 810 in the appropriate United States District Court. In States with equivalent judicial rights and remedies, such a suit would have to be brought in State court.

Alternatively, at any time within 180 days after the alleged discriminatory practice, suit may be brought under section 812 in either United States District Court or State or local court, regardless of whether there has been a complaint to the Secretary. In appropriate cases, an attorney may be appointed for the plaintiff and the payment of fees, costs, or security can be waived. The court can grant permanent or temporary injunctions, temporary restraining orders, or other appropriate relief as well as award actual damages and not more than \$1,000 in punitive damages. The courts are also directed to expedite cases under section 812 and assign them for hearing at the earliest practical date.

Interference, Coercion or Intimidation

Title IX of the Civil Rights Act of 1968 protects persons from willful interference or injury because of race, color, religion, or national origin, and because they were seeking (a) to sell or acquire housing, (b) to finance or occupy a dwelling, or (c) to exercise other rights connected with housing. The law also prohibits willful interference with those who would aid or encourage others who would exercise these rights. Criminal penalties are provided. Civil action may also be brought under section 817 against interference with rights under Title VIII.

PROCEDURES AND STRATEGY FOR CARRYING OUT THE LAW

The law provides that two methods shall be employed by the Department against discrimination because of race, color, religion, or national origin. These are (1) education and technical assistance to achieve a climate of understanding and voluntary compliance, and (2) administrative procedures in response to complaints of discrimination by individuals, leading to investigation and efforts at resolution through conciliation. The law provides, also, for private civil actions by individuals. In addition, the Attorney General may initiate civil actions where he has reasonable cause to believe that there is a pattern or practice of discrimination.

Fair Housing Program

Education and voluntary compliance activities. Section 809 directs the Secretary to begin immediately such educational activities as in his judgment will further the purposes of the law. He is directed to call conferences of persons in the housing industry and other interested parties to acquaint them with the provisions of the law, his suggested means of implementing it, and to endeavor to work out, with their advice, programs of voluntary compliance and of enforcement. The law provides that the Secretary shall pay the travel expenses and per diem for conference participants. The structure of the law, therefore, whereby the prohibitions against discrimination take effect in stages, gives the Department time to develop and carry out an effective program. The Department intends to capitalize to the maximum extent on the time available in order to pursue programs of education and technical assistance which will promote greater understanding and voluntary compliance. Immediately, therefore, meetings will be arranged at the national level with leaders and organizations in the housing, building and real estate industries to be held as soon as possible. Other meetings will be arranged with local groups, including counterparts of national groups involved in housing and in promoting open occupancy. There will be meetings with mayors and other political leaders at the local level, also. Meantime, information about the law and efforts to promote understanding will be carried out through the ongoing programs of the Department.

The Department will consult, also, with State and local officials and other interested parties to learn the extent, if any, to which housing discrimination exists in their State or locality, and whether and how State or local enforcement programs might be utilized to combat such discrimination.

Technical Assistance and Cooperation with State and Local Agencies. Section 808(e)(3) directs the Secretary to render technical assistance to and cooperate with Federal (including the Community Relations Service), State, local, public or private agencies, organizations, and institutions which are formulating or carrying on programs to prevent or eliminate discriminatory practices. Section 816 further authorizes the Secretary to cooperate with State and local agencies administering fair housing laws.

The main objective of technical assistance will be to assist the States in assuming a greater responsibility for furthering the aims of the law. Only a few States have fairly good facility for carrying out compliance programs, and fewer still have capacity for carrying out a program of the scope called for in Title VIII. Few States are adequately equipped in staff, training, experience or other resources to embark on effective compliance activities to handle referrals to the degree and within the time constraints provided in section 810(c). Consequently, the Department will seek, through technical assistance, to achieve a wider range of readiness among the States to undertake the handling of referrals as well as to strengthen their own programs.

Fair Housing Program

During the first fiscal year of operation, the Department contemplates that technical assistance to States and local public agencies would include activities such as education programs, community survey, demonstration programs and assistance in developing training programs for State and local public employees. The Department may assist local agencies in providing special counselling services to minority members on how to obtain suitable housing and adequate financing.

Administrative Procedures--Complaints, Investigations and Conciliation. Section 810 and 811 provide for administrative procedures in connection with the handling of complaints of discrimination filed with the Secretary by aggrieved persons. Complaints may be filed by persons within 180 days after an alleged discriminatory housing practice occurred, a copy of which must be furnished by the Secretary to the respondent.

Referrals to State agencies. The law provides that wherever a State or local fair housing law provides rights and remedies for alleged discriminatory housing practices which are substantially equivalent to the rights and remedies provided in the Act, the Secretary shall notify the State or local agency. The Secretary shall take no further action with respect to such complaint if the appropriate State or local law enforcement official has, within thirty days from the date the alleged offense has been brought to his attention, commenced proceedings in the matter and/or has carried forward such proceedings with reasonable promptness.

Action by Secretary. Within thirty days after receiving a complaint, or within thirty days after the expiration of the period during which the complaint has been given an opportunity for State and local action, the Secretary shall investigate the complaint and give written notice whether he intends to resolve it. If he decides to resolve the complaint, he shall proceed to try to eliminate or correct the alleged discriminatory housing practice by informal methods of conference, conciliation, and persuasion.

Investigative powers. In conducting investigations, the Secretary shall have access to records and documents, and he may hold hearings for the purpose of taking testimony. The subpoena power is provided, and witnesses may be compensated and reimbursed for mileage fees. The Act provides penalties for false testimony or for failure to testify.

Volume of complaints during first year. The estimates anticipate that the volume of complaints during the first year will range from 4,500 to 7,000. There is, of course, no first hand experience at the Federal level for such a program, but the case load of the EEO Commission during its first year was slightly under 9,000. The estimates note, further that there are already some 1,700 fair housing groups throughout the country. The submission of an average of 5-6 complaints from each of these would bring the volume to over 10,000, in a year without regard to the additional

Fair Housing Program

number of complaints which may be filed by individuals. It is anticipated that the volume of first year complaints will contain many which were filed merely because of general knowledge of existence of the Federal law, even if the relevant provisions against discrimination are not yet fully operative. All complaints which are filed will require a measure of review and response. Some investigation of each complaint will be required if only to ascertain its validity and justification under the law.

About 15 percent of the complaints may be invalid on their face, though the lack of experience makes this a highly tentative assumption. Nevertheless, this does not appear to be too high. Housing complaints are less likely to be invalid on their face than other types since the coverage of the law is fairly broad. Exclusions under the legislation may not be immediately apparent on the face of the complaint. Furthermore, the types of discriminatory practices which are prohibited are so varied that some review of each complaint will be required to ascertain if a prohibited practice is covered.

The estimates assume that at least 10% of the complaints may be referred to States or localities, based on a preliminary analysis of State and local laws, their coverage and their remedies. However, because of the short period during which the States and localities must act, and because of their current lack of staff, it is possible that as many as half may revert back to the Department.

Fair Housing Program

About 80 percent of the complaints may have to be handled entirely by the Department in the first year. The law requires the Department to investigate all complaints except those referred to States or those in which the Department lacks jurisdiction. Most complaints will require detailed investigation covering local practices in terms, conditions, and prices of sales, broker practices, past history of builders activities and current racial census of subdivisions. The estimates anticipate that as many as 3/4th of these will eventually end in conciliation proceeding as provided in section 810(a).

Judicial remedies. Judicial remedies are provided in sections 810 and 812 of Title VIII. In each of these, civil proceedings may be brought by individuals alleging discriminatory practices.

Under section 810, the Secretary has 30 days to act after a complaint is received or a case is recalled from a State or local agency. After such time, an aggrieved person may commence civil action against a respondent within the next thirty days. Such action may be brought in a U. S. District Court provided that no State or local fair housing law provides substantially equivalent judicial remedies. If the court finds that a discriminatory housing practice has occurred or is about to occur, it may enjoin the practice or order such affirmative action as may be appropriate.

Under section 812, individuals may bring suit at any time within 180 days after the alleged discriminatory practice occurred. The law provides such cases may be continued if there has been a complaint filed with the Secretary and if the court believes that efforts of the Secretary or a State and local agency can bring about a satisfactory settlement through conciliation. The right of individuals to file suit under this section is not affected by their having, at the same time, filed a complaint with the Department.

Section 813(a) provides that, whenever the Attorney General has reasonable cause to believe that any person or group is engaged in a pattern or practice of resistance to the full enjoyment of the rights granted by Title VIII, or that any group of persons has been denied any of the rights granted by the title and such denial raises an issue of general public importance, he may bring a civil action in an appropriate U. S. District Court.

The Department may become involved directly in the cases where judicial remedies are supplied and litigation ensues. The Secretary, for example, may participate as amicus in proceedings, or he may be called upon to furnish evidence. Little experience is at hand to indicate the extent to which the Department may participate in such litigation. However, parallel experience of the Equal Employment Opportunity Commission indicates that the number could range from 50 to 100 cases annually.

Fair Housing Program

EXPLANATION OF BUDGET ESTIMATE

The Budget requests appropriation of \$8,000,000 for fiscal year 1969, which would provide a direct staff for the Assistant Secretary for Equal Opportunity of 104 in the central office and 571 in the regional offices, in addition to departmental supporting services and related objects of expenses.

Organization and Staffing

The law provides for an additional Assistant Secretary to supervise the work of Title VIII with respect to investigating, conciliating, and conducting hearings, and programs of education and technical assistance. The law directs that, insofar as possible, conciliation meetings shall be held in the cities or other localities where the discriminatory housing practices allegedly occurred. The major work of handling complaints, therefore, will be carried out in the regional offices of the Department and in selected major cities, to be determined on the basis of work requirements.

The Department proposes that the program will be carried out with the general, functional supervision of a central office staff under the Assistant Secretary. It is contemplated that the new Assistant Secretary will also supervise the on-going equal opportunity activities already being carried out by the Department. These include, for example, those activities dealing with equal employment contractor compliance, with housing under HUD programs as affected by Title VI of the Civil Rights Act of 1964, and under the Executive Orders now in effect.

An organization plan is being developed which will incorporate the functions under the fair housing program and the additional staff as proposed in the paragraphs below.

	Estimated Employment <u>June 30, 1969</u>
<u>Assistant Secretary and Immediate Staff</u>	10
<p>This staff includes an Assistant Secretary (Level IV) and a Deputy Assistant Secretary (Level V), as provided in Title VIII, along with special staff assistance.</p>	
<u>Compliance Management, Evaluation, and Statistical Functions</u>	31

This will involve three related and essential functions:

1. Functional supervision and direction to regional office compliance operations. Nearly the entire work of handling

Fair Housing Program

complaints from their initial receipt by the Department, through investigation and conciliation will be carried out in the regional offices. A central office staff will monitor such activities in the regions, and develop policies and procedures for the conduct of investigations in carrying out compliance operations.

2. Providing reports and statistics for program operations.

Basic program management will require a reporting system which will provide for the collection, storage and retrieval of data on compliance, review, and complaint disposition. The essential reporting responsibility for the entire program will be in a central office staff.

3. Program policy review and evaluation.

Evaluation of program progress will include the review of accomplishments of voluntary compliance efforts, the analysis of the success of educational activities, and analysis of complaints to ascertain the effectiveness of the law and to develop alternative policies to better achieve the law's objectives.

Educational	Estimated Employment <u>June 30, 1969</u>
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<u>Education and Technical Assistance.....</u>	29
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This staff will have the principal responsibility for a program of education required by section 809 and for technical assistance activities under section 808(e). It will provide supervision and guidance to the regional offices for carrying out these activities. It will be concerned with the programs to achieve voluntary compliance. Activities will include the promotion of program interest, understanding and support through informational and educational activities, and the design, development and preparation of the necessary materials related thereto.

<u>Federal-State-Local-Liaison.....</u>	10
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Section 808(d) directs all executive departments and agencies to administer their programs and activities relating to housing and urban development in an affirmative manner to further the purposes of the Act. Section 808(e)(3) provides that the Secretary shall cooperate with and render technical assistance to Federal, State and local agencies, while 808(3)(4) provides for cooperation with and assistance to the Community Relations Service. Section 816 also authorizes the Secretary to cooperate with State and local agencies concerned with the administration of fair housing laws. Other provisions, too, (such as section 809 and 810(c)) call for varied frequent contacts with State and local agencies.

Fair Housing Program

A liaison staff in the central office, along with regional counterparts will be responsible for carrying out the coordination and cooperation required by these directives.

Estimate
Employment
June 30, 1969

Associate General Counsel..... 11

An Associate General Counsel will provide legal advice and assistance to the Assistant Secretary and his staff with respect to all aspects of the Fair Housing Program and perform the following functions:

1. Provide continuing communication between the Assistant Secretary and the General Counsel on program functions. Analyze State and local laws to determine their comparability with the Federal law and prepare legal opinions for the general guidance of central office and regional staffs.

2. Be directly involved in the development, preparation, and revision of existing regulations and procedures in the Department, and of new procedures as necessary to implement the law.

3. Develop guidance for the preparation of conciliation agreements.

4. Develop practices and procedures for the handling of referrals from courts.

5. Review "problem cases" that may be referred from regional offices.

6. Develop evidence of patterns and practices of discrimination for referral to the Department of Justice, and handle referrals from the Department.

Administrative Services to the Assistant Secretary..... 13

A staff under the Assistant Secretary would perform normal staff services for him in personnel, management, budget and office services.

Total central office staff 104

Fair Housing Program

	<u>Estimated Employment</u>	
	<u>Average</u>	
	<u>Per Region</u>	<u>Total</u>

Regional OfficesAssistant Regional Administrator and

<u>Immediate Staff</u>	(5)	29
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The Assistant Regional Administrator will have the major responsibility for program administration in the field.

<u>Reports and Control</u>	(5)	34
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A staff will be responsible for reports, control over complaint processing, the handling of complaint files and general correspondence control as well as miscellaneous immediate administrative services.

<u>Educational and Technical Assistance</u>	(20)	120
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A staff will carry out the Department's major work of education and technical assistance. It will carry out education programs in the major cities to convey an understanding of the program and to encourage its acceptance. It will arrange conferences in the regions with persons in the housing industry and with other interested parties. It will work with individual States and communities in improving their own fair housing programs and to promote voluntary compliance with the spirit and intent of the Fair Housing Program.

Technical assistance staff will be working directly with State and local agencies, providing specialized guidance in setting up effective compliance programs, improving administrative procedures for compliance, assisting in providing training, developing cooperative compliance efforts, and taking part in other activities which will increase State and local capacity.

<u>Compliance</u>	(58)	348
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A regional staff will perform the Department's complaint review, investigation and conciliation functions. The staff will also carry out the formal investigative procedure under Section 811 where they may be required. The Division will analyse and review complaints to ascertain if patterns of discrimination exist and to assist the Justice Department in pursuing such matters. In addition, staff will review complaints for jurisdictional determinations, handle referrals by courts and provide the substantial clerical support associated with the processing of complaints and the preparation and handling of legal documents.

<u>Federal, State and Local Liaison</u>	(6)	40
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This staff will carry out the operating liaison with State and local agencies, with field offices of other Federal agencies and with military installations.

Total, regional offices.....	(95)	571
Total direct employment	...	675

Fair Housing Program

Consolidation of Equal Opportunity Operations. In a manner to be determined as the Fair Housing Program moves into being, the ongoing equal opportunity operations will be brought under the direction of the Assistant Secretary. To the extent possible, similar functions will be consolidated to provide the fullest use of available staff. Some economies are anticipated in areas such as combining of investigation activities, the joint training of new investigators, common complaint referral and handling procedures, and consolidating reporting functions. Currently on-board staff, especially those in investigations and complaint review, will be used to the maximum extent to shorten the time required for the development of procedures and techniques applicable for the administration of a fair housing program.

The staff proposed for the Fair Housing Program in these estimates represents the number needed over and above those already contained in the 1969 Budget for equal opportunity activities in the Department.

Fair Housing Program

SUMMARY OF APPROPRIATION ESTIMATE

<u>Amount</u>	<u>Estimate</u> <u>1969</u>
Total appropriation.....	\$8,000,000

Employment

Direct employment, June 30, 1969:

Central Office 104

Regional Office 571

Total direct employment 675

Departmental program
supporting services 100

Total employment 775

Total Average employment 310.0 man years

Obligations for personal services

Salaries and related personnel benefits 4,000,000

Total estimated personal services for the fiscal year ending June 30, 1969, for year-end direct staff and for Departmental supporting services. This assumes that full employment would be reached around February 1, 1969.

Other objects of expense:

Travel and transportation of persons 1,100,000

Includes regular travel of \$790,000 for investigations, conciliation activities, for voluntary compliance activities, and educational and technical assistance; \$300,000 for travel and per diem for conference participants as provided by law; and payment of witnesses, \$10,000.

Fair Housing Program

<u>Amount</u>	<u>Estimate</u> <u>1969</u>
Transportation of things	\$260,000
<p>This includes those costs incident to the movement of employees--household goods, real estate closing costs, hotel and other related expenses--at an average cost of \$2,600 per move. This assumes that about 90-100 moves of employees would be involved.</p>	
Rent, communications, and utilities	425,000
<p>Includes rental of office space in regions, telephone service, including FTS, postage, etc.</p>	
Printing and reproduction	225,000
<p>Includes early publication of fact sheets, other publications and materials for the communications media explaining to the public their rights and obligations under the law and explaining the program to State, local and private groups; manual issuances and publication of agreement forms and complaint forms.</p>	
Other services	1,500,000
<p>Includes the following items:</p>	
<p>(1) \$50,000 for immediate contractual services to develop, using ADP, a system for data and information servicing the central office and regions.</p>	
<p>(2) \$150,000 for contractual services for assistance to the Department in developing the program. This will include the use of consulting firms and the services of private non-profit groups in the development of promotional materials, procedures, and early development of voluntary compliance programs; and reimbursable services of other agencies.</p>	
<p>(3) \$300,000 for special studies pursuant to section 808(e)(1). This provision directs the Secretary to make studies with respect to the nature and extent of discriminatory housing practices in representative communities, urban, suburban, and rural throughout the United States. Examples of such studies may be: (a) The availability and quality of housing-related public services in segregated</p>	

Fair Housing Program

housing areas, such as sanitation services, transportation, fire protection and other (b) The economic impact of discrimination upon housing costs, mortgage financing, and the economy of the community (c) The effectiveness of current and proposed State fair housing ordinances; (d) The problems and social impact of introduction of minority families in previously segregated neighborhoods; (e) Role of the real estate broker in housing segregation, and ways to promote real estate brokers' affirmative contributions to voluntary compliance; (f) Comparisons of housing use, consumption patterns and family behavior in segregated communities and nonsegregated communities; and (g) Case histories of mechanisms of discrimination in housing.

(4) \$1,000,000 for technical assistance and cooperative services with State and local agencies.

Amount

Estimate
1969

This includes payment for technical assistance, cooperative activities, such as demonstration programs, training assistance, model procedures for compliance activities, assistance in perfecting reporting systems, and development of State and local promotional programs.

Supplies and Material	\$30,000
Equipment	<u>460,000</u>
Total estimated appropriations	8,000,000

The text of the legislation is on the pages that follow.

REDUCTION OF REQUEST

Mr. EVINS. I think most of us are familiar with this program. The request was \$11 million originally and the Senate appropriated \$9 million. Now you are submitting eight. There has been some reduction because of the slight delay. You are asking for \$8 million for the fair housing program?

Secretary WEAVER. Yes, sir.

Mr. EVINS. We are all in favor of fair housing. I think the committee wants to provide you with reasonable funds necessary until the Congress comes back, which will be in January. How much do you need until January?

Secretary WEAVER. From now until January?

Mr. EVINS. Yes.

Secretary WEAVER. If we come back in January, we won't get anything until probably March. We will probably have to have hearings and the Congress will have to be organized.

PERSONNEL INVOLVED IN CIVIL RIGHTS ACTIVITIES

Mr. EVINS. You have been doing civil rights work for some time under various executive orders. You already have a staff, and my information is that you have a substantial number engaged in fair housing and civil rights enforcement activities.

Secretary WEAVER. I hate to say this, but your information, I am afraid, is incorrect. We asked for some 200 jobs. We now have 118 staff members, including secretaries, with slightly less than 100 in the field in this area.

Mr. EVINS. An additional 100 in the field?

Secretary WEAVER. No; this is in the 118 total. Isn't it?

Mr. EISEMAN. Yes, sir.

Secretary WEAVER. That is the total number of people we have now in all these civil rights activities.

Mr. EVINS. You have 118 jobs in fair housing. How many more are you asking for?

Secretary WEAVER. They are in a whole series of activities which existed before that. They are not in fair housing.

Mr. EVINS. They are not fully involved in fair housing but in related activities?

Secretary WEAVER. No, sir. They are in the programs which existed prior to the passage of the Civil Rights Act of 1968. They are doing work related but not covered by the new legislation.

NEW JOBS FOR FAIR HOUSING

Mr. EVINS. How many jobs are you asking for under this new provision?

Secretary WEAVER. We are asking for 775 more.

Mr. EVINS. Just for this one section alone?

Secretary WEAVER. Yes, sir.

Mr. EVINS. Mr. Secretary, I have to be honest to say that you are a little high on this request. We have the Civil Rights Commission, which is concerned with all civil rights activities. We have the Attorney

General, who is concerned with the prosecution of cases. We have a couple of Executive orders that you have been operating under.

The Civil Service Commission is interested in the fair treatment of everyone; the Equal Employment Opportunity Commission is concerned with it; the Justice Department is concerned with it; HEW is concerned with it; Labor is certainly concerned with it, as is your own organization of the Department of Housing and Urban Development.

Are you going to have an overlapping of concern in this area?
Secretary WEAVER. No, sir.

I think there are two problems here. The first is the whole area of civil rights, including the additional responsibilities and the additional activities which are involved in this legislation.

Second, there are the requirements of this legislation which puts upon this Department the following responsibilities: First, to begin immediately such educational activities which will further the purpose of this act. Second, to render technical assistance to, and cooperate with, Federal, State, public, and private agencies and organizations involved with programs to end discriminatory housing practices.

Mr. EVINS. Mr. Secretary, haven't you been concerned with discriminatory housing practices since the inception of the agency?

Secretary WEAVER. Yes, sir. But the present coverage which we have is less than 2 percent of the total housing market. These are activities which now have been relating only to those projects which have direct Federal aid. This law beginning the first of next year will cover, from what we have now, 2 percent, to over 24 percent of the total number of dwelling units. By the following year, January 1970, it will cover 78 percent of the total housing units.

ENFORCEMENT OF LAW

Mr. EVINS. How do you propose to enforce this law?

Secretary WEAVER. I will enforce it according to the statute.

Mr. EVINS. Then tell us your procedure.

Secretary WEAVER. The statute says, first, we have to have educational activities; second, we have to render technical assistance; third, we have a very, very close and compelling requirement that every complaint that comes in we have to investigate. We then have to attempt to conciliate each one of these complaints.

Mr. EVINS. That is what the statute prescribes. Administrative procedures?

Secretary WEAVER. Yes, sir.

Mr. EVINS. First, make an investigation. Find some brokerage firm discriminating in the sale of housing and try to persuade the broker to cease and desist. Don't you think if your man called him up or you called him in he would comply with your request?

Secretary WEAVER. The law is a little more specific than that. It requires hearings; it requires hearing officers; it requires some formal procedures; it requires that once we get the complaint we have to write to the person against whom the complaint is made. He then responds in writing and then we have a hearing and then we attempt to conciliate.

Mr. EVINS. You have to find a pattern or practice of discrimination.

Secretary WEAVER. If we find that, we refer it to the Department of Justice.

Mr. JONAS. Before you leave that point. Surely you don't contemplate that a hearing will be required in every complaint?

Secretary WEAVER. No.

Mr. JONAS. If you call a man up and he says, yes, and agrees to quit, that ends it?

Secretary WEAVER. That is right. The experience with all other fields here indicates that there will be a large volume of investigations and quite a few hearings. Either party can require hearings, complainant or the one against whom the complaint is drawn.

Mr. EVINS. In FNMA matters, and many other matters, the real estate boards wire in to support HUD in these programs. In this one they say that there is a multiplicity of agencies engaged in this field. The first case you had without thorough investigation, without exhausting your administrative remedies, was one in Baton Rouge, La., and it was referred to the Department of Justice.

Secretary WEAVER. Not under this law. That is under title VI of the civil rights law of 1964, and it is an example of what I am talking about. That is the fact that that is a type of activity that our present 118 people are fully involved in doing, not carrying out the dictates of this law. This new law is different. Its requirements are different and its conditions are different.

Mr. EVINS. You are supposed to use persuasion. If that is not effective, then you refer it to the Department of Justice?

Secretary WEAVER. That is right. We have to go through this procedure. A procedure to protect the rights of both parties, I might add.

Mr. EVINS. You are asking for \$8 million for this. We understand your procedure.

RENEWAL AND HOUSING ASSISTANCE

The next item is "Renewal and housing assistance." You are requesting college housing contract authority of \$7,500,000, "Grants for tenant services," \$15 million, and salaries and expenses in this Bureau are \$1,250,000 more. We will insert the justifications for these items at this point.

(The information follows:)

Department of Housing and Urban Development

RENEWAL AND HOUSING ASSISTANCE

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpt from House Document No. 393)
90th Congress, 2nd Session

"Renewal and Housing Assistance"College Housing

"The total payments that may be required in any fiscal year by all contracts for annual grants with educational institutions entered into pursuant to section 401 of the Housing Act of 1950, as amended (82 Stat. 604), shall not exceed \$7,500,000."

"This proposed language will permit initiation of a new program of annual interest reduction grants to colleges. This new program is designed to reduce the cost of borrowing in the private market for constructing housing and related facilities for college students, faculty, student nurses, and interns. Authorization for this program is contained in Public Law 90-448, approved August 1, 1968."

BUDGET REQUEST

An authorization to enter into contracts for \$7,500,000 in annual grants to reduce annual debt service payments by educational institutions on private market loans made for the construction or purchase of college housing and related facilities. A copy of the authorizing legislation is included at the end of this section.

Summary of Budget Request

The \$7,500,000 contracting authorization is requested to carry out the new authority for annual debt service grants enacted in the Housing and Urban Development Act of 1968. The contracting authorization

requested would permit \$300 million in privately financed loans to be supported, to the extent feasible, through debt service grants. For the most part, this new approach to college housing will substitute for the use of direct Federal loans which has a greater and more immediate effect on Federal budget outlays. However, to the extent that private market conditions make the use of private loans with this subsidy impractical, it is planned that direct loan funds would continue to be available on a limited basis to insure that no worthy applicant is deprived of assistance merely because of such conditions. It is currently anticipated that up to \$100 million of direct loan funds may be used for this purpose. To the extent that such direct loans are utilized, the amount of private loans receiving subsidy would be reduced. No appropriation for payments (budget authority) or actual outlays (expenditures) would be required for the new program of debt service grants in fiscal year 1969.

Purpose of the Request

The Housing and Urban Development Act of 1968 amended title IV of the Housing Act of 1950 by adding to the existing College Housing Direct Federal Loan Program a new program to provide Federal assistance for the construction or purchase of college housing and related facilities through annual debt service grants for loans obtained on the private market. The new grant program provides an annual grant during the term of the private loan in an amount equal to the difference in average annual debt service payments on private market loans at market interest rates and the average annual debt service which would have been required if the loan were based on the rate applicable to the direct Federal loan program which is currently 3 percent.

The 1969 Budget had proposed a \$300 million direct Federal loan program to be carried out under proposed legislation to provide an interest rate for college housing loans that would help assure that the loans are made to colleges which are unable to borrow on the private market at a reasonable interest rate. This proposal, which would have resulted in an increase in the interest rates paid by colleges, was rejected by the Congress and the Debt Service Grant legislation supplementing the existing direct loan program was provided instead. No payments to educational institutions under this proposal are expected during the first year of operation of the new program. The first payments

would be expected in fiscal year 1970 and an appropriation request would be submitted for the actual amount needed when the 1970 budget is submitted in January. The \$7,500,000 authorization now being requested is solely to allow those debt service contracts to be made which would assure a level of \$300 million in college housing loans. It is expected that the authorization would allow the approval of 180 applications for assistance.

Nature of the Program

The College Housing Program is designed to provide decent housing and related facilities which students can afford and which offer them an alternative to either being denied admittance for lack of reasonably priced housing or being forced into substandard quarters. The program provides student and faculty housing and related facilities such as student centers, dining halls and infirmaries for colleges and housing for student nurses and interns at nonprofit hospitals.

The Housing and Urban Development Act of 1965 established a maximum 3 percent interest rate on College Housing loans which may be made for periods up to 50 years. Annual grants authorized in the Housing and Urban Development Act of 1968 may be made for a fixed period not exceeding 40 years in an amount equal to the difference in the average annual debt service required for amortization of a private market loan and the average annual debt service of a 3 percent College Housing direct Federal loan of the same duration.

The need for support for housing and related facilities for educational institutions has been supported in the testimony of major educational associations before the committees of Congress, by the statements of members of Congress at Congressional hearings and in Congressional debates and by the reports of Congressional committees. If educational expectations are not to be curtailed, it is essential that institutions be able to match capacities for expansion of academic facilities with student housing facilities when needed at the lowest possible cost to users of the housing facilities.

Because the volume of applications greatly exceeded available funds, a moratorium on the receipt of applications for direct Federal College Housing loans was declared on January 31, 1966. This moratorium has been in force since that date except for two brief periods from April 15 to May 15, 1967, and from March 3 to May 15, 1968. Guidelines for each of these periods were used to distribute extremely limited funds, primarily by reducing the number of applications submitted and through establishment of rationing measures and priority requirements. This was done by limiting eligibility of applicants, by limiting loan amounts per project and per student, by imposing application requirements for advanced planning and design, by requiring accelerated construction starts, and by limiting types of eligible projects. Therefore, the applications received during fiscal year 1967 and fiscal year 1968 have not been representative of the size or character of the nationwide needs. All unfunded applications on hand on June 30, 1968 were returned to the applicants without action. The Department has no backlog of applications on file. It is expected that the proposed program for 1969 would support approximately \$300 million in college housing construction. It is estimated that accommodations for 50,500 students will be provided. This program level will provide financial assistance to alleviate only the most critical, immediate housing requirements.

Department of Housing and Urban Development

RENEWAL AND HOUSING ASSISTANCE

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpt from House Document No. 393)
90th Congress, 2nd Session

"Renewal and Housing Assistance

"Grants for Tenant Services

"For contracts for grants and for grants to public housing agencies for tenant services, as authorized by section 204 of the Housing and Urban Development Act of 1968 (82 Stat. 503), \$15,000,000, to remain available until expended."

"This fund will be used for grants to local housing authorities to enable them to upgrade their management activities to provide needed services to public housing tenants. Services will include counseling and referral activities related to education, job opportunities, housekeeping, money management, and child care. The program was authorized by Public Law 90-448, approved August 1, 1968."

BUDGET REQUEST

An appropriation of \$15,000,000 for grants to local housing authorities for management activities and tenant services as authorized by the Housing and Urban Development Act of 1968. A copy of the authorizing legislation is included at the end of this section.

Summary of Budget Request

An appropriation of \$15,000,000 for fiscal year 1969 is requested by the Department to inaugurate a program of grants to local housing authorities for tenant services. These services are necessary to implement new management approaches and social goals in low-rent public housing.

Renewal and Housing Assistance - Grants for Tenant Services

Need for Social Services Funding

The basic social goal for low-rent public housing as set forth in the Housing Act of 1937 is the provision of decent, safe and sanitary dwellings for low income families who cannot find such housing in the private market at rents they can afford. The public housing program has been consistently viewed since its beginning as housing for only the lowest income families.

In the 1960's the disparity between the American middle-class and the poor grew wider. The poor were too under-educated and under-skilled to qualify for most jobs in the employment market. Vital avenues of mobility such as jobs, housing, education, recreation, health and welfare were closed to them and the disenfranchised poor moved to low-rent public housing. Increasingly, the projects have been occupied by the poorest households, broken families and the elderly.

- . As of December 31, 1967, 34 percent of all families including single-person families, in low-rent housing were elderly.
- . 29 percent of all families (4 percent of elderly and 41 percent of non-elderly) were broken families, with minors and one parent, usually the mother.
- . 30 percent of all families (37 percent of elderly and 26 percent of non-elderly) received public assistance.
- . 55.5 percent of all families (95 percent of elderly and 36 percent of non-elderly) received public assistance and/or benefits.
- . The median total annual income for all families was \$2,820 (\$1,563 for elderly families and \$3,447 for non-elderly families). The median gross rent for these families was \$51 (\$36 for elderly and \$58 for non-elderly families).

The income figures above indicate that the majority of the families in public housing fall well below the poverty line. In fact, the income of many fall below the minimum cost for subsistence. But good housing by itself cannot change the lives of hopeless people. There must be applied programs which bring about accelerated social and economic improvements.

In general, the Secretary would have to be satisfied that the activities and services are needed, are beyond those which the local housing authority can provide from project income and cannot be provided by any local public or private agency.

Renewal and Housing Assistance - Grants for Tenant Services

Grants would be approved only on a showing that the local housing authority has utilized its own funds for this purpose so far as it is financially prudent.

Among other things, grants for tenant services might be used:

- To stimulate and assist in the formation of tenant organizations able to carry out the stated objective of "maximum feasible participation" of tenants in the development and operation of the services and activities.
- To bring about the coordination of agencies providing services to the tenants so as to assure the efficient and effective use of Federal, State and local resources.

Following are more specific examples of the types of tenant services that might qualify for a grant:

1. To fund assistance activities so that a higher proportion of individuals and families in need of available help can obtain it. Such activities might include the employment of tenants to work out of the local housing authority office. These tenants would assist other tenants needing help by, for example, assisting in filing applications or other forms, or by providing transportation or child care making possible visits to clinics or other agencies providing services. These tenant-employees would also provide support and follow-up services to assure that maximum benefit would result from the help being given. Such services are particularly necessary for efforts to get unemployed youths successfully and permanently located in jobs.
2. To finance the purchase of specialized services from private agencies which have limited resources and are unable to take on an additional caseload; or to finance some special service tailored to meet the needs of the tenants.
3. To finance the purchase of equipment and services for the development of workshops which will serve the triple purpose of providing employment to tenants, providing services needed by tenants, and training them in useful skills. A workshop for the repair of furniture would serve such purposes. Broken down or inadequate furniture is often found in the dwellings, especially in the homes of families on public assistance where welfare allowances make no provision for furniture or furnishings. Such a workshop might use a truck driver--and truck--to pickup furniture for repairing; an inventory or warehouse clerk or keeper; and persons able to teach furniture repair, upholstery, and the making of curtains and slipcovers.

Renewal and Housing Assistance - Grants for Tenant Services

Another example is an appliance repair shop, where radios, television sets, irons, toasters, etc., could be repaired, and individuals taught how to repair their own appliances. A shoe repair shop would be a convenience in any neighborhood.

4. To provide vehicles to transport the handicapped elderly or ill to a distant clinic; to pick up surplus commodities (a serious need in many communities); or to provide outings for children or the elderly.
5. To provide money for administrative costs to start credit unions which, with active tenant support, would minimize costly and exploitive installment buying.
6. To provide coordination for the volunteer services, both tenant and outside, offered to the local authorities and to provide the skilled supervision necessary to assure that the National Youth Corps aides receiving training from the local authorities are effectively and productively used.
7. To provide services to ill, handicapped or elderly individuals-- companion aides who will do shopping, take them to church or other activities, and help in household chores.
8. To continue programs, started as demonstrations, found to be valuable to tenants for which other funds cannot be obtained.

The services provided would be regularly reviewed and evaluated to determine the degree to which the grant funds have brought about measureable progress in increase of family income, improvement in employability and employment, improvement in the appearance and social climate of the low-rent development, and other significant benefits.

Based on Committee action related to the 1965 Housing Act, the Secretary in January 1966 determined that HUD would approve reasonable requests from local housing authorities to pay from project income all or part of the costs of social services within certain stated guidelines. Experience since then has shown that in far too many cases, and especially in the urban centers where the needs for social service are the greatest and most urgent, the project revenues cannot provide the needed range and scale of social services.

Administration of Funds

Local housing authorities desiring financial assistance under this grant program would be required to submit applications to the Secretary which would be reviewed and acted upon on a case basis. It is expected that \$15 million made available for grants would benefit 75 local authorities in cities where low-rent public housing has its most critical problems.

Department of Housing and Urban Development

RENEWAL AND HOUSING ASSISTANCE

Justification of Supplemental Estimates
Fiscal Year 1969(Excerpt from House Document No. 393)
90th Congress, 2nd Session

"Renewal and Housing Assistance

"Salaries and Expenses"For an additional amount for 'Salaries and expenses'
\$1,250,000."

"These proposed funds will provide for necessary administrative expenses of programs of renewal and housing assistance, in carrying out new functions authorized by Public Law 90-448, approved August 1, 1968, including the Neighborhood Development Program within the Urban Renewal Program."

BUDGET REQUEST

A supplemental appropriation of \$1,250,000 to provide a total of \$35,250,000 for Salaries and Expenses, Renewal and Housing Assistance for the fiscal year 1969.

Summary of Budget Request

A supplemental appropriation of \$1,250,000 is needed to provide for an additional 150 positions and other expenses in fiscal year 1969. This additional staff is required to carry out the new programs and the expansion of existing programs of renewal and housing assistance authorized by the Housing and Urban Development Act of 1968. The detail of these new or expanded programs follow:

Management Activities and Tenant Services - Low Rent Housing

Forty positions are needed to implement and support the new program of grants to local authorities to assist them, where necessary, in upgrading their management activities and providing tenant services

Renewal and Housing Assistance - Salaries and Expenses

to families living in low rent housing. The estimate of \$15,000,000 for this program is more fully discussed in section D of these justifications.

Local authorities desiring financial assistance under this authorization are required to submit applications to the Secretary and these are reviewed and acted upon on a case basis. The Secretary must determine that the activities and services are needed and are beyond those which the local authority has provided or can provide with project income.

This additional staff will be needed to process and supervise approximately 75 contracts for grants in fiscal 1969. In this connection, they would:

1. Develop policy, procedures, and standards under which the program will be administered;
2. Review grant applications and analyze the need for the proposed activities and services;
3. Review financial status of the project and determine whether the local authority is making effective and maximum use of its own funds and whether the needed activities and services are beyond those which the local authority has provided or can provide with project income;
4. Assist and advise local authorities in coordinating and effectively using Federal, state, and local community resources in providing needed services to project residents;
5. Assist in stimulating development by communities of new programs which would broaden services to project residents;
6. Review and evaluate the effectiveness of local programs in improving employability and employment, and increasing family income.

Low Rent Public Housing

Thirty positions are needed to carry out and support the new and expanded activities associated with efforts to accelerate the production of low rent public housing.

Renewal and Housing Assistance - Salaries and Expenses

The Housing and Urban Development Act of 1968 increased the authorization for annual contributions contracts for the Low Rent Public Housing Program by \$100,000,000 on the date of enactment to be added to the \$47,000,000 which became available July 1, 1968 and by \$150,000,000 on July 1 of each of the years 1969 and 1970. The increased contract authorization is expected to provide approximately 375,000 low rent dwelling units over the three year period.

The additional positions are needed to meet new and expanded activities as follows:

1. Applications. Additional dwelling units are being applied for at an annual rate of 140,000 units. At the end of fiscal 1968 applications were on hand for more than 140,000 units that could not be processed for lack of contracting authority. Historically, new authorizations have resulted in an upward surge of applications. As a result, applications are now expected to increase to 150,000 units in fiscal 1969. These new applications together with the backlog from 1968 will total about 290,000 units for processing in fiscal 1969. Timely processing is essential to build up the pipeline to a level required to reach the vastly expanded goals of the three year period.
2. New Local Housing Authorities. The new authorization will bring a substantial number of new communities and local authorities into the program for the first time--estimated at more than 100 in fiscal 1969. These new local authorities will require a great deal more assistance and guidance to initiate and develop their programs than would the experienced local authorities.
3. Employment Opportunities for Lower Income Persons. The 1968 Act provides that, in administering the low rent housing program and certain other federally assisted housing programs, the Secretary shall require, to the greatest extent feasible, that (1) opportunities for employment arising in connection with planning, construction, rehabilitation, and operation of housing assisted under such programs be given to lower income persons residing in the area of such housing, and (2) contracts for work to be performed pursuant to such programs be awarded, where appropriate, to business concerns located in or owned in substantial part by persons residing in the area of such housing.

Renewal and Housing Assistance - Salaries and Expenses

Effective response to this objective will have a staff impact in all areas of the planning, production, and operation of low rent public housing.

4. Architectural Design. The 1968 Act calls for improved design, not only aesthetically, but to make the product better suited to the needs of the occupants, and to develop housing of such quality as to reflect its relationship to the neighborhood and community in which it is situated.

The Congress declared that emphasis in low and moderate income housing should be given to this objective, consistent with prudent budgeting.

The technical staffs can no longer function as a plan review and advisory group. They must also provide the vital encouragement directly to local authorities, architects, engineers and other design professionals, to builders, and developers and others. They must work closely with other publicly and privately supported programs.

5. Homeownership. The 1968 Act emphasizes homeownership. Contracts between HUD and local authorities could authorize the local agencies to purchase a structure which the agency has leased under the section 23 Leasing program for the purpose of reselling the structure to the tenant or tenants of the structure or to a group of tenants occupying units aggregating at least 80 percent of the structure's total value. Resales would be subject to such terms and conditions as may be necessary to enable the tenants involved to make the purchase without undue financial hardship.

The Act further broadens the authority to sell existing public housing units to tenants where such sales were previously limited to detached units or semi-detached units. The mutual help approach has been used in Indian programs as a means of making homeownership a possibility for that very low income group. The 1968 Act encourages the extension of this plan to other areas such as rural areas and small communities.

These new program extension thrusts will require the examination and development of new plans and techniques and the

provision of assistance to both the local authorities and the tenants in accomplishing these objectives of the new legislation.

6. High Rise Developments. The 1968 Act provides that the Secretary shall not approve high-rise, elevator-type public housing for occupancy by families with children unless he makes a determination that there is no practical alternative. Site availability and cost considerations would be factors in such determinations. This provision imposes a new dimension for examining proposals for high-rise structures and seeking practical alternatives.
7. Additional Subsidy for Large Families. The 1968 Act authorizes payment of a special subsidy of up to \$120 per year for dwelling units occupied on the last day of the project fiscal year by large families (four or more minors) and families with incomes below the level established by the local authority, with HUD approval, who could not be housed without the additional subsidy. These subsidy payments, as in the case of the elderly and displacees, can be paid only where necessary to operate the project on a solvent basis. This new provision will substantially increase the number of dwelling units eligible for additional subsidies with a similar increase in the attendant workload.
8. Leased Housing. The 1968 Act prohibits any limitation on the types and categories of structures and dwelling units to be leased in private accommodations, except as specifically provided in section 23 of the U. S. Housing Act.
9. Housing for American Indians. The 1968 Act permits public housing assistance for Indian families without regard to a previous limitation which would not permit public housing programs to include a site which is on a farm or which is an appurtenance to a farm. Also, the Act defers until January 1, 1970, the period for an Indian tribe, band, or nation to adopt and carry out a minimum standards housing code as a condition of the certification or recertification of its workable program.

These new provision are expected to increase substantially the demand for public housing for Indian families. These small and inexperienced local authorities will require the greatest assistance in both the development and operation of their programs.

Renewal and Housing Assistance - Salaries and Expenses

Urban Renewal Activities

Appropriations have been enacted for 1969 for a total of \$1,062.5 million for urban renewal activities to complement national objectives to increase the supply of low and moderate income housing and to preserve existing housing that can be rehabilitated. These levels compare with appropriations totaling \$850 million for fiscal year 1968. In addition to previously authorized activities, however, the Housing and Urban Development Act of 1968 provides for extensive new activities to be funded within already enacted appropriations which will produce increased workload, including a Neighborhood Development Program, interim assistance in blighted areas, and rehabilitation assistance in areas outside urban renewal and code enforcement projects.

Although the expanded program activities and new responsibilities will be carried out within the program levels already provided for, additional staff will be needed to meet the new program criteria covered by the 1968 Act as follows:

Neighborhood Development Program. Fifty positions are needed to meet additional workload and responsibilities resulting from the Neighborhood Development Program. A larger number of programs with larger areas will be possible in fiscal year 1969 through the initiation of the Neighborhood Development Program under which programs may be funded through annual grant increments rather than by full grant reservations for the lifetime of the program. Execution activities such as rehabilitation of properties, acquiring land, relocation of project occupants, clearance of structures, installation of site improvements, disposition of land and redevelopment can get under way in the first year, whereas previously such activities began after a planning period of about thirty months.

Planning and execution activities under this programmatic approach will be more complex. The analysis of physical, social and economic problems and proposed treatment will require a greater degree of coordination between local agencies as well as participating Federal agencies. Localities will require more extensive and a higher level of professional assistance from Regional Office staff in the broader aspects of planning activities as well as execution activities in such areas as rehabilitation, project improvements, supporting facilities and land marketing. Adequate technical staff is needed to provide the following services and functions which are necessary to assure the successful launching of this

Renewal and Housing Assistance - Salaries and Expenses

new program:

1. Develop policies, procedures, and standards necessary to implement the program.
2. Counsel local agencies and provide technical services in their localities during the preparation of the applications for assistance.
3. Visit localities periodically during the year to review progress and assist local agencies in developing future program objectives.
4. Annual review of the program accomplishments at the end of the current year and evaluation of the proposed program for the subsequent year to determine capability of the local agency to effectively carry out its program.
5. Annual analysis of the program budget and settlement of local and Federal financial commitments.

The effective management of Neighborhood Development Program will depend on an annual program review being completed promptly. The success of the Neighborhood Development Program will depend to a large extent on timely completion of the annual program in the locality with applications for assistance in the subsequent year being reviewed and approved promptly by the Department.

Interim Assistance in Blighted Areas. Nine positions are needed to meet additional workload and responsibilities resulting from this new program. Grants will be made to provide financial and technical assistance in blighted areas to alleviate harmful conditions in slum and blighted areas which are planned for substantial clearance and rehabilitation or Federally assisted code enforcement in the near future. Assistance will include (1) repair of streets, sidewalks, parks, playgrounds, publicly-owned utilities and buildings, (2) demolition of structures, (3) establishment of temporary playgrounds and (4) improvement of garbage and trash collections, street cleaning and similar activities.

It is anticipated a substantial number of new localities as well as those with existing programs will request financial assistance under this new program. It is necessary to develop policies, procedures, and standards to implement the program. Localities will require advice and counseling from Regional Office staff in the evaluation of areas selected for future urban renewal treatment and developing plans for interim assistance that would provide some relief and which would be consistent with future permanent treatment of the areas.

Renewal and Housing Assistance - Salaries and Expenses

Rehabilitation. Twenty-one additional positions are needed to meet the workload and responsibilities in these activities. The 1968 Act contains provisions to (1) extend rehabilitation grants and loans to improve properties rather than being limited to structures, (2) increase maximum grants from \$1,500 to \$3,000, (3) accelerate rehabilitation activity through a Neighborhood Development Program, and (4) extend loans and grants to blighted areas receiving interim assistance and other areas outside of urban renewal projects and code enforcement areas. These innovations will result in an increase in rehabilitation activities and scope of program. The extension of loan and grant assistance to properties will facilitate rehabilitation and code enforcement because it will enable property owners to bring their entire property up to rehabilitation and code standards. The increase in size of grants will also accelerate rehabilitation activities. Low income homeowners who have been unable to bring their properties up to project and code standards will now be able to do so.

The extension of loans and grants to the Neighborhood Development program, to the program of Interim Assistance to Blighted Areas, and to areas outside projects will increase the scope of rehabilitation activities and bring this assistance to a greater number of homeowners. These increased authorities and new approaches are expected to expand the grant and loan assistance program.

The increased scope of activities and new responsibilities will require additional staff at the Regional Office level to provide technical assistance to localities just getting started in such activities and to process and approve applications.

COLLEGE HOUSING PROGRAM

Mr. EVINS. Mr. Secretary, tell us what your needs are in "Renewal and housing assistance."

Secretary WEAVER. The first is the college housing program. As you know, up to this date it has been a direct Federal loan program and limited as to size because of the budgetary impact. The Congress has proposed and enacted a new type of approach for this. This is an approach which is a new program of annual interest-reduction grants to the colleges.

The colleges would get the loans in the private market and then there would be grants to reduce the amount of interest they would have to pay.

Mr. EVINS. Under the present procedure, HUD makes the loans for college housing. There has not been much private activity in this for sometime because of the 3-percent Federal loan?

Secretary WEAVER. Three percent.

Mr. EVINS. Under the new program, if a college wants to build a dormitory, it would get the money from the private financial market and HUD could make a grant for a portion of the interest?

Secretary WEAVER. The difference between the market rate of interest and 3 percent. We would also, in addition to the \$7.5 million we are asking for the new program—which would provide about a \$300 million investment program for the dormitories—provide up to \$100 million of the old direct loans. The total investment program we are talking about however, is \$300 million. We do not know what the exact mix will be.

Mr. EVINS. College X would go to the private market and borrow enough money to build a dormitory with the Government guaranteeing the loan?

Secretary WEAVER. The Government would authorize and would guarantee that there would be a grant to the college to make up the difference between the market rate of interest and 3 percent.

Mr. EVINS. Would the Government also guarantee it?

Secretary WEAVER. No.

Mr. EVINS. This obviates the necessity for more college housing direct loans?

Secretary WEAVER. Right.

Mr. EVINS. This is a new approach, subsidizing the interest?

Secretary WEAVER. Right.

GRANTS FOR TENANT SERVICES

Mr. EVINS. What about the next item there, grants for tenant services?

Secretary WEAVER. According to the statute, this fund will be used for grants to local authorities to enable them to upgrade their management activities and to provide needed services to public housing tenants. The services will include counseling and referral activities relating to education, job opportunities, housekeeping, money management, and child care.

In brief, what this is intended to do is to get additional funds to deal with the problems of public housing tenants, particularly those who are trying to make an adjustment to urban living and need help.

They will be helped as to how they get jobs, how they can be referred to public health services.

Mr. EVINS. They have the State and local unemployment services. You give them public housing. This is \$15 million to counsel them in getting employment. This is not janitorial services, not custodial services, but counseling?

Secretary WEAVER. Yes, sir. It is really a help for somebody to take a group which comes into a city and which is not a part of the city, does not know the availability of this, does not know how to use these services, not to substitute for them but help them get them.

Mr. EVINS. Every welfare agency in the country is working in this area. We are all concerned with employment, concerned about helping the needy and unemployed. Those are worthy objectives. The main complaint we have here is that you offer them a job and they won't work. A lot of people in public housing don't want to work. They say if they get an income they will be put out. How urgent is this in a supplemental bill?

Secretary WEAVER. I think it is urgent, because one of the great problems we have now is the fact that we are not able to get the people who are now living in our public housing projects, who need the help the most, to know how to go about getting it, despite the fact it may already exist. We are not talking about creating new facilities.

Mr. EVINS. It does exist in certain areas?

Secretary WEAVER. Yes.

COLLEGE HOUSING PROGRAM

Mr. EVINS. On the college housing, the interest subsidy payments, won't you have less work in that than you did when you were making the loans?

Mr. HUMMEL. It will be the same process we have at the present time. The only thing different is in the manner in which the loan is financed. This is an attempt to go into the private market to get private funds instead of going to the Federal Government to get a direct loan. You have the same processing problem, as a matter of fact, as you need additional services because you have two types, direct loans and the subsidized.

Mr. EVINS. Are you going to continue both?

Mr. HUMMEL. Yes, sir.

Secretary WEAVER. There will be not to exceed \$100 million in direct loans. This new interest support aspect will produce an equivalent of an additional \$200 million for a total investment program of \$300 million.

Mr. EVINS. Can't you do this with your present staff?

Mr. HUMMEL. This staff has been completely undermanned from the day it started. We have people working there 12 and 14 hours a day in all of these things. It is remarkable they have been able to handle it up to the present time.

Mr. EVINS. I thought when we guaranteed the interest it would be less work.

Mr. HUMMEL. It is a case of approving and processing the loans and providing the payment of a grant to make up the difference between the market rate and the 3 percent.

Mr. JONAS. May I interrupt and ask Mr. Hummel a question?

Mr. EVINS. Surely.

Mr. JONAS. Why does it take any extraordinary effort on your part to approve a loan that a college is getting on a dormitory that is being financed by private capital?

Mr. HUMMEL. In the first place—

Mr. JONAS. You don't guarantee the loan; you don't have any responsibility for repayment of it. If they go out on their own initiative and borrow this money from lending institutions, I don't see why it would take any tremendous amount of administrative work on your part.

Mr. HUMMEL. Just take the first step, determining who is going to get advantage of this loan.

Mr. JONAS. Why?

Mr. HUMMEL. There would be a yearly demand of about \$1 billion for the loans. You have to ascertain the matter of need, what institutions need it the most. You have to have restrictions as to the amount of money that goes into each institution. You have to have restrictions as to the amount of available space you are going to allow per student. Otherwise, some would come in with grandiose proposals giving twice and three times the amount of space we would authorize under the standards set out in the statute. We have to limit the number that go into the facilities such as dining rooms and student centers. Housing for student nurses and interns working in hospitals is also authorized and we have to ascertain that need. The demand for this, Mr. Jonas, is three or four times what we are responding to. Somebody has to make a decision as to who gets that money.

Mr. BOLAND. Are you not making those decisions now?

Mr. HUMMEL. Yes, sir.

Secretary WEAVER. I think the record should show there is nothing in this proposal for an increase in people for the college housing program.

Mr. WOOD. The only thing is, the procedure gets changed.

Mr. JONAS. I just want the record to show this is another brand new program that has been asked to be implemented for the first time in this supplemental.

METROPOLITAN DEVELOPMENT

Mr. EVINS. Metropolitan development is the third one. You are asking for \$5 million for planned areawide development and \$670,000 for salaries and expenses. We shall insert these justifications at this point.

(The information follows:)

Department of Housing and Urban Development
Metropolitan Development

PLANNED AREAWIDE DEVELOPMENT

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpts from House Document No. **393**)
90th Congress, 2nd Session

"METROPOLITAN DEVELOPMENT

"PLANNED AREAWIDE DEVELOPMENT

"For grants to encourage planned areawide development, as authorized by title II of the Demonstration Cities and Metropolitan Development Act of 1966, as amended (82 Stat. 531), \$5,000,000, to remain available until expended.

"This appropriation would provide supplementary grants to State and local agencies for up to 20 percent of the cost of certain federally-assisted projects within metropolitan or other multi-jurisdictional areas, when development throughout the area is being carried out in accordance with areawide comprehensive planning requirements. Authority for this program is provided by Public Law 90-448, approved August 1, 1968."

Areawide Development Grants

Summary of Budget Request

A supplemental appropriation of \$5,000,000 is proposed to provide funds for the Areawide Development Grants program.

Program Highlights
(dollars in thousands)

	<u>Estimate Fiscal Year 1969</u>	
	<u>Number</u>	<u>Amount</u>
Grant applications.....	120	\$16,000
Fund reservations.....	40	5,000
Grant approvals and agreements executed.....	20	2,500

Introduction

The Secretary is authorized by Section 205 of Title II of the Demonstration Cities and Metropolitan Development Act of 1966 as amended by Section 602 of the Housing and Urban Development Act of 1968 to make grants to assist areawide development projects meeting prescribed planning requirements. This appropriation would provide grants for States and local agencies for up to 20 percent of the cost of projects receiving aid under certain designated Federal assistance programs. Such extra help would be available only to those communities that have coordinated their development programs to take advantage of joint planning.

Communities are faced with overwhelming problems of growth. This continuing growth has strained to the limits the fiscal capacity of these communities, many of them rural in character only a few years ago. Growth has meant abrupt increases in taxes to pay for new transportation facilities, parks, hospitals, sewers, water lines and other public facilities. It is estimated that State and local governments will need to spend on the order of \$280 billion for public facility capital outlays over the next 8 years. Additional billions of dollars will be invested by private entrepreneurs for new housing, shopping centers, industrial buildings and related urban development.

The Areawide Development Grants will provide additional financial aid to States and communities. However, the real significance of this program is not so much actual volume of financing provided as the leverage it exercises to foster the kind of growth that maximizes and protects these capital outlays--by Federal, State and local governments, as well as private enterprise.

Areawide Development Grants

Title II grants will be made only to those communities that are showing by their performance that they can work with their neighboring communities toward a more efficient and desirable kind of development. Thus, in order to qualify for grants, communities will be:

1. Promoting and strengthening institutional or other arrangements for interlocal cooperation with respect to policies, plans, and projects of area-wide or interjurisdictional significance;
2. Attaining economies and efficiencies of scale in capital improvements;
3. Helping coordinate Federal programs within broad areas;
4. Effectively utilizing the planning process as a guide to areawide development.

Since 1961, Congress has officially recognized the need for local communities, cities, counties and special districts to plan together. Many of the existing grant programs are aimed at this objective, and they are producing impressive results. The proposed grants will encourage local governments to carry their own efforts a big step further forward to ensure that plans are practical and that they are producing results. Some of these results may be measured in terms of:

- economies, such as in a consolidated sewerage system costing less per capita than a fragmented system;
- consistencies in public works programs that will avoid costly mistakes, possibly involving Federally assisted projects, such as constructing a public building on land that is needed later for a highway;
- savings in development costs that are achieved through advance programming, in acquiring sites at lower costs, for example.

Provisions of 1968 Legislation

The Housing and Urban Development Act of 1968 amended Title II of the Demonstration Cities and Metropolitan Development Act of 1966 in several significant ways:

- (1) The heading of Title II is changed from "Planned Metropolitan Development" to "Planned Areawide Development".

Areawide Development Grants

- (2) In keeping with the change in title, the sections and subsections thereto are amended to permit supplementary incentive grants to be made for projects being carried out in any multi-jurisdictional area including the rural planning districts which are authorized by the amendments to Section 701 of the Housing Act of 1954 contained in Section 601 of the Housing and Urban Development Act of 1968.
- (3) It also provides that the \$75 million authorized for supplemental grants may be appropriated through fiscal year 1970.

Budget Program

There are approximately 500 metropolitan and rural districts in the United States that are potentially eligible for the financial benefits under the program. Of these it is estimated that 300 will have progressed in FY 1969 to the stage in their comprehensive planning where they could be considered for possible eligibility under this program. Based on the Department's knowledge of the extent and scope of planning in these areas, it is estimated that by FY 1969 at least 30 will meet the requirements of the program. It is anticipated that there will be approximately 120 applications for grants from communities in these 30 areas, approximately 40 will receive fund reservations totaling \$5 million.

Effectiveness of Areawide Development Grants

In those areas where the local communities have demonstrated a high degree of cooperation in constructing basic facilities, these grants will provide additional resources to further their undertakings. The increased Federal contribution with respect to the projects qualifying for these grants has the effect of releasing local funds. These local funds, within the limits of applicable local law, can be applied to realize or accelerate the realization of community development objectives which would otherwise be slowed or deferred. Thus, communities will be encouraged to continue and strengthen their cooperation approaches for attacking their current and future development in a systematic and coordinated way.

Those areas which are exploring or studying methods of establishing an area-wide approach are encouraged to accelerate their efforts and to reach compromises and workable interjurisdictional arrangements in order to be able to qualify under Title II. The availability of these grants under Title II will act as a catalyst which will be effective in stimulating local initiative and strengthening local facilities and procedures for area-wide undertaking of needed public facilities.

Areawide Development Grants

These funds will be used by the local communities to assist in the construction of additional facilities on the basis of the communities' own schedule of planned development. Thus, it will provide assistance for any legitimate capital improvement. This will result from the fact that the eligible applicants have planned and scheduled their needs within the framework of an effective system of interjurisdictional cooperation.

Amount of Grant

A grant may not exceed 20 percent of the total cost of an eligible project for which a Federal grant under another specified Federal statute is made. Thus, eligible projects with a 50 percent grant level under other Federal statutes could receive a total of 70 percent Federal assistance. However, the total Federal contributions cannot exceed 80 percent. Under the urban transportation program, for example, which provides for a 66-2/3 percent Federal grant, the incentive grant may not exceed 13-1/3 percent (80 percent minus 66-2/3 percent).

As an illustration, a community applying for a Basic Water and Sewer grant of \$500,000 to help finance a \$1 million sewer project could apply also for an additional grant, under Title II, of \$200,000.

Eligible Federal Grant Programs

Grants under 10 Federal programs administered by five different Departments may be supplemented under this new program. These are:

1. Grants for basic water and sewer facilities, administered by the Department of Housing and Urban Development under the Housing and Urban Development Act of 1965;
2. Grants for the construction and modernization of hospitals and other medical facilities, administered by the Department of Health, Education, and Welfare under the Public Health Services Act (Hill-Burton Act);
3. Grants for the construction of libraries, administered by the Department of Health, Education, and Welfare under Title II of the Library Services and Construction Act;
4. Grants for construction of sewer treatment works, administered by the Department of the Interior under the Federal Water Pollution Control Act;
5. Grants for highway construction (Federal-aid primary and secondary systems and urban extension, but not the Interstate System) administered by the Department of Transportation;

Areawide Development Grants

6. Grants for airport development, administered by the Federal Aviation Administration, Department of Transportation under the Federal Airport Act;
7. Grants for urban mass transportation facilities and equipment, administered by the Department of Transportation under the Urban Mass Transportation Act of 1964;
8. Grants for acquisition and development of open-space land, for urban beautification and improvement or for historic preservation administered by the Department of Housing and Urban Development under the Housing Act of 1961 (the historic preservation provisions are added to the 1961 act by the Demonstration Cities and Metropolitan Development Act of 1966);
9. Grants for the acquisition and development of lands and waters for recreation purposes; administered by the Department of the Interior under the Land and Water Conservation Fund Act of 1965;
10. Grants for public works and facilities in redevelopment areas, administered by the Department of Commerce under the Public Works and Economic Development Act of 1965 (but only if they involve works or facilities of a type which the Secretary of Housing and Urban Development determines to be eligible under items 1-9, above).

Eligibility of Area

To establish eligibility for grants to projects in a particular area, it must be shown that:

1. Areawide comprehensive planning and programming provide an adequate basis for evaluating the locations, financing and scheduling of public facilities and land development (whether or not Federally assisted) of areawide or interjurisdictional significance;
2. Adequate areawide institutional or cooperative arrangements exist for coordinating, on the basis of such area-wide planning and programming, local public development policies and activities affecting the development of the area; and
3. Public facility projects and other land developments (public or private) having a major impact on the development of the area, are in fact being carried out in accordance with area-wide comprehensive planning and programming.

All areas will be provided full information about the program and given technical advice and assistance as appropriate.

Eligibility of Applicant - the State or local unit government

An individual applicant public body must show that public facility projects and other land development activities over which it has jurisdiction and which are of interjurisdictional or area-wide significance are being carried out in accordance with areawide planning and programming. In determining eligibility, special consideration is given as to whether the applicant is assisting in conforming to areawide planning and programming through (1) the location and scheduling of public facility projects (whether or not Federally assisted), and (2) the establishment and consistent administration of zoning codes, subdivision regulations, and similar land use and density controls.

Where the applicant is a special purpose unit of government (special district, public purpose corporation, or other limited purpose political subdivision), both it and the unit of general local government having jurisdiction over the location of the project would have to qualify under the program.

In making eligibility determinations, full consideration will be given to the comments of State and local bodies responsible for comprehensive planning and programming.

SALARIES AND EXPENSES

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpts from House Document No. 393)
 90th Congress, 2nd Session

"METROPOLITAN DEVELOPMENT

"SALARIES AND EXPENSES

"For an additional amount for "Salaries and expenses", \$670,000.

"These proposed additional funds are for administrative costs of carrying out new programs of metropolitan development, including supplemental grants for planned areawide development and guarantees for financing new community land development contained in Public Law 90-448, approved August 1, 1968.

Salaries and Expenses, Metropolitan Development

Summary of Budget Request

Amount in Independent Offices and HUD appropriation bill, 1969.....	\$7,000,000
Proposed supplemental.....	<u>570,000</u>
Total estimate for FY 1969	\$7,670,000

This appropriation funds the administrative and supporting expenses for carrying out Metropolitan Development programs under the Assistant Secretary for Metropolitan Development. The proposed supplemental appropriation would provide a staff of 94 in Washington and in the field to administer the Areawide Development Grant Program and the Guarantees for Financing New Communities Program pursuant to the Housing and Urban Development Act of 1968.

The following summary shows the activities funded by this appropriation.

<u>Program</u>	<u>End of Year Employment</u>	<u>Amount</u>
Areawide Development Grants.....	45	300,000
Guarantees for Financing New Communities.	<u>49</u>	<u>370,000</u>
Total supplemental Estimates	<u>94</u>	<u>670,000</u>

Program Administration - Areawide Development Grants

Estimated Employment, June 30, 1969.....	45
Administrative expenses, FY 1969.....	300,000

The Areawide Development Grant Program is presented and justified in Section F of this book. Funds for grants would be appropriated under the request discussed in that Section; funds for administrative expenses in connection with this program are included as part of this appropriation request for "salaries and expenses."

It is estimated that there will be approximately 120 applications for grants from communities located in 30 areas that will meet the standards required under this program. About 40 of these applications will receive fund reservations. Of these, 20 will have processing completed with executed grant agreements.

To ensure adequate program administration, the Department will recruit key personnel in the fields of municipal finance, public works, engineering and urban planning. This program will be carried out by the Department's regional offices for the most part as approximately 69 percent of the positions proposed will be assigned to the field.

Salaries and Expenses, Metropolitan Development

The regional office staff will be directly responsible for the following phases of program operation:

- Providing information and advice to interested parties;
- Providing technical assistance to applicants;
- Processing applications for grants;
- Coordinating processing at the local level with other Federal agencies;
- Obtaining certificates of projects cost and Federal contribution from other Federal agencies; and
- Determining if metropolitan areas and rural planning districts and applicant communities meet eligibility requirements.

In the central office the staff will concern itself with the functions of coordination, control and review. It will be specifically responsible for:

- Development, interpretation and control of overall policies and procedures;
- Coordination with other Federal agencies affected by the program including the development of coordinating procedures to be used in the field;
- Supervision, guidance and review of regional office administration of the program; and
- Development and interpretation of planning requirements and criteria.

Program Administration - Guarantees for Financing New Communities

Estimated Employment, June 30, 1969.....	49
Administrative Expenses, FY 1969.....	370,000

The Housing and Urban Development Act of 1968 authorizes a new program of Federal guarantees of the financing needed by private developers of new communities. Staff expenses for program administration for the first year of the new program are covered by funds provided in this appropriation for "salaries and expenses".

Salaries and Expenses, Metropolitan Development

Program Description

The Secretary of Housing and Urban Development is authorized to guarantee the bonds, debentures, notes or other obligations issued by new community developers to help finance approved new community development projects. In making such guarantees the Secretary would take into account: (1) The large initial capital investment required, (2) the extended period before initial returns can be expected, (3) the irregular pattern of cash returns characteristic of such investment, and (4) the financial interests of the United States.

Federal guarantees would cover the principal obligation on loans in an amount not to exceed the lesser of (1) 80 percent of the Secretary's estimate of the value of the property on completion of the land development or (2) the sum of 75 percent of the Secretary's estimate of the value of the land before development plus 90 percent of his estimate of the actual cost of such development. The bonds, debentures, notes or other obligations of the developer would be taxable and would have interest, maturity and repayment provisions satisfactory to the Secretary. The principal obligations guaranteed with respect to a single project could not exceed \$50 million, and the aggregate of outstanding principal obligations guaranteed under the title could at no time exceed \$250 million.

To be eligible for assistance, a proposed new community development project must be economically feasible; have a financing plan satisfactory to the Secretary; and have an internal development plan which: (1) has been found consistent with approved comprehensive planning being carried on for the area in which it is located, (2) has received all governmental approvals required by State or local law or by the Secretary, and (3) provides reasonable assurance that the development will contribute to good living conditions and will include a proper balance of housing for families of low and moderate income.

A revolving fund is authorized which is to be composed of (1) receipts from fees and charges; (2) recoveries under security or subrogation rights or other rights, and any other receipts obtained in connection with such guarantees; and (3) such sums, which are authorized to be appropriated, as may be required for program operations and nonadministrative expenses and to make any and all payments guaranteed under this title. On or before January 1, 1970, the Secretary is required to make a report to Congress on the level of fees and other charges which he estimates would be adequate to provide income sufficient for a self supporting program.

The Act also authorizes supplementary grants to States and local agencies for up to 20 percent of the cost of water and sewer facilities and open space land projects receiving basic grants under designated Federal assistance programs. These New Community Assistance Grants will encourage local public authorities to provide some of the basic water and sewer facilities and open space lands needed for new communities being developed by private developers. The Department is not requesting a

Salaries and Expenses, Metropolitan Development

supplemental appropriation for New Community Assistance Grants in FY 1969.

Need for the Program

The Nation is faced with an urban population growth estimated to be in the magnitude of some 40 million additional urban dwellers by 1980. New housing, community facilities, roads, schools, stores, recreation facilities and an economic base must be developed. The cost of conventional patterns of development with wasteful use of land, inefficient and uneconomical community facilities, inadequate transportation, pollution and unattractive sprawl can be reduced or eliminated by constructing entirely new communities utilizing advanced technology based on sound area-wide planning and programming for the orderly development of the area.

The purpose of this program is to aid private enterprise to build new communities. These new communities can provide a new kind of urban living, one which offers a major alternative to the runaway, sprawled growth that threatens to overwhelm our metropolitan regions with costly and inefficient development. With support from this program, some of our urban growth can be channeled into wholly new communities that can provide homes, jobs, schools and the best advantages for raising children; all in convenient proximity to each other. Furthermore, the program can be used to help revitalize small towns in rural areas.

Development of these communities would also provide needed additions to the general housing supply; provide opportunities for innovations in technology and land development; enlarge housing, employment, and investment opportunities; and encourage a diversified local homebuilding industry. Assisted communities are required to have a proper balance of housing for families of low and moderate income.

A continuing flow of building lots from new communities to the home-builders can relieve them of the need to tie up their resources in acquiring new land and constructing the supporting public facilities. This is particularly important to the hundreds of smaller builders with limited capital. The builders will be released to do the job they do best -- construct housing.

Program Administration

The \$370,000 requested as part of "salaries and expenses" will provide an estimated year-end staffing of 49 by June 30, 1969. This level of staff is essential for the adequate administration of this program during its first year of operation.

Salaries and Expenses, Metropolitan Development

This program will be different from many of the other programs of the Department in that the scale of new communities will produce relatively few applicants. However, an application which might involve a Federal guarantee of up to \$50 million will require a considerably greater amount of time and effort on the part of many specialist before any commitments are made. During the first year of operation it is anticipated that preliminary requests for guarantees will be received from about a dozen new community developers.

Program administration during the first year will be centralized with certain functions such as detailed review of planning requirements being performed by planning staffs.

Department staff will be responsible for collecting the data required to establish the policy guidelines. This staff will also perform study required by the statute of the amount of fees for guarantees and such other charges required to cover the cost for the analysis of development and financing plans and for appraisals and inspections relating to the new community development projects. This study must begin immediately as it will form the basis for the Secretary's report to Congress on or before January 1, 1970, concerning the fees and other charges required to provide sufficient income for a self-supporting program.

The program staff will process the preliminary and final applications for the Federal Guarantees of the bonds, debentures notes and other obligations issued by new community developers to help finance new community development projects. Applications will be reviewed to see that the proposed new community will be economically feasible in terms of an economic base or potential for growth; that there is a practicable plan including appropriate time schedules for financing the land acquisition and development cost, and that there is a plan for improving and marketing the land which represents an acceptable financial risk to the United States.

These applications will require extensive reviews by other professional staff such as planning, engineering and legal. The planning staff will review the applications to see that there is a sound internal development plan which has received all governmental approvals required by State and local law and is consistent with a comprehensive plan which meets criteria established by the Secretary for such comprehensive plans or planning. This planning staff will also see that the internal development plan provides reasonable assurance that the development will contribute to good living conditions in the area including a proper balance of housing for families of low and moderate income and will include or be served by satisfactory shopping, recreational, transportation and other facilities.

PLANNED AREA-WIDE DEVELOPMENT

Mr. EVINS. Tell us why you need this money at this time.

Secretary WEAVER. Briefly, this is an idea of giving supplemental grants of Federal assistance to those areas which come in with area-wide problems and have area-wide proposals and area-wide organizations to carry out these proposals.

There are many of our urban communities that don't even know where the city line starts and the county line begins. There are many that cut across 10 or 12 units of government. This is an incentive to encourage these various groups to get together.

Mr. EVINS. You say, "If you don't, you don't get the area-wide development grant"?

Secretary WEAVER. Right.

This is in the tradition of what we have been doing. It is an extension of what is already underway.

TENANT SERVICES

Mr. WYMAN. The grants to tenant services, \$15 million. I want to ask this one question. Whom do you make the grant to?

Secretary WEAVER. The grants would go to the local housing authorities.

Mr. WYMAN. This is for cleaning up passageways and what?

Secretary WEAVER. This is for assisting the tenants who are in these projects to solve their social and economic problems, which are the great problems in public housing. Help them get jobs, help them get various types of assistance, health services, and so forth.

Mr. WYMAN. Is it contemplated that the manager of the housing project is going to hire an expert or somebody that is trained in the field to go around to the various tenants?

Secretary WEAVER. What we would hope is that he would hire tenants who are the natural indigent leaders and who are knowledgeable enough to be able to translate into terms so other tenants can understand the stuff that comes down from the various services that they don't understand.

Mr. TALCOTT. If they are hired, they would be no longer eligible to live in the housing?

Secretary WEAVER. Yes, sir; they would be hired on a part-time basis. Their rents might increase, but any good manager would not hire such a person so he would be over income.

Mr. TALCOTT. One more point. How many such authorities are there in the United States that would be eligible for the grants?

Mr. HUMMEL. About 2,000.

Mr. TALCOTT. What would you estimate the average grant for this purpose would be?

Secretary WEAVER. In the first place, we don't believe all 2,000 would come in. It would come largely from the larger cities or the cities with the greatest problems. We had an estimate of how many?

Mr. HUMMEL. Normally we would think with this amount of money probably 75 of the larger cities would be ones that would come in first. They have the greatest need.

Mr. EVINS. You have had public housing for 30 years and in an emergency now we have to pass them a supplemental to advise the tenants.

Mr. WYMAN. This is for 6 months, roughly from December to the end of June; isn't that the fiscal period involved?

Secretary WEAVER. We would hope it would be from the 1st of November.

Mr. WOOD. The basic thrust is that old saw: If you have poor people and put them in public housing, they put coal in the bathtubs.

Mr. EVINS. Haven't they learned differently in 30 years?

Mr. WOOD. They come in different every year. This is a process that is simply trying to accommodate a group of people coming in different segments.

Mr. BOLAND. This comes about as a result of the Housing Act of this year?

Secretary WEAVER. Yes, sir.

Mr. BOLAND. It is a program that HUD has been looking at for some time. In my judgment it is a good recommendation. It may not be the best, but I think it is a good recommendation. It was passed on by the Congress and only those who are familiar with the problems of public housing as given to the Housing and Urban Development Department over the years recognize the need for this kind of a program. This is one way to assist these people who come into public housing and keep the public housing programs at a level that HUD, as well as the local authorities, can be proud of. This is one of the needs that has been necessary for a great many years. We have never had it, with the result we have some low-rent public projects throughout the country that are a disgrace to the program itself. This is one way of correcting it. This is perhaps one of the only ways of doing it.

Mr. EVINS. It has apparently been the need for years. They have been doing a lot of it over the years.

Mr. BOLAND. Not very much in some of those areas that really need it.

FAMILY PLANNING IN TENANT SERVICES PROGRAM

Mr. TALCOTT. Is family planning one of the social instructions you plan to be giving?

Secretary WEAVER. There has been no discussion of that. I would not want to say categorically, "This is not one of the things we contemplated." I would not put it beyond the realm of possibility.

Mr. TALCOTT. What is one of the services that you plan?

Secretary WEAVER. Let me say that I think you have to realize what we are trying to do here—

Mr. TALCOTT. You must have contemplated family planning as part of the social instruction given under this program. You say it is one of those that might be given?

Secretary WEAVER. This is the first time I heard of it in this connection. What we are trying to do here is to develop tools which the management can use to make management more successful and more viable. That would mean that the things that would be done here would be the things that represent the needs of the people.

If family planning were one of those needs, it would not be excluded.

JOB TRAINING

Mr. TALCOTT. Without going too far, what would be a specific example of what you have in mind?

Secretary WEAVER. One specific item is to tell a person living in a public housing project how he goes about getting job training, how he goes about handling his money more effectively, how he avoids getting into these horrible credit connections with overbuying things that he cannot pay for.

Mr. TALCOTT. Mr. Secretary, Isn't this just as important to low-cost or rather low-rent housing in the rural areas, small towns, as in the big city ghettos?

Secretary WEAVER. The problem are there but they do not have the intensity that they have in the larger cities. I don't think they are the same.

Mr. TALCOTT. I invite you to come out to my area, then.

Mr. EISEMAN. Mr. Talcott, several examples are given on page D-4 in the justifications.

Mr. EVINS. Could such a service be financed by fee or a charge to tenants generally?

Secretary WEAVER. One of our great problems now is that these people are being assisted because they have low incomes and we are subsidizing their incomes by having a subsidy in rent. I do not think that you gain very much by giving, on the one hand, and charging on the other for things that are equally necessary.

Mr. BOLAND. They have difficulty meeting the rent now?

Secretary WEAVER. Of course they do.

MORTGAGE CREDIT

HOMEOWNERSHIP AND RENTAL HOUSING ASSISTANCE

Mr. EVINS. Take a look at "Homeownership and rental housing assistance." We will insert the justifications for these programs.

(The information follows:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpt from House Document No. 393)
90th Congress, 2nd Session

"MORTGAGE CREDIT

"FEDERAL HOUSING ADMINISTRATION

"HOMEOWNERSHIP AND RENTAL HOUSING ASSISTANCE

"For homeownership assistance payments, authorized by section 235, and for interest reduction payments as authorized by section 236 of the National Housing Act, as amended (82 Stat. 477 and 498), \$11,500,000: Provided, That the total payments that may be required in any fiscal year by all contracts entered into under section 235 shall not exceed \$75,000,000 and by those entered into under section 236 shall not exceed \$75,000,000."

"This proposal will provide for assistance payments under two new programs for housing for low and moderate income families authorized by Public Law 90-448, approved August 1, 1968. It would permit payments for units completed and occupied during the fiscal year 1969. The proposed language would also fix the maximum payments for any fiscal year for homeownership and rental housing which may be required by contracts entered into under the two programs."

The payment amount of \$11,500,000 is required as follows:

(a)	Homeownership Assistance (235)	\$7,000,000
(b)	Rental Housing Assistance (236)	\$4,500,000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

HOME OWNERSHIP ASSISTANCE

Summary

The Home Ownership Assistance Program is intended to enable lower income families to become owners of homes and thereby experience the pride of possession that accompanies home ownership. In this way, the new program can be a vital influence in promoting personal responsibility and social stability.

Under the Section 235(1) Home Ownership Assistance Program, the Secretary of Housing and Urban Development will enter into contracts to make periodic assistance payments to mortgagees in behalf of lower income families, reducing interest costs on a market rate home mortgage or a member's share of a cooperative association's mortgage.

Delegation of Authority

The Secretary of the Department of Housing and Urban Development has delegated to the Assistant Secretary for Mortgage Credit and Federal Housing Commissioner full responsibility for administration of the provisions of Section 235, including authority to contract with and to make disbursements of assistance payments to mortgagees on behalf of lower income families.

Under a special agreement between the Departments of Agriculture and Housing and Urban Development, both the Farmers Home Administration and the Federal Housing Administration have authority to originate cases and obligate assistance payments in rural areas and communities of 5,500 population or less.

Administration of Program

Eligible Housing. - To be eligible under Section 235(i), a mortgage has to meet the eligibility requirements of the Section 221(d)(2) Low Cost Homes or Section 234 Condominium Program and involve one of the following types of dwellings:

- a. A single-family dwelling which is approved for insurance under the Section 203 Basic Homes, Section 220 Urban Renewal Homes, Section 221(d)(2), or the Section 234 program before the start of construction or rehabilitation.
- b. A one-family unit released from a condominium or a cooperative project insured by FHA under Section 234 or the Section 213 Cooperative Housing Program, provided the project had not been completed for more than two years and the living unit had not been previously occupied.
- c. A dwelling unit released from a multifamily mortgage insured under the Section 236 Rental Housing Assistance Program or released from a multifamily project receiving federal rent supplement assistance.
- d. An existing single-family home, or a family unit in a condominium or cooperative project constructed or rehabilitated at least two years before receipt of application. The home must be occupied by a family displaced by urban renewal, governmental action, or a major disaster; or a family moving from low-rent public housing; or a family with five or more children under 21 years of age.

Assistance payments generally will be made on newly constructed or substantially rehabilitated housing, except that up to 25 percent, 15 percent, and 10 percent of the amount of contracts authorized to be made in fiscal years 1969, 1970, and 1971, respectively, can apply to existing housing. However, once the percentage limitation has been reached, existing housing which meets the exemptions in paragraph "d" above may continue to be assisted during a given year.

Mortgage Amount. - The amount of a home mortgage cannot exceed \$15,000 (\$17,500 in high cost areas). These limits are increased to \$17,500 (\$20,000 in high cost areas) for families with five or more members. The same limits apply to condominium and cooperative units. The minimum downpayment is \$200 for families with incomes up to 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing and three percent in other cases. When feasible, a home buyer will be given an opportunity to contribute the value of his labor as equity in the dwelling.

Income Limits. - Assistance payments can be made in behalf of home buyers or cooperative members having an income at the time of initial occupancy not in excess of 135 percent of maximum income limits established in the area for initial occupancy

in public housing. However, up to 20 percent of the funds authorized in appropriation acts for the program can be used to assist families with incomes above these limits but which are not in excess of 90 percent of the income limits for occupancy in a Section 221(d)(3) below market interest rate housing project. In calculating the income of the homeowner for the purpose of determining eligibility, as well as the amount on which the 20 percent computation will be made, there will be deducted \$300 for each minor child who is a member of the homeowner's immediate family and living with him. Also, income of minors will not be included in the homeowner's income for this computation. The family's income will be recertified at least every two years and appropriate adjustments made in assistance payment to reflect any changes. When requested, credit counseling services will be provided to families purchasing homes under the Home Ownership Assistance Program.

Assistance Payments. - Payments will be in an amount necessary to make up the difference between 20 percent of the family's monthly income and the required monthly payment under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. In no case, however, can the payment on a mortgage exceed the difference between the required payment under the mortgage for principal, interest, and mortgage insurance premium and the payment that would be required for principal and interest if the mortgage bore an interest rate of one percent. HUD's payment to the mortgagee will include an amount to reimburse the mortgagee for its expenses in handling administration of assistance payments. It is estimated that this will amount to an annual amount averaging \$40 per unit during the budget year. FHA income and expense transactions under this program will be collected and disbursed from the Special Risk Insurance Fund.

Housing Acquisition and Resale. - A special Section 235(j) Home Ownership Assistance Program provides mortgage insurance coverage for a nonprofit organization or public body or agency financing the purchase (and rehabilitation if necessary) of housing under a blanket mortgage for subsequent resale to lower income families. The housing must include four or more one-family dwellings (or a two-family dwelling, one unit of which is to be occupied by the owner), or four or more one-family units in a condominium project, in those cases in which rehabilitation is involved. The individual mortgages given to finance the resale of the housing to lower income families will also be insured by FHA and assistance payments made on behalf of the purchasers.

Contracts Authorized. - The 1968 Housing Act stipulates that, subject to appropriations, contracts for payments under home ownership assistance contracts shall not exceed \$75,000,000

prior to July 1, 1969. This maximum amount may be increased by:

- (a) \$100,000,000 on July 1, 1969
- (b) \$125,000,000 on July 1, 1970.

In addition, the law stipulates that a reasonable portion of this amount is to be transferred to the Secretary of Agriculture for use in rural areas and small towns.

Summary of Budget Request

It is expected that FHA will receive unit applications totaling 64,200 under the Section 235 Home Ownership Assistance Program in 1969. Twenty-eight thousand two hundred of these units will be under payment by year-end and unit payments totaling 120,000 will be made during the current year. Over three-fourths of these will be units that were "existing" at the time funds were allocated to them. The remainder will be rehabilitated units. At an estimated monthly unit payment amount of \$59, appropriation requirements will total \$7 million. Further, the full \$75 million of contract authority authorized by the statute is requested.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

RENTAL HOUSING ASSISTANCE

Summary

The new programs of the Housing and Urban Development Act of 1968 are keyed to the national goal of building or rehabilitating, in the next decade, enough decent housing to replace almost all substandard dwellings.

Section 236 of the new Act encourages maximum participation by private enterprise to provide good rental and cooperative housing for lower income families. This program will enable many lower income families, including the elderly and the handicapped, to live in decent housing within their means. It will be an important factor in the necessary revitalization of America's urban centers.

Under the Section 236 Rental Housing Assistance Program, the Secretary of Housing and Urban Development will enter into contracts to make monthly interest reduction payments to mortgagees to reduce the housing costs of lower income occupants of rental and cooperative projects.

Delegation of Authority

The Secretary of Housing and Urban Development has delegated to the Assistant Secretary for Mortgage Credit and Federal Housing Commissioner responsibility for administration of Section 236, including allocation and disbursement of interest reduction payments.

Administration of Program

Eligible Sponsors, Mortgagors, Projects. - To qualify for mortgage insurance under the program, a mortgagor must be a nonprofit organization, a cooperative, or a limited dividend entity of the types permitted under the Section 221(d)(3) rental

housing program. The mortgage limitations with respect to maximum mortgage amount are the same as for mortgages insured under the Section 221(d)(3) program. Interest reduction payments can also be made with respect to state-aided rental housing projects approved for receiving the benefits of the program prior to completion of construction or rehabilitation of the projects. A cooperative or private nonprofit corporation or association can purchase a project from a limited dividend mortgagor and finance the purchase with a mortgage insured under the program. Projects for low and moderate income families financed under the below market Section 221(d)(3) program can be transferred to the Rental Housing Assistance Program prior to final endorsement for FHA insurance. Projects for the elderly or handicapped approved for direct loans can be refinanced under the Section 236 program at any time up to, or a reasonable time after, project completion. Finally, rent supplement payments may be provided for tenants in projects financed under the new program, but no more than 20 percent of the units in any one project can receive rent supplement assistance.

A project financed under the new program can include such nondwelling facilities as the Secretary considers appropriate to serve the occupants of the project and surrounding neighborhood, as long as the project is predominantly residential and any nondwelling facilities contribute to the economic feasibility of the project. Where a project is designed primarily for occupancy by the elderly or handicapped, it can include related facilities for their use, such as dining, work, recreation, and health facilities. Nonprofit sponsors participating in the program will be eligible for technical assistance and interest-free loans to cover preconstruction costs as provided for in the HUD Low and Moderate Income Sponsor Fund.

Assistance Payments. - The interest reduction payments will reduce the debt service requirements on the project mortgage from that required for principal, interest, and mortgage insurance premium on a market rate mortgage to that required for principal and interest on a mortgage bearing an interest rate of one percent. The interest reduction payments will reduce rentals to a basic charge, and a tenant or cooperative member will pay either the basic charge or such greater amount as represents 25 percent of his income, but not in excess of the charges which would be necessary without any interest reduction payments. Expenses incurred by the mortgagee in handling the mortgage can be reimbursed by the Department. Incomes of tenants will be reexamined at least every two years for the purpose of adjusting rentals. Program insurance premiums will be credited to and losses will be paid from the Special Risk Insurance Fund.

Tenants Eligible for Payments. - Tenants who pay less than the fair market rental charge for their units will generally have to have incomes, at the time of the initial occupancy, not in excess of 135 percent of the maximum income limits established in the area for initial occupancy of public housing dwellings. However, up to 20 percent of the contract funds authorized in appropriation acts may be made available for projects in which some or all of the units will be occupied, at the time of initial rent-up, by tenants whose incomes exceed the above limit but do not exceed 90 percent of the income limits for occupancy of Section 221(d)(3) below-market interest rate housing. In determining income for the purpose of eligibility, as well as the amount of rent to be paid, a \$300 deduction is permitted for each minor person in the family, and any income of such minor is not counted.

Contracts Authorized. - The law stipulates that, subject to appropriations, contracts for payments under the Section 236 program shall not exceed \$75,000,000 prior to July 1, 1969. This maximum amount may be increased by:

- (a) \$100,000,000 on July 1, 1969
- (b) \$125,000,000 on July 1, 1970

A reasonable portion of this authority is to be transferred to the Secretary of Agriculture for use in rural areas and small towns.

Summary of Budget Request

Unit applications totaling 65,400 are expected to be received in fiscal year 1969, resulting in 16,000 units under payment for the Rental Housing Assistance Program by year-end. Unit payments totaling 77,600 are expected to be made during the year at an average of \$58. All units receiving assistance payments in fiscal year 1969 will result from units presently being constructed under either the Section 221(d)(3) BMIR program or the Section 202 program. Total requirements for assistance payments under Section 236 will be \$4,500,000. Further, the full \$75 million of contract authority authorized by the statute is requested.

HOMEOWNERSHIP ASSISTANCE

Mr. EVINS. This is similar to the rent supplement program except it is an interest subsidy. They induce a person to buy a home, FHA guarantees, and it becomes homeownership under 235. HUD subsidizes the interest payment, all except 1 percent.

Secretary WEAVER. Up to 1 percent.

Mr. EVINS. You want them to have a little part in it, a little incentive. You want them to feel like they make a little contribution. I am disappointed you didn't go all the way and subsidize all the interest. Why make it 1 percent?

Secretary WEAVER. This was done by the substantive committee. It was their judgment, as you said earlier, it would be better to have a little better than zero.

Mr. EVINS. The interest rate is 6 percent and you are going to subsidize 5 percent?

Secretary WEAVER. Up to 5 percent. It will vary with the income. It will go up as high as 5 percent.

Mr. EVINS. Many feel this is an improvement over rent supplements. They will buy the homes and all you do in this instance is subsidize the interest. FHA guarantees the financing of the home purchase, do they not?

Secretary WEAVER. The record should show, Mr. Chairman, while we are paying all but 1 percent of the interest, the homeowner is paying the amortization and other costs, such as taxes and interest, et cetera.

Mr. EVINS. You are asking for the section 235 program, \$75 million to get this new program started. Rental housing, interest subsidy, \$75 million, which is \$150 million in total.

Secretary WEAVER. These are the authorizations. That is contract authority.

Mr. EVINS. Mr. Brownstein, do you want to address yourself to each of these, 235 and 236?

Mr. BROWNSTEIN. The 235 is the homeownership program which the chairman has described. It will work as the Secretary has pointed out. The homeowner will pay 20 percent of his income toward principal, interest, taxes, and insurance. The difference between the aggregate payment and the amount that the homeowner pays will be made up in a direct Government subsidy which HUD will pay, so long as by so doing you do not come up with a payment that will exceed an amount that would result were the interest rate at 1 percent.

Mr. EVINS. The insurance people are all for this. The insurance industry in this Nation is supposed to be participating in the HUD programs. They favor the Government guaranteeing the loan and also subsidizing interest. They are not making as significant a sacrifice as they would like it to appear.

Mr. BROWNSTEIN. I think this homeownership for low-income people, Mr. Chairman, has general acceptability and enthusiasm by a good many groups.

INCOME LIMITS

Mr. JONAS. Isn't this true: To be eligible for either one of these programs, a person's income may be 135 percent above the level of eligibility for public housing?

Mr. BROWNSTEIN. Yes, sir.

Mr. JONAS. So this would take care of a group whose income is slightly above public housing limits?

Mr. BROWNSTEIN. Yes, sir.

Secretary WEAVER. Yes, sir.

Mr. JONAS. I think this is a fine program. I have always favored home ownership.

NUMBER OF UNITS PROVIDED

Mr. EVINS. How many homes will this provide for? What is the annual cost per unit as compared with the rent supplement?

Mr. BROWNSTEIN. The \$75 million will, we estimate, provide about 101,000 units.

Mr. EVINS. If we give you the full amount you would get 101,000 units in addition to public housing and rent supplement?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Under another new program?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. This is under section 235 alone?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. What would be the figures on section 236?

Mr. BROWNSTEIN. 236 is about 102,000.

RENTAL HOUSING ASSISTANCE

Mr. EVINS. Tell us how 236 operates.

Mr. BROWNSTEIN. 236 is also an interest rate subsidy where the interest can be scaled down to 1 percent. Here the tenant would pay 25 percent of his income toward the rental, the rental being calculated at what the market rate of interest would be. HUD would pay the difference between 1 percent and whatever the market rate of interest is.

Mr. JONAS. Here you pay the interest subsidy to the owner to permit him to rent the house at a cheaper rental.

Mr. BROWNSTEIN. We pay this to the mortgagee, Mr. Jonas; yes.

Mr. JONAS. It is not to the tenant?

Mr. BROWNSTEIN. No; this goes to the mortgagee.

Mr. JONAS. The purpose is to enable the owner to reduce the rent he has to receive?

Mr. BROWNSTEIN. Yes.

Mr. WYMAN. When you say units, do you mean rooms or do you mean houses?

Mr. BROWNSTEIN. I mean different dwelling units.

Mr. WYMAN. So there might be three or four rooms in a different unit?

Mr. BROWNSTEIN. Yes.

Mr. JONAS. Participation in this program is restricted; is it not?

Secretary WEAVER. It is restricted to nonprofit, limited profit, and cooperatives, so that the subsidy will not go into increasing the profit.

Mr. BROWNSTEIN. The eligibility of the tenant is the same as for home ownership; 135 percent of the public housing limits for most purposes.

Mr. EVINS. Mr. Hummel, how many public housing units are we supporting annually now?

Mr. HUMMEL. 700,000.

Mr. EVINS. How many rent supplement units are we supporting now annually under the new law?

Mr. BROWNSTEIN. About 43,000.

Mr. EVINS. 700,000 in one and 43,000 in another. How many more do you propose to finance and bring under both of these programs?

Mr. BROWNSTEIN. A little over 200,000 and sections 235 and 236, and an additional 30,000 or so rent supplement units with the new contract authority Congress has recently authorized.

Mr. EVINS. That will be almost 1 million units.

Secretary WEAVER. About 970,000, roughly.

Mr. EVINS. You are approaching 1 million units.

Mr. HUMMEL. It includes the production of the last 30 years.

Mr. BOLAND. This is the cumulative figure.

Mr. EVINS. Yes.

Mr. WOOD. Against a cumulative need of 6 million in the urban areas.

HOMEOWNERSHIP VS. RENTAL HOUSING NEEDS

Mr. EVINS. Is there a difference in the need for a homeownership unit as contrasted to rental housing?

Secretary WEAVER. Yes, sir. There are two things: Many of us for years have favored extending homeownership as far as possibly can be extended.

Mr. EVINS. A desirable goal.

Secretary WEAVER. In order to do that you have to have rent assistance. This is the most viable program that has been developed.

Mr. EVINS. What you are saying, Mr. Secretary, if I interpret your testimony correctly, is that you prefer to have more funds for the homeownership than for rental housing?

Secretary WEAVER. No, sir. The other side of the picture is that there are many people of low and moderate income who because of uncertainty of jobs or of income, or for other reasons, should not be encouraged to go into homeownership. So you have both these situations.

What we are trying to do is to have a balanced program of both. In many instances the worst thing you can do for a low-income family is to encourage it to go into homeownership when it is not prepared, or it cannot do so successfully.

CONTINUITY OF THE SUBSIDY

Mr. JONAS. What happens to the landlord when he loses a tenant? You are still obligated to pay the rent subsidy, but what if he cannot get another tenant? What assures him that he will have a continuing rental of his property?

Secretary WEAVER. I think several things. The first thing is if he builds a decent project and if he builds it in an area that is at all attractive, the pent-up demand of people now in substandard housing and the increased number of households which are going to be formulated over the next decade, is such that the mathematics almost preclude that possibility.

Mr. JONAS. Will you have to renegotiate your contract with him or is it a continuing thing?

Secretary WEAVER. No.

Mr. BROWNSTEN. No. We would not renegotiate our contract at all. We would continue paying him the subsidy.

Mr. JONAS. Even if the property stands idle?

Mr. BROWNSTEN. That is correct. It is up to him to fill it with tenants in order to make his mortgage payments.

Secretary WEAVER. He has an interest in this just as we have.

Mr. JONAS. If there is a foreclosure, are you still obligated to pay this amount of subsidy?

Secretary WEAVER. No.

Mr. BROWNSTEIN. No, sir. These would be insured mortgages so that if there is a foreclosure, FHA would pay off the mortgage. That would stop the subsidy.

Mr. EVINS. Is the contract authority for \$75 million over 40 years?

Secretary WEAVER. Yes.

Mr. BROWNSTEIN. Not on 235, Mr. Chairman. Homeownership would be less than that, probably, in most cases closer to a 30-year term.

Mr. EVINS. Isn't the contract authority for 40 years?

Mr. BROWNSTEIN. The contract authority would be for the term of the mortgage.

Mr. TALCOTT. Why wouldn't that be 40 years?

Mr. BROWNSTEIN. Because on most homeownership you would not have a 40-year mortgage. You can have 35, you can in some cases go to 40.

INTEREST REDUCTION PAYMENTS

Mr. EVINS. Interest reduction payments also under 235 and 236, you are asking for \$7 million for 235 and under 236, \$4,500,000. Which one is the more important; which one has the higher priority?

Mr. BROWNSTEIN. It is not a matter of priorities. They are both extremely important.

Mr. EVINS. Why are you requesting more for section 235?

Mr. BROWNSTEIN. Since in 235 you can use 25 percent of the authorization for existing housing, we can get a number of owners into those properties within this year.

Secretary WEAVER. In other words, it will move quicker because of the conversion feature in the statute. So we will be having payments quicker on this.

Mr. EVINS. You are asking for \$11,500,000 for the first-year payments?

Mr. BROWNSTEIN. Yes, sir.

Secretary WEAVER. For both of them?

Mr. BROWNSTEIN. The two programs.

Mr. EVINS. How much do you need on the contract authority?

Secretary WEAVER. The amount of contract authority we have will determine the size of the program. Since we want to get this program going, we have asked for the full amount that is authorized on the basis if we are going to have a 10-year goal we had better start meeting it now.

INTEREST IN NEW PROGRAMS

Mr. JONAS. We can get at that by finding out how many applications you have so far.

Mr. BROWNSTEIN. We have not accepted any applications yet.

Mr. JONAS. I know. How many have you received? You do not have to accept them. You mean, you don't have a single one?

Mr. BROWNSTEIN. We have had a tremendous amount of interest expressed in it.

On 235 we know there are a good many units which are now being built under our regular 203 program which would be sold with the interest subsidy.

Secretary WEAVER. I don't think there is any question in our mind that we will have a demand for this.

Mr. EVINS. But you have no applications on file at this time?

Secretary WEAVER. We cannot receive applications for programs that are not funded.

Mr. JONAS. You can receive them and put them in pending file, can't you?

Secretary WEAVER. In the first place, we haven't got our regulations out and they do not know what it is all about. You would just build up hopes.

Mr. JONAS. I don't think you will get any formal applications until 1969.

Secretary WEAVER. We will get them, we have indications already.

Mr. EVINS. No applications have been received to date.

Secretary WEAVER. But we have inquiries, we have sponsors who have come in saying they are ready to go. Isn't that right?

Mr. BROWNSTEIN. Yes, sir.

Secretary WEAVER. But formal applications, we have not had them.

LOW- AND MODERATE-INCOME SPONSOR FUND

Mr. EVINS. Let us look at your low-and moderate-income sponsor fund. This is a new program for which you are asking \$5 million. We shall insert your justification at this point.

(The material follows:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpt from House Document No. 393)
90th Congress, 2nd Session

"MORTGAGE CREDIT

"FEDERAL HOUSING ADMINISTRATION

"LOW AND MODERATE INCOME SPONSOR FUND

"For the low and moderate income sponsor fund, authorized by section 106 of the Housing and Urban Development Act of 1968 (82 Stat. 490), \$5,000,000."

"This proposed supplemental appropriation is for initial capital for a revolving fund from which interest-free planning loans would be made to nonprofit sponsors of housing for low and moderate income families. This fund is authorized in Public Law 90-448, approved August 1, 1968."

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATIONLOW AND MODERATE INCOME SPONSOR FUNDSummary

Section 106 of the Housing and Urban Development Act of 1968 authorizes the Secretary of HUD to undertake a program of technical assistance, with respect to the construction, rehabilitation, and operation of low and moderate income housing to nonprofit sponsors of such housing. This legislation also authorizes the Secretary to provide financial assistance, in the form of 80 percent interest-free loans, to cover certain preconstruction costs of nonprofit sponsors in connection with their low or moderate income housing undertakings under federally-assisted programs. The bill provided for the establishment of a revolving fund, entitled the Low and Moderate Income Sponsor Fund, for this purpose.

Much of the federal housing policy for low and moderate income families has been geared to the use of the nonprofit sponsor. However, despite the authority in the law to utilize nonprofit sponsors under many of the existing programs, the experience so far has demonstrated deficiencies. Many nonprofit sponsors have been lacking in experience and technical capacity, as well as funds, to develop housing. An effective program of technical assistance to nonprofit housing sponsors is essential if they are to play a prominent role in the production of housing for low and moderate income families. The assistance given nonprofit sponsors is designed to help them deal with problems of sponsor-builder relationships, principles of planning, financial responsibility, and allied matters and emphasizes the human aspects of involvement with the community and development of project management that is responsive to tenant needs.

The provision of loans to cover certain preconstruction costs is essential if nonprofit organizations are to continue to have a significant role in the expanded low and moderate income housing program. Current practice requires the sponsor to pay for market surveys, architectural and engineering needs, land options, and other preconstruction costs before insured financing can be obtained. These must be paid in advance and often create insurmountable obstacles on the nonprofit organization. The costs covered by loans to nonprofit sponsors will

be included in the financing and will be returned to the revolving fund if the project is approved. The Secretary may, however, cancel repayment of all or any part of a loan that he determines cannot be recovered from the permanent mortgage proceeds.

To qualify for assistance, both financial and technical, nonprofit organizations must satisfy standards prescribed by the Secretary for financial responsibility and stability.

Program Delegation

The Secretary has delegated the responsibility for administration of this program to the Assistant Secretary for Mortgage Credit and Federal Housing Commissioner.

FHA is responsible, in addition to providing technical assistance to the nonprofit sponsors, for administering the loan program which will consist of (a) technical review of all loan applications, (b) determining the amount and reasonableness of the requested assistance, (c) establishing the repayment terms of the loan, (d) disbursements on approved applications, and (e) for cancellations of loans when required.

Administration of the Program

Eligible Applicants. - To qualify for financial aid, a sponsor must be eligible to seek an insured mortgage under the low and moderate income program of the National Housing Act. It must be a nonprofit corporation or organization which is organized for purposes other than the making of profit or gain for itself or persons identified with it, and which is in no manner controlled by or under the direction of persons or firms seeking to derive profit or gain from it.

The programs available to sponsors eligible to apply for assistance loans include:

- (1) Section 236 lower income rental and cooperative housing;
- (2) Section 221(d)(3) below market interest rate housing;

- (3) Rent supplement housing;
- (4) Sections 221(h) and 235(j).

Assistance is limited by law to eligible applicants for use in developing an identifiable low and moderate income project application. A national, state, or local professional or general organization set up to sponsor low and moderate income housing or provide technical assistance to other housing sponsors may apply only if it is otherwise eligible and if it proposes to sponsor one or more identifiable projects.

Terms and Conditions. - Financial assistance may not exceed 80 percent of the reasonable costs expected to be incurred in planning and obtaining an insured mortgage under the available programs.

Financial assistance will be advanced as a loan in each instance. Any part of the loan that is not recoverable from the mortgage proceeds, or any undisbursed balance, may be cancelled.

All disbursements to the sponsor and the sponsor's 20 percent portion of the necessary expenses shall be held in trust by the sponsor and deposited in a trust account, separate from all other accounts, in a bank whose deposits are insured by the Federal Deposit Insurance Corporation. Upon application for each monthly disbursement, the sponsor certifies that it has spent or contributed to the trust account at least 20 percent of the expenditures to date and estimated to be made in the next month. The sponsor's expenditures and funds in the trust account shall be used only for the purposes set forth in the loan application, and unexpended funds shall be returned for appropriate adjustment. The sponsor is required to maintain and keep complete records of all disbursements from the trust account and to make such records available upon request.

In order to encourage prompt development of project proposals, the loan is payable six months from the date of the first disbursement. However, if a commitment is issued for the project during the six months' period, the maturity will be the date of the first disbursement of the mortgage proceeds.

If any portion of the funds disbursed from the trust account is not recovered from the first disbursement of mortgage proceeds, the maturity for this portion of the funds will be extended to the date of the final disbursement of mortgage

proceeds. In the event the FHA commitment expires before mortgage proceeds are disbursed, the entire amount will be due and payable on that date. In any event, the entire amount will be due and payable two years from the date of the first disbursement, unless extended.

Expenses Eligible for Assistance. - Financial assistance is available to cover 80 percent of the expenses properly incurred by an eligible sponsor in developing a mortgage insurance application for low and moderate income housing. These include such costs directly related to the project as:

- (1) organization expenses
- (2) legal fees
- (3) consultant fees
- (4) architect fees
- (5) preliminary site engineering fees
- (6) land options
- (7) FHA and GNMA application fees
- (8) construction loan fees

The applicant will itemize on its application the expenses for which assistance is requested. In general, it is expected that preclosing expenses will be recoverable from the insured mortgage.

Summary of Budget Request

The supplemental appropriation requested for the Low and Moderate Income Sponsor Fund consists of two elements:

- (1) A request of \$5.0 million of the \$7.5 authorized to establish the revolving fund.
- (2) Funds in the amount of \$316,000 to cover the costs of administering the program.

Analysis of the preconstruction costs for a rental project for low and moderate income families indicates a cost of about \$460 a unit. On this basis, planning costs for approximately 11,000 units will be provided with the \$5 million, prior to repayment of these initial loans. It is assumed that the loan will be repaid out of the first funds drawn upon insurance of the mortgage. Since the loan program will not be implemented before October, no repayment or relending is anticipated in fiscal year 1969.

The administrative expenses for this program are included in the "Salaries and Expenses - FHA" appropriation discussed in section J of this submission.

Mr. EVINS. Who administers the low- and moderate-income sponsor fund?

Mr. BROWNSTEIN. I do.

Mr. EVINS. What is the nature of the sponsor fund? Tell us about it: Why is it needed at this time?

Mr. BROWNSTEIN. In many of these low- and moderate-income programs a good deal of reliance is put on nonprofit sponsors for the development of projects.

Mr. EVINS. These are churches, labor unions, and cooperatives?

Mr. BROWNSTEIN. Yes, sir. They have excellent motivation, except they lack the money. This \$5 million Congress has authorized in the basic legislation.

Mr. EVINS. They not only want a loan, they want a special fund to help them get started?

Secretary WEAVER. To get the technical assistance which is required.

Mr. BROWNSTEIN. What they need mostly is technical knowledge, to begin with. They can hire somebody who can give them advice.

EQUITY REQUIREMENT

Mr. EVINS. We have a provision in the existing law that in certain instances if they are going to build a rent subsidy project they must put up at least 5 percent to show their good faith and interest.

Mr. BROWNSTEIN. That is for special assistance of FNMA.

Mr. EVINS. You require a cooperative or a church to put up 5 percent to show the seriousness of their offering. In this case you don't charge them 5 percent but you give them some money.

Mr. BROWNSTEIN. No, sir. They do not have to put up 5 percent. That requirement applies in the rent supplement program only if the permanent mortgage is being sold in the special assistance program of FNMA. If it is in the private market it can be a 100-percent loan.

Mr. JONAS. You are going to use this money for loans to enable these sponsors to pay architectural fees, legal fees, et cetera?

Mr. BROWNSTEIN. These are loans, Mr. Jonas.

Mr. JONAS. Interest free loans which will be repaid eventually?

Mr. BROWNSTEIN. Yes, out of the proceeds.

Mr. JONAS. Out of the proceeds of the loan which you make to them; in other words, they pay you back out of your own money.

Mr. BROWNSTEIN. That is right.

Secretary WEAVER. Out of their obligations.

Mr. JONAS. The construction fees and all of the preliminary work to prepare the application and see that it is in good shape?

Mr. BROWNSTEIN. Right.

Mr. JONAS. In other words, they might as well just let you all handle the whole thing right here.

Secretary WEAVER. Looking at it from a dollar and cents point of view, yes; but I think it is terribly important to get these groups in. Remember, these projects are going to last 35 and 40 years. We are trying to get away from the idea of public ownership and public management, et cetera. The one thing these organizations can do is to offer the types of humane management and of communication and working with the tenants, which we or no other Government agency can do. This is the whole idea of the program. We are just trying to make them effective in the areas where they are not effective. We think that the result of this will be to get them into areas where they can be effective.

Mr. EVINS. You are not having any difficulty getting the interest of these local groups in your loans?

Secretary WEAVER. No, sir. We just want to make them a little more efficient at the beginning.

I would like to add that it is not only this loan money but this technical assistance which is equally important.

SALARIES AND EXPENSES, FHA

Mr. EVINS. The next item, "Salaries and expenses," which you alluded to. Let us insert the justification for this item.

(The material follows:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpt from House Document No.)
90th Congress, 2nd Session

"MORTGAGE CREDIT

"FEDERAL HOUSING ADMINISTRATION

"SALARIES AND EXPENSES

"For necessary administrative expenses of programs of mortgage credit, not otherwise provided for, \$6,500,000."

"This proposed appropriation is for the expenses of administering several new activities authorized in Public Law 90-448, approved August 1, 1968, including homeownership counseling services, assistance to nonprofit sponsors of housing for low and moderate income families and regulation of the interstate sale of land."

The three programs covered by this Salaries and Expenses appropriation are separately discussed in the three blue-tabbed sections of this chapter.

On the following page is a summary of the total appropriation request covering the three activities.

SALARIES AND EXPENSES

	Supplemental Requirements F.Y. 1969
Positions	287
Less lapse	<u>160</u>
Average full-time employment	127
Overtime	10
Intermittent	<u>23</u>
Total Average Employment	<u><u>160</u></u>
 <u>Personnel Compensation and Benefits</u>	
11. Personnel Compensation	
Full-time	\$1,288,000
Overtime	124,000
Intermittent	<u>243,000</u>
Total Personnel Compensation	<u>\$1,655,000</u>
12. Personnel Benefits	241,000
 <u>Contractual Services and Supplies</u>	
21. Travel and transportation of persons	107,000
22. Transportation of things	59,000
23. Rents, communications, and utilities	108,000
24. Printing and reproduction	100,000
25. Other services	4,138,000
26. Supplies and materials	<u>17,000</u>
Total	\$6,425,000
 <u>Acquisition of Furniture and Equipment</u>	
31. Equipment	<u>75,000</u>
Total Expenses	<u><u>\$6,500,000</u></u>

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATIONCOUNSELING SERVICE

FHA mortgage insurance is authorized under Section 237 of the National Housing Act for families of low and moderate income who cannot qualify under other FHA programs for mortgage insurance because of poor credit history, debt obligations, or irregular income patterns. The Act also authorizes the Secretary to provide appropriate budget, debt management and related counseling to families receiving the benefits of Section 237 mortgage insurance. These same services are authorized to assist otherwise eligible families in saving sufficient funds for a downpayment on an eligible home purchase agreement. Counseling service will also be extended to mortgagors insured under Section 235(i) and (j) to assist them in meeting responsibilities of home ownership.

Pilot counseling programs will be established in various communities throughout the country. Based on this experience, techniques and procedures will be developed and refined and additional communities will be provided with these services.

Counseling service will be provided on a continuous basis to those families who are provided credit assistance under Section 237 both before and after the home is purchased. Discussions with the family will emphasize the importance of holding credit installment purchases to appropriate levels. Special attention

will be given to large purchases, such as furniture, appliances, home improvements, and automobiles. Efforts will be directed to highlight the importance of maintaining a proper balance between income and expenditures. When the family's circumstances indicate a need for such services, the family may also be advised of available social and other services in a community relating to such matters as job training, employment opportunities, health services, and child care.

A small staff in the central office will be established in order to direct this program. A field office staff of one employee in nearly every insuring office will also be provided to give local direction to the program. However, most of the basic counseling services are expected to be provided under contract with either public agencies or private firms. The fiscal year 1969 requirements of \$4,812,000 will support 473,200 counseling sessions at \$10 per hour with 32,500 different families.

LOW AND MODERATE INCOME SPONSOR FUND

A staff of three employees will be established in the central office to develop operating plans and procedures for the program and to give it direction. The field office time directly involved in the initiation of loans to nonprofit sponsors will be charged to the appropriation, and are estimated to approximate 23 man years. Staffing and expense requirements will total \$316,000 in the current year.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATIONINTERSTATE LAND SALES

The "Interstate Land Sales Full Disclosure Act," enacted by Title XIV of the Housing and Urban Development Act of 1968, is designed to provide greater protection to the public in connection with the purchase or lease of subdivision lots. The Act makes it unlawful for any developer to sell or lease, by the use of the mail or by any means in interstate commerce, any lot in any subdivision with 50 or more lots unless (1) there has been filed with the Secretary of Housing and Urban Development a statement of record listing certain required information about the ownership of the land, the state of its title, its physical nature, the availability of roads and utilities, and other matters; and (2) a printed property report, containing pertinent extracts from the statement of record, is furnished to the purchaser in advance of the signing of an agreement for purchase or lease.

There are circumstances in which the provisions of this title will not apply, unless the method of disposition of the lots is adopted for the purpose of evasion of this title. Important among these are the sale or lease of subdivision lots, all of which are five acres or more in size, and the sale or lease of real estate which is free and clear of all liens if each purchaser has personally inspected the lot which he purchased, as evidenced by a written affirmation by the developer.

Any contract for the purchase or lease of a lot covered by this Act is voidable at the option of the purchaser if he was not furnished with a property report at least 48 hours in advance of his signing the contract. If the property report was received by the purchaser less than 48 hours in advance of his signing the contract, it is voidable for a period of 48 hours after the signing unless he stipulates in writing that he has read the report and inspected the lot before he signed the contract.

In administering this title, the Secretary shall cooperate with state authorities charged with the responsibility of regulating the sale of lots in subdivisions which are also subject to this title and may accept material filed with and found acceptable by such authorities, if he finds such action to be appropriate in the public interest or for the protection of purchasers.

A subdivision may be registered by filing with the Secretary a statement of record. At the time of this filing, or any amendment thereto, the developer shall pay to the Secretary a fee, not in excess of \$1,000, in accordance with a schedule to be fixed by the regulations of the Secretary. These fees will be used by the Secretary to cover all or part of the cost of rendering services under this title. The effective date of a statement of record, or any amendment thereto, shall be the 30th day after the filing, or such earlier date as the Secretary may determine.

The Statement of Record shall contain a large body of information such as the name and address of each person having an interest in the lots in the subdivision, a legal description of the subdivision and statements of the topography of the land and of the condition of the title to the land. Also to be included are statements of the range of prospective selling prices or rents at which lots in the subdivision will be disposed, the present condition of access to the subdivision, the availability of sewage disposal facilities and other public utilities in the subdivision, the proximity in miles of the subdivision to nearby municipalities and the nature of any improvements to be installed by the developer. Among other information required in the Statement of Record are a copy of the articles of incorporation (if the developer is a corporation), a copy of the deed or other instrument establishing title to the subdivision, and such other information and such other necessary documents and certifications as appropriate for the protection of purchasers.

This title shall take effect 270 days after the date of its enactment, about May 1, 1969. Not only are proposed subdivisions covered under this title, but also those with active sales programs already in progress. The Department will need to deal promptly with these active subdivisions in order to avoid severe hardships which could result from interruptions in the sales programs.

In fiscal year 1969, it is expected that a staff of 211 employees will be needed to carry on the activities of the Interstate Land Sales Full Disclosure Act. This figure is made up of a central office staff of 59 (includes a legal staff of 48), and a field staff of 152. At least 100 of these employees should be on duty prior to the effective date of May 1, 1969, to process promptly the initial workload which is expected to be quite significant because some statements of record will encompass subdivisions whose active sales programs are already in progress. A delay in the handling of these filings would impose a hardship on developers.

Mr. EVINS. Under this appropriation you are asking for \$4,812,000 for counseling services. Now, this is to employ people to tell them how to get a job or to try to be a better citizen.

You want about \$5 million for that kind of counseling. Then loans to nonprofit sponsors, \$316,000. That is administrative expenses.

INTERSTATE LAND SALES DISCLOSURE PROGRAM

Interstate land sales: Now, is this the sale of your housing in Florida, Wichita, Kans., and California? You have been selling these FHA properties for a long time.

Mr. BROWNSTEIN. No, sir; this is not FHA. This is part of the problem. This is not a house sale, it is a land sale.

Mr. EVINS. How did you come into this in the first place?

Secretary WEAVER. We did not come into it; we were backed into it, sir, forced into it.

Mr. BROWNSTEIN. You gave it to us, sir, or the Congress did.

Secretary WEAVER. This is in case you get a circular through the mail that they are going to sell you a beautiful piece of land right on the bay, and you find out later that it is under water, that there is no title to it and you just do not have anything.

Mr. EVINS. Caveat emptor, let the buyer beware. He has to have a little resourcesfulness and a little business acumen.

Secretary WEAVER. The Congress did not tell us that. They told us that we have to do it.

Mr. TALCOTT. You asked for the program?

Secretary WEAVER. No, sir.

Mr. TALCOTT. You mean, we passed something that you did not want?

Secretary WEAVER. I said we did not ask for it.

Mr. EVINS. You are asking for it now.

Secretary WEAVER. We have got it. Now we want to get it funded.

Mr. BROWNSTEIN. The problem is this, Mr. Chairman. 9 months from August 1, which is a few days before May 1, this comes into operation whether we want it or not because the Congress said that it does. The filings are going to come in to HUD. We have been told that we can expect between 4,000 and 5,000 filings.

Mr. EVINS. The Federal Trade Commission goes after the crooked advertisers. The Federal Trade Commission, if it knows that they are circulating brochures, advertisements which are deceptive or misleading, can proceed with an injunction.

Secretary WEAVER. The law says we are going to have to do this.

Mr. BROWNSTEIN. We are going to have to do something with these filings.

Mr. EVINS. Can't you refer them over to the Federal Trade Commission?

Secretary WEAVER. We can't do that.

Mr. JONAS. A subdivider who intends to offer his lots for sale across State lines must make a filing with you?

Secretary WEAVER. Yes, sir. We have to make findings on that, investigate certain things about it.

Mr. JONAS. Do you have to pass on whether the lots are worth what he is asking for them?

Secretary WEAVER. No. We have to decide that the lots are above water and that they do exist.

Mr. BROWNSTEIN. And that what he is representing them to be is substantially what they are.

Mr. WOOD. A substantive committee considered whether the Federal Trade Commission or HUD should handle this.

Mr. BROWNSTEIN. The SEC.

Mr. WOOD. Yes.

Secretary WEAVER. Let me read the pertinent portion in order to explain it.

Mr. EVINS. Tell us about your procedure. How are you going to enforce it after you find real estate company B, for example, making false claims?

Mr. BROWNSTEIN. This is our current problem. In order to develop these procedures we need somebody to develop them and we need some authorization here.

STAFFING REQUIREMENTS

Mr. EVINS. You want personnel to study the matter?

Mr. BROWNSTEIN. No, sir. We need personnel to put it into effect.

Mr. EVINS. How are you going to stop them, Mr. Brownstein?

Mr. BROWNSTEIN. In addition, this comes under the Administrative Procedures Act. If a complaint is filed he is entitled to a hearing and we have to have, therefore, hearing examiners. This is a pretty complicated piece of business.

Mr. EVINS. We understand the Administrative Procedures Act. This is not the area that HUD is supposed to be engaged in.

Mr. BROWNSTEIN. The Congress said that HUD was in it.

Secretary WEAVER. We still have the responsibility Mr. Chairman.

Mr. EVINS. You are asking for \$1,372,000 to get your staff tooled up. I am against crooked operators, against these land speculators, and those who engage in false advertising, or deceptive practices.

Secretary WEAVER. I might say, to make it a little more palatable, we are going to charge fees which will cover either most or all of the cost of this, but we have to have this priming money in order to get it started, because we won't have any fees until we get the staff so as to have somebody to pay the fees to.

Mr. EVINS. How big is your legal staff going to be?

Mr. BROWNSTEIN. We think we are going to need 210 people to do this job.

Mr. TALCOTT. Maybe you should double your fees and you won't need so many people.

Mr. BROWNSTEIN. There is a maximum fee provided in law of \$1,000, Mr. Talcott.

FHA EXPENSE LIMITATIONS

Mr. EVINS. You have another item here, FHA expense limitations. We shall insert these justifications.

(The material follows:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Justification of Supplemental Estimates
Fiscal Year 1969

(Excerpt from House Document No.)
90th Congress, 2nd Session

"MORTGAGE CREDIT

"FEDERAL HOUSING ADMINISTRATION

"LIMITATION ON ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES,
FEDERAL HOUSING ADMINISTRATION

"In addition to amounts made available under this head for the current fiscal year, not to exceed \$350,000 shall be available for administrative expenses and not to exceed \$5,350,000 shall be available for nonadministrative expenses."

"This proposed limitation would provide for the costs of administering housing programs, authorized by Public Law 90-448, approved August 1, 1968, including the homeownership and rental housing assistance programs."

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

ADMINISTRATIVE EXPENSES

Positions	36
Average Employment	20
Year-End Employment	33
Total Obligations	\$350,000

Under the administrative expense limitation a staff of 36 employees will be required to provide: (a) central office direction and operating procedures for the home ownership assistance program and the interest reduction payments program; and (b) the fiscal and administrative services (personnel, budget, payroll, accounting) required to support the total staff of 583 requested under the administrative and nonadministrative expense limitations.

Staff and expense requirements by program are as follows:

	<u>Posi- tions</u>	<u>Ave. Emp.</u>	<u>Year-End Employment</u>	<u>Obli- gations</u>
Section 235	14	7	13	\$144,000
Section 236	14	7	12	142,000
Fiscal and Adminis- trative Services	<u>8</u>	<u>6</u>	<u>8</u>	<u>64,000</u>
Total	36	20	33	\$350,000

A small administrative office will be required in the central office to direct the Section 235 and Section 236 programs, and to develop the operating plans and procedures under which contract authority is allocated, interest subsidy payments are made, and mortgage insurance applications are processed.

Fiscal and administrative services are provided under the administrative expense limitation for all FHA employees in the insuring operations. Eight positions are required for the following functions:

Personnel	2
Budget	2
Payroll and accounting	2
Statistical services	<u>2</u>
Total	8

The detail by object of expense is shown below:

ADMINISTRATIVE STAFF AND EXPENSES

	<u>Supplemental Requirements F.Y. 1969</u>
Positions	36
Less lapse	<u>16</u>
Full-time average employment	<u>20</u>
 <u>Personnel Compensation and Benefits</u>	
11. Personnel Compensation	
Full-time	<u>\$243,000</u>
Total Personnel Compensation	\$243,000
12. Personnel Benefits	35,000
 <u>Contractual Services and Supplies</u>	
21. Travel	39,000
22. Transportation of things	12,000
23. Rents, communications, and utilities	15,000
25. Other services	2,000
26. Supplies	<u>4,000</u>
Total Administrative Expenses	<u>\$350,000</u>

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATIONNONADMINISTRATIVE EXPENSE LIMITATION

The nonadministrative expense limitation covering the production activities of the agency will require 380 man years of effort to implement the new housing legislation for Sections 235 and 236 of the Act.

The table on the following page sets forth the field insuring office requirements of 370 man years by processing activity and includes the production ratio per man year. In addition to the processing activities, 82 man years are included in the requirements for other services. These services provide support in the following areas and are estimated at the same ratio to direct processing as current experience indicates is required.

Program Representation. - Six man years are considered essential for program representation - to acquaint the public with the new programs and to answer inquiries about them.

Preapplication Services and Data Development. - Fifty-six man years are required to provide preapplication services to sponsors, mortgagees, and builders under the new programs, and to develop cost, appraisal, and other data for the processing of Section 236 cases.

Subdivision Analysis. - It is estimated that twenty man years will be required for this activity in order to process the Section 235 applications for subdivisions more effectively.

FIELD WORKLOAD AND STAFFING

	<u>Supplemental Requirements - F.Y. 1969</u>		
	<u>Workload</u>	<u>Ratio</u>	<u>Ave. Emp.</u>
<u>Mortgage Insurance - Direct Examination</u>			
1-4 Family	63,000	425	148
Complete FHA examination	63,000		148
Total 1-4 family			
Multifamily	17,000	400	43
Initial	3,000	200	15
Post commitment			58
Total Multifamily			206
Total			
<u>Mortgage Insurance - Compliance Inspection</u>			
1-4 Family	73,000	2,950	25
Multifamily	4,000	310	13
Total			38
<u>Mortgage Insurance - Review</u>			
1-4 Family	141,000	4,400	31
Multifamily	17,000	1,275	13
Total			44
<u>Other Services</u>			
Program representation			6
Preapplication services			24
Data development			32
Subdivision analysis			20
Total			82
Total Field			370

An increase of ten man years has been added to the field requirements to accommodate the accounting services necessary in the Comptroller's Division.

The table on the following page shows the objective breakdown of the nonadministrative staffing and expense requirements.

Nonadministrative Staffing and Expense

	<u>Supplemental Requirements F.Y. 1969</u>
Positions	547
Less lapse	<u>242</u>
Average full-time employment	305
Intermittent	25
Overtime	<u>50</u>
Total Average Employment	<u>380</u>
 <u>Personnel Compensation and Benefits</u>	
11. Personnel Compensation	
Full-time	\$2,852,000
Intermittent	125,000
Overtime	<u>550,000</u>
Total Personnel Compensation	<u>\$3,527,000</u>
12. Personnel Benefits	479,000
 <u>Contractual Services and Supplies</u>	
21. Travel and transportation of persons	391,000
22. Transportation of things	153,000
23. Rents, communications and utilities	284,000
24. Printing and reproduction	150,000
25. Other services	148,000
26. Supplies and materials	<u>20,000</u>
Total	<u>\$5,152,000</u>
 <u>Acquisition of Furniture and Equipment</u>	
31. Equipment	<u>198,000</u>
Total Nonadministrative Expenses	<u>\$5,350,000.</u>

Mr. EVINS. Mr. Brownstein, we just yielded to the Senate and raised these limitations for you; in less than 30 days you come back again.

Secretary WEAVER. For new programs.

Mr. EVINS. We have raised your limitations and now you are back here in less than 30 days.

Mr. Brownstein, we are good to you, but you never stop.

Mr. BROWNSTEIN. You were good to us on what we were then administering. You have now given us several new programs to administer and we expect you will be good to us again.

Mr. EVINS. Your program is to guarantee FHA mortgages. You are doing a good job. You can come back here next year and get this lift.

Secretary WEAVER. We have a problem, though; that is, the law that we are talking about now provides something in the neighborhood of between 250,000 and 300,000 additional housing units in the subsidized programs alone, those we are talking about here. It is to meet that load that we are asking for more people.

Mr. EVINS. You are going to guarantee interest payments. Mr. Hummel is going to guarantee interest payments.

Mr. BROWNSTEIN. We both are.

Secretary WEAVER. But FHA is going to have to process these applications and process these units. To get 250,000 units they are going to have a workload in those programs alone of some 300,000—

Mr. EVINS. You are asking for an increase in administrative limitations of \$350,000. In the nonadministrative limitation it is \$5,350,000.

Secretary WEAVER. That is paid out of fees, of course, but that is where the bulk of the processing goes.

HOUSING PROBLEMS IN MILITARY IMPACTED AREAS

Mr. TALCOTT. Wouldn't it be possible here to save some money by drawing red lines around some communities in the United States where FHA won't get involved, like around Lemoore, Calif?

Mr. BROWNSTEIN. There are none. We have no red lines around any communities.

Mr. TALCOTT. In the town of Lemoore, which is in a new part of my district—I am not too familiar with the metes and bounds of the red line—I happened to see a military family sleeping in a car for 2 weeks at a time because they couldn't get FHA-insured housing. There are people in the town who want to build and help finance housing but cannot get FHA loans or insurance, and the reason they can't is because FHA has a red line around Lemoore. Why can't you draw some more red lines in other parts of the country and save a lot of money?

Secretary WEAVER. We are trying to get rid of the red lines we have.

Mr. BROWNSTEIN. In a military impacted area, Mr. Talcott, we have military housing programs, but unless these programs are authorized by the Defense Department, we cannot go into them because they are not eligible for our regular programs.

Mr. TALCOTT. You mean where there is a military post FHA cannot provide insurance?

Mr. BROWNSTEIN. If that is all there is, a military post, you cannot have the regular 203 or 207 FHA programs.

Mr. TALCOTT. So there is a red line around every military establishment.

Mr. BROWNSTEIN. No; that is not quite true, because most military establishments have sufficient other industry so that you have a demand for housing outside the military.

Mr. TALCOTT. So the military people are considered sort of second-rate people.

Mr. BROWNSTEIN. Not at all. The Defense Department has its housing programs.

Mr. TALCOTT. They obviously don't have enough.

Secretary WEAVER. The problem here is that if FHA goes into a military area and the military situation changes and the post moves out or is abandoned, then the FHA has a ghost town on its hands because there is no other reason for them to be there. The military, in order to offset that, has its own housing program which in many ways is more favorable than the FHA program. Isn't that correct?

Mr. BROWNSTEIN. Yes.

Secretary WEAVER. The reason for this is purely economic. The fact that if you are in this area and something happens to the area from a military point of view, you have a ghost town and you are out of business.

Mr. BROWNSTEIN. We have taken back many, many properties and projects in areas where bases have been closed down or where forces have been substantially reduced.

Mr. TALCOTT. Thank you, Mr. Chairman. I am not satisfied with the answer, however.

Mr. BROWNSTEIN. Well, I am not satisfied with any group of people who are ill housed, but the question is what we have to cope with—the problems we have. Certainly, you cannot make a finding that this is an economically viable community if it is totally dependent upon a military base, which may or may not be there 2 years from now.

Secretary WEAVER. To solve that you would have to have new legislation. I think the new legislation would involve some economic assumptions which would be dubious.

FHA EXPENSE LIMITATIONS

Mr. EVINS. What is the limitation on your administrative expenses at the present time, after the conference?

Mr. McDOWELL. \$11,675,000.

Mr. EVINS. You are using your own money here but you are using \$11,675,000 and you say that is not enough, that you have to go up \$350,000 more.

What is the limitation on your nonadministrative?

Mr. BROWNSTEIN. \$93 million.

Mr. EVINS. \$93 million, and \$5 million, is \$98 million. You want to go to nearly \$100 million. Mr. Brownstein, you are getting mighty high, you are getting into orbit.

Mr. BROWNSTEIN. You cannot put in new and imaginative, viable programs unless you are willing to pay for them, sir.

FLOOD INSURANCE PROGRAM

Mr. EVINS. Take a look at the flood insurance program. Here is another new program. The administrative expenses: you are asking for \$1,500,000 to put the flood insurance program into effect.

We shall insert the pertinent portion of your justification for this program.

(The material follows:)

JUSTIFICATION OF SUPPLEMENTAL ESTIMATES FISCAL YEAR 1969

(Excerpt from H. Doc. 90th Cong., second sess.)

FEDERAL INSURANCE PROGRAMS: FLOOD INSURANCE

"For necessary administrative expenses, not otherwise provided for, in carrying out the National Flood Insurance Act of 1968 (82 Stat. 572), \$1,500,000.

"This proposal will provide for the necessary administrative costs of carrying out the new program of flood insurance authorized by Public Law 90-448, approved August 1, 1968, including direct costs of activities carried out within the Department of Housing and Urban Development and the costs of studies and surveys carried out by other agencies."

<i>Summary of budget request</i>	<i>Estimate 1969</i>
Salaries and expenses.....	\$520,000
Studies	980,000
Total request.....	1,500,000

This request proposes an appropriation of \$1,500,000 which includes \$540,000 for salaries and expenses and \$980,000 for special studies.

Introduction

Pursuant to title XIII of the Housing and Urban Development Act of 1968 which enacted the National Flood Insurance Act of 1968, the Secretary of HUD is authorized to establish and carry out a national flood insurance program which enables persons to purchase insurance against loss resulting from physical damage to or loss of real property or personal property arising from any flood occurring in the United States. He is directed to encourage and arrange for maximum participation in the program by insurance companies and other insurers, and by related agents, brokers, and organizations.

The Secretary is authorized to borrow up to \$250 million from the Treasury to carry out the insurance program. A national flood insurance fund will be established for making payments authorized by the bill, including premium equalization payments and reinsurance for losses in excess of losses assumed by insurance company pools formed to provide flood insurance.

The Secretary is directed to develop criteria designed to encourage the adoption of State and local measures which will constrict the development of land that is exposed to flood damage, guide development of proposed construction away from locations threatened by flood hazards, assist in reducing damage caused by floods, and otherwise improve land management and use of flood-prone areas.

After June 30, 1970, no new flood insurance coverage can be provided in any area unless an appropriate public body has adopted permanent land use and control measures which the Secretary finds are consistent with the criteria he has prescribed for land management and use in flood-prone areas.

The Secretary is directed to appoint a flood insurance advisory committee.

The face amount of flood insurance coverage outstanding and in force at any one time would be limited to \$2.5 billion.

HISTORY OF FLOOD INSURANCE

The private property insurance industry, the Congress and a variety of Federal and State departments and agencies have long been concerned with the need for economically sound and reasonably priced flood insurance coverage. The in-

insurance industry found that it could not provide such coverage on an economically feasible basis—at least initially—without governmental assistance. This conclusion was reached as a result of the lack of necessary data on flood characteristics of areas proposed to be insured; the concentrated, unpredictable and catastrophic nature of flood losses; and indications that the high cost of this coverage for properties located in areas which are likely to sustain flood damage would lead to an insufficient spread of the risk.

A result of congressional concern with this problem, legislation to provide for a federally sponsored flood insurance program was enacted in 1956. The Federal Flood Insurance Act of 1956 provided for the establishment of three programs: (1) a Federal flood insurance program, (2) a Federal flood reinsurance program, and (3) a Federal loan contract program covering flood losses. Upon enactment, administrative responsibility was placed in the Federal Flood Indemnity Administration, a newly created constituent unit of the Housing and Home Finance Agency.

The major problem encountered in the development of a viable program under the 1956 act was the difficulty of developing a schedule of estimated rates adequate to pay all claims for probable losses over a reasonable period of years. The program presented to the Congress in the appropriation request set forth a rate structure which did not reflect risk variations in different locations in a flood plain. Data was not presented on actuarial rates for the particular areas in which flood insurance was proposed to be offered. This approach supported the belief of insurance experts at that time, that actuarial rates for flood insurance coverage could not be determined.

The House Appropriations Committee concluded that there was not an adequate basis for the proposed rate schedule; not a way of measuring the Government's contingent liability; and that further study of the feasibility of flood insurance was required. The program failed to receive required appropriations and became dormant. Further efforts to effectuate the program were abandoned.

There remained, however, considerable interest in finding a means of achieving a workable program of federally assisted flood insurance. As a result the Congress, in the Southeast Hurricane Disaster Relief Act of 1965, authorized the Secretary of Housing and Urban Development to undertake a study of the feasibility of alternative methods for providing Federal disaster insurance. This study was undertaken with the assistance of the Army Corps of Engineers, Geological Survey, the Soil Conservation Service, and the Tennessee Valley Authority and others. Upon conclusion of this study, the Secretary reported to the President that a flood insurance program was feasible and could promote the public interest.

This report was transmitted to Congress by the President in August 1966. At that time the President directed all interested Federal departments and agencies to review the report so that appropriate legislative proposals might be presented. The report was well received by Congress and by many groups and individuals throughout the Nation interested in developing a workable flood insurance program.

Legislative proposals were developed by the Department of Housing and Urban Development in close consultation with all other interested Federal agencies, and with the full cooperation and support of the private property insurance industry. Subsequently, the National Flood Insurance Act of 1968 was enacted as title XIII of the Housing and Urban Development Act of 1968, Public Law 90-448.

SUMMARY DESCRIPTION OF THE PROGRAM

Title XIII authorizes a program of cooperative effort by the Federal Government and the private insurance industry to make flood insurance available on a national basis. At first, insurance industry coverage will be available for certain residential and small business properties. Coverage may be extended by the Secretary to other types of properties on the basis of studies and investigations.

Under the program, the private insurance industry will sell and service flood insurance policies. Insurance companies which are able and willing to participate as risk bearers will commit risk capital to an industry flood insurance pool. This pool will absorb a share of losses which might be sustained beyond collected premiums and specified expenses up to an agreed upon stop-loss point. Companies participating in a nonrisk bearing capacity will act as fiscal agents for members of the pool. The Federal Government will, to the extent necessary to pay claims, make premium equalization payments to the pool based on a formula relating

the "reasonable" premium payments by those who purchase insurance on "existing" properties to the full actuarial cost of that insurance. The "reasonable" premium rates will be established by the Secretary. In addition, the Federal Government will make reinsurance coverage available to the pool as a protection against catastrophic losses. For this coverage risk bearing companies would pay an excess loss reinsurance premium to the Government.

Objectives of the program

Major objectives of the flood insurance program are, not only the provision of flood insurance, but also the promotion of wise land use planning and development in the flood plain. Insurance at "reasonable" premium rates will be available only to owners of existing properties in flood-prone areas. Those who build or substantially improve their properties in these areas should be aware of the costs and risks and will be required to pay the full actuarial cost of the insurance, thus bearing the full cost of the risk.

It is the purpose of this program to protect, through insurance, those who already own property located in areas of potential danger from floods. The program is not designed to encourage the development of high flood risk areas. Full cost actuarial rates for new development should, because of the insurance expense, discourage individuals from building or substantially improving properties in high risk flood zones. In keeping with wise land use objectives, the program will encourage State and local governments to adopt and enforce appropriate land use provisions to restrict future development of flood-prone land.

In addition to the flood-oriented provisions of the program, studies are authorized to determine the need for and feasibility of insurance protection for other natural disasters such as earthquake and subsidence.

Financing

The program will be financed out of a national flood insurance fund maintained by Treasury borrowing authority which can be replenished by appropriations. Premium equalization payments and reinsurance payments as required would be charged to this fund. Reinsurance premiums paid by the insurance industry pool would be credited to the fund.

Any administrative expenses of the Federal Government in carrying out the flood insurance program are to be paid out of appropriated funds.

The statutory program limitation provides that the face amount of flood insurance coverage outstanding and in force at any given time under the program may not exceed \$2.5 billion.

EXPLANATION OF BUDGET ESTIMATE

The budget requests an appropriation of \$1,500,000 for fiscal year 1969 which would provide \$520,000 for a direct staff for the flood insurance operation of 45 and indirect staff of five in addition to departmental supporting services and related objects of expense; and \$980,000 for studies required for the program.

Organization and staffing

Title XIII provides for the flood insurance program to conduct activities in the following 12 categories:

1. Negotiate and enter into agreements with the insurance industry pool.
2. Estimate risk premium rates and reasonable (chargeable) rates.
3. Establish chargeable premium rates.
4. Establish a national flood insurance fund.
5. Make premium equalization payments and provide reinsurance coverage.
6. Conduct and contract for studies and investigations for establishing risk premiums, chargeable premiums, identification of flood prone areas with special hazards, flood risk zones, and estimates of probable flood damage in these areas.
7. Establish criteria for land management and use.
8. Determine eligibility of States and areas for flood insurance and of properties for insurance.
9. Audit and examine the records of industry participants.
10. Disseminate flood insurance and flood plain area information.
11. Encourage sound flood plain management.
12. Conduct and contract for studies to determine feasibility of insurance for other natural disasters.

These activities will require a professional staff of highly qualified lawyers, actuaries, accountants, technicians and other professionals in the central office. Such a staff is needed to insure orderly, effective program development and in-depth review of program operations.

Office of the Director-----	5
<p>In addition to the normal program and administrative responsibilities in the Office of the Director, the Office will include a review and analysis function distinct from involvement in day-to-day operations of the program. This function will provide for review of the program in the light of public objectives; measurement of performance of both Government and industry operations; and recommendation of modifications in the program and/or amendments to the law.</p>	
Legal services-----	9
<p>This staff is responsible for assuring that the program implementation is consistent with the provisions of the law and that the legal interests of the Government, the Secretary and the citizens who purchase flood insurance are protected. Their duties are related to the negotiation of agreements with the industry, the issuance of regulations, the negotiation of contracts, the establishment of standards and criteria, questions of eligibility for insurance and for disaster benefits, claimant litigation and purchase or dedication of property. The staff would be broken down by specialization.</p>	
Office of Chief Actuary-----	9
<p>The actual development of premium rates, chargeable rates, and reinsurance payments will be performed by the Office of Chief Actuary. This is a specialized function which requires a high degree of professional competence. It should be emphasized that flood insurance can be offered only in areas where rates are established. Separate rate schedules must be established for each area covered by insurance and these rates must be reviewed periodically.</p> <p>The Office will also be responsible for the conduct, preparation, and submission of studies basic to setting risk premium and chargeable rates, and studies of other natural disasters. The Office will work with other Federal and State agencies in making use of information already prepared and in contracting for further studies.</p>	
Office of Administration-----	6
<p>There will be an Office of Administration within the National Flood Administration.</p>	
Financial and fiscal operations staff-----	9
<p>The responsibilities of this staff are to keep the books of account of the program and to audit the flood insurance operations of the insurance pool and its participating companies. In addition, this staff will perform the analyses of insurance company operations to establish, and from time to time, review and modify the allowances for commissions, State taxes, and home office expenses, and profit and contingencies, all of which must be reflected in the full risk premium rate.</p> <p>Obviously, full audit of the insurance company books will not be made by the staff or the GAO, but sample audits will have to be supplemented by techniques of statistical review to be developed by the staff to secure adequate control of the money flows and expenses which affect premium rates and Federal obligations and outlays under the program.</p>	
Technical studies staff-----	4
<p>This staff will assist in the classification of risks; setting of premium rates; evaluating and adapting the results of studies; evaluating the differences in risks due to land use measures, floodproofing, flood forecasting and similar measures; and in setting standards for property to be characterized as substantially improved. The staff will make a major contribution to the promulgation of comprehensive criteria for land management and use and contribute to the evaluation of State and local measures to test their consistency with these criteria. They will advise the legal services staff in the technical aspects in connection with properties in violation of State and local law and claims disputes. They will contribute to the coordination of the flood insurance program with other Federal, interstate, State and local programs. This staff will also lend technical assistance to the Office of the Chief Actuary in studies of other natural disorders.</p>	

Industry liaison staff-----	3
This staff will facilitate communication among HUD and participating private insurance companies, insurance adjusters, and the insurance pool and serve as expeditors and trouble shooters.	
Total direct staff-----	45

SUMMARY OF APPROPRIATION ESTIMATES

Salaries and expenses

	<i>Estimate 1969</i>
Amount: Total appropriation-----	<u>\$520,000</u>
Employment: Direct employment, June 30, 1969:	
Total direct-----	45
Total indirect-----	5
Average direct (man-years)-----	22
Average indirect (man-years)-----	3
Obligations for personal services: Salaries and related personnel benefits-----	312,500
Total estimated personal services for the fiscal year ending June 30, 1969, for yearend direct staff and for departmental supporting services.	
Other objects of expense:	
Travel and transportation of persons-----	19,500
The estimate takes into consideration the fact that there is no regional organization for this operation. Travel, therefore, will be extensive, especially in the first year when the program is taking form.	
Rent, communication, and utilities-----	45,500
Printing and reproduction-----	80,000
This estimate covers expenses incurred in disseminating flood insurance and flood plain area information.	
Other services-----	30,000
Includes ADP, incidental moving costs, and other services.	
Supplies and material-----	2,500
Equipment-----	30,000
Total estimated appropriations-----	<u>520,000</u>

STUDIES REQUIRED FOR THE FLOOD INSURANCE PROGRAM

The Secretary is authorized on the basis of studies and investigations and on information from the Government agencies most experienced in assessing the risks in flood plains, to estimate, on an area, subdivision, or other appropriate basis (1) the risk premium (full cost) rates for flood insurance, (2) the rates (if lower) which would be reasonable, would encourage the purchase of flood insurance and would be consistent with the purposes of the bill, and (3) the extent to which federally assisted or other flood protection measures initiated after the enactment of the bill affect the estimates of these rates. The Secretary would base his estimates of risk premium rates on a consideration of the risks involved and accepted actuarial principles. The rates would reflect applicable operating costs and allowances of participating private insurers, and on a discretionary basis, nondevelopmental Federal administrative expenses which may be incurred in carrying out the flood insurance program.

In conducting the necessary rate studies and investigations, the Secretary is directed to utilize, to the maximum extent feasible and on a reimbursement basis the services of the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, the Tennessee Valley Authority, and other appropriate Federal or State agencies.

Title XIII authorizes the Secretary, utilizing the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, TVA, and other Federal, State, or local agencies to identify and publish information within 5 years after the enactment of the bill with respect to all flood plain areas, including coastal areas in the United States,

which have special flood hazards; and within 15 years, to establish flood risk zones in such areas and to make estimates with respect to rates of probable flood-caused loss for the various flood risk zones for each of these areas. For purposes of facilitating these identification responsibilities, the Secretary could use interagency procedures which might be developed by agencies of the Federal Government with coordinating responsibilities (such as the Water Resources Council).

The funding requirement for studies are as follows :

Mapping of areas and identification of flood hazard zones :

This project will include the first 42 areas at an average cost of \$11,000 each. Sec. 1360----- \$462, 000

Damage probability studies as the basis of rate determination :

This work involves reviewing and updating data, as necessary, on 42 area studies made in 1966. These studies were made to test feasibility. Their review will assure the precision required for rate-making. In addition, there may have been changes in riverine, flood plain or flood protection conditions calling for revision of the damage probabilities originally reported. Sec. 1307: Estimated cost ----- 30, 000

Damage probability studies will be undertaken to be used for rate-making for a second wave of 40 areas, at an estimated cost of \$10,000 per area : Estimated cost----- 400, 000

Study of techniques for estimating rates and valid coverage for small business properties and contents :

Recommendation 1(a) of the Secretary's report on "Insurance and Other Programs for Financial Assistance to Flood Victims" states, "Such insurance should be limited initially to 1- to 4-family dwellings and be extended later to other property as experience indicates the insurance to be feasible." Title XIII provides for coverage of small business properties and additional types and classes of property as found feasible by the Secretary. Sec. 1305: Estimated cost----- 40, 000

Preliminary investigation of the feasibility of subsidence insurance :

The act authorized studies of the feasibility of insuring against losses sustained through land subsidence. Sec. 1371: Estimated cost ----- 25, 000

Depth damage study :

A study is proposed to investigate the relationship of the probability of depth damage for individual structures to the elevation level of the structures, rather than the magnitude and frequency of flood occurrence by zones of the flood plain. The latter method has been used heretofore. If, however, the former method could prove feasible it would make for rates that more accurately measure risk and simplify marketing of insurance as well as cutting down on preliminary costs of establishing rates as compared with estimating cost rates by zones. Sec. 1307----- 23, 000

Studies total fiscal year 1969 request----- 980, 000

PERSONNEL REQUESTED

Mr. EVINS. How are you going to administer the program, how many jobs do you need?

Mr. Ross. Could I speak to that?

Mr. Chairman, we are asking for 50 jobs for the first year to get this program started. It will be operated primarily through an industry pool operation which will make the actual policies and conduct the operations with the homeowners. In order for the industry pool to operate we have to have the Department contract for studies of the flood risks in the areas and establish the premium rates which should be charged.

Mr. EVINS. This is for personnel to speculate as to how much of a flood you are going to have in, say, New Orleans or California or any other section of the country?

Mr. ROSS. Yes, sir; that is correct.

Mr. EVINS. We won't have any down in our area because we are protected by the TVA. We have good flood protection.

Mr. ROSS. I think there will be some flood problems even in your area.

Mr. EVINS. We hope not.

Mr. ROSS. Those areas will be covered as well.

Mr. EVINS. Floods are bad, we are all against floods and the damage that they cause. This is money for contracting with somebody to speculate what they estimate, based on the history of flood damage, losses will be.

Mr. ROSS. It is to contract with the agencies which are very familiar with flood hazards in particular river basin areas, including the TVA and its territories.

Mr. EVINS. Are you going to guarantee the insurance companies that they will be paid if they go in and insure against these floods?

Mr. ROSS. The risks for flooding have never been established adequately, which is why the previous flood insurance program never became operational. That is required in this program. It requires careful study, so that there is no economic incentive to take unnecessary flood risks.

Mr. EVINS. Are you Mr. Ross?

Mr. ROSS. Yes, Mr. Chairman.

Mr. EVINS. It doesn't take much to let a contract to somebody to make a study. You need 50 jobs to let the contracts?

Mr. ROSS. No, sir. We need the 50 jobs for supervising that, and for working with the industry and developing the basic insurance contracts and administering the Government phase of this program.

Secretary WEAVER. May I interrupt 1 minute because there is another feature of this which I think is terribly important. That is, in addition to the insurance angle there is also a requirement that there be a land-use plan which can be enforced by the State to make sure that you won't continue to build houses on hazardous land. So if you insure your house this year and then it gets flooded and I come back and buy that property and build another on it next year, they won't re-insure that house and pay for this again. There have to be land-use programs which will minimize the impact.

Mr. EVINS. You never can completely insure against floods. People ought to use a little judgment, they ought to use a little wisdom as to their choices.

Secretary WEAVER. This is what we are going to try to encourage.

Mr. EVINS. A hillside is better than a valley in this case.

Secretary WEAVER. We are going to try to do this.

Mr. ROSS. What we will do is tell them precisely where the risks are so they can make the choice about building, with knowledge as to where the flood risk is. This is not available to the individual presently.

Mr. EVINS. Are you going to subsidize the insurance companies?

Mr. ROSS. No subsidies to the insurance companies, sir.

Mr. EVINS. Generally, they are not interested unless the Government is interested. Aren't the insurance companies in favor of this?

Mr. ROSS. The insurance companies, at best, if the program works out and is financially successful, stand to make a possible 5 percent profit. If it is unsuccessful, they won't make that.

Mr. EVINS. Certain insurance companies are only interested where the Government will subsidize them.

Secretary WEAVER. We are trying to pull them back in on a partnership basis with a limited profit.

EXAMPLES OF THE PROPOSED FLOOD INSURANCE PROGRAM

Mr. ROSS. There are other examples, Mr. Chairman, of this on page L-18.

Mr. EVINS. L-18; we will put that in the record.

(The page follows:)

Alternative Examples of FY 1969 Operation of The Flood Insurance Program
(under Reinsurance Agreement for Industry to Pay 2% Premium and
Make Disbursements up to 125% of Collected Premium)

Memorandum Items	Example A	Example B	Example C
	(small program low losses)	(large program low losses)	(large program larger losses)
Number of Dwelling Units Covered	10,000	30,000	30,000
Average per-unit value of structure plus contents	\$ 15,000	\$ 15,000	\$ 15,000
Total Coverage	150,000,000	450,000,000	450,000,000
Full Risk Premium	\$2.00 per	\$100 of value	\$100 of value
Chargeable Premium	\$.50 per		
Amount of Full Risk Premium	3,000,000	9,000,000	9,000,000
Amount of Collected Premium (25% of ln.6)	750,000	2,250,000	2,250,000
Total Claims	1,000,000	3,000,000	10,000,000
Industry share of claims	250,000	750,000	2,500,000
Government share of claims	750,000	2,250,000	7,500,000
Total Expenses (5% of ln.6)	150,000	450,000	450,000
Industry share of expenses (25% of ln. 11)	37,500	112,500	112,500
Government share of expenses (75% of ln. 11)	112,500	337,500	337,500
Industry Account:			
Collected Premiums	750,000	2,250,000	2,250,000
Less: Sales commissions and State taxes (5% of ln. 6)	150,000	450,000	450,000
Industry share of claims	250,000	750,000	2,500,000
Industry share of expenses	37,500	112,500	112,500
Reinsurance premium paid to Government (2% of ln.7)	15,000	45,000	15,000
Total Disbursements	152,500	437,500	1,077,500
Balance of Premium Revenue or Deficit (-)	297,500	892,500	3,172,500
Less: Profit and Contingency Allowance (5% of ln.7)	37,500	112,500	112,500
Paid to Reserve Fund	260,000	780,000	3,060,000
Received Reinsurance Claim Payment from Government	...	...	...
Net Loss	...	...	295,000 a/
Government Subsidy Payments:			562,500
Payment of Government Share of Claims	750,000	2,250,000	7,500,000
Payment of Government Share of Expenses	112,500	337,500	1,125,000
Total Subsidy Payments	862,500	2,587,500	8,625,000
Government Reinsurance Operations			337,500
Reinsurance Premium Received	15,000	45,000	15,000
Funds drawn from reinsurance/industry reserve fund	...	...	...
Less: Reinsurance claim payment	...	...	...
Net Reinsurance Receipts or Payments (-)	15,000	45,000	15,000
Net Government Account Change	847,500	2,542,500	8,087,500
Borrowed from Treasury	847,500	2,542,500	8,087,500

a/ Total industry disbursement limited to 125% of collected premium of \$2,250,000 or \$2,812,500 and Government reinsurance payment of \$925,000 required under reinsurance agreement.

Mr. EVINS. This is to let contracts so that people can speculate as to where floods may occur.

Mr. ROSS. And to organize the industry relations and set up the mechanics for operating the program.

Mr. EVINS. Why do you have to have this before next year?

Mr. ROSS. Because the Secretary is—

Mr. EVINS. The Secretary wanted it, and that is the reason you backed it up.

Secretary WEAVER. That is right.

Mr. ROSS. It is required within 4 months and not later than 6 months to put this program into operation and to offer flood insurance.

Mr. EVINS. The floods come in the spring so you had better have the contracts out before the spring.

Mr. ROSS. We had better have a few maps drawn so that we can write some insurance contracts.

Mr. EVINS. Can't you get more of this from the Corps of Engineers? They have been studying it for years.

Secretary WEAVER. We are going to call on them.

Mr. EVINS. In another subcommittee on which I serve we have directed the Corps of Engineers to make a complete survey of all the river basins in the country.

Mr. ROSS. And what we are asking for is the detail to convert that extensive knowledge into an operating machinery for this program.

NATIONAL HOME OWNERSHIP FOUNDATION

Mr. EVINS. You have another one here, you want to set up a National Home Ownership Foundation. We allow foundations to be chartered in this country on a tax-exempt basis. And now you want to subsidize one. We will insert your justification for this program.

(The information follows:)

Department of Housing and Urban Development

Justification of Supplemental Estimates
Fiscal Year 1969

"Special Institutions

"National Homeownership Foundation

"For the National Homeownership Foundation, established by section 107 of the Housing and Urban Development Act of 1968 (82 Stat. 491), \$250,000, to remain available until expended."

"The proposed supplemental appropriation is to provide a grant for the initial expenses of organizing the National Homeownership Foundation, which was created by the Housing and Urban Development Act of 1968, approved August 1, 1968. Under the law, the Foundation is not a Federal agency or instrumentality and all functions, powers, and duties, including staffing, are vested in the Board of Directors."

The Foundation is not a part of the Department of Housing and Urban Development. The Department is merely serving as the vehicle for requesting the necessary appropriation for initial organizational and related corporate expenses.

Background and Purposes

A National Homeownership Foundation would be created under section 107 of the Housing and Urban Development Act of 1968. The purposes of the Foundation would be to (a) encourage the investment in, and sponsoring of housing for lower income families; (b) encourage the establishment of programs of assistance and counsel to lower income families to enable them better to achieve and afford adequate housing; (c) provide technical assistance, through publications and advice, to public and private organizations which are carrying out programs to expand homeownership and housing opportunities for lower income families; and (d) provide grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of their expenses.

General Organization

The Foundation would consist of an 18-member Board, 15 of whom would be appointed by the President with the advice and consent of the Senate. The other three members would be the Secretary of Housing and Urban Development, Secretary of Agriculture, and Director of the Office of Economic Opportunity. The Board would appoint an Executive Director who

National Homeownership Foundation

would serve as chief executive officer of the Foundation. It should be noted that the Foundation would be a corporation under the District of Columbia Nonprofit Corporation Act. The Housing and Urban Development Act of 1968 stipulates that the Foundation "shall not be an agency or instrumentality of the United States Government", and therefore, by definition, it is not to be construed as a part of the Department of Housing and Urban Development.

Functions

To carry out its statutory purposes the Foundation could:

1. Encourage local public and private programs of housing and homeownership opportunities for lower income families.
2. Assist in establishing such programs, including the establishment of local development funds.
3. Assist these organizations in finding the proper technical and managerial personnel to implement successfully these programs.
4. Assist these organizations in obtaining the mortgage financing, insurance and other aids necessary for these programs.
5. Assist these organizations to establish a counseling service to help lower income families gain access to job training and manpower programs.
6. Arrange for (or provide on a limited basis) training for personnel.
7. Encourage research and innovation in the housing and homeownership field and establish an information program on housing opportunities.
8. Other similar services.

The Foundation could, if it deems it appropriate, charge reasonable fees for the foregoing services.

The Foundation could also make loans and grants for the following purposes:

1. Organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families.

National Homeownership Foundation

2. Necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items.

3. The costs of carrying out programs providing counseling and similar services to lower income families for whom housing is being provided in such areas as home management, budget management and home maintenance, in order to enable these families to achieve and afford adequate housing.

An application for a loan or grant would have to be submitted to the local government body for its recommendations, and such recommendations would have to be considered by the Foundation in determining whether to make the loan or grant. Such loans or grants could be made only if requested funds are not otherwise available from Federal sources.

The Foundation would have to submit an annual report of its activities to the Congress and would have to coordinate its activities with the Department of Housing and Urban Development and other Federal departments and agencies with relevant interests.

Types of Expenditures

In addition to the expenditures for employment of a staff to carry out the foregoing functions, disbursement of funds for loans and grants and printing of publications to further its purposes, the Foundation would have to pay Board members for services away from their homes or regular places of business and reimburse them for travel expenses. The Foundation is directed to make maximum use of existing public and private agencies in carrying out its functions and is authorized to contract with individuals, private organizations and agencies of Federal, State and local governments. It is expected that the Foundation would let contracts for the preparation of information publication and for educational counseling programs, and employ consultants.

The bill provides for an authorization for appropriations of \$10 million. However, only funds for initial organization and planning are requested at this time. Once established, it will be up to the Foundation to develop its budget and work program and to request such appropriations for loans and grants as it sees fit.

The Foundation would also be authorized to receive donations and grants from private sources.

National Homeownership Foundation

Planning and Organization and Educational Activities

In order that the Foundation shall be in a position to aid organizations engaged in the provision of homeownership and housing as soon as possible, it should be enabled to carry out planning, initial organization and educational activities as soon as possible.

Following the appointment of the Board members by the President, the following organizational activities would have to be supported:

Personnel compensation and benefits.....	\$55,000
Program planning.....	\$20,000
Preparation of educational publications.....	\$80,000
Conduct of seminars on project develop- ment and management.....	\$70,000
Rent, equipment, and all other expenses.....	<u>\$25,000</u>
Total.....	\$250,000

Secretary WEAVER. Let me explain. This foundation is not a part of HUD. It is established outside of HUD in the bill passed by the Congress. We therefore put that money in parentheses because it is not appropriations to HUD, but since it is under our bill and since it would require some seed money to get started, we think it appropriate for us to propose it at this time. This is a foundation which will do many things similar to what is being done ordinarily under public agencies, but it has been authorized by the Congress and we feel that we ought to ask for the necessary money to get it going. It is not an appropriation to HUD.

Mr. EVINS. Why can't this foundation be organized without HUD if they want to have a foundation?

Secretary WEAVER. It is, sir, but somebody has to get some money for it so it can get started during this period.

Mr. EVINS. The Department is merely serving as a vehicle?

Secretary WEAVER. Yes.

Mr. EVINS. You are requesting the necessary appropriations for an initial organizational effort. You then say "We are going to pick up the tab, gentlemen, to organize this foundation."

Secretary WEAVER. In accordance with the law.

Mr. EVINS. You are not only the seed money people but you are the prompters and generators.

Mr. JONAS. Isn't the authorization \$10 million for this?

Secretary WEAVER. Yes, for loans and grants.

Mr. JONAS. How long will it be before we will be dipping into those millions?

Secretary WEAVER. I don't know. Now, the Secretary will be on the board but it will be independent of HUD, independent of any Government agency. It will be a private agency paid for by Government money.

Mr. EVINS. Off the record.

(Discussion off the record.)

TOTAL SUPPLEMENTAL REQUESTS FOR HUD

Mr. EVINS. Now you have the totals here. You are requesting total appropriations of \$54 million, contract authority of \$157,500,000, and you are raising expense limitations by \$5,700,000. That in a nutshell is the supplemental.

RIOT REINSURANCE PROGRAM

Secretary WEAVER. We have the riot reinsurance item, too.

It is for the information of the committee.

Mr. JONAS. This is a backdoor operation, isn't it, right now?

Secretary WEAVER. It could be so called.

Mr. EVINS. This is the last one that you sold them on at the Bureau of the Budget.

Secretary WEAVER. This is for your information.

Mr. JONAS. This is backdoor financing.

Secretary WEAVER. It is one of the new programs and we have included it here, so that you would not feel that we were not giving you all the information.

Mr. JONAS. How much are you proposing to spend?

Mr. EVINS. How do you propose to start your riot insurance program?

Secretary WEAVER. It has already been started under the temporary regulations. Mr. ROSS?

Mr. ROSS. The statute authorized us, Mr. Chairman, in fact mandated that we issue temporary contracts of insurance as soon as possible after the bill was signed. We did that on the day the bill was signed. We have contracts with some 350 insurance companies under which they agree not to cancel any policies that they have already written and to agree to try to restore insurance coverage on policies that they had canceled.

Mr. EVINS. You may be sharp enough but you are not hard enough with the insurance companies.

Mr. ROSS. I think the insurance companies feel quite the opposite in this particular case.

Mr. EVINS. I know how they feel. I am just urging you to strengthen your muscle.

Mr. ROSS. We will watch them very carefully.

Mr. EVINS. How can you start riot insurance with what you have and not the flood insurance?

Mr. ROSS. Because the statute in this case provided for us to take administrative expenses out of the proceeds of the premiums charged and directed us to begin immediately with the binders and the coverage. The permanent contracts have to be issued by the 29th of this month, and we are proceeding with that work and they will be ready.

Mr. EVINS. You have about 15 items here. Mr. Boland, do you have any questions on them?

Mr. BOLAND. No, I do not have any.

Mr. EVINS. Mr. Shipley?

Mr. SHIPLEY. No questions.

Mr. EVINS. Mr. Marsh?

TOTAL REQUEST BEFORE COMMITTEE

Mr. MARSH. What is the total request that is here before us? I know you have given it to us, but I would like to have it repeated for the record.

Mr. EISEMAN. The appropriations total is \$54,420,000, the approval of contract authorities is \$157,500,000, and expense limitations of \$5,700,000.

Mr. MARSH. How would you break that \$157.5 million down, that is, between the programs that are in existence that require additional funding and those that are new programs?

Mr. EISEMAN. This is all for new programs.

Mr. MARSH. All are new programs?

Secretary WEAVER. We have not made any supplemental request for any existing programs.

Mr. EVINS. We have just funded the regular programs. These are for the new programs.

Mr. MARSH. Thank you.

Mr. EVINS. Mr. Jonas?

PUBLIC HOUSING IN PITTSBURGH

Mr. JONAS. May I just take a minute to ask the Secretary something on a matter that is generally pertinent to this subject but it is not directly concerned with this appropriations request.

I was disturbed to read a news item in the Pittsburgh Press of October 1 in which Alfred L. Tronzo, director of the city's public housing authority, directly charges that HUD by its regulations is preventing him from building 2,900 units of housing by requiring that if he build public housing units in an ethnic ghetto area he has to build an equal number in exclusively white areas. Would you comment on that?

Secretary WEAVER. Yes. I would be delighted to comment.

In the first place, the regulations are responsive to the requirements of title VI of the Civil Rights Act of 1964. The regulations are not as the gentleman has interpreted them. They do not require a mechanical compensation, but they do require that before you continue to have all public housing centered in one area—an area of economic or ethnic ghetto—that the local authorities shall make an attempt, a bona fide attempt and a real, genuine attempt, to find other areas so as not to have the public housing all concentrated in one area.

This the gentleman in question refuses to do. He just simply says that they are not going to do it or cannot do it or won't do it, and we insist under the regulations he has to do it. That is the impasse.

I would be happy to send you a copy of the regulations because I think you have to read them in order to understand.

Mr. JONAS. Mr. Vincent A. Marino, Assistant Regional Administrator of Housing Assistance for HUD, makes it clear that, according to the press report, you have made exceptions to these regulations.

Secretary WEAVER. I have not made exceptions to the regulations. The regulation is not an ironclad requirement.

Mr. JONAS. Well, the statute is not ironclad.

Secretary WEAVER. Absolutely; and the regulation reflects this.

Mr. JONAS. The statute is subject to interpretation and you have interpreted it one way and others have interpreted it in another way. You base your regulations on your interpretation and they generally require that when a sponsor builds a series of public housing units in a so-called ghetto area he must build an equal number outside.

Secretary WEAVER. No. The regulation says he must make every reasonable, every serious effort—make a real bona fide effort to do so. It doesn't say he absolutely has to do so.

Mr. JONAS. He says "We can't buy land in nonimpact areas."

Secretary WEAVER. They haven't tried.

Mr. JONAS. "Mr. Tronzo stated, adding 'why can't you Feds take us on faith that we'll try?'"

Secretary WEAVER. Because they haven't tried. This is exactly the point.

Mr. JONAS. He says he was referring to his authority's past record in building all but one of his public housing complexes in predominantly white communities. Isn't that a record which would indicate an effort has been made?

Secretary WEAVER. No, because that was an entirely different authority, an entirely different administration, an entirely different executive director, an entirely different set of people.

Mr. JONAS. Is it more important to spread these public housing units out or to get some public housing available for the people who need it in Pittsburgh?

Secretary WEAVER. I think it is important to do both. This is what we are trying to do. I think it is important to do both, and we think both can be done.

Mr. JONAS. I would think the first, most important thing to do would be to make some housing available if there is a crying demand for housing, and that this would take precedence over a philosophical desire to distribute public housing around, disperse it throughout a community.

Secretary WEAVER. I think you can do both. This year we have created and have completed more public housing units with these title VI requirements that he is talking about than has ever been done before. So that we are able to do both. This is what we are trying to do—both.

Mr. TALCOTT. Why couldn't you let them build the 2,900 units at one place and let some other agency build 2,900 units elsewhere?

Secretary WEAVER. That is exactly what we want him to do.

Mr. TALCOTT. Have another agency build the other units.

Secretary WEAVER. This is the Public Housing Authority, however.

Mr. TALCOTT. I mean the public housing authority.

Mr. JONAS. It is the only one.

Secretary WEAVER. I don't think we can do that because if we have any obligations at all under title VI we have it for the public housing program, not in relation to something else. I think the issue is one that Congressman Jonas raised; to my mind it is not either/or. I think if we can do both we ought to do so; we are required to do both.

Mr. JONAS. You ought not to delay too long. The longer the delay, the longer you are keeping 2,900 units from being constructed.

Secretary WEAVER. We are constructing them elsewhere where they are willing to do both, and we are still getting the same number of public housing units as we would otherwise. We are not holding up the program. He may be holding up Pittsburgh but we are not holding it up, for instance, in Charlotte, in your city, where we are able to do this with a more cooperative public housing authority, I might add.

Mr. EVINS. Any further questions, Mr. Jonas?

Mr. JONAS. No, that is all.

Mr. EVINS. Mr. Talcott, any questions?

Mr. TALCOTT. No; except to comment that we decided some time ago that the principal purpose of public housing is not for housing, it is for social and racial integration.

NEW HUD REVOLVING FUNDS

Mr. EVINS. Mr. Secretary, are you proposing to set up several new revolving funds, additional funds to that which you already have?

Mr. BROWNSTEIN. One is the special risk insurance fund.

Mr. EISEMAN. Another is the low- and moderate-income sponsor fund.

Secretary WEAVER. The first of these programs is where the Congress has recognized that there are special risks involved, either because of

the credit history of the persons who are buying the homes or because of the location of the sites.

Mr. EVINS. You are talking about authority for the new FHA special risk insurance fund, new programs of guarantees to finance new community development, and the national insurance development fund and national flood insurance; so you are setting up several funds here; are you not?

Secretary WEAVER. These are set forth in the statute; yes.

Mr. EVINS. Any further questions, gentlemen?

APPRECIATION EXPRESSED BY SECRETARY WEAVER

Secretary WEAVER. If you are through, let me say this is the last time I will be before this committee. I want to express my appreciation to you for your courtesies and for your sympathetic listening to the presentations which I have made. It has been a pleasure.

Mr. EVINS. Mr. Secretary, you have batted about 99 percent. We think this is very good.

Secretary WEAVER. I am appreciative of this and I think this is indicative of the sympathy and the understanding you gentlemen have had.

TRIBUTES TO SECRETARY WEAVER

Mr. EVINS. Mr. Secretary, I think we have made great strides under your administration. You have been a dedicated, committed man. You had a difficult task in administering a new Cabinet-level department, and you have successfully met this challenge.

You have made many advancements. It is regrettable that others don't always appreciate your service as much as they should. It seems that the more you do for people the less grateful they are.

Mr. BOLAND. I think everyone appreciates the services of the Secretary. I think he has done a magnificent job and, as I have said before and I say it again, he has handled this program with equal dedication and as well as anyone could possibly have done.

He has pulled a lot of divergent agencies into one great department, and in the years to come, if not now, it will be one of the finest of departments.

You have shown leadership, dedication and spirit. You have cooperated with this committee in every instance. I know I reflect the thinking of the members of this committee when we express to you our very best wishes for success in the very difficult task that you will have in the future. I don't suppose you will have another job or assignment that will have the difficulties this one has. I think your ability to handle the problems and to articulate them properly has been a very great thing for this Department, a very great thing for the Congress and for the Nation.

Mr. EVINS. Mr. Boland is one of our great speechmakers. Now, we do not like valedictories, but I know we all concur in what he said, and also with respect to your competent and efficient staff.

Mr. JONAS. It is not appropriate that I close this, but I do want to put in my 5 cents' worth before you finish.

Mr. EVINS. The gentleman is recognized.

Mr. JONAS. I think anyone reading the record of these hearings in recent years will agree that the Secretary and I have not always agreed 100 percent, but we have been able to agree on many points and those that we did not agree on we have tried to be agreeable in our disagreement—or at least I have. I want to say that we have had many department and agency heads before the committee but I don't remember one that I have felt had a better mastery of his subject than you have had. You have known what you were talking about, you have obviously devoted a great deal of study and thought to the programs you sponsor, and we have benefited from your testimony from time to time.

Secretary WEAVER. Thank you, sir.

Mr. JONAS. I want to join the others in extending to you our very best wishes for the future.

Secretary WEAVER. Thank you.

Mr. TALCOTT. I think we would all like to join, I certainly would. I have been as critical and demanding of the Secretary as anybody, I suppose, but I can genuinely echo the remarks of Mr. Boland, Mr. Jonas, and the chairman.

Mr. EVINS. Thank you, gentlemen. On that happy note we will conclude these supplementary hearings and look forward to seeing you in the new year.

FEDERAL TRADE COMMISSION

Mr. EVINS. Gentlemen, we have a request for a supplemental appropriation of \$400,000 for the Federal Trade Commission. We shall insert the applicable portion of House Document No. 393, along with the justification for the request.

(The material follows:)

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses," including carrying out the functions of the Federal Trade Commission under title I of the Consumer Credit Protection Act of 1968 (Public Law 90-321), \$400,000.

This proposed supplemental appropriation would finance preparatory work necessary for implementation of the truth-in-lending provisions of the Consumer Credit Protection Act of 1968. Under this law, the Federal Trade Commission is responsible for enforcing the regulations of the Federal Reserve Board governing disclosure of credit charges for a variety of consumer transactions.

SUPPLEMENTAL BUDGET JUSTIFICATION F.Y. 1969
FOR ENFORCEMENT OF TRUTH IN LENDING ACT

Congress has committed to the Federal Trade Commission enforcement of Title I (the Truth in Lending Act) of the Consumer Credit Protection Act, except as it is applicable to national banks, member banks of the Federal Reserve System other than national banks, banks insured by the Federal Deposit Insurance Corporation, federal savings and loan associations, federal credit unions, common carriers, air carriers or foreign air carriers, and activities subject to the Packers and Stockyards Act (except Section 406).

Synopsis of Truth in Lending Act

The subject Act requires banks, finance companies, other lenders and retailers to inform borrowers and credit customers of credit charges in terms of annual percentage rates on the declining balance of obligations, with few exceptions. (Excepted transactions cover business and commercial credit, security credit, non-real estate credit over \$25,000 and State-regulated public utility service charges.) The lenders also must inform borrowers of the dollars-and-cents cost of financing loans and purchases.

Disclosure provisions of the measure generally apply to loans and installment purchases up to \$25,000 and to mortgages of any amount for home buying. The total dollar amount of finance charges on first mortgages would not have to be disclosed, although mortgage lenders would be required to state their interest rates in compliance with the Act's rules. Under the provision designed to protect home-owners from inadvertently signing second mortgages for home repairs, the measure would allow a three-day period for the owner to cancel the transaction.

Advertisements mentioning any figures for credit would have to provide detailed information on annual interest rates, cash prices, incidental charges and other conditions. No liability attaches under the Act to any advertising medium.

This law includes a special rule for revolving charge accounts used by many department stores and some other retailers. These accounts usually call for payment of 1.5 percent monthly on the unpaid balance--equivalent to 18 percent a year. Both monthly and annual interest rates on revolving accounts would have to be stated. Stores also would be allowed to state a third interest rate, the "effective" average annual interest rate, which typically would be lower than the nominal rate. The effective rate takes into account the "free" time customers get before they are charged interest. It would be figured by dividing a store's total income from revolving credit into the interest-charge share of that income.

Certain small finance charges would be exempted from the general disclosure requirement. This would permit finance charges of up to \$7.50 on purchases of more than \$75 without requiring disclosure of the interest rate. But consumers still have to be told the dollar amount of the financial charge.

The bill would also make loan sharking subject to a maximum penalty of \$10,000 or 20 years in jail or both. It would cover attempts to collect illegal loans by extortionate means and apply when the interest rate was 45 percent or more.

The measure would also impose restrictions, enforced by the Secretary of Labor, on the garnishment of wages to satisfy debts. The garnishment restriction would forbid attachment of at least the first \$48 of a worker's weekly wage. Workers making more than that would be protected from garnishment of 75 percent of their wages.

The truth in lending provisions of the measure, officially titled the Consumer Credit Protection Act, would take effect on July 1, 1969; garnishment restrictions would become effective a year later.

The Act also establishes a National Commission on Consumer Finance, composed of three Senators, three Representatives, and three persons (including the Commission Chairman) appointed from outside the Federal government by the President. The new Commission will have an appropriation of up to \$1,500,000 to study the structure and performance of the consumer finance industry. The Act also assigns the National Commission to probe the adequacy of existing regulatory mechanisms for protecting the public from unfair practices in consumer credit. This ad hoc Commission will expire 90 days after it submits its final report to the President and to the Congress by January 1, 1971.

Under the subject law a violation of any requirement of the credit cost disclosure provisions by any creditor within the Commission's area of enforcement responsibility constitutes a violation of the Federal Trade Commission Act.

The truth in lending measure also states in subsection (c) of Section 108 therein: "All of the functions and powers of the Federal Trade Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with the requirements imposed under this title [Title I--Consumer Credit Cost Disclosure], irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act." (Emphasis supplied.)

The Act also authorizes the Federal Reserve Board to issue regulations on the disclosure requirements. However, the Act states that such authority does not impair the power of the Commission, to "make rules respecting

its own procedures in enforcing compliance with requirements imposed under this title [Title I].

We turn now to the magnitude of the problem facing the Commission in enforcing the Act. This will involve drawing some boundary lines around the vast field of consumer credit and carving out the share that falls within the Commission's domain.

Magnitude of the Commission's Role in Enforcing the Truth in Lending Law

Total consumer credit outstanding in the economy at the end of 1967 amounted to \$99 billion. ^{1/} Consumer credit consists of two major types, installment and noninstallment. At the close of 1967, installment credit totaled \$78 billion or 79 percent of the outstanding consumer credit, and noninstallment credit was \$21 billion or 21 percent of the total.

Major Types of Consumer Credit

Installment credit covers all consumer credit that is scheduled to be repaid in two or more payments. The four main classes of installment credit and the amounts outstanding at the end of 1967 follow: automobile paper (\$31 billion), other consumer goods paper (\$21 billion), home repair and modernization loans (\$4 billion), and personal loans (\$22 billion).

Noninstallment credit comprises those forms of consumer credit that are to be repaid in a lump sum. The three major components of such credit had the following amounts outstanding as 1967 ended: single payment loans, such as for the payment of personal taxes (\$8 billion); charge accounts (\$8 billion); and service credit, such as gasoline service station credit-card accounts (\$5 billion).

Table I, which follows, shows the components of consumer credit and estimates the amounts outstanding held by financial institutions and retail outlets. For example, in the first column on the left under automobile paper, the table shows that the two largest lenders of this type of installment credit are commercial banks (\$18 billion) and sales finance companies (\$9 billion).

The table also identifies the type of credit holders assigned by the new law to the Commission and to other agencies. Using again the previous example of automobile credit, the largest lender (commercial banks) is under the wing of the banking authorities (symbol 1 in the table) and the second largest holder, sales finance companies (symbol 6), falls within the Commission's authority. Similarly, in the case of charge accounts in the noninstallment credit sector, the Commission has jurisdiction over department stores and other retail outlets.

^{1/} Board of Governors of the Federal Reserve System, Federal Reserve Bulletin A-48 (April, 1968).

Table 1
SHORT- AND INTERMEDIATE-TERM CONSUMER CREDIT, DECEMBER 31, 1967 BY TYPE OF CREDIT AND INSTITUTION
 (Millions of Dollars)

Total consumer credit		99,228	
Installment credit		77,946	
Noninstallment credit		21,282	
Automobile paper		34,197	
Other consumer goods paper		21,328	
Repair & modernization loans		3,731	
Personal loans		21,690	
Single-payment loans		8,287	
Charge accounts		7,595	
Service credit		5,420	
Automobile paper		34,197	
Commercial banks (1)		17,969	
Sales finance cos. (6)		8,959	
Other financial institutions (1, 2, 3, 6)		3,713	
Automobile dealers (6)		506	
Other consumer goods paper		21,328	
Commercial banks (1)		5,606	
Sales finance cos. (6)		5,017	
Other financial institutions (1, 2, 3, 6)		1,336	
Department stores (inc. mail-order) (6)		5,555	
Furniture stores (6)		1,705	
Other retail outlets (6)		1,907	
Repair & modernization loans		3,731	
Commercial banks (1)		2,529	
Sales finance cos. (6)		103	
Other financial institutions (1, 2, 3, 6)		1,105	
Personal loans		21,690	
Commercial banks (1)		1,692	
Sales finance cos. (6)		2,772	
Other financial institutions (1, 2, 3, 6)		11,226	
Single-payment loans		8,287	
Commercial banks (1)		7,094	
Other financial institutions (2, 3)		1,203	
Charge accounts		7,595	
Department stores (6)		1,250	
Other retail outlets (6)		5,291	
Credit cards (1, 5, 6)		1,054	
Service credit		5,420	
Medical (6)		2,835*	
Public utilities (6)		1,512*	
Other (6)		1,073*	

Jurisdiction:

1. Banking Authorities
2. Federal Reserve Board
3. Board of Federal Credit Unions
4. I. C. C.
5. Civil Aeronautics Board
6. Federal Trade Commission

*Estimate.

Note: Heavy lined boxes include areas of F. T. C. jurisdiction.

Source: Federal Reserve Board, Supplement to Banking & Monetary Statistics, Section 16 (New) Consumer Credit 4 (1968).

To focus on the Commission's total responsibility in the consumer credit field, Table II, which follows, pulls together data from Table I and estimates the share of consumer credit held by lenders subject to Commission regulation under the new Act. The Table establishes that lenders within the Commission's orbit accounted at the end of 1967 for \$43 billion of consumer credit outstanding, which represents 44 percent of the \$99 billion total. As shown in Table I, consumer credit lenders within the Commission's orbit account for 69 percent of consumer goods paper (excluding auto paper), 38 percent of personal loans, 86 percent of charge accounts and 72 percent of service credit.

Lenders Subject to FTC Jurisdiction Under the Truth in Lending Act

The seven major holders of consumer credit that the subject law places within the Commission's purview are as follows:

<u>Major Holder Group</u>	<u>Credit outstanding in millions of dollars on Dec. 31, 1967</u>	<u>Percent of Total Subject to FTC</u>
Sales finance companies	\$16,851	39.0
Personal (consumer) finance cos.	6,222	14.4
Department stores	6,805	15.8
Furniture stores	1,705	3.9
Other retail outlets	7,198	16.7
Service credit companies	3,908	9.0
Automobile dealers	506	1.2
Total credit subject to FTC	\$43,195	100.0
Total consumer credit, U.S.	99,228	---

Finance companies can be classified on the basis of the principal types of receivables on their books. Sales finance companies buy installment paper which arises from retail sales of automobiles, other consumer goods, or from outlays for residential and repair loans. For example, C.I.T. Financial Corp. is the nation's largest independent sales finance company with total capital funds of \$828 million at the end of 1967. ^{1/} (A sales finance independent does not get any of its financing from a parent manufacturing or retail company; a captive does get such financing.) General Motors Acceptance Corp. is the nation's largest captive sales finance company with total capital funds of \$1.1 billion at the close of 1967.

^{1/} Survey of the Finance Company Industry, Banker's Monthly, April 15, 1968. Capital funds refer to capital and surplus funds together with noncurrent subordinated debt.

TABLE II

Estimated Share of Consumer Credit Outstanding as of December 31, 1967
Held by Lenders Subject to the Jurisdiction of the Federal Trade Commission
Under the Truth in Lending Bill

Major Types of Consumer Credit	Consumer Credit (in millions of dollars)		
	Held by All Lenders	Held by Lenders Subject to FTC Jurisdiction	Percent Held By Lenders Subject to FTC Jurisdiction to All Lenders
Consumer credit, total.....	\$99,228	\$43,195	43.5
Installment credit.....	77,946	32,746	42.0
Automobile paper.....	31,197	9,666	31.0
Other consumer goods paper.....	21,328	14,692	68.9
Home repair and Modernization loans...	3,731	113	3.0
Personal loans.....	21,690	8,275	38.2
Noninstallment credit.....	21,282	10,449	49.1
Single-payment loans.....	8,267	.....	.....
Charge accounts.....	7,595	6,541	86.1
Service credit.....	5,420	3,908	72.1

Source: Federal Reserve Bulletin A-48 (April 1968) for data on types of credit of all lenders
(col. 2); consumer credit held by lenders subject to FTC based on Table I and estimates
of FTC Office of Program Review.

By contrast, personal finance companies--also subject to the Commission's truth in lending authority--specialize principally in making personal cash loans. Beneficial Finance Co. (Wilmington, Delaware) ranks as the nation's largest personal finance company with capital funds of \$506 million as 1967 ended.

The basic facts that follow on the structure of these finance industries can help delineate further the Commission's future truth in lending role in such areas. Industry structure, such as number of companies, concentration, also has relevance in determining the enforcement program of the Commission. For instance, in a concentrated industry that features a few large firms with substantial market shares and numerous smaller firms, the Commission's coverage is expected to extend to the largest companies, and systematically blanket the remaining firms through scientific sampling procedures.

On the sales finance company front, there were 1,200 sales finance companies with gross loans of \$16 billion in 1965, according to the most recent Federal Reserve Board survey of this field. ^{1/} The ten largest sales finance companies are ranked below by total capital funds at 1967 year end: ^{2/}

Affiliated Rank	Captives	Capital funds (000,000 omitted)
1	General Motors Acceptance Corp.	\$1,118
2	Ford Motor Credit Co.	322
3	Sears Roebuck Acceptance Corp.	266
4	General Electric Credit Corp.	245
5	Chrysler Financial Corp.	230
Independent Rank	Largest Independents	
1	C.I.T. Financial Corp.	828
2	Commercial Credit Co.	606
3	Beneficial Finance Co.	506
4	Household Finance Co.	420
5	Associates Investment Co.	368

Sales finance companies with \$25 million and more in gross loans outstanding in 1965 accounted for about 93 percent of the total gross loans reported in the FRB survey. Due largely to the merger trend, about 25 percent of the small sales finance companies in 1960 had become subsidiaries of other sales finance companies by 1965 or had gone out of business.

^{1/} Survey of Finance Companies, Mid-1965, reprinted from the Federal Reserve Bulletin 536 (April, 1967)

^{2/} American Banker, May 31, 1968, pp. 11-13.

In the personal finance company field, the FRB survey reported that in 1965 there were 2,500 personal finance companies with gross loans of \$9 billion. The total capital funds of the five largest personal finance companies in 1967 follows: ^{1/} Beneficial Finance Co. (\$506 million), Household Finance Corp. (\$420 million), Seaboard Finance Co. (\$137 million), Liberty Loan Corp. (\$115 million), and General Finance Corp. (\$74 million).

Personal finance companies with \$25 million or over in total gross loans in 1965 held 80 percent of the total gross loans of all reporting companies in this classification, according to the FRB study. For both personal finance and sales finance sectors the larger companies have moved toward increased diversification of receivables and the smaller firms remain more specialized.

The Commission's consumer credit assignment blankets much of the retail trade sector, which consisted in 1963 (the last census year) of 1.7 million establishments with total sales amounting to \$244 billion. The Commission's mandate reaches some 4,000 department stores (\$21 billion annual sales) and about 94,000 furniture, home furnishings and equipment stores (\$11 billion annual sales).

In addition, the range of the Commission in this area encompasses about 100,000 auto dealers, 20,000 jewelry stores, and tens of thousands of apparel and other retail stores that extend billions of dollars in consumer credit each year. As noted earlier, the Commission also has responsibility for preventing violations of the Instant Act by some 3,700 finance companies and their tens of thousands of retail branches.

To sum up the economic dimensions of the Commission's responsibilities under the truth in lending bill, the picture that emerges is a universe or "market" composed of 3,700 sales finance and personal finance companies, as well as hundreds of thousands of retail outlets, that combined account for the relevant \$43 billion consumer credit field.

Objectives

The stated purpose of the subject Act is to assure a meaningful disclosure of consumer credit terms so that:

1. The consumer will be able to compare more readily the various credit terms available to him and thus avoid the uninformed use of credit.
2. Economic stabilization and non-inflationary pricing of consumer goods would be enhanced.

^{1/} Survey of The Finance Company Industry, Bankers Monthly, April 15, 1968.

3. "Competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened". (S.5, Section 102)

Establishment of a Bureau of Truth in Lending

The Commission has concluded that effective enforcement of the Truth in Lending Act will require the creation of a new Bureau of Truth in Lending. As an initial estimate of staff requirements, the new bureau will in 1970 require a staff of approximately 200 consisting of attorneys, accountants and statisticians, secretarial and clerical staff personnel, economists including specialists on survey sampling procedures, and field examiners. The Commission's truth in lending surveillance and enforcement program through the proposed bureau would cover the relevant \$43 billion consumer credit field--a "universe" of about one million retail outlets and finance companies--using scientific sampling procedures. The bureau's coverage would also concentrate more thoroughly and continually on the credit practices of the 200 largest finance companies and the 200 largest department stores, while spot-checking the hundreds of thousands of retailers and thousands of finance companies that constitute the Commission's "relevant market" under the Act. Investigations of outside complaints on credit cost disclosure and credit advertising would supplement the Bureau's internally-generated, planned actions and a consumer credit education program.

To carry out the intent and purpose of Congress in enacting this legislation, the bureau will develop and employ a unified program of education, guidance and litigation. The bureau may develop, for example, model installment contracts, and other consumer-oriented publications, in order that the consumer can be made aware of what he should look for, such as service charge extras as well as the interest rate.

The bureau's legal-economic forces will be expected to prepare periodic reports for publication that turn the spotlight of publicity on truth in lending conditions. The bureau will make industry studies of credit charges to consumers made by major lender groups, such as personal finance companies. The credit charges of finance companies and retail stores will be investigated in a sampling that would always include the large companies. Case investigations would be based on these economic analyses, supplemented by the more significant complaint letters and reports from field examiners.

The bureau will be mindful of the broad findings and declaration of purpose expressed in the Act. In addition to enforcement of the specific statutory provisions, it will be alert to related credit practices, subject to correction under Section 5 of the Federal Trade Commission Act, and report to Congress with recommendations for legislation in appropriate instances. For example, debt consolidators, are not actual lenders of money and therefore are not subject to the Act, are so much a part of the broad credit picture that they will receive the attention of the bureau.

Activities in Fiscal 1969

The Truth in Lending Act, insofar as it relates to Commission enforcement responsibilities, becomes effective July 1, 1969. It's staff is now cooperating with that of the Board of Governors of the Federal Reserve System in the drafting of regulations to carry out the purposes of the Act.

A supplemental appropriation of \$400,000 is essential if actual enforcement of the statute is to begin on the effective date. It is also requested that these funds be exempted from the reductions and limitations imposed by Public Law 90-364 inasmuch as the amount requested is the minimum required for the start-up of this new and comprehensive program.

As soon as the regulations are promulgated, the Commission, in cooperation with the Board, plans to institute an extensive educational program to alert businessmen to their obligations prior to next July 1, and also to begin advising consumers of their rights. Action must be initiated without delay to commence the mountainous task of recruitment and training of a staff of 200 new employees to develop in detail and carry out the education and advisory functions mentioned, and to move into the enforcement stage on the stated effective date.

SUPPLEMENTAL INCREASE REQUESTED FOR TRUTH IN LENDING
FISCAL YEAR 1969

Personnel Compensation	\$196,000
Personnel Benefits.....	14,000
Travel.....	40,000
<u>Communications and Rents:</u>	
Communications.....	\$8,000
Space Rental.....	<u>25,000</u>
Printing and Reproduction.....	33,000
Building alterations.....	3,000
Supplies.....	10,000
Equipment.....	4,000
	<u>100,000</u>
Total Supplemental Fiscal Year 1969..	<u>\$400,000</u>

Personnel Compensation

The \$196,000 requested for personnel compensation will provide only 19.6 man-years of employment, however, with the exception of a few key positions the large influx of new employees will not enter on duty until late in May or June for training and assignment to duty stations. This amount is very conservative when the magnitude of the program is considered.

Personnel Benefits

Based upon the funds for personnel compensation requested, \$14,000 will be required for personnel benefits consisting of Civil Service retirement, employee life insurance, health benefits, etc.

Travel

A total of \$40,000 is requested for travel. Travel costs will run extremely heavy during the last six months of this fiscal year due to recruitment of employees for duty throughout the country, acquisition of space, training, and travel of employees to duty stations after training.

Communications and Rents

Communications--The amount of \$8,000 is requested for communications to pay for additional telephone equipment installation and service charges which will be required not only in Headquarters but also in the various field stations.

Rents--The amount of \$25,000 is requested for additional space which must be acquired to house all of the 200 employees for this program. General Services Administration is making available 10,000 square feet in Washington at \$5 per square foot, which will be available after March. In addition space must be acquired for the many field stations, much of which will undoubtedly be subject to rental fees as it is doubtful that Federal space will be available.

Printing and Reproduction

The amount of \$3,000 will be required for advance printing of forms, etc.

Building Alterations

It is estimated that \$10,000 will be required in 1969 for erecting partitions, lighting and other alterations in the new space to be acquired. It has been our experience that few if any partitions are installed and adequate lighting must be provided. This is particularly true in the space being provided in Washington and the same can be expected in the space procured for the field stations. This, in the main, is a non-recurring cost.

Supplies and Materials

The cost of supplies and materials required for start-up in 1969 is estimated at \$4,000.

Equipment

The Commission has no surplus equipment for the 200 new employees, therefore substantially all of the necessary desks, chairs, typewriters and other furniture and office machines must be purchased in 1969 at an estimated cost of \$100,000.

GENERAL SERVICES ADMINISTRATION

Mr. EVINS. We also have before us a supplemental request from the General Services Administration. We shall include the requested appropriation language and the justification at this point.

(The material follows:)

Supplement estimate, 1969

"CONSTRUCTION, PUBLIC BUILDINGS PROJECTS"

APPROPRIATION LANGUAGE

"Funds heretofore appropriated under the heading "General Services Administration, Construction, Public Buildings Service," shall be available in the amount of \$6,000,000, for the construction of the substructure, Courthouse and Federal Office Building, Philadelphia, Pennsylvania: Provided, That the foregoing amount shall be the maximum construction improvement cost which may be exceeded to the extent that savings are effected in other projects, but by not to exceed 10 percentum."

This project, authorized in June 1961 and for which sites and expenses funds were appropriated in fiscal year 1962, is urgently needed to provide additional facilities to accommodate the increasing workload of the U.S. district court for which three additional judges were authorized (Public Law 89-372) in March 1966. The three judges were confirmed in June 1967, and since that time, have had to share facilities with other judges. Other agencies to be housed in this building are presently located in scattered leased locations costing in excess of \$1.8 million annually in rentals.

The project is being designed for a specific site in an urban renewal area which the city of Philadelphia has offered to donate. Because of the uncertainty as to when construction of this project will be started, the city has not transferred the site to GSA and has threatened to withdraw its offer. In addition to the possible need to purchase a substitute site, at an approximate cost of \$5 million, such action by the city could result in our losing all, or a substantial part of the \$1.9 million invested in the design of the building. Since authorization, the improvement cost of this building has increased from \$40,380,000 to \$54,014,000. Annual increases of about 6 percent can be anticipated if the project is further delayed.

Present plans provide for the construction of the Philadelphia project in two increments, the substructure portion having an estimated improvement cost of \$6 million.

The effect of this language will reprogram the sum of \$6 million to construct the substructure of the Philadelphia project from funds already appropriated for other construction projects.

NATIONAL COMMISSION ON CONSUMER FINANCE

Mr. EVINS. Gentlemen, we have a request for a supplemental appropriation of \$375,000 to provide for the establishment of the National Commission on Consumer Finance. We shall insert the applicable part of House Document No. 393 and the supporting statements.

(The material follows:)

SALARIES AND EXPENSES

"For necessary expenses of the National Commission on Consumer Finance, established by Title IV of the Consumer Credit Protection Act, approved May 29, 1968 (Public Law 90-321), including hire of passenger motor vehicles, \$375,000, to remain available until June 30, 1971."

This proposed appropriation is for the National Commission on Consumer Finance created by title IV of the Consumer Credit Protection Act. The Commission is to study (1) the adequacy of existing arrangements to provide consumer credit at reasonable prices, (2) the adequacy of existing arrangements to protect the consumer from unfair practices and to permit the informed use of consumer credit, and (3) the desirability of Federal chartering of consumer finance companies or other regulatory measures. The Commission is to report its findings and recommendations to the President and to Congress by January 1, 1971.

THE WHITE HOUSE
WASHINGTON

October 3, 1968

Honorable George H. Mahon
Chairman
Committee on Appropriations
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This letter transmits the Administration's justification for \$375,000 in supplemental appropriations to provide for the establishment and initial expense of the bipartisan National Commission on Consumer Finance, as authorized by the Congress in Title IV of the Consumer Credit Protection Act (P. L. 90-321, 82 Stat. 146).

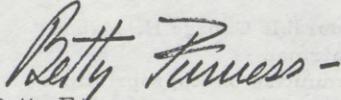
As provided by the Act, the Commission is to study the consumer finance industry and consumer credit transactions generally, and to report its findings and recommendations to Congress by January 1, 1971 (Sec. 404). The Act authorized for appropriation a sum not in excess of \$1,500,000 (Sec. 407).

The overwhelming vote for passage of the Consumer Credit Protection Act by both the House and the Senate (House 383-5; Senate 92-0) indicates the universal Congressional support for this measure. It has been nationally heralded as one of the landmark actions of the 90th Congress. Significant as are the other provisions of the Act, the farsightedness of the 90th Congress in providing for the establishment of the National Commission on Consumer Finance may well prove to be of the most long-range importance.

Consumer credit, which has such a major impact upon the national economy, is at present regulated and controlled by a patchwork of laws, many outdated in light of present practices and trends. An evaluation of the quality of consumer credit in terms of adequacy to meet the needs of consumers and the economy is long overdue.

On this basis alone, among other reasons, the appropriation of this sum would seem a modest investment for such a monumental public service.

Sincerely,

A handwritten signature in cursive script that reads "Betty Furness -". The signature is written in dark ink and is positioned above the typed name.

Betty Furness
Special Assistant to the President
for Consumer Affairs

STATEMENT OF LESLIE V. DIX, DIRECTOR FOR LEGISLATIVE AFFAIRS,
PRESIDENT'S COMMITTEE ON CONSUMER INTERESTS

Mr. Chairman:

It is a pleasure to testify on behalf of Betty Furness, the Special Assistant to the President for Consumer Affairs, in strong support of an appropriation to enable the establishment of the National Commission on Consumer Finance. All who are familiar with the present status of consumer credit and its impact on the national economy consider this vital.

Supporting this budget request takes on added meaning for me personally, not only because of my present identification with consumer affairs but because of the many wrongs and injustices in the credit field I have seen perpetrated on members of the Armed Forces in my many years of service in the Defense Department. Moreover, as a consultant to the Uniform Consumer Credit Code, now recommended for enactment for the several states by the National Conference of Commissioners on Uniform State Laws, I have been privileged to debate some of the problems that beset the consumer in the credit area. It is, therefore, my considered view that the establishment of the National Commission on Consumer Finance and its resulting findings should be of great benefit to the American consumer as well as the consumer credit industry.

Miss Furness has transmitted to the Committee by letter dated October 3, 1968, the Administration's justification for the \$375,000 in supplemental appropriations for the establishment and initial expense of the bipartisan National Commission on Consumer Finance. Its establishment was authorized in Title IV of the Consumer Credit Protection Act (P. L. 90-321, 82 Stat. 146). As provided by the Act, the Commission is to study the consumer finance industry and consumer credit transactions generally. It is to report its findings and recommendations to Congress by January 1, 1971, as provided in Sec. 404. In Sec. 407 the Act authorized appropriation of a sum not in excess of \$1,500,000.

The virtually unanimous support of the members of both the House and the Senate for the Consumer Credit Protection Act is a tribute to Congressional understanding of the credit problems for which solutions are sought. It is not to understate the importance of other provisions in the Consumer Credit Protection Act to hazard the forecast that the establishment of the National Commission on Consumer Finance may well have the most long-range significance.

I need not tell the members of this distinguished Committee of the major impact of consumer credit upon the national economy. Yet today we see a fragmented statutory hodge-podge with no

uniformity among the several states resulting largely from the topsy-like growth of credit. Actually, separate credit systems have evolved with differing legal bases--one set of rules governing credit sales, one set governing the loaning of money. The development of credit statutes did not follow any particular system and evolved on an ad hoc basis to take care of problems as they then related to the lender of money to the borrower in straitened circumstances, or to the sales finance companies largely emphasizing the luxury items and other consumer durables such as automobiles. Truly, a case can be made for the view that the legal underpinning for this burgeoning economic activity has not kept pace with the phenomenal growth witnessed in consumer credit in the last half century or less. To assure that the legal underpinning does keep pace is but one important contribution the National Commission on Consumer Finance can make.

We hope the Commission will focus in on the prevention of such undesirable practices as overcharging for credit, imposition of harsh contracts on consumers, and questionable collection devices. There are many who believe the latitude in credit policies now allowed by the time-price doctrine should also be closely examined. Other positive considerations that need exploration include standardization and simplification of consumer credit contracts, consumer credit

education and the implication of a possible "cashless society" in a credit card economy.

The mere existence of the proposed Uniform Consumer Credit Code does not insure its eventual adoption by all 50 states. The history of efforts to enact other uniform state laws shows that it may be years, if ever, before universal adoption is realized. The study by the National Commission should serve to encourage such state adoption by its in-depth revelation of the need for adoption of the Code as an admirable floor for state consumer credit laws. But, more importantly, the National Commission by its study and its recommendations can go beyond the Code to spotlight other areas which must be remedied.

The appropriation of the sum requested is indeed a modest investment in the welfare of the consumer and health of the nation's economy. Favorable action is accordingly requested by the Administration.

Thank you.

SECURITIES AND EXCHANGE COMMISSION

Mr. EVINS. We also have before us a supplemental request of \$200,000 for salaries and expenses of the Securities and Exchange Commission. We shall include in the record at this point the pertinent section of House Document No. 393, and the justification material supporting the request.

(The material follows:)

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses," \$200,000

This proposed supplemental appropriation would provide for a study of institutional investors and the effect of their transactions on the securities markets as authorized by Public Law 90-438, approved July 29, 1968.



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

October 3, 1968

Honorable Joe L. Evins
Chairman, Subcommittee on Independent
Offices Appropriations
House of Representatives
Washington, D. C. 20515

Dear Mr. Evins:

Attached is an amendment to our appropriation for fiscal 1969 in the amount of \$200,000, which will permit the Commission to initiate and conduct the Special Study of Institutional Investment in accordance with the provisions of Public Law 90-438 approved July 29, 1968. This amount is in addition to the \$100,000 made available to the Commission by the Congress in our regular appropriation.

Sincerely,

Manuel F. Cohen
Chairman

SECURITIES AND EXCHANGE COMMISSION

AMENDMENT TO APPROPRIATION FOR FISCAL 1969

Public Law 90-438 approved July 29, 1968 amends the Securities Exchange Act of 1934 to authorize an investigation of the effect on the securities markets of the operation of institutional investors.

This amendment grew out of the concern of members of Congress and others over the absence of adequate and current information as to the impact of institutional investors on the securities markets and on the companies in which they invest. Many members of both the House and the Senate have expressed the view that such a study is essential. Representatives of all segments of the securities industry, as well as important groups of institutional investors, enthusiastically endorsed it. They have agreed that the Commission is the only organization which can effectively conduct this study, and they have promised their full support and cooperation.

We have discussed the proposed study with the Federal Reserve Board, and have received many valuable suggestions from them concerning the direction and conduct of the study. We have also, at the request of the Chairman of the Subcommittee on Commerce and Finance of the

House Committee of Interstate and Foreign Commerce, discussed our budget estimate with representatives of the General Accounting Office.

In short, this proposed study has the active support of representatives of all groups who are concerned with the impact of institutional investors, and they are all agreed as to the need for prompt action.

The amendment includes the following: (1) directs the Commission to report the results of the study to the Congress on or before September 1, 1969; (2) authorizes the sum of \$875,000 to be appropriated; (3) authorizes the Commission to appoint, without regard to civil service laws, rules and regulations or to the Classification Act of 1949, as amended, except that no such rate should exceed the per annum rate in effect for GS-18.

For the 9-month period ending June 30, 1969, the Commission will require the additional amount of \$200,000 to cover the cost of ³⁸ positions and related expenses in order to carry out the provisions of the amendment. An additional amount for this purpose will be included in the regular budget estimate of the Commission for fiscal 1970.

Implementation of the provisions of the amendment will require the establishment of a new temporary organization entitled Special Study of Institutional Investment.

Passage of this amendment makes it possible for the Commission to respond to an important and increasingly recognized need. This need is for more information and understanding about the participation by institutions in the securities markets, and particularly the stock markets. Institutions is defined as financial intermediaries - banks, insurance companies, mutual funds, pension and welfare funds, foundations and college endowment funds.

The most striking fact about institutional participation in the stock markets is its tremendous growth in comparatively recent years. Institutions have, of course, been significant holders of securities for a considerable period, but prior to World War II most types of institutions, such as insurance companies and pension funds, invested primarily in debt securities, particularly bonds. Mutual funds have invested in stocks ever since their inception, but prior to World War II they were insignificant in size, their total assets amounting to only \$450 million, as compared with \$46.3 billion at the present time.

Some statistical data regularly compiled by our staff provides an illustration of this growth. These statistics are admittedly incomplete, since adequate statistics simply are not available for certain types of institutions. That fact, incidentally, is a further illustration of the need for the proposed study.

Table I shows the total value of the stockholdings of a selected group of institutions which rose during the last decade from \$29-1/2 billion to more than \$131-1/2 billion. The share of total stock outstanding held

by these institutions rose during this period from 10.3 percent to 18.6 percent. It should be emphasized that these figures cover only those institutions for which the Commission is able to obtain statistics on a regular basis. They do not cover personal trust funds, common trust funds, foundations or college endowment funds. Useful statistics are not available on even a yearly basis for these institutions, and this is one of the information gaps that the Commission hopes will be filled by the proposed study. We estimate that at the end of 1967 these other institutions held almost \$100 billion worth of stock, or 14.2 percent of the total stock outstanding at that time. In other words, the total institutional stockholdings amounted to an estimated \$230 billion, or about one third of total stock outstanding at the end of 1967. This compares with \$65 billion, or 23 percent of outstanding stock a decade ago.

The statistics that the Commission does have are sufficient to portray the sharp growth not only of institutional shareholdings but also of the participation of institutions in the stock markets. Turnover rates of what are perhaps the two most important institutional groups, investment companies and pension funds, are much higher than they were just ten years ago.

Table 2 shows investment companies turned over on the average, almost 39 percent of their stock portfolios in 1967, compared with a 14 percent rate a decade ago. The average turnover rate of private noninsured pension funds rose from less than 4 percent in 1957 to over 11 percent last year. Individual institutions differ considerably in the

rates at which they turn over their portfolios. Data available to the Commission on investment companies show that some funds turn over their portfolios at annual rates approaching and even exceeding 100 percent.

Table 3 shows the breakdown of portfolio turnover rates for mutual funds in 1967. The Commission is not suggesting that there is anything improper about this increase in turnover rates, or that it has concluded that any particular turnover rate is desirable or undesirable for the institutions involved or for the markets. The proposed study, however, will enable the Commission to determine both the reasons for this phenomenon and its effects.

It would seem readily apparent that growth of this magnitude must necessarily have an important impact not only upon the functioning of securities markets but also upon the raising of capital by American business, the interests of individual investors, who also use the securities markets, and the companies in whose stock these institutions invest. It is also a significant economic phenomenon, and analysis and study of this phenomenon by competent economists, which is an important part of the proposed study, should contribute materially towards our understanding of the workings of the economy.

Concern with the role of institutional investors in the stock market is, of course, not new, nor has it been confined to the Commission. As long ago as 1955, the Senate Committee on Banking and Currency instructed its staff to coordinate a study of the participation by institutional investors in the stock markets. On the basis of data collected for the 1953 and 1955 period the study concluded that institutions had a significant impact on stock prices generally and on the prices of

specific stocks in particular, but that institutional trading primarily reflected shifts in the evaluation of business prospects. During calendar years 1961-1963, the SEC's Special Study of Securities Markets devoted a portion of its efforts to institutional trading and raised many more specific questions about the manner in which institutions trade and their importance to the various markets and to various participants in those markets.

Although these studies shed considerable light on institutional activity, they had limited objectives and limited resources. The 1955 study by the staff of the Senate committee was a pioneering effort to obtain some data on the amount of institutional activity in particular stocks, and our Special Study of Securities Markets was primarily devoted to other objectives. The same can be said of the Commission's report on the Public Policy Implications of Investment Company Growth, filed with the Congress in 1966. That study was directed to investment companies (primarily mutual funds) and devoted some attention to the impact of mutual-fund growth upon the securities markets and upon portfolio companies. We noted, however, that this impact could not be considered in isolation from that of other institutional investors, and that, although considerable data about the activities of mutual funds were available as a result of the disclosure and reporting requirements of the Securities Act and the Investment Company Act, there are very few data available about the activities of many other kinds of institutional investors. We consequently concluded that acquisition of such data was "an indispensable preliminary step to adequate analysis of the problems raised by the institutionalization of the securities markets."

The available data with respect to the activities of various types of institutions in the stock markets range from fairly extensive information about registered investment companies, collected not only by the Commission but also by the Investment Company Institute, to almost no information at all about foundations, of which there are roughly 15,000 with about \$19 billion in assets and \$14 billion in stock at the end of 1965. No reports are required of foundations, except to the Internal Revenue Service, and stock data on even a total-dollar-value basis are generally unavailable. In between these extremes there are bank-administered pension funds, bank trust funds and insurance companies. With respect to pension funds and property and casualty insurance companies our staff collects a certain amount of statistical data on a voluntary basis, and with respect to life insurance companies the Institute of Life Insurance collects certain monthly data from companies accounting for 93 percent of total assets. As to none of these, however, does the Commission have data on individual transactions or holdings in individual stocks. For insurance companies this information exists in the reports that they file with state regulatory authorities having jurisdiction over them, but these data have not been assembled or published in the past.

Obviously, the first task of the proposed study would be to remedy these various information gaps. Only after this is accomplished can there be any meaningful analysis of the impact of institutional investment upon the securities markets and upon the economy. This will involve not merely the gathering of statistics but also a detailed

examination of trading practices and their purposes and effects.

A mere one-shot collection of data will not be sufficient. We must create a mechanism to provide a flow of needed information on a continuing basis. The Commission believes that the proposed study would, as a by-product, produce a determination as to how this can best be done and what types of data are particularly needed.

The proposed study would not be completed with the general gathering and compilation of the necessary data. It is visualized that the proposed study would focus primary attention in three or four areas that are both complex and important. Each of these areas is described below.

Institutional impact on the stock market. One aspect of this area is reasonably clear: institutionalization has thrown a very considerable strain on the existing organization of the stock markets.

The stock exchanges as we know them were designed as central auction markets to which there would flow a multitude of orders, each relatively small, from a multitude of individual investors, with prices for individual stocks being determined from moment to moment by the forces of supply and demand. The specialist was to intervene to the extent necessary to preserve continuity and provide liquidity. Since individual investors buy and sell on the basis of a great variety of information and for a great variety of reasons, the expectation, based on past experience, was that, under normal circumstances there would be a reasonable balance of buy and sell orders, and any temporary imbalance could be handled without too much difficulty by the specialist.

When this mechanism for the central auction market was designed, little consideration was given to the different market behavior and impact of institutional investors, which were not then so significant a factor as they have become today. Since institutions tend to buy or sell in fairly large quantities, the number of large block transactions has been increasing by leaps and bounds. For example, transactions in blocks of over 10,000 shares on the New York Stock Exchange have quintupled since 1964, rising from 399 in the fourth quarter of that year (the earliest period for which we have any data) to 1991 in the first quarter of this year. Furthermore, institutional investing does not exert pressures on the stock market merely because of the size of the transactions. Institutions are managed by professional money managers. These men have access to much the same information, and many of them are trained to analyze it in much the same way. The consequence is that, when one institutional manager decides to sell, it is quite possible that other institutional managers will reach the same decision at about the same time, further intensifying the likelihood of imbalance in the markets.

All this can have serious consequences. Stock markets do not satisfactorily perform their basic economic function if prices bounce erratically up and down, either generally or with respect to individual securities, for reasons unrelated to any changes in the affairs of the companies, and individual investors who get caught in such a tide can get hurt. The Commission shall, accordingly, have to study the ways and means by which the exchange and, for that matter, the over-the-counter markets can better adjust themselves and their mechanisms to the impact of a

pattern of institutional trading that appears to differ very significantly from the historic pattern of trading by individual investors.

Economics of institutional investment. It is our opinion that a great deal more attention to the institutions, mechanisms and practices in the securities markets could be paid by professional economists of high caliber than has heretofore been the situation. One reason for this absence of attention has been the lack of adequate data with which to work, and the proposed study would also provide an important impetus in that direction. The relationship of institutional investors to the companies in which they invest has become increasingly important. At the end of 1967, 272 (or 21.4 percent) of the 1274 corporations whose shares are listed on the New York Stock Exchange - including such corporate giants as Anaconda, Penn-Central and Westinghouse Electric - had 10 percent or more of their common stock owned by one or more mutual funds or closed-end investment companies. The appropriate conduct of investment companies that find themselves in such a situation is a controversial subject. According to one school of thought, institutional investors should not concern themselves with the management policies of portfolio companies, except to sell if they do not like the policies of a particular company. According to another school of thought, institutional investors, with their knowledgeable professional managers and the influence that they can exert by reason of the size of their holdings, can serve as spokesmen for stockholders generally and protectors of their interests. Members of this school point out that such active participation in the affairs of portfolio companies may be necessary for the institution to protect its

investment, since it is not always easy for an institution to dispose of a large block of stock.

Role of a financial institution. Institutional participation in the affairs of its portfolio companies may go beyond that of influencing the policies of present managements. A further question brought into focus by recent developments is whether it is proper or economically or socially desirable for institutional investors holding large blocks of securities to participate in efforts to take over a company or dislodge its management. To some this may appear as an effective means of getting rid of a management claimed to be ineffective, while to others it could be viewed as providing an opportunity for exercise of economic power in ways that may be detrimental to American industry and other investors. Institutional investors, it appears, are themselves unsure and divided as to what role they can or should play as stockholders. The proposed study will provide a means to explore what institutions actually do in this area, why they do it and what the effect is upon corporations and their managements.

Future developments. Institutional investment is growing very rapidly. The Commission does not know enough about why it is growing, whether it will continue to grow and, if so, at what pace, what the consequences of this further growth may be and what measures will be necessary to cope with them.

Two items should be mentioned about this study. One, the Commission intends that this be a dispassionate study that will examine basic economic phenomena. Our purpose is to marshal the facts and other relevant considerations and to arrive at reasoned judgments. The

Commission is not looking for malefactors or seeking enforcement cases or trying to prove some point. Two, the Commission intends to work extremely close with all interested persons, including institutional investors, members of the securities industry and representatives of other government agencies. The Commission shall establish an advisory committee that would participate at all phases, including the development of final conclusions.

TABLE 1

STOCKHOLDINGS OF FINANCIAL INSTITUTIONS AND OTHERS

(Billions of dollars*)

	End of Year				
	1957	1964	1965	1966	1967
1. Private noninsured pension funds..	7.5	33.5	39.7	38.5	51.3
2. Investment companies, total.....	12.2	34.6	41.2	37.4	51.0
a. Open-end.....	7.7	26.7	33.5	31.2	42.8
b. Other.....	4.5	8.0	7.7	6.2	8.2
3. Life insurance companies.....	3.4	7.9	9.1	8.8	10.7
4. Property and casualty insurance companies.....	5.2	11.4	12.0	11.0	13.3
5. Banks.....	.9	1.6	1.8	1.7	1.9
6. State and local trust funds.....	.3	1.7	2.4	2.8	6.2
7. Fraternal organizations.....	.1	.2	.2	.2	.2
8. Total institutions (1 through 7)	29.5	90.3	105.7	99.6	131.6
9. Foreigners <u>2/</u>	9.5	18.9	19.9	18.1	22.5
10. All others <u>3/</u> (item 11 less items 8 and 9).....	246.2	510.0	549.1	469.7	553.5
11. Total stock outstanding.....	285.2	619.2	674.6	587.4	707.6

1/ Estimated market values of preferred and common stock. Excludes investment company shares but includes foreign issues outstanding in the U. S.

2/ Includes estimate of stock held as direct investment.

3/ Includes individuals, personal trust funds, and nonprofit institutions.

* Figures may not add to totals because of rounding.

TABLE 2

COMMON STOCK TRANSACTIONS
(\$ Millions)

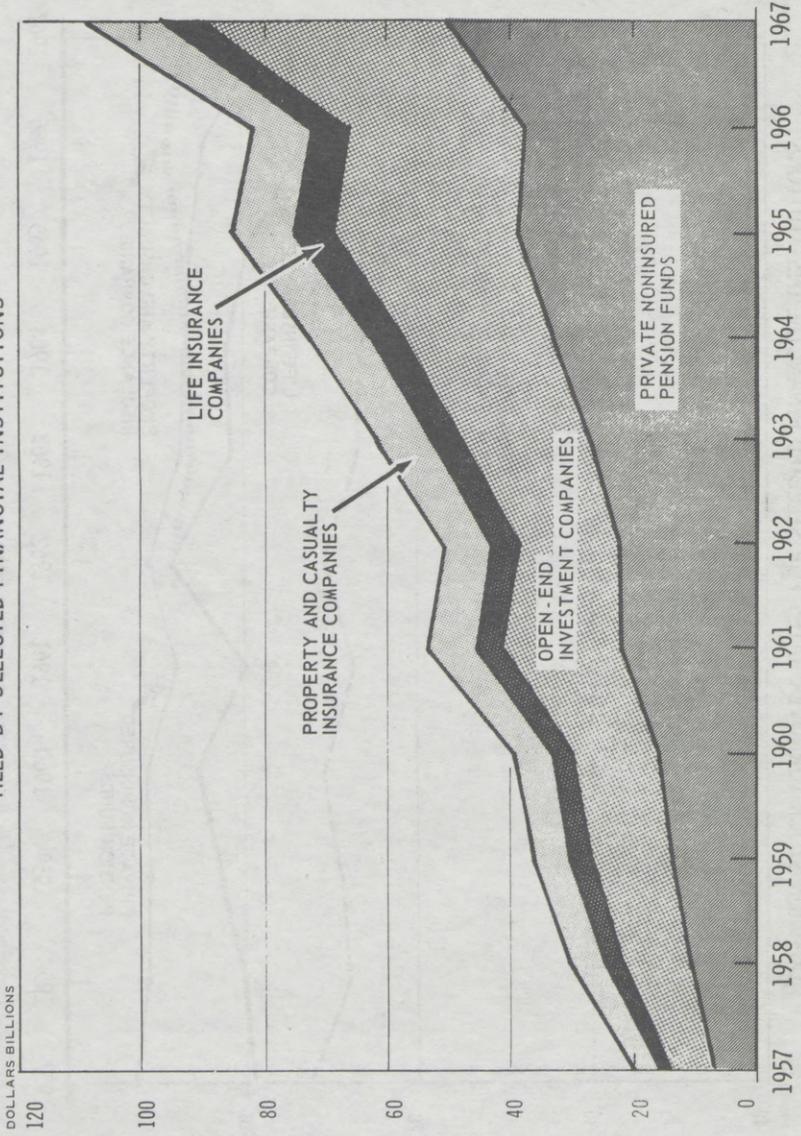
				Average annual percent change <u>1/</u>	
	<u>1957</u>	<u>1966</u>	<u>1967</u>	<u>1957-66</u>	<u>1966-67</u>
1. Private Noninsured Pension Funds					
Purchases	1,340	6,631	10,058	19.4	51.7
Sales	252	3,005	5,058	31.7	68.3
Net acquisitions	1,088	3,626	5,000	14.3	37.9
Average market value <u>2/</u>	6,638	38,339	44,128	21.5	15.1
Turnover ratio <u>3/</u>	3.8	7.8	11.5		
2. Open-end Investment Companies					
Purchases	1,696	10,343	14,926	22.2	44.3
Sales	993	9,309	13,325	28.2	43.1
Net acquisitions	703	1,034	1,601	4.4	54.8
Average market value <u>2/</u>	7,145	29,353	33,430	17.0	13.9
Turnover ratio <u>3/</u>	13.9	30.8	38.7		
3. Life Insurance Companies					
Purchases	247	1,102	1,716	18.1	55.7
Sales	203	825	890	16.9	7.9
Net acquisitions	44	277	826	22.7	198.2
Average market value <u>2/</u>	1,891	6,034	6,951	13.8	15.2
Turnover ratio <u>3/</u>	10.7	13.7	12.8		
			Average annual percent change <u>1/</u>		
			<u>1962</u>	<u>1966</u>	<u>1967</u>
4. Property and Casualty Insurance Companies					
Purchases	677	884	1,040	6.9	17.6
Sales	475	600	771	6.0	28.5
Net acquisitions	202	284	269	8.9	-5.3
Average market value <u>2/</u>	8,102	10,354	11,018	6.4	6.4
Turnover ratio <u>3/</u>	5.9	5.8	7.0		

1/ For 1957-66, the percent change represents the average annual compound rate of change.

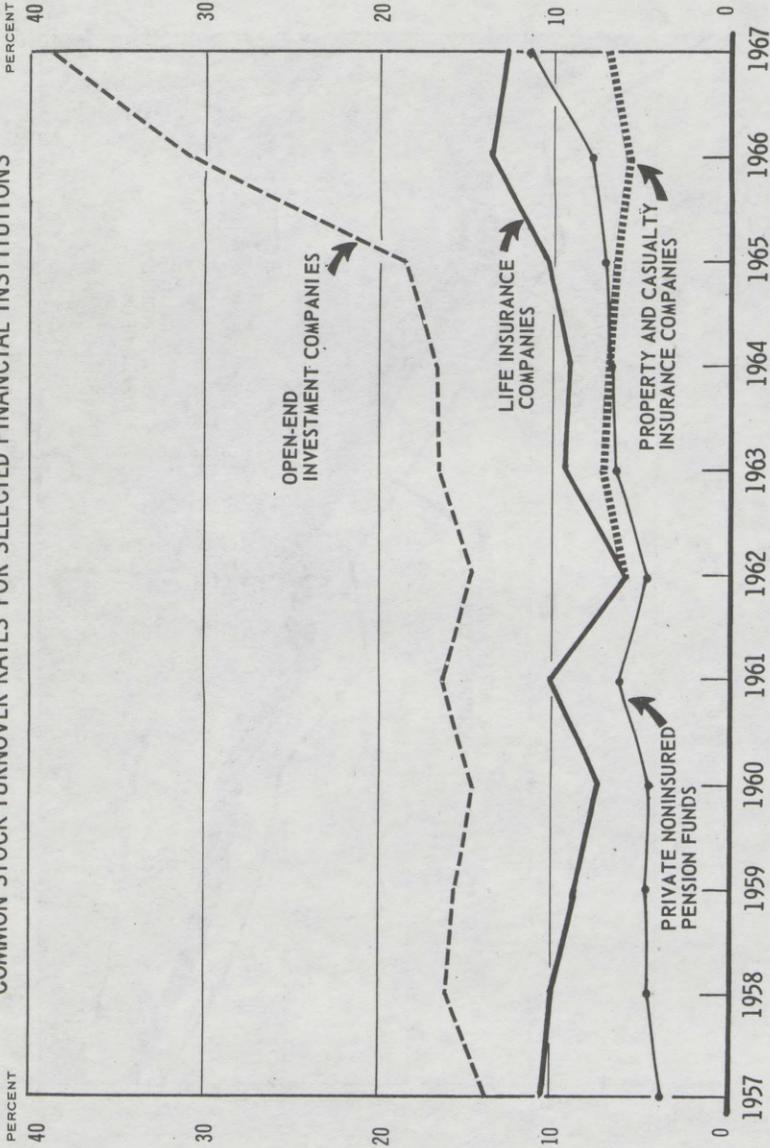
2/ Average of the beginning and end of the year market values.

3/ Turnover rates are computed as the lesser of purchases or sales divided by the average of the market value of stockholdings at the beginning and end of the period.

MARKET VALUE OF COMMON STOCK HELD BY SELECTED FINANCIAL INSTITUTIONS



COMMON STOCK TURNOVER RATES FOR SELECTED FINANCIAL INSTITUTIONS



NOTE: Turnover rate computed by dividing sales by the average market holdings for the period

DS-4820

**COMMON STOCK TRANSACTIONS OF
OPEN-END INVESTMENT COMPANIES AND PRIVATE NONINSURED PENSION FUNDS**
As a Percent of Stock Trading on all Registered Exchanges

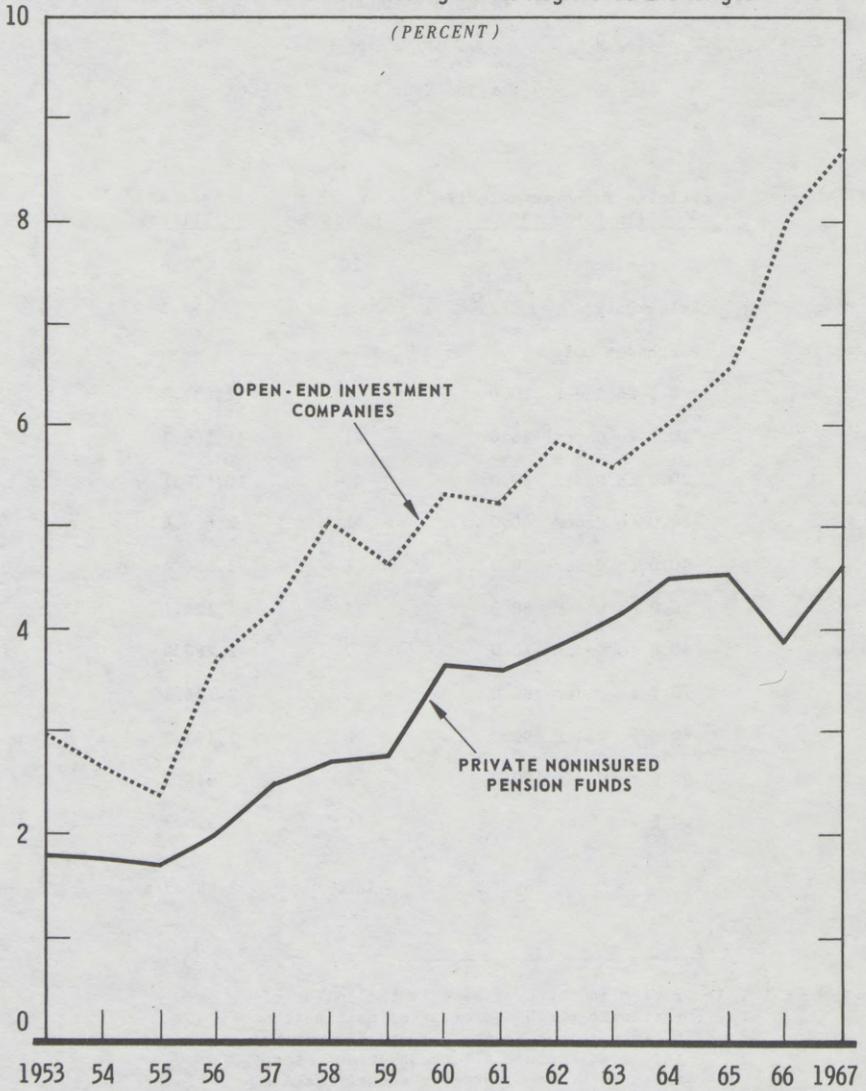


TABLE 3

PORTFOLIO TURNOVER RATES
OF MUTUAL FUNDS

For The Year 1967

<u>Portfolio Turnover Rate ^{1/}</u> <u>(In Percent)</u>	<u>No. of</u> <u>Funds</u>	<u>Assets</u> <u>(Millions)</u>
No Transactions	20	602.6
Sales Only	2	94.2
Purchases Only	--	--
0.1 to Under 10.0	27	2,637.7
10.0 to Under 20.0	21	11,660.3
20.0 to Under 30.0	20	10,128.1
30.0 to Under 40.0	18	2,454.4
40.0 to Under 50.0	8	1,580.4
50.0 to Under 60.0	11	4,124.7
60.0 to Under 70.0	7	2,280.3
70.0 to Under 80.0	6	2,124.8
80.0 to Under 90.0	8	1,143.7
90.0 to Under 100.0	2	655.3
100.0 and Over	10	396.3
Total	160	39,882.9

^{1/} Portfolio turnover rate is the lesser of portfolio purchases or sales as a percent of average net assets. Portfolio purchases and sales include all transactions except those in U. S. Government securities and short-term corporate securities.

SECURITIES AND EXCHANGE COMMISSION
DETAIL OF PERSONAL SERVICES
SPECIAL STUDY OF INSTITUTIONAL INVESTMENT
SUPPLEMENTAL BUDGET ESTIMATE - FISCAL 1969

<u>Title</u>	<u>Equivalent to GS Grade</u>	<u>Number of Positions</u>	<u>Annual Salary Rate</u>
Director	GG-18	1	\$ 28,000
Associate Director	GG-17	1	26,264
Chief Economist	GG-17	1	26,264
Chief Counsel	GG-16	1	22,835
Project Director	GG-15	3	59,340
Economist	GG-14	3	50,838
Attorney	GG-13	3	43,227
Programmer	GG-12	3	36,522
Secretary	GG-8	4	30,796
Statistical Assistant	GG-7	6	41,886
Secretary	GG-6	6	37,926
Key Punch Operator	GG-4	3	15,435
File Clerk	GG-3	<u>3</u>	<u>13,800</u>
Total gross cost		38*	\$433,133
Less: Lapse		<u>21.5</u>	<u>247,133</u>
Total Cost		<u>16.5</u>	<u>\$186,000</u>

* Appointment and compensation to be made without regard to the provisions of the laws applicable to the employment and compensation of officers and employees of the United States, provided that no such rate shall exceed the per annum rate in effect for a GS-18.

SECURITIES AND EXCHANGE COMMISSION
SPECIAL STUDY OF INSTITUTIONAL INVESTMENT

	<u>Estimate</u> <u>1969</u>
Personal Services - Annual Cost	\$433,133
Less: Lapse	<u>247,133</u>
Estimated Salary Costs	186,000
Personnel Benefits	<u>14,000</u>
Total	<u>\$200,000</u> <u>1/</u>

1/ Excludes an amount of \$100,000 provided by the Congress in the fiscal 1969 appropriation.

DEPARTMENT OF HEALTH, EDUCATION, AND
WELFARE

SOCIAL AND REHABILITATION SERVICE

JUVENILE DELINQUENCY PREVENTION AND CONTROL

(The following material was submitted in justification of a request for funds to implement the Juvenile Delinquency Prevention and Control Act of 1968:)

SOCIAL AND REHABILITATION SERVICE

Juvenile delinquency prevention and control

For carrying out the provisions of the Juvenile Delinquency Prevention and Control Act of 1968 (P.L. 90-445, approved July 31, 1968), \$19,200,000, including \$650,000 for support of the President's Commission on the Causes and Prevention of Violence.

SOCIAL AND REHABILITATION SERVICE
 Juvenile Delinquency Prevention and Control

Amounts Available for Obligation

	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Supplemental Requested</u>
Appropriation.....	0	\$19,200,000	\$19,200,000

Obligations by Activity

Activity	1969		Increase
	<u>Presently Available</u>	<u>Revised Estimate</u>	
1. Planning, rehabilitation and prevention...	0	\$11,950,000	+\$11,950,000
2. Training.....	0	3,600,000	+ 3,600,000
3. Model programs and technical assistance..	0	3,500,000	+ 3,500,000
4. Evaluation.....	0	150,000	+ 150,000
Total obligations.....	0	\$19,200,000	+\$19,200,000

Obligations by Object

	1969		Increase
	<u>Presently Available</u>	<u>Revised Estimate</u>	
Personnel compensation:			
Positions other than permanent.....	0	\$100,000	+ \$100,000
Travel.....	0	50,000	+ 50,000
Other services.....	0	2,250,000	+ 2,250,000
Grants.....	0	16,800,000	+16,800,000
Total, obligations by object.....	0	\$19,200,000	+\$19,200,000

Summary of Changes

1969 enacted appropriation.....	0
Proposed supplemental appropriation.....	\$19,200,000
1969 total estimated obligations (total change).....	+\$19,200,000

	<u>1969 Presently Available</u>	<u>Change from Presently Available</u>
<u>Increases</u>		
<u>Program</u>		
1. To provide for support of grants to State agencies for comprehensive planning; to local public agencies for comprehensive planning; and to State and local public agencies and private nonprofit organizations for the planning of projects and programs.....	0	+\$ 3,300,000
2. To provide for diagnosis, treatment and rehabilitation of delinquent youths by public agencies and for construction of facilities.....	0	+ 3,750,000
3. To provide, through local public and nonprofit private agencies, community-based prevention services for youths in danger of becoming delinquent.....	0	+ 4,900,000
4. To provide training of personnel through traineeships, short-term institutes, and to support curriculum development.....	0	+ 3,600,000
5. To develop new techniques.....	0	+ 1,500,000

Summary of Changes (continued)

	<u>1969 Presently Available</u>	<u>Change from Presently Available</u>
6. To provide technical assistance to State and local public and nonprofit agencies.....	0	+\$1,200,000
7. For support of technical review and advisory panels, costs of consultant services and supporting travel, and other related costs.....	0	+ 150,000
8. To evaluate the programs, projects, and other activities under the Act..	0	+ 150,000
9. To support studies, analyses and other activities of the President's Commission on the causes and Prevention of Violence.....	<u>0</u>	<u>+ 650,000</u>
Total program increases (total net change requested).....	0	+19,200,000

Explanation of Changes

The increases requested are to initiate the new Juvenile Delinquency Prevention and Control Program authorized by P.L. 90-445.

Funding levels recommended will provide initial support of the program purposes authorized under the law.

JUVENILE DELINQUENCY PREVENTION AND CONTROL
ACT OF 1968

INTRODUCTION

THE PROBLEM

The Juvenile Delinquency Prevention and Control Act of 1968 is a renewed and expanded Federal effort to assist States and local communities to develop effective approaches to the prevention and control of juvenile delinquency. While delinquent behavior is not a new problem in American Society, its effects added to increases in the population and complexity of our society have focused attention on the need for a broadly based effort in delinquency prevention and control.

Over half of all arrests for burglary and larceny, and almost two-thirds of the arrests for auto theft, are of persons under the age of eighteen. It is clear that the delinquency problem touches a large segment of the youth population. One of six boys appear in court during adolescence, and, in the high delinquency areas of our inner cities, over half of all boys appear in court at least once.

Although most youth who engage in delinquency do not become adult criminals, many careers in crime have their beginnings in youthful delinquency. Thus, as the report of the President's Crime Commission notes, "America's best hope for reducing crime is to reduce juvenile delinquency and youth crime."

There has been relatively little sustained support of delinquency prevention and control programs. Furthermore, current methods of dealing with delinquents are often ineffective, limited in impact, and often actually harmful. The process of being dealt with by the courts and correctional systems is often a factor contributing to the development of a criminal career. Mere involvement of a youth with the juvenile justice system increases the chances that he will return to that system; and commitment to correctional institutions may reinforce delinquent values and negative attitudes towards authority. The recidivism rate among youth who have been institutionalized runs as high as 50 percent. The ineffectiveness and expense of commitment to correctional institutions argue for a heavy emphasis on prevention at the community level and, if prevention fails, for alternatives to institutional commitment.

OVERVIEW OF THE LEGISLATION

The Juvenile Delinquency Prevention and Control Act emphasizes treating the offender in the community in which he lives, not in an isolated institutional complex far from normal family life. The community ultimately must cope with the offender on his return and he must learn to live in that community as well. Treatment of youth apart from communities

generally offers little more than a temporary disengagement for both youth and society. But community resources for working with problem youth are universally scarce. The legislation will provide incentives to communities to plan and implement programs of delinquency prevention and correction that take into account the varied needs of today's youth. Through its provisions for training, the legislation will help to create new manpower and upgrade the competence of personnel working with delinquent youth. It will support experimentation to refine our knowledge, and will provide for evaluation of programs. It will provide technical and material assistance to States and communities seeking to develop comprehensive programs for prevention and control, and will require that the States play a major role in coordinating the range of programs directed at juvenile delinquency.

ADMINISTRATION AND IMPLEMENTATION

An office would be established in the Social and Rehabilitation Service to administer the Juvenile Delinquency Prevention and Control Act. The responsibilities of the director include administering the new juvenile delinquency program, and residual activities of the Office of Juvenile Delinquency and Youth Development.

During the past twelve months liaison has been established with 60 key national organizations, including the National Council on Crime and Delinquency, the National Council of Juvenile Court Judges, the International Association of Chiefs of Police, and the National Federation of Settlement Houses and Community Centers. Through the National Governor's Conference, State officials have been kept informed of the progress of the legislation, and the agencies which will coordinate the States' delinquency prevention and control activities have been identified. Thirty-one State Crime Commissions have also been following the legislation. The National Association of County Officials, the Conference of Mayors, and the League of Cities have been consulted in the development of the legislation and, as a result, the Department has established relationships with the officials of counties and municipalities throughout the country.

The planning and coordinating efforts which have been carried on within the Department during the past year, along with the communication which has been established with national, State and local organizations, make it reasonable to plan for immediate and full-scale implementation of the legislation. It is anticipated that, under the \$18,700,000 requested, approximately 300-350 projects would be supported the first year.

	1969 Presently <u>Available</u>	1969 Revised <u>Estimate</u>	<u>Increase</u>
1. Planning, rehabilitation and prevention.....	0	\$11,950,000	+\$11,950,000

Program Distribution

Planning.....	\$ 3,300,000
Rehabilitation.....	2,250,000
Construction.....	1,500,000
Prevention.....	4,900,000
Total.....	\$11,950,000

Comprehensive Planning Grants

Under Title I of the Act, funds may be provided to States and localities to prepare comprehensive plans covering their respective jurisdictions.

A survey of State correctional programs indicates that about half the States have been or are engaged in planning for delinquency prevention and control. Several of those States have received funds for preliminary planning from the Office of Law Enforcement Assistance, Department of Justice. Others have incorporated planning for delinquency programs in their overall plans for crime prevention and control in connection with the Omnibus Crime Bill. In some States, comprehensive plans have been developed by the State Youth Authority or similar agency. It is not anticipated that these States will require, at the outset, additional funds for comprehensive planning.

During 1969, it is estimated that approximately 25 grants to States for comprehensive planning will be awarded.

At the local and county level, as well as the State level, there are great variations in planning structures and expertise. There are very few municipalities and metropolitan areas, even those with a high concentration of poverty and delinquency, which have developed effective networks among law enforcement agencies, courts, corrections, and the range of educational, employment, health and welfare resources that are related to the problems of delinquency. First-year planning grants are, therefore, imperative if such communities are to be assisted and encouraged to develop comprehensive programs and linkages with State and regional level activities. Approximately 20 grants will be awarded for this activity.

Project Planning Grants

Funds may also be provided under Title I for project planning grants to State and local agencies.

Even in States and communities which have developed comprehensive planning, there will be a need for additional funds for designing innovative or special programs. Also in those States where a comprehensive plan has not been developed or approved, both State and local agencies will require short-term grants to plan soundly based projects and rehabilitation facilities. It is anticipated that about 20 grants for project planning will be made to State and local agencies during fiscal year 1969.

Rehabilitation Services (including construction)

Under Title I of the Act, funds may be provided for grants to promote the full use of State and community rehabilitation services for the diagnosis, treatment, and rehabilitation of delinquent youth and youth in danger of becoming delinquent.

In fiscal year 1969, the \$2,250,000 planned for this purpose will provide for the support of 25 projects.

These projects will be designed for delinquent youth who would otherwise be committed to correctional institutions. The most important feature of these projects is that youth remain in the community where their problems have arisen. Thus, the artificiality of institutional life is avoided, and concentration can be placed upon the issues with which every offender eventually has to deal. Furthermore, community-based services are less costly than incarceration, and hold greater promise for the effective rehabilitation of delinquent youth.

Youth who receive probation services are far less likely to be recidivists than those who are incarcerated. Yet, one-fourth of all counties have no probation services at all. Grant funds for rehabilitative services will provide incentives for States and communities to expand and improve their probation services.

Another way of increasing the range of alternatives available to sanctioning authorities is the development of different types of residential settings with great variations in the length of time persons spend in them. Grant funds may be used to pay up to 50 percent of the cost of designing and constructing residential facilities geared to the requirements of different types of delinquents. Various programs already in operation can serve as models. The possibilities include family-type group homes, peer group residences, hostels, work camps, and youth rehabilitation centers.

Because extended incarceration in large correctional institutions is potentially damaging to the individual, construction funds will be used only for the development of small community-based facilities, designed to serve

an average of 30 youth. Funds will be used primarily for remodeling and renovation rather than for the construction of expensive new facilities. It is anticipated that about 20 projects will be supported during fiscal year 1969.

Preventive Services

Funds may be provided under Title I for grants to meet the costs of projects designed to promote the use of community-based services for the prevention of delinquency. The fiscal year 1969 estimate for this purpose is \$4,900,000 which will support about 50 projects.

The President's Commission on Law Enforcement and the Administration of Justice has made it abundantly clear that community responses to problem youth are far from adequate. Among those for whom community services are often lacking are those who are delinquent, or in danger of becoming delinquent; those who may be law abiding but alienated and unable to make use of education or employment or other opportunities; and those who are misfits in schools or disruptive in the community.

For such youth, it is imperative to furnish help that is particularized enough to deal with their individual needs but does not separate them from their peers and stigmatize them for life. Providing sufficiently specialized services while avoiding destructive labeling and stigma poses one of the central dilemmas in the delinquency prevention area. Grant funds will make possible expanded use of community agencies for serving youth nonjudicially and close to where they live, thus avoiding the stigma of being processed by an official agency regarded by the public as an arm of crime control.

Grants for preventive services will help communities establish a new kind of resource---and to carry out one of the Crime Commission's major recommendations for youth---a special youth agency in the community to which other agencies can refer and which families and youth can call upon. Such an agency will be expected to give priority to youth referred by police or courts, and will be a resource for youth with a variety of problem needs; thus, it will not be set apart and labeled as a place for youth in trouble.

Because of the important relationships between schools and delinquency, provision is made for grants to State and local school systems for the development of new curriculum materials and teaching techniques; use of teacher aides, including older youth, to provide for individually tailored help for trouble-making youth; and, the expanded use of work-study programs to encourage potential dropouts to remain in school. Support will also be provided for the development of new mechanisms in the schools to rescue truants and other students in trouble by channeling them back into the educational process rather than referring them to juvenile court.

	1969 <u>Presently</u> <u>Available</u>	1969 <u>Revised</u> <u>Estimate</u>	<u>Increase</u>
2. Training.....	0	\$3,600,000	+\$3,600,000

Under Title II, the Secretary is authorized to make grants or contracts for training projects for correctional careerists. In fiscal year 1969, \$3,600,000 is being estimated for this purpose as follows:

Curriculum development.....	\$1,000,000
Short-term institutes.....	1,725,000
Traineeships.....	875,000
Total.....	<u>\$3,600,000</u>

Curriculum Development

There is a special need for the development of training materials relating to community competence in dealing with those environmental stress-producing conditions which contribute to the behavioral problems of youth. Included among the materials to be developed will be those designed to train youths themselves to work with problem youth, since there is substantial evidence that properly trained ex-offenders may well become a valuable resource group to work with delinquents.

Recent court decisions such as Kent and Gault also mean that juvenile court and corrections personnel including judges, probation and parole officers, and detention workers must adopt new working approaches as well as adjust to substantial program changes to bring practice into agreement with the law. Curriculum must be developed to prepare court personnel for these changes.

Short-term Institutes

Curriculum materials, new techniques in prevention and rehabilitation, and increasing trends toward community treatment offer great potentials for improvement of services to delinquents. However, these materials and innovations developed in programs sponsored by the Office of Juvenile Delinquency and Youth Development, the National Institute of Mental Health, and other governmental and non-governmental agencies cannot be implemented without bringing correctional personnel into contact with the information developed. To do so, short-term training in the form of workshops, institutes, and seminars offers the most rapid method of implementation.

The effectiveness of this approach has been amply demonstrated in projects funded by the Office of Juvenile Delinquency and Youth Development for such programs as the first National Workshop on Forestry Camps, the

National Parole Board Seminars for State Parole Board Members, the National Workshops on Amphetamine Abuse, and the Continuing Seminars on Non-Narcotic Drug Abuse.

At an average cost of \$10,000, the \$1,725,000 proposed for 1969 will provide for the support of about 170 institutes and allow for the training of approximately 8,500 individuals.

Traineeships

Correctional program improvement hinges on the quality of staff available to conduct the program. Traineeships encourage staff to stay with correctional careers and improve the quality of key employees.

Traineeships have not hitherto been available in any meaningful number even though correctional administrators have strongly expressed a need for them through their professional organization and through the Governor's Conference Sub-Committee on Juvenile Delinquency.

Existing organizations such as the International Association of Chiefs of Police, the National Council on Crime and Delinquency, and the delinquency training centers presently functioning under Office of Juvenile Delinquency and Youth Development grants can quickly tool up to provide trainee education under both grants and contracts in accordance with the purposes expressed in Title II.

In 1969, it is proposed that \$875,000 be made available for traineeships which, at an average cost of \$3,000 per trainee, will permit approximately 300 individuals to be trained.

	1969 <u>Presently</u> <u>Available</u>	1969 <u>Revised</u> <u>Estimate</u>	<u>Increase</u>
3. Model programs and technical assistance.....	0	\$3,500,000	+\$3,500,000

Program Distribution

Model Programs.....	\$1,500,000
Technical Assistance.....	1,350,000
Special Studies of Violence Affecting Delinquents--President's Commission.....	<u>650,000</u>
Total.....	3,500,000

Model Programs

Under the Model Programs provision of Title III, the Secretary is authorized to institute efforts directed toward the development of improved techniques and practices which hold promise of making a substantial contribution to preventing delinquency and treating youth who are delinquent or in danger of becoming delinquent, or improving rehabilitative services and methods of rehabilitating delinquent youth.

It is anticipated that the development of such improved techniques will be accomplished by means of contracts and grants with public or private organizations as well as individuals to survey current practices, develop new and innovative program models and treatment modes, conduct reviews of experimental programs, and devise methods by which the efficacy of various techniques may be measured.

It is expected that these model programs would focus on certain very critical areas such as development of improved institutional treatment practices, probation and parole practices, problems of alienated youth, and other relevant and critical areas of concern. It is anticipated that in the first year approximately 32 projects will be supported under this activity.

Included in the projects to be supported will be contract studies designed to explore the relationship between violence and juvenile delinquency. These studies will be closely coordinated with the President's Commission on Violence.

Technical Assistance

Under the provisions of Title III, the Secretary is authorized to provide technical assistance to public or nonprofit private organizations in matters relating to the prevention of delinquency and for the rehabilitation

of delinquent youth. This assistance can be either direct or by means of grants or contracts with public or nonprofit private agencies providing such assistance. It is anticipated that such technical assistance would encourage and enable agencies to review policies and practices as well as provide technical expertise to such agencies in the formulation and operation of new programs. This would include schools, courts, police departments, mental health centers, family service agencies, vocational training programs, youth opportunity centers, and other agencies or organizations concerned with delinquency prevention or the treatment and rehabilitation of delinquent youth. In addition to the above, it is anticipated that contracts will be made with universities and nonprofit organizations and with individuals to furnish technical assistance and consultation to public and private nonprofit agencies for purposes of program development, operation, and evaluation. Under this section, it is anticipated that approximately 53 projects will be supported.

Title III also provides that any State agency which is willing to provide technical assistance to local public and private nonprofit agencies to further delinquency prevention, treatment, or rehabilitation programs may receive grants to render such technical assistance. This would include such agencies as a State Department of Corrections, Public Welfare, Mental Health, State Youth Commission, Department of Education or Public Instruction, or other relevant agencies. It is estimated that 20 of these projects will be supported.

Under Title IV of P.L. 90-445, the Secretary is authorized to appoint a National Advisory Committee to advise him with respect to general policy involved in the administration of the Act, especially in matters of Federal, State, and local coordination, and to appoint such other technical or advisory committees to advise him on specific activities as he deems necessary. It is estimated that \$150,000 will be required for the support of these committees, costs of consultant services and supporting travel, and other related costs.

Support of President's Commission on Causes and Prevention of Violence

Both model programs and technical assistance proposed under this heading require information and knowledge about the causes and prevention of violence affecting juveniles. It is believed that juveniles have participated in and played a significant role in much of the recent violence affecting our cities. The Social and Rehabilitation Service is interested in finding out as much as it can about the relationship of violence of all kinds to juvenile delinquency. Because the President's Commission on the Causes and Prevention of Violence provides a unique opportunity to study this question and, for that matter, the whole issue of violence, an amount of \$650,000 is included in this request to support studies, analyses, and other activities of the Commission designed to add to current information, knowledge, and understanding about the causes and prevention of violence. The funds requested herein will be made available to the Commission.

The findings and conclusions of the Commission will be especially helpful in developing the model programs and providing the technical assistance, described above. This is considered an important first step in planning and designing model programs and technical assistance efforts.

	1969 Presently <u>Available</u>	1969 Revised <u>Estimate</u>	<u>Increase</u>
4. Evaluation.....	0	\$150,000	+\$150,000

Under Title IV, funds may be provided (not to exceed one percent of the amount appropriated) for the continuing evaluation of the programs, projects, and other activities authorized by the Juvenile Delinquency Prevention and Control Act, including their effectiveness in achieving stated goals and their relationship to and impact on related Federal, State, and local activities. This evaluation will include comparisons with proper control groups composed of persons who have not participated in programs under this Act. The results of such evaluation will be included in the Annual Report required by section 408 of the Act. The amount requested for this purpose for fiscal year 1969 is \$150,000.

SUBCOMMITTEE ON THE DEPARTMENT OF TRANSPORTATION

EDWARD P. BOLAND, Massachusetts, Chairman
JOHN J. McFALL, California **WILLIAM E. MINSHALL**, Ohio
SIDNEY R. YATES, Illinois **CHARLES R. JONAS**, North Carolina

DEPARTMENT OF TRANSPORTATION

FRIDAY, OCTOBER 4, 1968.

DEPARTMENTAL PERSONNEL

WITNESS

**ALAN L. DEAN, ASSISTANT SECRETARY FOR ADMINISTRATION,
DEPARTMENT OF TRANSPORTATION**

Mr. BOLAND. Before we discuss the justifications on the supplemental, I have a few general questions I would like to ask Mr. Dean. I know that you are plagued with the problem of keeping high grade personnel in the Department. I am concerned, and I am sure the other members of the committee are concerned about it also. What has been the impact upon the Department of the defeat of the "Supergrade" bill?

Mr. DEAN. Mr. Chairman, the effect on the Department is little less than demoralizing.

As you know, when the Department of Transportation Act was being considered by the Congress it specifically provided for 45 so-called supergrade jobs in the GS-16, GS-17, and GS-18 to help the key staffing of the Department, and it was generally recognized that since not only would there be a new Office of the Secretary but a new NTSB, a new Federal Highway Administration, a new Federal Rail Administration, that a substantial number of additional supergrade positions would be required.

At the time the bill was under consideration, the Post Office and Civil Service Committees were also contemplating legislation to give general relief in the executive branch, and therefore these 45 supergrades were dropped out of the Department of Transportation Act, expecting the passage of this supergrade legislation.

As you know, Mr. Chairman, the House declined to act on the rule and all supergrade legislation of a general character is dead for this session.

Mr. BOLAND. Off the record.

(Discussion off the record.)

Mr. BOLAND. Several of the supplementals propose the hiring of additional personnel. Under the Revenue and Expenditure Control Act, personnel reductions will possibly be required in the Department. Has a personnel ceiling been imposed upon the Department? Will you have to reduce employees in other areas in order to accommodate new employees for pipeline safety and urban mass transit?

Mr. DEAN. Mr. Chairman, the Department employment now is subject to two major exceptions from section 201 which does impose the

personnel limitation. All military personnel in the Coast Guard, about 38,000 are excluded.

Furthermore, with the assistance of this committee, the positions in the FAA which relate to the airways and air traffic functions of the FAA at the facility level were excluded. This is around 33,700 positions.

The remainder of the jobs in the Department are subject to the actual on-board strength which existed at the time the act took effect on July 1. This figure I would like to be precise on and will submit in the record at this point.

(The information follows:)

Full time permanent employment of the Department of Transportation was 58,062 on June 30, 1968.

The Department has not been assigned an employment ceiling related to the hiring restrictions imposed by section 201 of the Revenue and Expenditure Control Act of 1968. Under the terms of that section, 75 percent of vacancies resulting from turnover losses can be filled, Governmentwide, until total employment in the executive branch (with specified exceptions in the act and subsequent congressional approved exemptions) has reached the June 30, 1966, level. The Department was not created until April 1967 but we estimate that the aggregate employment of the constituent agencies of the Department on the base date was 53,900.

The Department of Transportation Appropriation Act of 1968 in effect modifies the base figure by exempting FAA positions directly related to the air traffic control and navigation system. As of the start of the current fiscal year some 33,700 FAA positions were in the exempt categories.

Thus, the employment level which the Department will reach within the limits of section 201's hiring restrictions depends upon the aggregate turnover rate within the Department and possible relief which the Director of the Bureau of the Budget may allow by allocating vacancies from elsewhere in the Government.

Mr. DEAN. Suffice it to say it killed every vacancy and every other authorized new position that we had in the budget before you. The Secretary has, however, in prospect two ways of getting some relief: one, he is requesting the Director of the Bureau of the Budget for some additional vacancies, particularly where there are new programs like gas pipeline safety or the urban mass transit program.

Secondly, Mr. Chairman, the Secretary now takes one out of every 10 vacancies occurring within the Department to create a small pool which he can use in meeting some of the most urgent requirements. So if the additional positions were before you today, the 45 in gas pipeline safety and the 45 for urban mass transportation, are approved by the Congress, we would hope to be able to find the assignable vacancies to fill these from the two sources; that is, seeing how many we can get from the Director of the Bureau of the Budget and then taking the rest out of the small pool that we generate from turnover within the Department. But it is a very harmful and difficult provision to apply to the Department, Mr. Chairman, and it is going to be hurting us increasingly as the months pass.

Mr. BOLAND. We will proceed to the consideration of the supplemental requests. The Department has requested four supplementals: \$500,000 for the Office of Secretary, for salaries and expenses in gas pipeline safety; \$4,200,000 for the FAA, to cover air traffic controller reclassification; \$580,000 for the Federal Railroad Administration for the Alaska Railroad revolving fund for payment of a contract overrun in connection with the repairs to Alaska Railroad facilities resulting from the Alaska earthquake of 1964; and under the Urban Mass Transportation Administration, a request to utilize

\$665,000 appropriated already for the grant program for administrative expenses to permit the hiring of 45 new employees.

Mr. DEAN. That is correct.

FEDERAL RAILROAD ADMINISTRATION

ALASKA RAILROAD REVOLVING FUND

WITNESSES

A. SCHEFFER LANG, FEDERAL RAILROAD ADMINISTRATOR
 JOHN E. MANLEY, GENERAL MANAGER, THE ALASKA RAILROAD
 FRANK A. ANDERSON, SUPERVISORY ENGINEER, ALASKA DISTRICT, CORPS OF ENGINEERS
 RICHARD SMITH, CONSTRUCTION ENGINEER, ALASKA DISTRICT, CORPS OF ENGINEERS
 ROBERT C. STEELMAN, CORPS OF ENGINEERS
 ALAN L. DEAN, ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF TRANSPORTATION
 ROBERT G. PRESTEMON, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF TRANSPORTATION

Mr. BOLAND. We will proceed to the Alaska Railroad revolving fund.

(The justification follows:)

DEPARTMENT OF TRANSPORTATION—FEDERAL RAILROAD ADMINISTRATION—ALASKA RAILROAD REVOLVING FUND

Payment to the Alaska Railroad revolving fund

For payment to the Alaska Railroad revolving fund for payment of approved contractor claims relating to authorized work of the Alaska Railroad involving the reconstruction of the Seward Dock facilities destroyed as a result of the Alaska earthquake, \$579,500, which may be made available to the Corps of Engineers for payment of such claims. (48 USC 301-308)

NARRATIVE JUSTIFICATION

Seward dock construction : Increase requested, \$579,500

As a result of the devastating earthquake of March 27, 1964, which did enormous damage to the Alaska Railroad track, roadway, buildings, and equipment, Congress appropriated \$20 million to the Railroad to cover most of the rehabilitation work necessary. The Appropriation Act of 1964 (Public Law 88-317 dated June 9, 1964) provided that \$7,800,000 of the \$20 million could be made available to the Corps of Engineers for reconstruction of the Seward dock facilities. The \$7,800,000 requirement was based on estimates for building a marginal dock at a location formerly used by the Railroad for a minor dock structure.

Further investigation, however, showed that the area at the initial point selected was so unstable, due to underwater landslides resulting from the earthquake, that this location had to be abandoned. The new plans for construction of the dock at the head of the bay increased the cost by \$1,794,893. The House and Senate Appropriation Committees approved, in September 1964, the use of the additional \$1,794,893 from the previously appropriated \$20 million.

In February 1965, the Corps of Engineers advised the Alaska Railroad that an additional \$1,300,000 would be needed to complete the construction work. The additional funds were required to support the following :

1. Increase in channel dredging cost.....	\$1,000,000
2. Contingency allowance.....	200,000
3. Pile driving tests.....	100,000
Total	1,300,000

In April 1965, Congress appropriated the additional \$1,300,000 to the Alaska Railroad.

In May 1966, the Alaska Railroad, subsequent to approval by the House and Senate Appropriations Committees, made an additional \$25,000 available to the Corps of Engineers from the revolving fund. This increase was requested to cover minor changes anticipated in the final construction phase.

At the conclusion of the construction work, one of the contractors, William A. Smith Contracting Co., Inc., had submitted 26 claims aggregating \$5,074,066 in excess of the amount of the contract, which was for \$5,965,190. After extensive investigations and negotiations, the contracting officer found 14 of the claims to have merit, and a settlement in the amount of \$759,500 has been agreed upon as full compensation for all outstanding claims and change orders on this contract.

Allowances in the settlement amount included approximately \$300,000 for outstanding change orders for which no previous firm agreement had been reached. The balance of the settlement amount was allocated principally to two of the contractor's claims for which he was claiming in excess of \$2,500,000.

The first claim consisted of a changed condition encountered in the harbor bottom during the erection of the dock. The condition encountered in the harbor bottom differed materially from that indicated by the contract specifications and drawings in relation to the hardness of the soil and its relation to the driving of pilings for the dock. The contractor encountered cemented materials in certain areas thereby making the pile driving more difficult. In other areas, soft material was encountered due to multiple fractures in the floor. This necessitated driving piles to unexpected and unforeseen depths, and required splicing of the piling in place, thereby increasing the contractor's costs. Three of the 14 meritorious claims are associated with the changed condition.

The other major claim, for which a substantial portion of the settlement amount was allocated, consisted of a claim for extra costs incurred by the contractor due to the failure of the Government to furnish fill material to the contractor as required by the contract. The Government, under another contract, had secured the services of a dredge for other work in Seward Harbor, and it was contemplated that the dredged material could be deposited in the fill area designated in the W. A. Smith contract. Unfortunately, intervening vents prevented the Government from discharging its obligations. Severe winter storms caused a loss of dredged fill and higher priority requirements preempted the availability of the dredge at a time when the contractor required the dredged material. Furthermore, the pumping capacity of the dredge was not up to 8,000 yards of fill guaranteed the contractor.

Other claims for which merit was found consisted of (1) changes in the bearing requirements for the piling; (2) changes in the number of test pipes; (3) changes adding excavation and wasting of fill in the off-dock parking and track areas; (4) changes in type of drainpipe, precast deck panels excavation requirements and amount of safety chain and posts; (5) changes relating to railroad track material furnished by the Government; (6) changes in survey requirements; and (7) miscellaneous other small changes in contract requirements.

The total amount approved by Congress to date for construction of the Seward Dock is \$10,919,893, of which all but \$180,000 has been obligated. The increase of \$579,500 requested in this supplemental appropriation will provide the balance of the \$759,000 still due the contractor.

The unobligated balance of the Alaska Railroad's working capital is estimated to be \$3,385,000 at the end of fiscal year 1969 and \$3,185,000 at the end of fiscal year 1970. These balances are after normal "Operation and maintenance," and "Capital replacement" expenditures and depend upon forecasted revenues. The unobligated balances of working capital reflect the difference between payables, and cash and receivables. However, the payables must be handled in a timely manner, while receivables may lag. This especially is true on interline settlements and GBL's. Thus, for example, unobligated balances may be \$3 million; but if receivables lag payables by \$2 million as they have from time to time, available cash in the fund is \$1 million, which is the very minimum needed to cover contingencies. Accordingly, to pay the Seward dock reconstruction claim from the fund would reduce the balances to such an extent that the railroad would, as a practical matter, be forced to make a commensurate reduction in its planned and budgeted capital replacement program.

It is strongly urged, therefore, that the additional \$579,500—necessary to meet the Government's commitment to the contractor—be made available through a supplemental appropriation.

Mr. BOLAND. Administrator Lang, we will be delighted to hear you on this matter. You have a statement. You may proceed as you wish.

Mr. LANG. If I may, Mr. Chairman, I will just read the statement, since it is so short.

Mr. BOLAND. Fine.

Mr. LANG. Mr. Chairman and members of the committee, I am appearing before you this morning in support of the supplemental budget request for the Alaska Railroad. Appearing with me this morning are Mr. John E. Manley, the General Manager of the Alaska Railroad. Also here are Mr. Frank A. Anderson, Supervisory Engineer, and Mr. Richard Smith, Construction Engineer, Alaska District, Corps of Engineers.

As you know, the earthquake of March 27, 1964, did enormous damage to the Alaska Railroad track, roadway, buildings, and equipment. To cover most of the rehabilitation work necessary, Congress initially appropriated \$20 million, of which \$7,800,000 was to be used for reconstruction of the Seward dock facilities.

From June 9, 1964, when the Appropriation Act was passed, through May 1966, an additional amount of \$3,119,893 was authorized by Congress for the Seward dock reconstruction work due to change in construction plans. The total amount approved by Congress to date for this construction is \$10,919,893.

At the conclusion of the work one of the principal contractors had submitted a total of 26 claims aggregating slightly over \$5 million. After extensive negotiation between the Corps of Engineers' contracting officer and contractor representatives, merit was found to exist in 14 of the claims and settlement in the amount of \$759,000 was agreed to. Still remaining available from the total amount approved by Congress thus far is \$180,000, leaving a balance of \$579,500 requested here today for settlement of these claims.

I might add parenthetically that we have now conveyed the \$180,000, which we did have remaining, to the corps, so that they are still short merely this amount that we are requesting in the supplemental. We will be glad at this time to answer any questions you may have.

I should note, however, that since the Corps of Engineers was designated to act as the construction agent for the Alaska Railroad to design and construct the new Seward dock, their representatives are here to provide the committee with the details relating to these claims.

Mr. BOLAND. Thank you. I note that in the statement you indicated the Corps of Engineers' contracting officer and contractor representatives, after a meeting between them, found merit to exist in 14 of the 26 claims. What would have been the total amount of the 14 claims? They submitted a total of 26 claims. The Corps of Engineers found 14 of these had merit. What would have been the total amount under the 14 claims?

Mr. PRESTEMON. It was slightly over \$5 million.

Mr. BOLAND. About \$5 million. So you have arrived at a settlement now of \$759,500, of which you are asking \$580,000 in this supplemental request. Could this item be passed over at this time without prejudice and considered when the committee has more time next year? What is the financial condition of the contractor and how large is the contractor?

Mr. LANG. I prefer to let the Corps of Engineers representatives answer that, since we have had no direct dealings with the contractor at all.

Mr. BOLAND. Give us the name of the contractor.

Mr. STEELMAN. His name is William A. Smith, Inc., out of Kansas City. He is not a large contractor. This settlement was made with the contractor over a year ago.

Mr. BOLAND. It was made over a year ago?

Mr. STEELMAN. Right. The work was performed in 1964-65.

Mr. BOLAND. And the settlement was arrived at over a year ago.

Mr. STEELMAN. Yes, sir.

Mr. BOLAND. You say the contractor was not a very large contractor?

Mr. STEELMAN. No, sir.

Mr. BOLAND. There are some other claims in the supplemental document that do not come before this subcommittee but are pending against the Government. Is this any more urgent than they are?

Mr. STEELMAN. I am not familiar with them.

Mr. BOLAND. There are some other contractors who are looking for settlements.

I don't know what the pleasure of the other subcommittee's members may be on this. You indicate that this contractor is not a particularly large one?

Mr. STEELMAN. No, sir.

Mr. BOLAND. He probably needs the money.

The Seward dock reconstruction program represents an example of a program with a large cost overrun. The cost has gone from \$7.8 million to about \$11.5 million. Is this considered to be a normal increase in the construction of a dock?

Mr. STEELMAN. No, sir.

Mr. BOLAND. Were there extenuating circumstances?

Mr. STEELMAN. Yes, sir; in two instances. We had soil conditions in the harbor that caused an increase in the price, plus we had problems with the dredging. We had so many projects and a limited capability for doing the dredging. We had one dredge to spread over three different projects.

Mr. BOLAND. Why did the contract specifications fail to accurately describe the condition of the harbor bottom? Why wasn't the corps aware of the condition of the harbor bottom?

Mr. STEELMAN. We had insufficient time in the initial stages of planning for this due to the necessity for putting Seward, Alaska, back on the map. They were suffering quite extensively from an economic standpoint due to the damages caused by the earthquake, and we were urged by, I forget the name of the committee, the Anderson committee on reconstruction of the earthquake damage in Alaska to get this on the road as quickly as possible.

Mr. BOLAND. Mr. Lang, what consideration has been given to paying a part of the claim from the Alaska Railroad revolving fund? If we appropriate one-half of the sum, could the remainder be paid from the revolving fund?

Mr. LANG. We have made an extensive analysis of our present financial situation and have determined that, given our present capital replacement program—as has been presented to this committee—and some of the carryforward that was authorized in years before the Alaska Railroad budget came before this committee, which has not yet been accomplished, that we could not pay any substantial part of this claim without deferring even further this normal capital replacement program which has already been set back because some of our forces had to be diverted from the normal capital replacement program, first, for the earthquake repairs and, secondly, for repairs following the flood last year in the central part of Alaska.

Mr. BOLAND. What is the status of the fund now?

Mr. LANG. I think Mr. Manley could answer that better than I.

Mr. MANLEY. Our unobligated balance at present is slightly more than \$4,500,000. Out of this \$4.5 million we have better than \$2.5 million of unfunded projects from fiscal 1968 and prior years authorized by Congress to be funded from revenues.

Mr. BOLAND. We note here in the justifications the unobligated balance of the Alaska Railroad working capital is estimated to be \$3,385,000 at the end of fiscal year 1969, and \$3,185,000 at the end of fiscal year 1970. You indicate that it is now better than \$4 million.

Mr. MANLEY. Yes. That figure is projected for the end of the fiscal year 1969 at which time we contemplate having picked up some of the deferred capital improvement and replacement projects that have been authorized.

Mr. BOLAND. Is the contractor now engaged in working in Alaska?

Mr. STEELMAN. No, sir.

Mr. BOLAND. You indicate that the 14 claims amounted to better than \$5 million. This settlement was reached over a year ago for the \$759,500?

Mr. STEELMAN. Yes, sir.

Mr. BOLAND. Off the record.

(Discussion off the record.)

Mr. BOLAND. Are there further questions on the Alaska Railroad item?

Mr. MINSHALL. No, Mr. Chairman. I think you covered it admirably, as you always do. I have no further questions.

Mr. BOLAND. Thank you.

Mr. McFALL. Off the record.

(Discussion off the record.)

Mr. BOLAND. Thank you very much, Mr. Lang. If you have to leave, you may. I know you are very busy.

Mr. LANG. I would appreciate it.

Mr. BOLAND. And the other gentlemen who are here on this item may leave, if they like.

FEDERAL AVIATION ADMINISTRATION

OPERATIONS

WITNESSES

DAVID D. THOMAS, ACTING ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

JAMES E. DOW, DIRECTOR OF BUDGET, FEDERAL AVIATION ADMINISTRATION

ALAN DEAN, ASSISTANT SECRETARY FOR ADMINISTRATION, OFFICE OF THE SECRETARY

ROBERT PRESTEMON, DIRECTOR OF BUDGET, DEPARTMENT OF TRANSPORTATION

Mr. BOLAND. We will turn to the Federal Aviation Administration, which is requesting \$4,200,000 to cover the costs of the air traffic controller reclassifications.

Mr. Thomas, we are delighted to have you before the committee as Acting Administrator. I don't think this selection pleased any Members of Congress more than it did the members of this subcommittee. We are completely familiar with your dedication to the job. We wish you well as the Acting Administrator. You have one of the toughest jobs in the Government right now. You certainly stepped into a hornet's nest.

With your personality, ability, service, and experience, I guess you can weather the storm all right.

We would be delighted to listen to you.

Mr. THOMAS. Thank you very much, Mr. Chairman. I appreciate those kind words. I guess we need them right now with the problems we are facing.

Mr. MINSHALL. We will give you a lot more kind words if you open up Anacostia.

Mr. THOMAS. All right, sir.

GENERAL STATEMENT

I appreciate the opportunity to appear before this subcommittee to discuss the 1969 supplemental budget request of the Federal Aviation Administration. We are requesting a supplemental appropriation of \$4.2 million to implement revised classification and qualification standards recently developed and published by the Civil Service Commission for air traffic firing line positions. The new standard is the result of an intensive study made by the Civil Service Commission over the last 15 months, and it will replace the standard of 1963 which is now obsolete. The new standard recognizes the tremendous growth in air traffic and the complexities which now prevail in air traffic control.

The new standard requires the upgrading of approximately 7,200 air traffic control personnel working in 136 field facilities this year, provided that funds are available. These field facilities are 7 en route traffic control centers, 11 air traffic control towers, and 118 flight service stations. It is urgent that we put these standards into effect at the earliest possible time so that our skilled specialists can receive

pay commensurate with the responsibilities they carry which are recognized in the new standards.

I want to assure the committee that we have carefully examined the fiscal year 1969 resources appropriated by the Congress. We have determined that we cannot absorb the costs of this reclassification if we are to employ the additional controllers that the Congress authorized, train them, and concurrently finance overtime costs presently running at an annual rate of \$9.7 million, which is appreciably greater than anticipated, in order to provide necessary coverage at field facilities. Therefore, it is necessary for us to require this supplemental appropriation in the amount of \$4.2 million which is computed on the basis of implementing the standards on December 15, 1968.

Mr. Chairman, this concludes my statement. We are prepared to discuss this request in greater depth or answer any questions that the committee may have.

Mr. BOLAND. Mr. Reporter, put in pages 1, 6, 7 and 8 of the justifications into the record.

(The pages follow :)

DEPARTMENT OF TRANSPORTATION—FEDERAL AVIATION ADMINISTRATION

OPERATIONS

For an additional amount for "Operations", \$4,200,000, for fiscal year 1969. (49 U.S.C. 1301 et seq.; 49 U.S.C. 1151-1160; 50 U.S. Appendix 1622(g); Convention on International Civil Aviation, 61 Stat. 1180; Convention on International Recognition of Rights in Aircraft, 4 U.S.C. 1830, 1953; Executive Order 11048 and related regulations (27 F.R. 8855, 8887), and 10 U.S.C. 4655; Department of Transportation Appropriation Act, 1969.)

SUMMARY OF PROGRAM REQUIREMENTS BY ACTIVITY

	Presently available		Revised estimate		Proposed supplemental	
	Positions	Amount	Positions	Amount	Positions	Amount
Operation of traffic control system.....	23,247	\$300,796,000	23,247	\$304,996,000	-----	\$4,200,000
Installation and materiel services.....	3,050	80,367,000	3,050	80,367,000	-----	-----
Maintenance of traffic control system...	10,388	164,786,000	10,388	164,786,000	-----	-----
Administration of flight standards program.....	5,808	96,693,000	5,808	96,693,000	-----	-----
Administration of medical programs....	287	4,997,000	287	4,997,000	-----	-----
Research direction.....	678	10,751,000	678	10,751,000	-----	-----
Administration of airports program....	842	12,564,000	842	12,564,000	-----	-----
Total.....	44,300	670,954,000	44,300	675,154,000	-----	4,200,000

DEPARTMENT OF TRANSPORTATION—FEDERAL AVIATION ADMINISTRATION

OPERATIONS

Operation of traffic control system, \$4,200,000

New classification and qualification standards for the air traffic control occupation

An additional amount of \$4,200,000 is requested in fiscal year 1969 to provide for an upgrading of positions subject to the Classification Act. New classification and qualification standards for the Air Traffic Control occupation have been approved by the Civil Service Commission after a thorough study of the occupation by the Commission's staff, with the full cooperation of the DOT/OST and the FAA, to assure that the work being performed is adequately reflected in the standards. Subject to the availability of resources, the FAA plans to implement the standards nationwide on December 15, 1968.

The salary cost estimates heretofore requested and approved for 1969 were based on grade patterns as set forth in the June 1963 classification and qualification standards. In adjusting to the new standards, it is estimated that there will be an upgrading of about 7,185 positions. Initially, the entrance grade level for terminals and centers will be GS-7 rather than GS-6. The Air Traffic Control specialists who will meet the qualification requirements for promotion to a higher grade are in the center, terminal and station options. All of these positions are either directly engaged in issuing control instructions and providing inflight and preflight service to pilots or have an immediate supervisory responsibility for this work.

The amount of \$2,136,000 of the \$4,200,000 total requirement, has been estimated for grade adjustments in centers in 1969; in terminal facilities the adjustments are estimated to cost \$944,000; and \$1,120,000 is estimated for the adjustments in flight service stations. These estimates are based on upgradings that are expected to occur at 136 different field facilities in fiscal year 1969: 7 centers; 11 terminal facilities; and 118 flight service stations.

DETAIL OF PERMANENT POSITIONS

	1969 presently available	1969 revised estimate	1969 proposed supplemental
GRADES AND RANGES			
Special positions at rates equal to or in excess of \$28,000.....	39	39	-----
GS-18. \$28,000.....	6	6	-----
GS-17. \$26,264 to \$28,000.....	32	32	-----
GS-16. \$22,835 to \$28,000.....	91	91	-----
GS-15. \$19,780 to \$25,711.....	728	852	124
GS-14. \$16,946 to \$22,031.....	2,048	2,390	342
GS-13. \$14,409 to \$18,729.....	5,135	6,799	1,664
GS-12. \$12,174 to \$15,828.....	9,411	7,763	-1,648
GS-11. \$10,203 to \$13,263.....	8,871	9,183	312
GS-10. \$9,297 to \$12,087.....	1,026	1,596	570
GS-9. \$8,462 to \$11,000.....	5,162	5,568	406
GS-8. \$7,699 to \$10,012.....	1,887	114	-1,773
GS-7. \$6,981 to \$9,078.....	1,015	2,026	1,011
GS-6. \$6,321 to \$8,221.....	1,919	905	-1,014
GS-5. \$5,732 to \$7,456.....	2,350	2,356	6
GS-4. \$5,145 to \$6,684.....	1,616	1,616	-----
GS-3. \$4,600 to \$5,981.....	459	459	-----
GS-2. \$4,231 to \$5,501.....	41	41	-----
GS-1. \$3,889 to \$5,057.....	2	2	-----

Mr. BOLAND. When will the revised classification and qualification standards for air traffic control personnel be implemented?

Mr. THOMAS. Sir, we would plan to put them in on December 15, assuming the funds are available. That is about the earliest date.

Mr. BOLAND. What will the reclassification mean to the average air traffic controller?

Mr. THOMAS. About a third of them would be reclassified one grade in the larger facilities. For example in the New York IRF room, New York Center, Cleveland Center, the working controller would go from grade 12 to grade 13. I believe that is about a \$1,200 increase.

Mr. MINSHALL. From what salary to what new salary, please?

Mr. THOMAS. The base of grade 12 is \$12,174; the base of grade 13 is \$14,409. There are comparable increases, depending on their length of service.

Mr. MINSHALL. How long does a man have to be in to be eligible for this classification?

Mr. THOMAS. Normally, the minimum time would be around 4 or 5 years. I think you would find that the average time has been around 10 to 12 years. If one entered in and progressed as rapidly as possible and happened to be in a high density area—

Mr. MINSHALL. What is the starting salary?

Mr. THOMAS. The starting salary before the classification is now grade 6 entrance grade, which is \$6,321. The starting salary under the new classifications will range from grade 4 to grade 7, depending on experience and education. The grade 4 salary is \$5,145. The grade 7 entrance is \$6,981. The grade 6 entrance, which is current entrance rate is \$6,321.

Mr. BOLAND. Off the record.

(Discussion off the record.)

Mr. BOLAND. The starting salary for GS-6 is \$6,321. Now, are you able to get controllers at this grade?

Mr. THOMAS. Yes. We have no problem in recruiting even at this low salary. They do not remain there very long. This is the entrance grade for training. The working grade that we are now discussing, grades 12 and 13, is good pay. There is a tremendous interest in air traffic control. We find that a man must be interested in it to make good at it. It is something like a fighter pilot, you either want to do it or you don't. We are getting good quality people. We give them very rigid physical examinations, we give them their psychological examination and other tests. We find we are getting excellent people. We have a large waiting list, as a matter of fact. We can recruit about 600 a month with no difficulty at all.

Mr. MINSHALL. Before you leave this, I would like to make a comment, if I may. Mr. Thomas, last week when I was in Cleveland I took a cab to downtown Cleveland from out in one of the suburbs. When I got in the cab, which was driven by a very nice looking young man, he said "You are Congressman Minshall, aren't you?" I said "Yes, I am. How do you know?" He said "I have seen your picture." I said "What do you do?" He said "I am an air traffic controller and I am trying to earn a little extra money so I can get an additional aircraft rating." I would say the controllers are very well trained because he even knew my "N" number. He is an approach controller at Hopkins. He was very enthusiastic about his job.

Mr. THOMAS. Thank you very much. I regret he has to drive a cab.

Mr. MINSHALL. He wants to pick up some additional aircraft ratings. He does this on his days off, so more power to him. His name, for the record, is Bob Spencer.

Mr. BOLAND. What personnel other than air traffic controllers are included in the reclassification? Are the flight station employees included?

Mr. THOMAS. Yes, we do include the flight service personnel as air traffic control personnel. As a matter of fact, of the total number of facilities affected there are 118 flight service stations affected. Now, their ratings go from grade 9 to grade 11 or grade 11 in the case of the flight service station. Now, immediately this year. Of course, this will vary as the years go on and traffic increases, and more of them would qualify for the increased rating, but this year there would be seven centers, 11 towers, and 118 flight service stations qualified. So numerically there are more of those.

Mr. BOLAND. You are requesting about \$600 per person for just over one-half of the year.

Mr. THOMAS. Yes.

Mr. BOLAND. Wouldn't your actual financial requirement be closer to \$500 per person rather than the \$600?

Mr. THOMAS. Our computation—and this is based on a facility-by-facility computation—would be the \$4.2 million if we implement on December 15. Our annual rate for next year is \$8.6 million, our 1970 rate.

Mr. BOLAND. Are funds for anything other than personnel included in this request?

Mr. THOMAS. No, sir; just for the classification.

Mr. BOLAND. What change will the reclassification make in the average GS grade and salary in the FAA?

Mr. THOMAS. It would raise about 700 of them a little over \$1,000—\$1,200 per year. I believe this raises our average grade level to 10.1.

Mr. BOLAND. You are requesting 124 additional GS-15's. What personnel are they? What are they engaged in?

Mr. THOMAS. These are in our supervisory facilities, in the actual facilities. There are no administrative or headquarters personnel here.

Mr. BOLAND. What would the top supervisor get at one of the larger airports?

Mr. THOMAS. He would be a grade 15. Their base pay is \$19,780. It could go up as high as \$25,711 at the top of the grade.

Mr. BOLAND. Do you have many earning \$25,711?

Mr. THOMAS. No, sir; I don't know of any.

Mr. BOLAND. Mr. Minshall.

Mr. MINSHALL. What is the highest pay that a controller now gets?

Mr. THOMAS. The highest in the facilities we just mentioned is a grade 15, but the highest working controller who is not a supervisor, but a regular controller, would be a grade 13 at \$14,400. He is now a grade 12.

Mr. MINSHALL. Under the new schedule, how much will he get per year?

Mr. THOMAS. As grade 13, \$14,409 is the base and he could go to \$18,729, and assuming on the average that they would have two or three steps it would be somewhere around \$15,000–\$16,000.

Mr. MINSHALL. How is your training program coming with the new controllers that we authorized?

Mr. THOMAS. The training is coming very well. October 8 we are reopening our academy.

Mr. MINSHALL. At Oklahoma City?

Mr. THOMAS. Oklahoma City. We will train all of our controllers at Oklahoma City with the new group, because we were doing at the facilities only when we had a very small input. Recruitment then was low. With the recruitment rates we are now facing, we are opening the academy. This is costing us this year about \$3 million more than we had programed, that we are absorbing to do this.

Mr. MINSHALL. How many will you train at Oklahoma City and for what period of time?

Mr. THOMAS. For this fiscal year I believe it is 2,700 to 2,800.

Mr. MINSHALL. How long will they remain at the academy for training?

Mr. THOMAS. It varies with the type of facility that they are in. The orientation course is 8 to 12 weeks, recurring radar training is as low as 3 to 4 weeks.

Mr. MINSHALL. Does the FAA envision a problem in training the number of controllers which the Congress authorized this year? Will your training facilities be saturated?

Mr. THOMAS. We will be able to train all the additional controllers authorized by the Congress in our fiscal year 1969 budget. The courses at the academy vary in length; for example, the basic certification course is 6 weeks; some of the radar training courses are as little as 3 weeks. We have recognized the demands of training the additional controllers early, and I am pleased to say we are in a position to provide the training required.

Mr. MINSHALL. I was much impressed with the young controller I just mentioned. I had a very interesting conversation with him. He is a college graduate. He said the studying that he did in college was nothing compared with what he had to do now. He said the workload is tremendous. He enjoys it, but he didn't realize there was so much reading and studying to do.

Mr. THOMAS. Yes, sir. The course is very demanding. As you know, 75 or 80 is not a passing grade with us. Controllers are human, they do make mistakes; but we try to make as few mistakes and have as perfect a knowledge as we can, because if he gives you the wrong information it could be your life.

Mr. MINSHALL. How soon will this new input help to reduce the workload of the controllers presently on duty? They are doing a good job, but they need some relief.

Mr. THOMAS. We have reoriented our training so that we, in effect, are trying to teach one man to turn one screw so we can get some useful work out of him as early as possible. But before he is a fully qualified controller it would be about 4 years. It will start showing up within a year. We will get some work out of him. He can take flight plans, handle ground control, do some parts of it, but to be fully qualified it takes about 4 years' time.

Mr. MINSHALL. I am still amazed at the way these controllers handle the traffic that they do. They are certainly to be complimented on the excellent job they do. One controller might be handling up to 5 or 6 frequencies at a time, and I don't know how many aircraft in addition. To keep all of them lined up is a difficult job. It is a credit to the training he has received and to the support that you are furnishing.

Mr. THOMAS. Thank you very much.

Mr. McFALL. Off the record.

(Discussion off the record.)

Mr. McFALL. Mr. Thomas, would you tell us something about the Civil Service Commission's study of these air traffic controllers and perhaps some of the reasons for increasing these salaries?

Mr. THOMAS. Yes, sir. The Civil Service Commission started in 1966 to look at the salaries of the air traffic controllers and they engaged in about a 15-month, very exhaustive study. They made many field trips to both the high-density, low-density, and medium activity facilities. They talked to thousands of controllers. They observed hundreds and hundreds of watches of controllers on duty in their work. They finally evolved this study, this classification scheme, which was presented to the Department. The Department looked at it, commented on it, and it finally was approved by the Civil Service Commission.

In that regard, as you know, the Civil Service Commission has been authorized by the Congress to determine the grade structure of civil service employees. Once they approve a standard, a schedule of pay, the agencies are bound to accept this. This is the case here. In the case of a mass reclassification—and this is the case—of course, we must put it in as rapidly as possible under the law, but we also must have the money. So we must come to you for the money, and this is the reason we are appearing here.

Mr. McFALL. Under the law you must follow the Civil Service Commission's reclassification, but must you put it into effect immediately? What is the time frame?

Mr. THOMAS. It is effective as soon as possible. It is recognized that we must have the funds. We have no choice; we cannot just disregard it and say we will not put it in. We must put it in.

Mr. McFALL. You must make the request to us for the funds as soon as that reclassification is done?

Mr. THOMAS. Yes, sir. We must provide for the funds in some way.

Mr. McFALL. Thank you, Mr. Chairman.

Mr. BOLAND. Thank you, Mr. Thomas.

Mr. THOMAS. Thank you very much.

OFFICE OF THE SECRETARY

OFFICE OF PIPELINE SAFETY

WITNESSES

WILLIAM C. JENNINGS, ACTING DIRECTOR, OFFICE OF PIPELINE SAFETY

JOSEPH C. CALDWELL, ACTING DEPUTY DIRECTOR, OFFICE OF PIPELINE SAFETY

ALAN L. DEAN, ASSISTANT SECRETARY FOR ADMINISTRATION

ROBERT G. PRESTEMON, DIRECTOR OF BUDGET

Mr. BOLAND. We will now consider the item for the Office of the Secretary.

There is a request for salaries and expenses of \$500,000 for implementation of the National Gas Pipeline Safety Act which was passed by Congress this year.

We shall be glad to hear Mr. William C. Jennings, Acting Director of the Office of Pipeline Safety.

If you have a statement, Mr. Jennings, you may proceed.

BIOGRAPHICAL SKETCHES

Mr. JENNINGS. I am accompanied by Mr. Joe Caldwell, the Acting Deputy Director of the Office.

Mr. BOLAND. Supply for the record a summary of both your backgrounds.

(Information requested follows:)

DIRECTOR, OFFICE OF PIPELINE SAFETY

William C. Jennings, age 51, joined the Federal Aviation Agency in 1962 as Executive Director of the Regulatory Council. The Council develops the safety standards for the design, manufacture, maintenance, and operation of civil aircraft, the training and qualification of civil airmen, and air traffic rules of both civil and military aircraft. In July 1968 he was named Acting Director of the Office of Hazardous Materials and Chairman of the Department of Transportation Hazardous Materials Regulations Board. The Board develops the safety standards for the transportation of explosives, flammables, oxidizing agents, corrosives, poisons, radioactive materials, and other hazardous materials. In September 1968, he was named Acting Director of the Office of Pipeline Safety, combining that function with the others relating to hazardous materials. Prior to entering Federal service, Mr. Jennings practiced law in California, including 7 years as director of corporate law for Western Airlines in Los Angeles.

Mr. Jennings was born in Leoma, Tenn. He attended George Washington University, the University of Tennessee, and the Law School of Loyola University of Los Angeles. He served in the U.S. Army in World War II and the Korean war.

DEPUTY DIRECTOR, OFFICE OF PIPELINE SAFETY

Joseph C. Caldwell, age 38, entered the Federal service in 1962 as regional safety engineer with the Federal Aviation Administration in Fort Worth, Tex. In 1964 he was promoted to Director of Ground Safety, FAA, Washington, D.C., and in 1967 transferred to the National Transportation Safety Board, Department of Transportation, as Associate Chief, Rail and Pipeline Division. Detailed to the Office of the Secretary, DOT, he was special adviser to the Secretary on activities relating to pending legislation on the Natural Gas Pipeline Safety Act.

Prior to entering Federal service, he was employed as a safety engineer with Texas Employees Insurance Association and Employers Casualty Co., Dallas, Tex., as a consulting engineer on safety for all phases of oil and gas operations.

He was a pilot in the U.S. Air Force from 1951 to 1955. He attended Southwest Texas State and received a B.S. degree in petroleum engineering from Texas Technological College. He was born in Marquez, Tex.

GENERAL STATEMENT

Mr. BOLAND. You may proceed, Mr. Jennings.

Mr. JENNINGS. On August 12 the Natural Gas Pipeline Safety Act of 1968 became law. It provides for the Secretary of Transportation to establish safety standards for pipeline facilities and the transportation of gas, and to enforce the standards.

The law provides for a close working relationship between the Federal Government and the States in establishing and enforcing safety standards, including a grant-in-aid program.

The law also authorizes the Secretary to conduct research, testing, development, and training programs.

In adopting this law, Congress authorized a sum not to exceed \$500,000 for the fiscal year ending June 30, 1969.

The Secretary of Transportation has delegated administration of the act to the Office of Pipeline Safety. The Office will need \$500,000 to administer the program for the remainder of fiscal year 1969. This will fund the staff of 45 employees projected for the end of the fiscal year and the studies which are needed to initiate the program.

Description of the System

There are more than 800,000 miles of gas pipelines in the United States, usually classified under three categories.

Gathering Systems

There are approximately 63,000 miles of pipe in the gathering systems which originate at the well heads and extend to the transmission lines. They are owned primarily by producers.

Transmission Systems

There are approximately 224,000 miles of pipe in the transmission systems which are owned by major corporations which purchase gas from the producers and transport it to urban areas for sale to distributor companies. The transmission lines range in size up to 40 inches in diameter and operate at pressures up to 1,300 pounds per square inch.

Distribution Systems

The 536,000 miles of pipe in the distribution system are owned by private or municipal distribution companies. They purchase gas from the transmission company and distribute it to the ultimate consumer. The pipes range in diameter from 30-inch mains down to 1-inch outlets and operate under pressures ranging from 100 pounds per square inch down to one-fourth pound per square inch.

Interim Safety Standards

The act requires that interim safety standards be published by November 12, 1968. These standards will be based on existing State standards. Our preliminary review of State laws indicates that the differences among them will make publication of these standards a substantial undertaking.

Federal Safety Standards

The act requires that Federal safety standards be established by October 12, 1970. As a foundation for these regulations, we propose to let study contracts to (i) inventory the existing systems, (ii) analyze the past safety record of the gas pipeline industry to determine where the problem areas are, and (iii) help develop regulatory solutions for those problems. Since the formal steps in the adoption of regulations require many months, these major studies must be undertaken immediately in order to develop information as a base for the Federal standards.

Technical Pipeline Safety Standards Committee

We propose to establish without delay the 15-member committee to advise in the administration of this program. Members of the committee (other than Federal employees) will receive per diem, travel expenses, and subsistence while on committee business. We expect to draw rather heavily on this committee's experience and knowledge during the next few months, so the committee expenses will be quite heavy during the remainder of this fiscal year. The committee promises to be an invaluable source of information and advice.

State Relationships

During a meeting with representatives of the State regulatory agencies on Wednesday of this week, we found a number of problems which will have to be solved in the immediate future in order to establish the sort of Federal-State relationship which the law contemplates. Many of the State regulatory agencies lack jurisdiction to perform the acts which they must perform in order to participate with us. Since many of the State legislatures meet biennially, we must work out these problems with the various States during the next few months, in order that they may be legally able to participate in the program.

Surveillance of Industry

We propose to require the gas line operators to submit information on system failures and we propose to investigate the cause of major failures. In addition, we propose active surveillance of the gas pipeline operations and enforcement of the regulations.

Mr. BOLAND. Thank you, Mr. Jennings.

We shall insert in the record at this point the green sheets, and pages 7 and 8 of the justifications.

(Pages referred to follow :)

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Program by activities:			
Direct program: General administration.....	9,800	10,300	500
Reimbursable program: Office of Emergency Transportation.....	199	199	-----
Total obligations.....	9,999	10,499	500
Financing:			
Receipts and reimbursements from:			
Federal funds: For emergency preparedness function.....	-199	-199	-----
Budget authority (appropriation).....	9,800	10,300	500
Relation of obligations to outlays:			
Obligations incurred, net.....	9,800	10,300	500
Obligated balance, start of year.....	456	456	-----
Obligated balance, end of year.....	-391	-491	-100
Outlays.....	9,865	10,265	400

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

Identification code	1969 presently available	1969 revised estimate	1969 proposed supplemental
DIRECT OBLIGATIONS			
Personnel compensation:			
11.1 Permanent positions	6,716	6,936	220
11.3 Positions other than permanent	200	230	30
11.5 Other personnel compensation	100	100	
Special personal service payments	263	263	
Total personnel compensation	7,279	7,529	250
12.0 Personnel benefits	507	524	17
21.0 Travel and transportation of persons	250	322	72
22.0 Transportation of things	11	11	
23.0 Rent, communications, and utilities	344	354	10
24.0 Printing and reproduction	200	203	3
25.1 Other services	591	711	120
25.2 Services of other agencies	429	429	
26.0 Supplies and materials	89	92	3
31.0 Equipment	100	125	25
99.0 Total, direct obligations	9,800	10,300	500
REIMBURSABLE OBLIGATIONS			
Personnel compensation:			
11.1 Permanent positions	167	167	
11.3 Positions other than permanent	12	12	
11.5 Other personnel compensation	1	1	
Total personnel compensation	180	180	
12.0 Personnel benefits	12	12	
21.0 Travel and transportation of persons	7	7	
Total, reimbursable obligations	199	199	
99.0 Total obligations	9,999	10,499	500
	1967	1968	1969
Average GS grade	10.5	11.7	11.7
Average GS salary	\$11,779	\$14,777	\$14,621

DETAIL OF PERMANENT POSITIONS

	1969 presently available	1969 revised estimate	1969 proposed supplemental
GRADES AND RANGES			
Executive level I, \$35,000	1	1	
Executive level II, \$30,000	1	1	
Executive level IV, \$28,750	5	5	
Executive level V, \$28,000	2	2	
GS-18, \$30,239	6	6	
GS-17, \$26,264 to \$29,764	10	10	
GS-16, \$22,835 to \$28,823	6	6	
GS-15, \$19,780 to \$25,711	158	164	6
GS-14, \$16,946 to \$22,031	67	77	10
GS-13, \$14,409 to \$18,729	30	43	13
GS-12, \$12,174 to \$15,828	13	14	1
GS-11, \$10,203 to \$13,263	9	9	
GS-10, \$9,297 to \$12,087	9	9	
GS-9, \$8,462 to \$11,000	39	39	
GS-8, \$7,699 to \$10,012	27	29	2
GS-7, \$6,981 to \$9,078	44	47	3
GS-6, \$6,321 to \$8,221	33	43	10
GS-5, \$5,732 to \$7,456	22	22	
GS-4, \$5,145 to \$6,684	7	7	
GS-3, \$4,600 to \$5,981	1	1	
GS-2, \$4,231 to \$5,501	1	1	
GS-1, \$3,889 to \$5,057	1	1	
Ungraded	4	4	
Total	496	541	45

JUSTIFICATION STATEMENT

A supplemental appropriation of \$500,000 to the "Salaries and expenses" appropriation is needed during the fiscal year 1969 to provide funds for the administration of the Secretary's responsibilities set forth in the Natural Gas Pipeline Safety Act of 1968. The purpose of the act is to provide for the adoption and enforcement of minimum Federal safety standards for the transportation of natural gas by pipeline and pipeline facilities.

Within 90 days after the enactment of the act, the Secretary must assure that all States are covered by adequate interim standards pending a more detailed review of safety criteria. The act contemplates completion of this detailed review within 24 months. At that time, the Secretary is directed to establish a comprehensive set of minimum safety standards applicable to the gathering, transmission, and distribution of gas by pipeline or its storage, and to pipeline facilities used in the transportation or treatment of gas. The Secretary is also directed to establish a 15-member Technical Pipeline Safety Standards Committee to review initial and subsequent proposals for safety standards.

The Secretary will exercise his authority regarding intrastate responsibilities either through State certification of adequate safety programs, as outlined in the act, or through working agreements with States to establish implementing organizations and programs. Where necessary, the Secretary is authorized to establish a grant-in-aid program to those States requesting assistance. With regard to interstate operations, the Secretary is solely responsible for developing standards and enforcing them through a Federal system of monitoring industry practices, including inspection when necessary.

In order to implement the program, it is proposed to establish an appropriate office and working staff under the Assistant Secretary for Research and Technology. This office will be responsible for not only developing uniform standards where necessary, but also for reviewing State certifications and inspection practices, processing violation actions, and taking whatever other actions are necessary in keeping with the requirements of the Act. Annual reports will be provided to Congress and timely recommendations will be submitted to the Secretary regarding program progress and new requirements.

The fiscal year 1969 funding needs are based upon an initial requirement for 20 positions or 10 man-years of direct effort at the Washington headquarters level, and 25 positions or 5 man-years of direct effort in the field operations area. In addition, a requirement for 5 man-years of consultant assistance is also anticipated. Related travel, study contracts, and other administration needs are also included in the estimate.

The Washington staff personnel will be initially responsible for interpreting the act in terms of (a) establishing an implementing organization, (b) establishing the interim standards throughout the country, (c) developing studies to determine basic criteria for future amendments to existing standards, and developing procedures for a grant-in-aid program as outlined for future years in the act. In addition, this staff will take steps toward the development of procedures for obtaining and analyzing pipeline systems failures, the development of programs for monitoring State activities, the establishment of procedures for meeting interstate safety responsibilities under the act, evaluating research activities currently being conducted within the industry, and addressing other activities as necessary to implement the Secretary's responsibility under the act.

The field operations staff personnel will initially act as a staff arm of the Washington headquarters group in collecting and evaluating available data, as well as assisting in the liaison between the States, industry, and the Federal Government. They will also represent the Department on-site in the event of any major failures of pipeline systems occurring during the year.

Mr. BOLAND. Why cannot the 45 positions proposed for administration of the pipeline safety act be absorbed within the positions provided the Department in the fiscal 1969 Appropriation Act?

Mr. JENNINGS. I would like to refer that question to Mr. Dean.

Mr. DEAN. Mr. Chairman, as you know, this is an Office of the Secretary appropriation.

The "Salaries and Expenses" resources of the Office of the Secretary now total 485 positions.

The committee undertook a complete review only a few months ago, and I think the record shows rather fully that this is a small and very heavily loaded Office of the Secretary for the job ahead.

Therefore we feel it is essential that this brandnew program, which is really an operating program, be supplied with its own group of positions.

Mr. BOLAND. Congress gave you authority to transfer positions into the Office of the Secretary. What efforts have been made to obtain the 45 positions in this way?

Mr. DEAN. Congress gave us this authority. Mr. Chairman, but it is tied to specific functions.

We have already, however, moved certain positions in personnel and training and are in the process of going into other areas using the authority you gave us.

It does not permit us to pick up nonexistent activities in the administrations. There is no gas pipeline function in an administration now which we can transfer to the Office of the Secretary to meet this requirement.

Mr. BOLAND. How many personnel are now engaged in pipeline safety?

Mr. DEAN. There are actually two people on an acting basis at the present time in gas pipeline safety because of the recent enactment. There was no previous program until a few weeks ago when this act was signed.

Mr. Jennings is basically still the head of the Office of Hazardous Materials in addition to his other duties and Mr. Caldwell comes from our Office of Public Affairs.

Mr. BOLAND. What is the urgency of the requirement? Why could not this item be postponed to fiscal year 1970, or until a fiscal year 1969 supplemental might be considered by this committee next year?

Mr. JENNINGS. Sir, we have a number of deadlines to meet which were set by the Congress in adopting this legislation. Those deadlines can be met only by prompt action.

For example, the adoption of the interim regulations must be handled by November 12. This cannot be delayed. The adoption of permanent regulations is a major undertaking, to rewrite a new body of laws for this industry, and this must be accomplished by August 12 of 1970.

To do this we need to have, first of all, an inventory of the subject matter with which we are dealing. We need to know the operating experience of that industry, incidence of accidents there has been in the past, and we need to learn about these system failures which we know exist but have not been investigated, and in order to prepare ourselves to do the job we have to start now.

Mr. BOLAND. You mentioned in your statement that you propose to establish a 15-man committee to advise in the administration of the program. Have any of those members been selected?

Mr. JENNINGS. They have not. On Wednesday we had a meeting with national leaders in this industry and with members of the public and the State regulatory commissions. At that time we outlined plans for the administration of this law. We addressed ourselves particu-

larly to this committee and explained we considered this to be one of the foundation pieces in our regulatory program, and we invited nominations and recommendations for membership on this committee and from those recommendations I suppose we shall select—

Mr. BOLAND. Who makes the selection?

Mr. JENNINGS. The selection is made by the Secretary, who delegated the function to me. You may be sure I shall discuss it with the Secretary before the selections are made.

Mr. BOLAND. The green sheet and justifications indicate there is an increase of 45 positions in this supplemental.

In the narrative on page 8 of the justifications it shows that 25 of those positions will be in the field and 20 will be in the Washington office.

What is your schedule for hiring these personnel? Where will the field personnel be located and what are their duties?

Mr. JENNINGS. We have not yet decided where the field personnel will be located. Our thinking is that there will be perhaps five areas. They will be located where the pipeline companies are, where the pipes are. They will be located so they can maintain liaison with the States because we have a continuing close relationship with the States in this program.

They will be located also in other areas where the Department of Transportation personnel are located. These will be small offices and they will have to rely for support on other larger agencies.

As to our hiring program, we have a program for setting up the basic headquarters operation first.

Would you like me to go over these positions?

Mr. BOLAND. Put it in the record.

(Information referred to follows:)

Office of Pipeline Safety staffing requirements, fiscal year 1969—Washington Office

October 1968

1 deputy director..... GS-16.
1 secretary-stenographer..... GS-7.
1 programs officer..... GS-14.
1 electrical engineer..... GS-14.

October total, 4.

November 1968

1 petroleum engineer..... GS-16.
1 petroleum engineer..... GS-15.
1 State program officer..... GS-15.
2 secretary-stenographer..... GS-7.

November total, 5.

December 1968

1 petroleum engineer..... GS-16. 5 regional directors..... GS-14.
2 petroleum engineer..... GS-14.
1 secretary-stenographer..... GS-6.

December total, 9.

January 1969

1 legal..... GS-16.
1 engineer (metal)..... GS-14. 5 secretary-stenographer..... GS-6.

January total, 7.

Office of Pipeline Safety staffing requirements, fiscal year 1969—Washington
Office—Continued

February 1969

1 statistician ----- GS-13. 5 safety specialist----- GS-13.
1 secretary-stenographer ----- GS-7.
February total, 7.

March 1969

1 legal ----- GS-15.
1 secretary-stenographer ----- GS-6.
March total, 2.

April 1969

5 safety specialist----- GS-13.
April total, 5.

May 1969

1 economist ----- GS-14. 4 secretary-stenographer ---- GS-5/6.
May total, 5.

June 1969

1 director ----- GS-17. 1 safety specialist----- GS-12.
1 secretary-stenographer ----- GS-9.
June total, 3. Total, field office, 25.
Total, Washington office, 22 (in-
cludes director and secretary).

Mr. BOLAND. You are requesting 15 man-years and \$500,000. Most of the money requested must be for other purposes.

How much is in your request for travel and for consultants and study contracts? Do you have a breakdown of that? Also what are your other administrative needs?

Supply that for the record.

(Information requested follows:)

Dollar computations (round to nearest thousand)

Permanent positions, 15 man-years × \$14,621 (DOT fiscal year 1969 average dollar)-----	\$220,000
Consultants, 300 man-days × \$100 per day-----	30,000
Personnel benefits, 7½ percent × \$220,000-----	17,000
	<hr/> <hr/>

Travel:

Consultants:

Travel 15 × 10 trips × \$150-----	22,500
Per diem, \$16 per day × 150 trips × 2 days-----	4,800

Staff:

Region -----	5,000
Washington, 200 trips × \$150-----	30,000
Per diem, 200 trips × 3 days × \$16 per day-----	9,600

Total, travel-----	72,000
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Rents, communications, utilities: Estimate at this time-----	10,000
Printing and reproduction-----	3,000
Contracts (separate detail)-----	120,000
	<hr/> <hr/>

Supplies and Equipment:

13 typewriters at \$500-----	6,500
8 calculators at \$600-----	4,800
45 positions at \$300 per station-----	13,500

Total, supplies and equipment-----	25,000
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Total, supplemental request-----	500,000
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Mr. BOLAND. Is any of the money requested for the grant-in-aid program?

Mr. JENNINGS. None this year. We will not be able to administer a grant-in-aid program. That will be possible only after we have consulted with the States and set up a program to administer.

We do not propose anything for that other than some basic travel expenses and things of that kind which will be needed in the course of setting up the program.

Mr. BOLAND. The justifications indicate that you are requesting six GS-15's. What will be their job titles?

Mr. JENNINGS. They will be the principal engineers in our programs. We project them as grades 15.

Mr. BOLAND. What is the average GS salary and grade of the 45 positions requested?

Mr. DEAN. 11.7.

Mr. BOLAND. Mr. McFall?

Mr. McFALL. I have no questions.

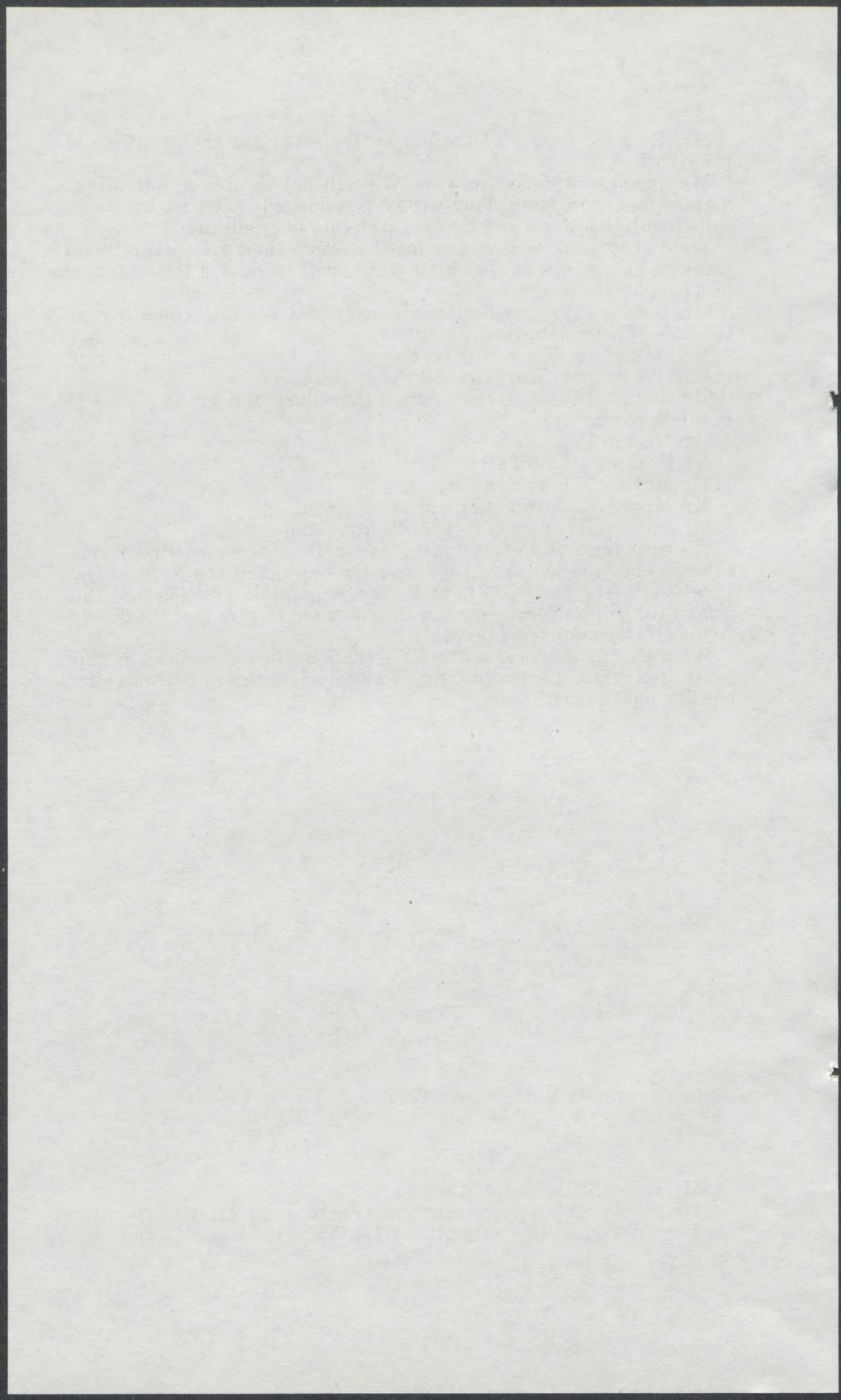
Mr. MINSHALL. No questions, Mr. Chairman.

Mr. BOLAND. Thank you very much, Mr. Jennings.

We wish you well in this new endeavor. It is a very important one. Congress labored long and hard over the passage of the Natural Gas Pipeline Safety Act. You have a very responsible position and this committee will cooperate in every way it can to be sure that the Safety Act itself is administered properly.

We wish you and your staff well in the job which lies ahead of you.

Mr. JENNINGS. Thank you, sir. We appreciate this opportunity for our first meeting with you.



URBAN MASS TRANSPORTATION ADMINISTRATION

SALARIES AND EXPENSES

WITNESSES

PAUL L. SITTON, ADMINISTRATOR

WILLIAM B. HURD, ACTING ASSISTANT ADMINISTRATOR PROGRESS OPERATIONS

WILLIAM H. BOSWELL, ACTING ASSISTANT FOR ADMINISTRATION

ALAN L. DEAN, ASSISTANT SECRETARY FOR ADMINISTRATION

ROBERT G. PRESTEMON, DIRECTOR OF BUDGET

Mr. BOLAND. We now turn to the Urban Mass Transportation Administration where you are requesting \$665,000 to be transferred from the Urban Mass Transportation grant appropriation.

This committee welcomes Mr. Paul L. Sitton, the Administrator of the Urban Mass Transportation Agency.

Will you supply the committee with some of your background, Mr. Sitton?

Mr. SITTON. Yes, sir.

(Information requested follows:)

BIOGRAPHICAL INFORMATION

Place of birth : DeKalb County, Ga.

Date of birth : November 27, 1926.

Marital status : Married (wife, Judith L. Sitton).

Education : Emory University, Atlanta, Ga., A.B., 1948 ; University of Pennsylvania, Philadelphia, Pa., M.A., 1950 ; graduate work at George Washington University and American University intermittently 1954-58.

Employment history

April 1967-September 11, 1967—Deputy Under Secretary, Department of Transportation.

September 1965-April 1967—Director, Office of Transportation Programs, Office of the Under Secretary for Transportation, Department of Commerce.

January-September 1965—Deputy Coordinator for International Aviation, Department of State.

1956-65—Budget examiner (transportation programs), Bureau of the Budget.

1951-54—Department of the Interior ; Social Security Administration.

September 11, 1968—Confirmed as Administrator, Urban Mass Transportation Administration.

Miscellaneous

Junior management intern, Department of the Interior. Appointed by the President in 1966 as member of the Advisory Board—National Capital Transportation Agency.

GENERAL STATEMENT

Mr. BOLAND. Proceed, Mr. Sitton.

Mr. SITTON. It is a pleasure to appear before you, Mr. Chairman, and before this committee for the first time as Urban Mass Transportation

Administrator. I appreciate the courtesy that you have shown me in arranging for a hearing on such a short notice.

Last May when Secretary Boyd testified in behalf of the appropriation request of the Department of Transportation for fiscal year 1969, he spoke of the pending transfer of the urban mass transportation functions to the Department, from the Department of Housing and Urban Development. As you recall, the Secretary indicated that definite plans for implementing this program with DOT could not be made until after the transfer. Secretary Boyd, at that time, sketched very briefly the challenges found by the urban mass transportation program.

The Reorganization Plan No. 2 of 1968, which the President transmitted to Congress, was approved and the transfer made effective July 1, 1968. At this time the Federal responsibility passed to the Department of Transportation for assisting local communities in meeting demands in public transportation. We have considered the effects of these increasing problems and reassess the appropriate Federal resources required in assuring responsive action. We are fully aware of the desires of Congress to curtail spending where it can be done without impairing the well-being of the people of our country.

The request before this committee is one which we feel is responsive to the indicated desires of this Congress to exercise financial restraint. Therefore, we are not requesting any increase in obligational or expenditure levels in the Federal budget. For the additional funds for administering this program, we are requesting that \$665,000 be transferred from the urban mass transportation grant appropriation. These funds, together with the \$703,000 transferred under the determination order developed in connection with the transfer of the program from the Department of Housing and Urban Development will provide the resources required to conduct the program for the balance of fiscal year 1969. Before I address myself to the needs of our urban communities, with your permission, I will provide for the record a brief account of the origins, the purposes, and the accomplishments of the Federal program of assistance to urban mass transportation.

Mr. BOLAND. That may be inserted at this point.
(Information referred to follows:)

FEDERAL PROGRAM OF ASSISTANCE TO URBAN MASS TRANSPORTATION

Background

As the members of the committee well know, Federal highway programs have authorized grants to the States for urban highway constructions since 1934. The interstate highway program first authorized in 1956 gave special recognition to intensifying urban transportation problems by requiring that the needs of urban uses be provided for in that system.

Since the end of World War II, the Federal Government has also provided financial assistance to metropolitan areas and other urban places for the construction of modern airports. Without these airports and the commercial air transport that has developed apace, growth of intercity travel and cargo movement which enhance the business and prosperity of every city would have been substantially less.

Federal assistance to cities for the alleviation of urban transportation problems is obviously not new. It has grown largely over the years as urban population and urban problems have increased. As air and automobile travel increased with the public provision of facilities and services, patronage of both rail and bus mass transit in U.S. cities declined precipitously—from a high of 23 billion passengers in 1945 to just over 9 billion passengers in 1960. With loss of traffic

and consequent loss of revenue came a rapid deterioration of transit facilities and equipment and in the level of transit services. Obsolete equipment and inadequate service further reduced the comparative attractiveness of transit, with still further loss of patronage. Commuter railroads that have not suspended service are in dire financial straits, and several are sustained only by heavy State subsidies. Many smaller cities had lost or were in danger of losing all public transportation services. At the same time, users of urban highways, in spite of new construction, experienced increasing delays and congestion especially during rush hours.

Public realization of the essential role of public mass transportation in an effective urban transportation system, the increasing financial difficulties of the cities and the diminishing availability of central city land for additional highway right-of-way, parking, and other ancillary facilities precipitated remedial congressional action in 1961.

An emergency urban mass transportation relief measure was written into the Housing Act of that year. It authorized Federal loans to assist in meeting the capital needs of the transit industry and established a program of matching grants to States and local public agencies to assist them in demonstrating new ideas and techniques for the improvement of transit services and equipment.

This stopgap legislation was designed to meet critical needs pending completion of a study by the Secretary of Commerce and the Housing and Home Finance Administrator to establish basic needs and the appropriate terms and conditions of a long-range and comprehensive program of Federal assistance to urban mass transportation.

On the basis of the conclusions and recommendations of this study, President Kennedy proposed a comprehensive urban mass transportation assistance program in his transportation message of 1962. Congress endorsed these proposals by enacting the Urban Mass Transportation Act of 1964 which was approved by President Johnson on July 9, 1964.

The 1964 act authorized a new program of Federal grants on a matching basis for urban mass transportation capital improvements necessary to the accomplishment of locally developed transit programs that are fully consistent with areawide comprehensive plans. The 1964 act also continued and expanded the scope of the pilot projects authorized in 1961.

The 1964 act was extended and expanded further in 1966 to permit grants to public bodies for planning, engineering, and design of urban mass transportation projects.

The 1966 amendments also included a directive to the Secretary of Housing and Urban Development to prepare a program of research, development, and demonstration of new systems of urban transportation for carrying people and goods within metropolitan areas speedily, safely, without polluting the air, and in a manner that would contribute to sound city planning. A report, entitled "Tomorrow's Transportation," was transmitted by the President to the Congress in May 1968.

Reorganization Plan No. 2 of 1968

The Congress recognized the critical and complex nature of urban mass transportation problems and the need for deliberate consideration of Federal organization to facilitate the dealings of local public agencies with the Federal Government. It provided in the Department of Transportation Act, therefore, for a joint study by DOT and HUD on the logical and efficient organization and location of urban mass transportation functions in the executive branch.

This study resulted in the proposals contained in Reorganization Plan No. 2 which was transmitted by the President to the Congress on February 26, 1968. The Congress approved the President's proposals and the plan transferring the program to DOT became effective on July 1, 1968. The President in transmitting the reorganization plan stated three objectives:

State and local government agencies should be able to look to a single Federal agency for program assistance and support in transportation matters to assure administrative simplicity and most efficient and economical use of Federal resources.

Assumption by DOT of responsibility for Federal promotional initiative in combining a basic system of efficient, responsive mass transit with all the systems of urban, regional and intercity transportation.

Strengthening HUD's leadership in comprehensive planning to assure that urban transportation systems conform to and support balanced urban development.

The effectuation of the reorganization plan and its objectives will require continuing cooperative effort by the two departments. This effort has begun and a major objective for fiscal year 1969 will be to assure an orderly transition.

Secretary Weaver and I have pledged (a) that program of both departments will be carried forward under a common set of objectives, (b) that duplication of effort will be avoided, and (c) that Federal resources available to support urban programs will be utilized with maximum efficiency.

Accomplishments to Date

Capital grant program.—Since enactment of the Urban Mass Transportation Act of 1964, the heaviest expenditure of funds has been in the capital improvement grant program. As of June 30, 1968, the cumulative total was nearly \$400 million, covering 91 projects.

In terms of number of projects, grants for bus system improvements are preponderant—with the greatest number of grants under \$1 million going to small and middle-sized cities, mainly for replacement of outworn equipment (nearly 2,500 new buses, for instance), or a needed garage or maintenance facility, or to purchase a transit operation that is about to go out of business.

There is little question of the immediate effect of the program in keeping the transit systems alive in a score of smaller cities—such as Albuquerque, N. Mex.; Vallejo, San Diego, and Pomona in California; Pueblo, Colo.; Rome, Ga.; Terre Haute, Ind.; Lafayette, La.; Rome and Utica, N.Y.; Columbia, Mo.; Zanesville, Springfield, and Hamilton, Ohio; Salem, Oreg.; Jackson, Tenn.; Abilene and Corpus Christi, Tex.; and Martinsville, Va.

There is little question, also, that the capital grant program has enabled a number of the larger metropolitan areas to proceed with long-delayed rehabilitation and improvement programs which result in the speedier and more efficient movement of hundreds of thousands of commuters. Such an improvement, made possible by Federal assistance, was in the long-delayed Aldene Plane providing northern New Jersey with a direct trans-Hudson connection to Manhattan—and incidentally assuring continued life to the fading Jersey Central. Similar aid has been given for the extension and rehabilitation of electrification on the Long Island Railroad; for new cars and other improvements on the New Haven Railroad; new cars for the commuter service of the Pennsylvania Railroad; and new cars for the New York City subway system.

The San Francisco Bay Area Rapid Transit District is building the Nation's newest rail rapid transit system—the first really improved system in this country in 40 years. Federal funds amounting to more than \$51 million have already been committed to assure the completion of this project. In Chicago, Federal funds are assisting in the construction of two important new rail lines of the city's subway-elevated system—the median strips in the Dan Ryan and Kennedy Expressways. Boston's old subway stations are being modernized and renovated with capital grant assistance. In Cleveland, capital grant funds have made possible a 4-mile extension of the rapid transit system to the Cleveland Hopkins Airport.

These are but a few examples of how the Federal Government has been able to stimulate local initiative in the improvement of public transportation.

The \$400 million in Federal commitments is generating a total capital investment activity of nearly \$800 million in direct construction and manufacturing over the average project period of about 2 years. It is clear that this program has stimulated renewed interest in revitalization of urban transportation systems on the part of State and local governments. The interest of those States and local public agencies is evidenced concretely by their willingness to invest substantial sums of their own money, notwithstanding the financial difficulties of some States and most of our cities.

The capital grant program, in addition to meeting immediate capital needs, is also making it financially feasible for public officials in urban areas to plan for and develop balanced systems of transportation responsive to the varying needs of the various types of communities. The tangible incentives of these grants, as well as other types of urban assistance grants, have been highly significant in attracting attention to the importance of planning in terms of the entire complex of urban development.

Research and demonstration programs.—A major accomplishment of the demonstration and research program has been to change the climate in which the transit industry has functioned since World War II from one of frustration to one of hope for the future of public transportation in providing an essential service in our cities.

Individual projects, beginning early in 1962, have tried out and demonstrated the values—and the weaknesses—of new kinds of service and of new hardware.

The premium bus service experiment in Peoria showed how a local transit service which picked up riders in front of their homes and delivered them directly to their jobs could be successfully operated by a private carrier. The service has continued without public help since the demonstration project ended, and the idea has been picked up and used in other areas.

Extensive rail commuter experiments in the Boston, New York, and Philadelphia areas demonstrated how dramatic improvements in service could be made at no additional cost per passenger trip. These demonstration projects have helped revitalize rail commuter service in these cities and have formed the basis for long-range local programs for the support and improvement of rail commuter operations.

Demonstration services in St. Louis, Nashville, and other places are providing valuable information on the transportation needs of low-income areas and on the ways in which these needs can best be met.

Other demonstrations are testing transit marketing techniques, improved ways of scheduling men and vehicles through the use of computers, and better management information systems.

The 4.4 mile test track in the San Francisco Bay area attracted worldwide interest and participation in the improvement of rapid transit technology, including automatic train controls, better track structure, improved vehicle characteristics, and improved fare collection methods and machinery. The results of these developments were used in the design of the BARTD system and will affect rapid transit design over the next decade or two.

The transit expressway, developed and tested at Pittsburgh under the demonstration program, promises to provide the first new rapid transit concept in many years; one specifically adapted to the medium-sized city that is too large to be served exclusively by buses and too small for a conventional rapid transit system. A modification of the transit expressway concept will be installed at the new Tampa International Airport, while full-scale installations are under consideration by transit planners in both Pittsburgh and Baltimore.

Mr. BOLAND. Proceed, Mr. Sitton.

Mr. SITTON. Much has been written of the crisis our Nation faces in moving people in our urban areas. In the heart of some of our business districts, movements are made at a pace considerably slower than at the turn of the century, but even more alarming is that the current trend indicates that we can expect an even slower pace in the near future. Not only have we lost ground in efficiency, the setbacks given to our people in the areas of comfort and convenience are not compatible with the technological advances that have been made in other forms of transportation. The President in transmitting his reorganization plan summarized the problem in the following manner:

Never before have these problems affected so many of our citizens.

Never before has transportation been so important to the development of our urban centers.

Never before have residents of urban areas faced a clearer choice concerning urban transportation—shall it dominate and restrict enjoyment of all the values of urban living, or shall it be shaped to bring convenience and efficiency to our citizens in urban areas.

The technical knowledge this Nation possesses has not been adequately focused upon what has become a major problem facing millions of our citizens. All of us become acutely aware of this whenever we drive in the city, ride public transportation or attempted to get to an airport during peak traffic periods. Our experiences dramatize the need for urgency on the part of the Federal Government in assisting our local communities to deal with their problems. This urgency assumes even greater proportions when it is recognized that the newly

created Urban Mass Transportation Administration has but 39 employees to meet the established Federal responsibilities.

There are several reasons why this request for additional personnel is so necessary in fiscal year 1969. First, the transfer of this program to the Department of Transportation represented a substantial upgrading of the urban mass transportation program by providing for an independent agency within the Department of Transportation, equal in stature with the other modal administrations in the Department. One of the results has been sharply increased interest in the program on the part of State and local governments.

Secondly, both the President and the Congress have emphasized the need for close and meaningful coordination between the urban development programs of the Department of Housing and Urban Development and the urban transportation programs of the Department of Transportation. The close coordination of these programs is essential if the goals of the reorganization plan are to be achieved. In addition, the Urban Mass Transportation Administration must work closely with the Federal Highway Administration, for example, in assuring that our cities can deal with their urban transportation problems on a systematic basis. This means that continuing contact with the cities and with the field staffs of this Department and the Department of Housing and Urban Development must be maintained.

While on the surface these additional responsibilities require personnel increases, we believe that at this time increased staff will enable us to use our program moneys in the most efficient way.

We have become convinced that existing support is not adequate to properly administer ongoing projects nor to administer the funds available for new projects. For example, we started this year with close to a half-billion-dollar Federal investment in ongoing projects which, generally speaking, are matched equally by local sources. For the \$174 million available this year for new projects, we can foresee a demand in submitted applications for at least twice the amount available. It will require careful evaluation to select those worthwhile projects which can be funded this year. As another example, our reassessment of the program shows that a more meaningful structuring of our research and demonstration programs is needed. Over the past several years, a number of useful demonstrations and studies have been made. However, at no time have the personnel resources of this program been sufficient to permit the translation of the results of these studies and demonstrations into new phases of corrective actions.

Even the requested staffing level of 84 positions is believed to be the bare minimum that will permit us to develop a program which will provide effective Federal leadership in meeting urban mass transportation needs. The Federal Government has indicated its willingness to assist in combating these challenges by investing program funds to assist State and local governments. A failure to assure that adequate and appropriate personnel are available to safeguard these investments will create not only waste and misallocation of resources but will permit an urgent need to go unanswered.

I have appreciated this opportunity to briefly outline the problem and will be pleased to cover any details of our request or of our program you may wish to explore.

Mr. BOLAND. We shall insert pages 5, 6, 7, 8, and 9 of the justifications at this point in the record.

(Pages referred to follow:)

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Personnel compensation:			
11.1 Permanent positions.....	505	879	374
11.5 Other personnel compensation.....		10	10
Total personnel compensation.....	505	889	384
12.0 Personnel benefits.....	39	66	27
21.0 Travel and transportation of persons.....	45	60	15
22.0 Transportation of things.....		4	4
23.0 Rent, communications, and utilities.....	8	27	19
24.0 Printing and reproduction.....	17	30	13
25.1 Other services.....			
25.2 Services of other agencies.....	85	200	115
26.0 Supplies and materials.....	4	7	3
31.0 Equipment.....		85	85
99.0 Total obligations.....	703	1,368	665

PERSONNEL SUMMARY

	1967 actual	1968 estimate	1969 estimate
Average GS grade.....			11.2
Average GS salary.....			13,850

DETAIL PERMANENT POSITIONS

	1969 actual presently available	1969 estimate revised estimate	1969 estimate proposed supplemental
GRADES AND RANGES			
Executive level III, \$29,500.....	1	1	
GS-17, \$26,264 to \$29,764.....	1	2	1
GS-16, \$22,835 to \$28,923.....	2	2	
GS-15, \$19,780 to \$25,711.....	4	15	11
GS-14, \$16,946 to \$22,031.....	6	15	9
GS-13, \$14,409 to \$18,729.....	3	11	8
GS-12, \$12,174 to \$15,828.....	4	6	2
GS-11, \$10,203 to \$13,268.....	2	4	2
GS-10, \$9,297 to \$12,087.....	1	1	1
GS-9, \$8,462 to \$11,000.....	4	1	-3
GS-8, \$7,699 to \$10,012.....		4	4
GS-7, \$6,981 to \$9,078.....	5	8	3
GS-6, \$6,321 to \$8,221.....	1	7	6
GS-5, \$5,732 to \$7,456.....	2	3	1
GS-4, \$5,145 to \$6,684.....	4	4	
Total.....	39	84	45
HIGHER LEVEL POSITIONS			
Executive level III, \$29,500: Administrator.....	1	1	
GS-17, \$26,264 to \$29,764: Assistant Administrator.....	1	2	1
GS-16, \$22,835 to \$28,923: Assistant Administrator.....	1	1	
Division Chief.....	1	1	

JUSTIFICATION FOR SUPPLEMENTAL APPROPRIATION

The proposed supplemental appropriation would increase funds available to the Urban Mass Transportation Administration for administrative expenses from the currently available \$703,000 to \$1,368,000. This supplemental appropriation would not add to the Federal budget either obligations or expenditures, for the additional funds for administrative expenses would be derived by transfer from the appropriation urban mass transportation fund.

Reorganization Plan No. 2 of 1968 established the Urban Mass Transportation Administration as a component of the Department of Transportation. Most of the functions and responsibilities contained in the Urban Mass Transportation Act of 1964, as amended, were assigned to it on July 1, and 38 of the 46 employees that were directly involved in the program when it was administered by the Department of Housing and Urban Development were transferred on that date to the Urban Mass Transportation Administration. This Administration is assigned the primary Federal responsibility of assisting cities in meeting their public transportation requirements.

It is clear that this mission relates to some of the most serious and critical issues facing our cities today. Public mass transportation is often essential to the life of the city dweller, but more importantly, it is also essential to the life of the city itself. We know, for instance, that our major central cities—our seats of government, our cities of finance, industry, and education—cannot hope to survive without effective mass transportation and distribution systems.

It is equally clear that the Urban Mass Transportation Administration, as it is currently staffed, is ill-equipped to meet these challenges. American cities need Federal funds to assist them in meeting their urban transportation needs, but if those funds are to be used wisely and to best advantage, they also need Federal advice and guidance from professionals knowledgeable in the field of urban transportation.

Given the size of the existing staff, it is not possible to provide applicants more than superficial advice and guidance or to perform more than a casual review of proposed projects. It is not an overstatement to say that currently the Federal grant funds are being poorly utilized due to the critical manpower shortage in the Urban Mass Transportation Administration. In fact, audits performed by HUD on the internal operations of the program when it resided in HUD, indicate that this is the case.

Not only is additional staff both in Washington and in the field needed to provide applicants with a greater degree of professional assistance, increased staff is required also merely to process those applications that are received. In the last several months activity and interest in public transportation at the State and local level has increased greatly, and this increase is reflected in a doubling of the workload of the agency. With current staff, project review, and surveillance of on-going projects is already severely hampered, and there is no likelihood that future demands can be met without significant staff additions.

Finally, with the creation of the Urban Mass Transportation Administration as a major program unit, urgent requirements must be met to provide staff resources to develop a policy direction for the program and to develop a research capability. If the grant program is to realize its full potential, it must be transformed from a primarily passive role to a more aggressive one of guiding and hastening the development of efficient urban mass transportation systems. Staff resources in program planning and research are necessary if this change is to occur.

The requested supplemental authority will provide the first phase of a staffing increase to create an organization which can provide positive constructive Federal leadership in urban mass transportation. The request has been reduced to the minimum level of staffing which can be accomplished in fiscal year 1969. Additional staffing increases will be requested for future years.

Mr. BOLAND. Thank you.

Does the supplemental request indicate that the Transportation Department plans to spend more money in administering the urban mass transportation program than HUD required? If so, how much would be involved?

Mr. SUTTON. As I recall it, in their request for appropriations last year, for 1969, the Department of Housing and Urban Development requested 81 positions. We have in effect reevaluated this and found that we will require in 1969 some 84 positions, which is slightly higher than the request HUD initially made. So we are requesting an increase above those levels which were provided in the Department of Housing and Urban Development.

Mr. BOLAND. With the great need for program money in mass transportation in the cities you have indicated, and there will be more needs than the \$175 million provided in this fiscal year will fund, perhaps that twice that amount of money would fund, why do you propose to take the administrative costs out of the sums provided for these programs?

Mr. SITTON. Mr. Chairman, we believe that in view of the constraints on the budget and the needs of the program that by transferring program funds and maintaining the same level of total expenditures that we, in effect, can provide for better administration of the program and that will be translated into more efficient use of the funds that are available for the program.

Mr. MINSHALL. I notice in your justifications, Mr. Sitton, that the biggest request in the supplemental is for grade 15's, for which the salary goes from \$19,780 to \$25,711.

Where are you going to get these people and how will they be used?

Mr. SITTON. We have already had substantial inquiries from people in other agencies who have been concerned with the urban problems—engineers, people from the Department of Housing and Urban Affairs, and others who have followed our program.

Within the levels provided I anticipate no trouble in providing good people who can augment our staff.

Mr. MINSHALL. You need highly trained people for this job. Are you picking them up from other departments of Government?

Mr. SITTON. Those are some of the applications. We have also talked to many people in the cities. Many of those contacted have indicated an interest in the program.

I think one of the things we need to do is to build up our staff of engineers and others who can provide for more adequate review of the on-going programs.

Mr. MINSHALL. How many applications do you have for these jobs?

Mr. SITTON. I think pending on my own desk at this time I have about 12, but this is not complete.

I shall be glad to provide a list of them for the record if you would like.

(The following information was supplied:)

The Urban Mass Transportation Administration has received over 200 unsolicited applications for employment from individuals with the skills we need: urban planners, engineers, operation research, etc. In addition the Office of the Secretary in the past 2 years has received over 14,000 applications of which approximately 600 possess the skills in which we have need. The number of such applications on file with the Civil Service Commission is not known by us.

Mr. MINSHALL. How does word get around that you have job vacancies like this?

Mr. SITTON. People do not know whether there are job vacancies but they are interested in the program. They come in and volunteer, and the Civil Service Commission refers names to us.

There is no indication on our part to these people that we do have jobs available, but there is an expression of an interest in the program.

Mr. BOLAND. Mr. McFall?

Mr. McFALL. What personnel other than those transferred from HUD are currently working on this program?

Mr. SITTON. At this time, Mr. McFall, I have been relying upon some of the Office of the Secretary staff to help meet our needs. We do not have the personnel, and in the administrative side we are providing for reimbursable services from Mr. Dean's area. I am just trying to use the people that I can from time to time to establish task forces. It does not provide a very satisfactory arrangement in terms of getting the job done.

Many of the things we should be doing just have to be put off. It builds up the pressure on things which later on will have to be done.

Mr. McFALL. The justification on page 9 indicates additional staffing will be requested in future years. What are your plans here?

Mr. SITTON. I will make it clear for the committee, Mr. McFall, that I feel the needs of this program require additional staffing.

At this time I am not prepared to say what these requirements will be. I believe that in time we can find the people we need. I do not feel that any additional positions beyond what we have requested could be usefully put to work now.

Mr. McFALL. Why do you require a separate field organization?

Mr. SITTON. One of the major problems we have is this: We have widely scattered projects. Many of our projects have not even been visited by members of the staff for on-site review.

Secondly, we have the coordination with the field staffs of the Department of Housing and Urban Development as they get into total urban development programs, and working with the Federal Highway Administration at the field level.

Mr. McFALL. HUD did not have one apparently. Is it because they were not doing the job? Why the difference?

Mr. SITTON. As I recall it, and Mr. Hurd was in the program, the Department of Housing and Urban Development had its own field structure. I believe at that time the policy of the agency was to rely on the field structure of the Department of Housing and Urban Development. Department of Transportation does not have a departmental field structure. The individual agencies in the Department do have field operations.

Mr. DEAN. I think the committee should take into account that for 2 years this program has been in limbo in the sense that the Department of Transportation Act contemplated a study by the two Secretaries. Therefore the management of HUD rather deliberately and very prudently did not undertake to move forward a program which was only put into its present form in 1964 by such things as the establishment of a field organization. They were waiting for the outcome of the decision which the President eventually made on the location of the program.

For the same reason the staffing of the program was not aggressively pushed because again no one was quite sure who would be responsible.

Having had the chance to observe quite a few programs in action I can simply say that this one is the most badly starved and emaciated in the entire Department of Transportation and perhaps in the Federal Government.

Sometimes we come to get flesh on the bones of a program. We are trying now to get a few bones to support the program.

The reason we are proposing the transfer of program funds is that to have \$175 million a year in money involving extremely complicated

projects in relation to cities and planning authorities, and to try to do it with 37 or so people in Washington, is simply not prudently taking charge of the money Congress provides.

This is a very limited initial step to permit the Department to do the kinds of things Congress had in mind when it went along un-animously with the transfer of this program.

Mr. MINSHALL. How many fieldmen are your requesting, eight?

Mr. SITTON. Yes.

Mr. MINSHALL. Why couldn't they work out of Washington?

Mr. SITTON. These are continuing projects. We have a lot of requests for applications from small cities, for example, where bus operations need to be looked at.

Mr. MINSHALL. Couldn't that be taken care of from Washington?

Mr. SITTON. It is much better to have people who are familiar with what is going on in the region, to be familiar with what the operating problems are, the management of the systems and to be able to work with the people in the cities to tell them about the program.

Mr. McFALL. Where will they be located?

Mr. SITTON. I will give you an example of the areas where we need a staff.

Mr. BOLAND. But you asked for four regional directors here. Where will they be?

Mr. SITTON. My tentative determination is that I would like to locate one in San Francisco to cover the western coast, one in Chicago to take care of the heavy workload in the midwestern area, one in the New York area to take care of that area of the Northeast, and one perhaps in Atlanta, or perhaps another location in the Southeast or the South to cover those areas.

Mr. BOLAND. What is the GS rating of the field director?

Mr. SITTON. GS-15.

Mr. McFALL. If your request is granted by Congress when will the additional personnel be hired?

Mr. SITTON. I will proceed immediately.

Mr. McFALL. And you have enough applications on hand in order to accomplish your purpose?

Mr. SITTON. I do, sir.

Mr. McFALL. You have 38 personnel now and are requesting 45 additional, an increase of about 120 percent.

Would not a smaller increase or no increase be appropriate until we know what kind of UMT program will be provided in the 1970 budget and perhaps with a new administration?

Mr. SITTON. One of the difficulties is this: take the research area, for example. HUD has carried on a substantial research program in the last 4 years. It ended up in a major series of reports which have been issued.

I do not have the staff at this time to be able to take the information that is available and translate it into meaningful projects or demonstrations to go forward with the funds we have available. We hardly have time to read these reports, and I feel very strongly something should be done about this.

We have the research resources to use on them but I think it would be imprudent not to have adequate technical staff to translate the experience we have gained into meaningful projects.

Mr. McFALL. You say essentially what Mr. Dean says—that we are spending a lot of money and not getting enough return from it because we do not have sufficient administrative staff to utilize this information.

Mr. SITTON. I would not say we are not getting any return but I feel we can increase the return.

Mr. DEAN. The record also should show that the 1970 appropriations for this program, or at least \$175 million of such appropriations, already have been enacted. There is an advance funding arrangement.

Therefore we are talking about how to be able to use prudently money that the Congress already has provided.

Mr. McFALL. Where within the Department is the function of auditing placed?

Mr. SITTON. Internal and external auditing?

Mr. McFALL. Internal.

Mr. SITTON. Internal auditing is the responsibility assigned to Mr. Dean's operation. He provides the services for it.

Mr. McFALL. Why do you need an Assistant Administrator for Public Affairs, as described on page 21?

Mr. SITTON. We have several responsibilities under this function, Mr. McFall. One is to provide assistance in answering requests from Congressmen in trying to get the industry problems channeled into one place so we can deal with them, and also dealing with the State and local governments on an organized basis.

I think it is important that the States and local governments have a place where they can come and talk about these problems in terms of urban transportation, and because of the interest which has been shown in this program over the past year and the reorganization plan we constantly have delegations coming in to learn about the programs. I would like to deal with them on an organized basis.

Mr. McFALL. HUD did not have one; did they?

Mr. SITTON. I believe that was handled at the departmental level.

Mr. HURD. These were provided in the Office of the Assistant Secretary for Metropolitan Development.

Mr. McFALL. You are requesting \$665,000 for 45 additional positions. How much of the sum is for personal services and how much for travel and other expenses?

Mr. SITTON. I have a record here I would like to put into the record. On page 5 of the justifications it shows we are putting in \$889,000. The remainder of the \$1,368,000 is going into other services.

On the proposed supplemental, \$384,000 will go into personal compensation, with the remainder going into other services.

Mr. McFALL. How many man-years of effort are you requesting for fiscal year 1969? Do you have that?

Mr. SITTON. I shall provide the figure.

(Information requested follows:)

The average man-years anticipated are 61.5.

Mr. McFALL. Why are comparable GS salaries and grades for fiscal years 1967 and 1968 not reflected on page 6?

Mr. SITTON. I do not know why they are not there, Mr. McFall. I shall have those placed in the record.

(Information referred to follows:)

The submitted personnel summary does not indicate an average GS salary or GS grade for 1967 and 1968. These columns were not completed as the only data relevant to this function are aggregated in the Salaries and Expenses Accounts for Metropolitan Development, Administrative Operations Fund, and Office of the Secretary, HUD. The transferred positions from HUD to the Urban Mass Transportation Administration had an average GS grade of 10.6 and an average GS salary of \$12,486. If it were possible to adjust these for those levels aggregated in the HUD accounts it would be nearer or exceed the requested levels.

Mr. BOLAND. This program is forward funded by a year. You have \$175 million for fiscal 1969 and \$175 million for fiscal 1970.

Mr. SITTON. Yes, sir.

Mr. BOLAND. We appreciate your appearance and that of your staff here today. I will say that this is a program that is a difficult program. I think everyone recognizes this. It is a terribly important one. Much must be accomplished or we are going to choke our major cities to death. It is a program where an awful lot of money is going to be spent. Much has been spent already, as you have indicated; maybe half a billion dollars in grants by the Federal Government already, and a like sum by the communities. It is a program where many billions will be eventually spent. It is a program that deserves to be looked at very hard. Some of the programs have not set well with some Members of the Congress. I noted that when the independent offices bill was on the Senate floor there was considerable discussion of some of the programs that the Department was engaged in, that is, HUD was engaged in.

You come to this task now free and unfettered, the Department itself does. It is now your obligation, your responsibility. Mr. Minshall and I sat as members of the Independent Offices Subcommittee which considered the HUD budget for years. This program is one which received considerable consideration by that subcommittee. Oftentimes, there was criticism within that subcommittee of some of the programs that were entered into by the Department.

So now that the Department of Transportation has it, you are starting off relatively free, as I say, from some of the pressures that must descend upon this kind of an operation from a great many directions. It is the hope of this committee, and I am sure this is the attitude of you and your staff, that this program will be looked at very carefully, and that the grants-in-aid that will be made and the money spent on this program otherwise, will be carefully supervised. This committee intends to follow this program very, very closely. I know that with the background that you have had and with the assistance that I am sure you have in the able staff assisting you in this area, that we ought to move this program ahead a little bit more rapidly and perhaps with some fine results.

This is not to say that we are critical of the Department of Housing and Urban Development for its activities, because it was a relatively new program to that Department, too, and a very difficult program.

Again, I emphasize that it is the hope of this committee, and the expectation, that under your leadership we can advance more rapidly and with some very sound programs.

Mr. Minshall?

Mr. MINSHALL. I concur with everything you say, Mr. Chairman. I certainly believe we should give this program a very careful look, and I assure you we will.

Mr. SITTON. Thank you very much.

Mr. BOLAND. Thank you very much, Mr. Sitton, and thank you, gentlemen, for your appearance here today.

We will take this matter under advisement. That completes the hearing. The committee will stand adjourned until further notice.

TREASURY DEPARTMENT

(The following justification material was submitted in support of the supplemental appropriation requests for the Treasury Department:)

BUREAU OF ACCOUNTS

OBJECT CLASSIFICATION

(In thousands of dollars)

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Personnel compensation:			
11.1 Permanent positions.....	9,116	9,192	76
11.3 Positions other than permanent.....	739	739	-----
11.5 Other personnel compensation.....	169	169	-----
11.8 Special personal service payments.....	-5	-5	-----
Total personnel compensation.....	10,020	10,096	76
12.1 Personnel benefits, civilian employees.....	787	793	6
21.0 Travel and transportation of persons.....	64	101	37
22.0 Transportation of things.....	55	55	-----
23.0 Rent, communications, and utilities.....	26,741	26,741	-----
24.0 Printing and reproduction.....	1,103	1,103	-----
25.1 Other services.....	2,698	2,698	-----
26.0 Supplies and materials.....	1,513	1,513	-----
31.0 Equipment.....	312	2,071	1,759
Total costs, funded.....	43,293	45,171	1,878
94.0 Change in selected resources.....	99	99	-----
99.0 Total obligations.....	43,392	45,270	1,878

PERSONNEL SUMMARY

	1967 actual	1968 actual	1969 estimate
Total number of permanent positions.....	1,326	1,359	1,423
Full-time equivalent of other positions.....	106	136	198
Average number of all employees.....	1,322	1,357	1,432
Average GS grade.....	5.3	5.4	5.5
Average GS salary.....	\$6,573	\$6,843	\$7,252
Average salary of ungraded positions.....	\$3,692	\$3,947	\$3,947

PROGRAM AND FINANCING

[In thousands of dollars]

	1968 presently available	1969 revised estimate	1969 proposed supplemental
Program by activities:			
Operating costs:			
1. Central disbursing operations:			
(a) Processing costs.....	12,301	12,420	119
(b) Postage.....	25,246	25,246	
(c) Total central disbursing operations.....	37,547	37,666	119
2. Federal tax deposit operations:			
(a) Processing costs.....	2,557	2,557	
(b) Postage.....	929	929	
(c) Total Federal tax deposit operations.....	3,485	3,485	
3. Financial reporting and maintenance of the Government's central accounts.....	1,469	1,469	
4. Accounting and reporting development and audit.....	430	430	
5. Banking, investment, international claims, and other services.....	654	654	
6. Executive direction.....	152	152	
Total operating costs.....	43,736	43,855	119
Unfunded adjustments to total operating costs:			
Depreciation included above (-).....	-723	-723	
Total operating costs, funded.....	43,014	43,133	119
Capital outlay.....	279	2,038	1,759
Total program costs, funded.....	43,293	45,171	1,878
Change in selected resources ¹	99	99	
Total obligations.....	43,392	45,270	1,878
Financing:			
Budget authority.....	43,392	45,270	1,878
Budget authority:			
Appropriation.....	42,999	44,877	1,878
Proposed supplemental for civilian pay act increases.....	394	394	
Relation of obligations to outlays:			
Obligations incurred, net.....	43,392	45,270	1,878
Obligated balance, start of year.....	9,586	9,586	
Obligated balance, end of year (-).....	-7,763	-9,183	-1,420
Outlays, excluding pay increase supplemental.....	44,837	45,295	458
Outlays from civilian pay act supplemental.....	378	378	
¹ Selected resources as of June 30 are as follows:		1968	1969
Stores.....		931	1,026
Undelivered orders.....		1,027	1,027
Accrued leave (-).....		-958	-954
Total selected resources.....		1,000	1,099

A supplemental appropriation of \$1,878,000 is needed for fiscal year 1969, almost entirely for the purpose of investment in equipment. In fiscal 1960, when we initiated our first computerized system, it was confined to disbursing operations. Less than 285 million items were produced in that year in the entire disbursing function. Within the 10-year period since then, we have extended our computers for economical application to a variety of other functions. Disbursement output alone has risen to the 1969 level of 460 million items. The production of Federal tax deposit documents has added another workload of over 76 million items. All told, today's output is virtually double that of 1960.

Our program for acquiring computer equipment by outright purchase, rather than lease, was commenced in fiscal 1962, with the approval of the Congress. This equipment is now almost entirely fully depreciated in the financial sense. Many of the pieces of peripheral equipment, the punches and the printers, are wearing out physically. Hence, the discussions about our appropriation requests during the past 2 years have included references to our planned program for

gradually acquiring additional computer systems over a 5-year period, to begin in fiscal 1970. We have been moving ahead with those plans and are presently consulting with several manufacturers, looking to proposals from them for new systems which we will need in two of our disbursing centers in the first phase of the 5-year program.

The present workload situation necessitates a slight acceleration in these equipment plans. Part of what we had planned to be funded for 1970 needs to be ordered during the current fiscal year 1969, so as to meet urgent operating needs a few months earlier than originally planned. This amounts to \$1,759,000 for equipment.

This initial phase of our equipment planning relates to two disbursing centers. Philadelphia is one of them where we need additional equipment for the growing workload which was higher than anticipated previously. The second relates to the Veterans' Administration Data Processing Center in Austin. With the centralization of the accounting and management data systems by the VA, we now expect a disbursement workload there of over 80 million items a year. Therefore, it is essential that we provide modern equipment for our disbursing operations.

The remainder of \$119,000 in this supplemental request covers our staffing needs for the disbursing operations; \$82,000 covers 35 employees, which will equate to only 10 man-years; a total of \$37,000 is estimated for travel and moving expenses in this undertaking.

When this request is approved, we will be able to improve our equipment situation in Philadelphia and take care of the disbursing service requirements for the Veterans' Administration.

FISCAL SERVICE—BUREAU OF ACCOUNTS

SALARIES AND EXPENSES

JUSTIFICATION FOR SUPPLEMENTAL REQUIREMENTS, FISCAL YEAR 1969

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This initial phase of our equipment planning relates to two disbursing centers. Philadelphia is one of them where we need additional equipment for the growing workload. The second relates to the fact that the Veterans' Administration, on February 23, 1968, notified us that they are engaged in a far-reaching program for centralizing the accounting and management data systems for all their programs in a data processing center, which is located in Austin, Tex. They plan to bring the entire compensation and pension program for veterans into that data processing center, beginning at the outset of fiscal 1970. When completed, their centralized system will also embrace their veterans education assistance,

insurance, and medical programs, their entire payroll and administrative accounts—all involving for us a disbursement workload of over 80 million items a year.

It is therefore essential that we have a disbursing center adjacent to the VA data processing center in Austin. We look to this as one of the most modern and efficient combinations of agency program and Treasury disbursing operations in the Government.

The remainder of \$119,000 in this supplemental request covers our needs during the latter part of fiscal 1969 in the initial staffing of the Austin disbursing center. We expect to have 35 employees on board by July 1, 1969, which will equate to only 10 man-years at a cost of \$82,000. A total of \$37,000 is estimated for travel and moving expenses in this undertaking.

The additional disbursing center in Austin, aside from the paramount need for efficient service for veterans programs, will give us added flexibility and an overall increase in total resources needed for all Government-wide programs. We will, accordingly, be redistributing a number of activities among our computerized disbursing centers, including the issuance of tax refund checks, the production of Federal tax deposit documents and disbursements for various agencies located in that general area of the country.

The chief disbursing officer and key members of our staff are currently devoting considerable effort to all the foregoing planning, particularly for the Austin disbursing center, coordinate with the Veterans' Administration's program planning. We are looking forward to this as a milestone in the integration and quality of the various financial services required, with particular regard for the several veterans programs.

INTERNAL REVENUE SERVICE

COMPLIANCE

OBJECT CLASSIFICATION

[In thousands of dollars]

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Personnel compensation:			
11.1 Permanent positions.....	419,847	420,892	1,045
11.3 Positions other than permanent.....	3,994	3,994	
11.5 Other personnel compensation.....	3,708	3,894	186
11.8 Special personal service payments.....	610	610	
Total personnel compensation.....	428,159	429,390	1,231
12.0 Personnel benefits.....	34,385	34,466	81
21.0 Travel and transportation of persons.....	18,847	18,951	104
22.0 Transportation of things.....	2,244	2,245	1
23.0 Rent, communication, and utilities.....	16,022	16,090	68
24.0 Printing and reproduction.....	10,325	10,325	
25.1 Other services.....	6,028	6,067	39
26.0 Supplies and materials.....	4,494	4,495	1
31.0 Equipment.....	4,030	4,080	50
42.0 Insurance claims and indemnities.....	116	116	
99.0 Total obligations.....	524,650	526,225	1,575

PERSONNEL SUMMARY

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Total number of permanent positions.....	45,748	45,917	169
Full-time equivalent of other positions.....	988	988	
Average number of all employees.....	42,341	42,454	113
Average GS grade.....	9.1	9.1	
Average GS salary.....	\$10,574	\$10,569	
Average salary of ungraded positions.....	\$6,281	\$6,281	

PROGRAM AND FINANCING
[In thousands of dollars]

	1969 presently available	1969 revised estimate	1969 proposed supplemental
Program by activities:			
1. Audit of tax returns.....	\$289,265	\$289,265	
2. Collection of delinquent accounts and securing delinquent returns.....	122,899	122,899	
3. Tax fraud and special investigations.....	39,969	39,969	
4. Alcohol and tobacco tax regulation and enforcement.....	39,865	41,440	1,575
5. Taxpayer conferences and appeals.....	26,370	26,370	
6. Technical rulings and services.....	10,690	10,690	
7. Legal services.....	19,252	19,252	
Total program costs, funded.....	548,310	549,885	1,575
Supplemental required for pay increases.....	-23,660	-23,660	
Total obligations.....	524,650	526,225	1,575
Financing:			
New obligational authority.....	1 524,650	1 526,225	1,575
Relation of obligations to expenditure:			
Total obligations (effecting expenditures).....	524,650	526,225	1,575
Obligated balance, start of year.....	25,175	25,175	
Obligated balance, end of year.....	-28,273	-28,329	-56
Expenditures.....	521,552	523,071	1,519

¹ Does not include reserve of \$16,850,000 under Revenue and Expenditure and Control Act of 1968.

GENERAL STATEMENT OF THE COMMISSIONER OF INTERNAL REVENUE

Mr. Chairman and committee members, I am happy to be with you today to present the Internal Revenue Service's request for additional resources to implement the firearms control provisions of the Omnibus Crime Control and Safe Streets Act of 1968 (P.L. 90351). Title IV of the new law, which will become effective on December 16, 1968, places three major responsibilities upon the Internal Revenue Service's Alcohol and Tobacco Tax Division. The first of these is administration of the licensing of manufacturers, importers and dealers in firearms and ammunition. We estimate that approximately 75,000 current and prospective dealers, manufacturers, and importers will file applications during the year. Our request calls for 49 positions that will average 33 man-years of employment and \$299,000 simply to examine and process applications during fiscal 1969.

A&T's second prime responsibility is to enforce the restrictions which the legislation places upon the sale and purchase of firearms. The task of enforcement is twofold. First, it requires the investigation prior to issuance of licenses of those applicants who by reputation, past experience, or other evidence appear questionable at best and undesirable at worst. This is an essential step to insure that those who Congress meant to exclude from the legal and proper commerce in firearms are identified and denied licenses. The second enforcement function is to inspect the business records and business practices of dealers who have received licenses so that the country can be assured that they are operating within the law. In 1969, we are requesting 120 investigator positions that will average 80 man-years and cost 1.276 million dollars for the investigation of applicants and the inspection of licensees.

The third major responsibility under this new law is the compilation, publication, and annual revision of a list of state and local ordinances on firearms control. Title IV requires that each dealer, manufacturer, and importer be notified as to the various state and local firearms regulations through the publication and distribution of such a list. The final product will run 1,000 pages or more and require approximately 200,000 copies. We estimate that this monumental job will cost Internal Revenue Service \$250,000 per year in printing costs, exclusive of those borne by the Government Printing Office. Furthermore, we expect that it will take an additional 21 man-years just to keep up with this yearly task. For FY 1969, however, because of the urgency of our December 16 deadline and the necessity to publish the ordinance list well before that date, we have gone ahead and diverted money and manpower from other

important needs to cover this year's requirement: We are not including anything in our supplemental request for the ordinance work.

To sum up, we are requesting in Fiscal Year 1969 a total of 1.575 million dollars and 169 positions that will average 113 man-years to carry out the provisions of Title IV of the Omnibus Crime Control and Safe Streets Act of 1968. Unless this request is granted, the Revenue Service will be forced to place a severe strain on current programs which are already suffering under the constraints imposed by the Revenue and Expenditure Control Act of 1968. Such strain will inevitably create complications and possibly delays in the effective administration of our new firearms responsibilities. Any delay in the issuance of new licenses would almost certainly create inconvenience and confusion among the great majority of law abiding firearms dealers, manufacturers and importers. More serious and potentially tragic is the possibility that poorly funded and poorly supported enforcement efforts could lead to licenses falling into undesirable hands. To avoid any such possibility and to continue the spirit of grave concern for public safety which generated P.L. 90-351, I earnestly and respectfully ask your approval of this supplemental request.

NARRATIVE JUSTIFICATION FOR FISCAL YEAR 1969 SUPPLEMENTAL ESTIMATES
FOR ALCOHOL AND TOBACCO TAX ACTIVITY

Title IV of the Omnibus Crime Control and Safe Streets Act of 1968 (Public Law 90-351) places major new responsibilities upon the Internal Revenue's Alcohol and Tobacco Tax (A. & T.T.) Division in the area of firearms control. Since title IV will become effective on December 16, 1968, the Internal Revenue Service will need supplemental resources in fiscal year 1969 to implement this legislation.

In relation to manpower and financial resources, the major provisions of title IV are those that require (1) the licensing of manufacturers, importers, and dealers in firearms and ammunition, (2) the enforcement of restrictions on the sale and purchase of firearms, and (3) the compilation, publication, and annual revision of a list of State and local ordinances on firearms control.

We estimate that administration of the licensing and enforcement provisions of title IV will take a total of 352 man-years on a full year basis. Of this total, 49 are necessary to process the new type of license applications. The Service expects current and prospective dealers to file roughly 75,000 applications during the year.

The remaining 303 man-years represent investigators necessary to check questionable applicants prior to issuance of licenses, and to conduct full-scale inspections of the records and business practices of dealers who have received licenses. If against this 303, we offset the 68 man-years formerly devoted to firearms inspections under the old law, the Service needs 235 additional investigative man-years. The net full-year needs for licensing and inspection would then be 49 plus 235, or 284. For the work that must be done in the partial year of fiscal year 1969, the requirements will be 113 man-years and \$1,575 million.

Assuming that we will (1) maintain our commitment to Operation Dry-Up in the southeast region and (2) continue to investigate criminal violations of the firearms laws (such as the DePugh and Rap Brown cases) at least at the same rate as in fiscal year 1968, then A. & T.T. cannot possibly handle its new enforcement responsibilities under title IV without eliminating nearly two-thirds of its work on illicit liquor in the remaining regions. This would be a most unsatisfactory state of affairs and as a practical matter we will be required to detail a significant portion of our intelligence special agent work force to alcohol and tobacco tax firearms work. This move would be unfortunate in the light of the increased use of strike forces as part of the organized crime drive program, but it would make it possible to eliminate only one-third of work on illicit liquor in the regions outside southeast. Neither is this a good alternative, but it is the best Internal Revenue Service can do under the circumstances. Thus we must request supplemental resources for the Service in fiscal year 1969.

In summary we are making the following request:

Please include in any supplemental appropriation request for Fiscal Year 1969 \$1,575 million to cover the 113 additional man-years required to investigate applicants for licenses and conduct full-scale inspections of the records and business applications of dealers who have received licenses.

No additional supplemental request is being made to defray the fiscal year 1969 cost of compiling, printing and distributing the State and local firearms ordinances. Because of the time constraints this year Internal Revenue Service is using funds allocated for other purposes in an already tight appropriation to cover the costs associated with the printing job. No request is being made in fiscal year 1969 for any man-years to maintain the list of local ordinances.

The attached table reflects the utilization of the additional man-years required for the firearms control in fiscal years 1969 and 1970.

ALCOHOL AND TOBACCO TAX DIVISION

Additional resource requirements for firearms control

[Amounts in thousands]

	Fiscal year 1969		Fiscal year 1970	
	Man-years	Amount	Man-years	Amount
Processing license applications:				
Application examiners.....	25	\$241	37	\$356
Clerks.....	8	58	12	88
Subtotal.....	33	299	49	444
Investigating applicants and inspecting licensees: Investigators.....				
	80	1,276	235	3,715
Maintaining list of local ordinances:				
Investigators.....			7	111
Clerks.....			14	138
Printing.....				250
Subtotal.....			21	499
Total.....	113	1,575	305	4,658

EISENHOWER COLLEGE GRANTS

JUSTIFICATION

The legislation providing a grant to the Eisenhower College was approved by the Congress and the President as a living memorial to former President Eisenhower. This will provide the college, in Seneca Falls, N.Y., with the means to construct and repair educational facilities and equipment. It was felt that the concept of a living memorial would be more effectively advanced if funds were not made available for operational expenses of the college.

The proposed appropriation will provide for Federal grants to match gifts and other voluntary donations made to the college.

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