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INDEPENDENT OFFICES AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT APPROPRIATIONS FOR 1969

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON INDEPENDENT OFFICES AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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G. HOMER SKARIN, *Staff Assistant to the Subcommittee*

PART 3

Department of Housing and Urban Development Testimony of Members of Congress and Other Interested Individuals and Organizations

Printed for the use of the Committee on Appropriations

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92-792 WASHINGTON : 1968

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INDEPENDENT OFFICES AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT APPROPRIATIONS FOR 1969

MONDAY, MARCH 18, 1968.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STATEMENT OF THE SECRETARY

WITNESSES

HON. ROBERT C. WEAVER, SECRETARY
ROBERT C. WOOD, UNDER SECRETARY
PHILIP N. BROWNSTEIN, ASSISTANT SECRETARY FOR MORTGAGE CREDIT AND FEDERAL HOUSING COMMISSIONER
RAYMOND H. LAPIN, PRESIDENT OF FEDERAL NATIONAL MORTGAGE ASSOCIATION
DON HUMMEL, ASSISTANT SECRETARY FOR RENEWAL AND HOUSING ASSISTANCE
CHARLES M. HAAR, ASSISTANT SECRETARY FOR METROPOLITAN DEVELOPMENT
H. RALPH TAYLOR, ASSISTANT SECRETARY FOR DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS
DWIGHT A. INK, ASSISTANT SECRETARY FOR ADMINISTRATION
THOMAS C. McGRATH, JR., GENERAL COUNSEL
ASHLEY A. FOARD, DEPUTY GENERAL COUNSEL
WILLIAM B. ROSS, DEPUTY UNDER SECRETARY FOR POLICY ANALYSIS AND PROGRAM EVALUATION
THOMAS F. ROGERS, DIRECTOR, OFFICE OF URBAN TECHNOLOGY AND RESEARCH
L. EDWARD LASHMAN, ASSISTANT TO THE SECRETARY FOR CONGRESSIONAL SERVICES
JOHN M. FRANTZ, DEPARTMENTAL BUDGET OFFICER
NATHANIEL J. EISEMAN, DEPUTY DEPARTMENTAL BUDGET OFFICER

Mr. EVINS. The committee will come to order.

We have with us this morning our friends of the Department of Housing and Urban Development, headed by Dr. Robert C. Weaver and his Under Secretary, Dr. Robert C. Wood.

We also have Mr. Philip Brownstein, Assistant Secretary for Mortgage Credit, and Federal Housing Commissioner, an able Assistant Secretary; Mr. Raymond H. Lapin, President of the Federal National Mortgage Association. He is the biggest banker in the country. Mr. Don Hummel, former mayor, Assistant Secretary for Renewal and Housing Assistance; Mr. Charles M. Haar, Assistant Secretary for Metropolitan Development; Mr. H. Ralph Taylor, Assistant Secretary for Demonstrations and Intergovernmental Relations, the popular model cities program; Mr. Dwight A. Ink, Assistant Secretary for Ad-

ministration; Mr. Thomas C. McGrath, Jr., General Counsel, a former colleague. He ought to advise you well. Mr. Ashley A. Foard is Deputy General Counsel; Mr. William B. Ross, Deputy Under Secretary for Policy Analysis and Program Evaluation; Mr. Thomas F. Rogers, Director of the Office of Urban Technology and Research; Col. L. Edward Lashman, Assistant to the Secretary for Congressional Services. We see him around occasionally, a good man; Mr. John M. Frantz, departmental budget officer. He has all the figures. Mr. Nathaniel J. Eiseman, deputy departmental budget officer.

This is a very distinguished group of administrators, Mr. Secretary.

Your budget is well prepared. We have looked it over and we commend those who prepared it. We always listen to you with interest and profit.

You may proceed as you wish. We would be glad to hear you at this time.

General Statement

Secretary Weaver. Thank you.

Mr. Chairman and members of the committee, I appreciate your courtesy in affording me the opportunity once more to make some introductory observations as these hearings begin, and to join with my associates and you in a general discussion of our basic plans and problems before you take up your detailed examination of our budget estimates for fiscal year 1969.

I believe the committee is acquainted with all the gentlemen who are with me this morning, except that some of you may not yet have met Mr. Raymond Lapin, the relatively new president of the Federal National Mortgage Association, and Mr. Thomas Rogers, who has joined the Department since our hearings last year as the Director of our very important Office of Urban Technology and Research.

Mr. Chairman, the presentation today of our requests for appropriations and authorizations for next year constitutes the second half of the Department's major effort for which we seek the support of this Congress. I speak of it as "second" only because of the sequence of events. Last week I completed our presentation to the Committee on Banking and Currency of a broad set of legislative proposals, embodied in the proposed Housing and Urban Development Act of 1968. The budget requests before this committee are an equally important part—indeed, an inseparable part—of the President's total approach to meeting the most urgent housing and urban development needs of the Nation in a feasible way and in the foreseeable future. The two sets of legislative proposals are interlocked in many ways: Including the fact that, under our legislative procedures, a number of the budget proposals will not be ready for appropriation action by your committee until Congress has acted further on the underlying authorizations. Therefore, both in order to understand the whole picture and because of purely practical considerations, it is important to view the legislative and appropriations measures proposed by the Department as a whole.

I think most people would feel that the major new thrust in the Department's plans for next year and those immediately following is embodied in the President's 10-year housing goal, as spelled out in his recent message and in our appearances before the legislative committees. In presenting this phase of our plans, I pointed out that it represents a total new effort aimed primarily at achieving a single, specific

and unified national goal—the building and rebuilding in 10 years of enough good housing to permit the replacement of substantially all substandard dwellings. No such program can be achieved solely by financial help to families. It will require construction labor—which means jobs—managerial skills, mortgage funds, developed sites, private initiative, and public vision on new scales of magnitude. Such a broad program must encompass—

New means of encouraging home ownership and the provision of rental and cooperative housing for low and moderate income families.

Assistance to nonprofit sponsors.

Stimulation of limited-dividend sponsorship and development through national housing partnerships.

Expanded access to mortgage funds.

Encouraging the provision of well-planned new communities which include sites for housing low- and moderate-income families.

Extending the programs of assistance for supporting community facilities and services.

Improving the effectiveness of housing rehabilitation.

Stimulating the provisions of low- and moderate-income housing, including sites, through expediting and expanding the urban renewal process.

Assisting the preservation of older neighborhoods.

I would stress to this committee, Mr. Chairman, that there is not one of these elements of this comprehensive approach which is not significantly dependent on actions which you will take in the appropriation measure which you are now considering.

The same is true of the other major areas in which our plans and energies will be concentrated in the coming year: in urban renewal, in model cities, in aids to comprehensive area-wide planning and development, and in our efforts to improve both our understanding and our capabilities through a comprehensive research and development program and through support of State and local programs of training, information, and technical assistance.

A number of important legislative proposals, of course, are entirely new, and I will not extend this statement to describe them here. Let me say, however, that knowing, as I do, the great interest of members of this committee in housing and urban development legislation, I shall be glad to answer any questions you may wish to raise during this general session about our legislative program, even though parts of it will not be before you for action until a later stage in the legislative process.

Before turning to the specific proposals before you, Mr. Chairman, I would like to summarize certain broad purposes or approaches which we have tried to build into this budget, and which I hope the committee will bear in mind as it works upon the estimates:

The budget looks toward continued and increased emphasis on providing housing for low and moderate income people. Thus it recognizes that the unparalleled success of our private economy in providing not only adequate shelter but the materials of relative luxury for an affluent society becomes progressively attenuated as one moves down the income scale through middle to moderate incomes—terms which themselves have no exact or accepted definitions—ending in the grim con-

ditions under which far too many of our urban poor still live. Where once the Federal Government was assumed by many to have no role at all, it is now rather generally accepted doctrine that it has a responsibility which grows greater in rough proportion to the obstacles which confront the private economy in solving problems through its normal mechanisms, and which is therefore greatest in connection with housing people of low and moderate income, where the productive mechanisms of the unaided private market have been least effective. This emphasis can be seen in the proposals for substantial increases in the production of low-rent public hosuing; in the proposal for a major increase in housing aided through the rent supplement program; in the direction and magnitude of efforts in the urban renewal programs; and in the definitions of goals emerging in the model cities program.

The budget seeks to maintain and enlarge the increasing role of private enterprise in the solution of problems of housing and urban development. The Department has never entertained or sponsored the illusion that the immense and immensely complicated problems of our cities can be met by Government alone, or even by programs and activities which are predominantly governmental. It has sought instead to foster the concept of a multilateral partnership involving governmental awareness and responsiveness at all levels—Federal, State and local—combined with the fullest possible enlistment of the financial, productive and managerial skills of the private economy. This necessarily recognizes an appropriate role for legitimate profits, which are the major propellant of the private enterprise system. At the same time, it leaves ample scope for private contribution through an infinite variety of limited profit or nonprofit forms of organization, association, and individual activity. This concept underlies the budget proposals for greatly increased reliance on private enterprise in housing low-income people: through the rent supplement program, the turnkey approaches in public housing, and through a variety of legislative proposals foreshadowed though not detailed in the President's budget. It is reflected as well in the increased reliance on the private market for funds necessary to support the levels of investment required for all these activities: through measures to make the interest rates on Government supported mortgages viable in the market, to substitute private for public credit through a continued program of participation sales, and to make possible the transfer of the secondary market functions of FNMA from public to private ownership and management.

The budget seeks to maintain and to advance the concept of a coordinated and orderly approach to the problems of urban areas as a whole. It is easy to say that these problems cannot effectively be attacked piecemeal, and that a coordinated approach and an overall concept are essential; in our complex and multijurisdictional society with its many overlapping and conflicting motives and interests, it is much more difficult to find practical ways to bring this about. The programs presented in this budget are designed to contribute to this end: through a strengthened program of urban planning assistance; the introduction of areawide development grants; the selective use of grants for water and sewer and for open space; the coordinated planning and execution requirements of the model cities program; and through a number of related efforts to improve the quantity, the quality and the availability of information to those who must make the plans and the decisions.

The budget looks toward a rapid expansion of both activity and capability in bringing to bear modern technology and modern techniques of research and development in the area of housing and urban problems. Increased funding is provided for the research and development program now getting underway pursuant to authorization granted by the Congress last year. The first formal steps are expected to be taken soon toward the establishment of an urban institute, as a nongovernmental agency which will fill an important gap in the available resources for enlarging and perfecting our knowledge of the physical, social, and economic aspects of urban problems.

The budget provides for continuing and gradually expanding the first steps being initiated this year toward meeting the acute shortage of skilled manpower—one of the most serious limiting factors in the capability of all levels of government to respond to the urgent needs of the people living in urban areas. Funds are provided for a very small program of fellowships in critically short urban skills; for supporting State-sponsored training programs; and for launching and developing State programs to provide urban information and technical assistance to smaller communities.

HIGHLIGHTS OF THE ESTIMATES

In an introductory statement, Mr. Chairman, it is impossible to do more than touch on the highlights of the matters on which you are being asked to act. I would like, therefore, to identify for you quickly the key items of appropriation action which this budget calls for:

RENEWAL AND HOUSING ASSISTANCE PROGRAMS

For programs under the direction of the Assistant Secretary for Renewal and Housing Assistance and focused primarily on the problems of the central cities, we recommend—

An increase from $30 to $40 million in appropriations for grants to neighborhood facilities projects, which are designed to bring into neglected low-income areas facilities which will house a wide variety of services to their people. Responsibility for the choice of services and for their financing remains with the local community.

A forward appropriation of $1.4 billion for urban renewal for the fiscal year 1970. Action on this appropriation is dependent on enactment of authorizing legislation.

Appropriation of an additional $500 million for urban renewal for the fiscal year 1969, as a special item in support—and available solely in support—of the model cities program. Of this amount, $150 million can be appropriated under existing authority, and $350 million requires authorization as proposed in the pending legislation.

Continuation, without additional appropriations, of a program of low interest rate loans to encourage the rehabilitation of both homes and business properties in urban renewal and code enforcement areas.

Appropriation of $358 million to continue Federal subsidy payments to public housing projects involving almost 800,000 units, an providing standard housing to more than 3 million low-income people.

Inauguration, with appropriation of $1 million, of a new program of loans and grants to help provide housing for low-income residents of Alaska, authorized by section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966.

Continuation, with funds to be provided through participation sales, of the programs of college housing loans and loans for housing the elderly and handicapped, at net loan reservation levels of $300 million and $85 million, respectively.

METROPOLITAN DEVELOPMENT PROGRAMS

For programs under the direction of the Assistant Secretary for Metropolitan Development dealing with urban area and metropolitan areawide problems, we propose—

An increase from $45 to $55 million in the appropriation for grants to assist comprehensive urban planning generally—from small town to metropolitan area to statewide. Of the total proposed, $16.2 million requires legislative authorization which would be provided by the pending bill.

A proposed appropriation of $10 million to initiate a new program of supplementary grants authorized by the Congress in title II of the Demonstration Cities and Metropolitan Development Act of 1966, designed both to encourage comprehensive approaches on an area-wide basis and to encourage the practical use of comprehensive plans in the areawide programing of facilities.

Appropriation of $85 million to supoprt an expanded program of grants for the preservation of open space land, for the creation of open spaces in developed areas, and for urban beautification.

An additional appropriation of $150 million for grants to assist in the provision of basic water and sewer facilities in projects which fit into an areawide plan for the provision of public facilities.

A forward appropriation—for the fiscal year 1970—of $230 million for grants to encourage improved urban transportation through capital improvements, demonstration projects, system studies, and research and training; $190 million of this forward appropriation requires legislative authorization. Also proposed is an additional appropriation of $15 million for the fiscal year 1969 to permit a major attack on the research and development problems of providing modern transportation systems in our cities.

Continuation, without appropriated funds, of the program of loans for public facilities, primarily for the benefit of small communities which have difficulty obtaining funds in the private market.

DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS

For programs under the direction of the Assistant Secretary for Demonstrations and Intergovernmental Relations, dealing with demonstration programs and the development of new and improved methods of coordination and cooperation between Federal, State and local agencies involved in the interrelated problems of housing and urban development, our key budget items are—

Appropriation of $500 million for supplementary grants—the full amount authorized by Congress—to fund the second year of the model cities program. In addition, as I mentioned, the budget requests appropriation of $500 million for urban renewal projects which are scheduled to be carried out as part of approved demonstration projects under the model cities program—making up a total model cities programs effort of $1 billion for the coming year.

Appropriation of $5 million to continue the program authorized by Congress in title IX of the Demonstration Cities and Metropolitan Development Act of 1966 under which information on urban needs and resources is made available and technical assistance provided to cities having a population of less than 100,000. Additional authorizing legislation is required for this budget request and it is contained in the pending Housing and Urban Development Act of 1968.

Appropriation of $7 million to assist States in developing and financing special training programs for people employed or training to be employed at the local level in community development activities, together with $500,000 to continue the program of urban fellowships.

URBAN TECHNOLOGY AND RESEARCH

The Department is asking an appropriation of $20 million to continue and expand the major new effort being begun with the $10 million appropriation provided by Congress for the current year to bring modern research and development techniques to bear on problems of housing and urban development. We also propose continuation of modest levels of research and demonstration programs concerned with the provision of housing for low-income families and for the handicapped; means of providing and utilizing open space land; and methods for making comprehensive planning more effective in shaping the development of urban areas.

MORTGAGE CREDIT PROGRAMS

Although no appropriated funds are involved, the budget projects an active and significant role in the economy for all of the mortgage insurance programs of FHA, and for the support programs of the Federal National Mortgage Association in both its secondary market operation and special assistance functions.

FHA unit applications are estimated to increase by a factor of about 20 percent to a total of over 1,200,000 in all categories. Under the policies which we have put into effect, FHA's programs are progressively more meaningful to people with moderate and low incomes, both in terms of homeownership and the availability of rental housing. They are moving also into the core city, and even into the slums where the lack of financing is one of the many contributing causes of decay.

FNMA will continue to provide essential support to the general housing market through its secondary market functions, and through its special assistance activities will backstop such essential programs as housing for moderate-income families under section 221(d)(3) and housing in urban renewal areas. The budget program estimates

a substantial drop in mortgage purchases in the secondary market, resulting from improved availability of private mortgage funds under proposed legislation. As already noted, such legislation would permit interest rates on Government-insured mortgages to go to realistic levels in the market, and would authorize transfer of FNMA secondary market operations to private ownership and management. The assumption of improved availability of private funds also leads to an estimated decline in mortgage purchases by FNMA in connection with the sale of FHA-held properties.

Of critical importance is the budget request for authorization, through appropriation action, of an additional $65 million in contract authority for annual rent supplement payments. With amounts previously approved by the Congress, this will bring the ceiling on annual payments which may be contracted for up to $107 million, providing decent housing for over 100,000 families or individuals who previously lived in substandard housing, who were displaced from their homes, or are elderly or handicapped, or were made homeless by natural disaster.

And last but far from least, Mr. Chairman, we seek appropriation or provision from other available funds of necessary amounts for administrative and other operating expenses. We all know that these new and often complex programs are not self-executing. They will be effective only if the Department has the wisdom, the skill, and the resources to make them effective. Unless we gear our capabilities to the magnitude of our responsibilities, we shall not perform as the President, or the Congress, or the public, rightly expects us to perform.

TRANSPORTATION REORGANIZATION

Before closing, Mr. Chairman, I should mention one technical complication in which you and we find ourselves. The estimates and justifications before you include proposed appropriations for grants and for supporting administrative expenses authorized by the Urban Mass Transportation Act of 1964, as amended. As you know, however, since the presentation of the Budget the President has sent forward to the Congress his Reorganization Plan No. 2 of 1968.

The plan would transfer to the Department of Transportation the loan and grant programs and a substantial part of the research and development activity under the Urban Mass Transportation Act. It would retain within HUD certain aspects of research related to transportation, as well as important functions bearing on the relationship between transportation and comprehensive planning in our urban areas. I should be glad to detail to your committee the thinking behind this proposed reorganization, if that is your pleasure.

We will also be glad to describe and explain the appropriations requested in the Budget and included in these justifications. However, the details as to the allocation of specific activities, funds and staff in the coming year as between the two Departments are matters committed by the plan to the determination of the Director of the Bureau of the Budget, and cannot be worked out specifically until he has made the appropriate determinations after the plan, Congress willing, has taken effect. So I regret that we will not be able to be

too helpful to the committee on that kind of matter in these hearings.

Mr. Chairman and gentleman, I appreciate your indulgence in listening to these preliminary remarks, and at this point I shall end them and invite your questions.

AUTHORIZATION FOR APPROPRIATIONS REQUESTED

Mr. EVINS. Thank you, Mr. Secretary, for a very excellent statement. It gives a summary of the budget concepts and of your plans and proposals.

There are several contingencies that you have pointed out. At the end you stated that there will be a transfer of some of your functions to the Department of Transportation. No. 2, that legislation is pending in the Congress before appropriations can be made for additional parts.

Mr. Secretary, can you tell us in a few words the amount that is contained in this budget proposal that has not yet been authorized?

Secretary WEAVER. We have set forth in volume 1 a table on page A–7 indicating this. There are five items:

In the appropriations requested for fiscal year 1969, for the urban renewal programs in the model cities areas, $350 million authorization will be required.

Mr. EVINS. In other words, $350 million urban renewal in model cities areas has yet to be approved?

Secretary WEAVER. Of the $500 million recommended in this budget; yes, sir.

For urban planning grants, of the $55 million recommended in this budget, $16,162,000 has not been authorized. For the urban information and technical assistance, we are requesting $5 million, and none of that has been authorized, so the total needs to be authorized.

Mr. EVINS. How much did we appropriate for that program last year?

Mr. FRANTZ. $2,200,000.

Mr. EVINS. $2,200,000 last year, and you are requesting a $5 million new authorization?

Secretary WEAVER. Yes.

Mr. EVINS. Double last year?

Mr. FRANTZ. Yes. The authorizing legislation has not expired, Mr. Chairman, but as it was written it provided a specific dollar amount for each year, and there is no dollar amount in the act for 1969.

Mr. EVINS. There is no dollar amount for 1969?

Mr. FRANTZ. That is correct.

Mr. EVINS. For 1969 you are asking for $5 million?

Mr. FRANTZ. Yes, sir.

Mr. EVINS. You were funded in fiscal year 1968 at $2,200,000?

Mr. FRANTZ. That was the first year; yes, sir.

ADVANCE FUNDING FOR URBAN RENEWAL

Secretary WEAVER. As you know, we have been for some time, with the concurrence of the committee—something we more or less worked out with you—having advance appropriations for two of our programs, urban renewal and urban transportation.

Mr. EVINS. We have been funding this at a level of about $750 million annually for the past several years.

Secretary WEAVER. Yes. But with the model cities program we have had add-ons to that. We are asking for $1,400 million for urban renewal for fiscal year 1970, which all would have to be authorized.

Mr. EVINS. Would this $1,400 million be 2 years' funding?

Secretary WEAVER. No, sir; it is for 1 year, but it includes the model cities program, which up until this time we have estimated separately.

Mr. EVINS. You are proposing to put your urban renewal within model cities areas in this $1,400 million?

Secretary WEAVER. Yes.

Mr. EVINS. You also have a separate item.

Secretary WEAVER. Yes, but that is for this year.

Mr. EVINS. What do you mean, this year? Nineteen hundred sixty-nine is what we are talking about in this budget.

Secretary WEAVER. We are asking, in urban renewal, for two appappropriations—first, an additional $500 million as an add-on for urban renewal for fiscal 1969. That is shown on the top line.

Mr. EVINS. Yes.

SINGLE APPROPRIATION REQUEST FOR URBAN RENEWAL

Secretary WEAVER. Then we are asking for the advance appropriation for fiscal 1970 of a total of $1,400 million, which includes the amount needed for model cities.

Mr. EVINS. How much add-on?

Secretary WEAVER. We put them both together. It would be in the area of $500 million to $600 million, I would assume.

Mr. EVINS. Do we understand that you are proposing that urban renewal appropriations after 1969 all be included in one fund?

Secretary WEAVER. Yes, sir.

Mr. WYMAN. The $1.4 billion includes the $500 million, doesn't it?

Secretary WEAVER. Yes.

Mr. EVINS. $1.4 billion would normally be the $750 million——

Secretary WEAVER. No, sir. Let me get his question straight. There are two appropriations for urban renewal: One for fiscal 1969; that is the $500 million add-on because of model cities. Then in the advance appropriation for this program for 1970 we are asking for $1.4 billion, which includes what would have been an additional add-on for the model cities if we had used the format we are using this year.

Mr. WYMAN. Has that 1.4 been authorized?

Secretary WEAVER. No, sir. That has to be authorized, as does 350 million of the 500 for 1969.

TRANSFER OF TRANSPORTATION FUNCTIONS

Mr. EVINS. Would you detail for the committtee the proposal to transfer the urban transportation programs to the Department of Transportation and your funding in this area, which is shown here as $230 million requested for 1970?

Secretary WEAVER. Yes, sir. As you know, when the Department of Transportation was established there was a provision in the law say-

ing that the Secretary of the Department of Transportation and the Secretary of the Department of Housing and Urban Development would do a joint analysis and study and make a recommendation to the President as to how the functions of urban mass transportation should be arranged so that each Department could make its maximum contribution. Secretary Boyd and I and our respective staffs met over a period of months. We also involved the Bureau of the Budget and the White House staff. We ended with a proposal which would transfer the grant program—which is primarily a hardware program of grants for facilities and grants for equipment, et cetera—and also the research and planning mainly for the mechanical and the harware part of mass transit systems to the Department of Transportation.

It became very clear that it is awfully difficult to come before this committee or the substantive committees with two research programs in this area. Also, it became rather clear to some that the idea of fragmenting a transportation system would be extremely difficult, because you have it meshed in when you get to the cities, and when you get inside of the cities. By the same token, it was perfectly clear that mass transit had a tremendous impact on land use and on urban development, and that you could not separate it from these phases. So that what we worked out was a proposal which would transfer to the Department of Transportation the capital grants and the research incident thereto and would retain in HUD the planning insofar as it related to comprehensive planning, insofar as it related to the human aspects, and such things as relocation and so forth. They would have the research insofar as it was hardware-oriented; insofar as it was people or land use-oriented, we would do the research in this field.

HUD AND DOT IN AGREEMENT ON PLAN

Mr. EVINS. There is an understanding between the Secretary of HUD and the Secretary of DOT that encompasses the areas of separation of functions and powers; you are in agreement?

Secretary WEAVER. Yes. That has been embodied in a proposal which has been submitted by the President as a reorganization plan.

Mr. EVINS. The Department of HUD would continue planning for overall development of the metropolitan area and coordinate with the Department of Transportation in connection with any mass transit movement?

Secretary WEAVER. Right. And be responsible to see that that mass transit be coordinated in the land use and in the overall development of the area involved.

Mr. EVINS. All of which is designed to bring about efficiency and promote economy?

Secretary WEAVER. Yes, sir. And also to bring about, we hope, the type of coordination that would serve best the inerests of a comprehensive transportation system and a comprehensive development of urban areas.

Mr. EVINS. I see no reason why that plan should not be adopted and accepted.

Do you want to get to the funding?

APPROPRIATIONS FOR URBAN TRANSPORTATION

Secretary WEAVER. Yes. I was just about to say that in the interim we still have the responsibility under the law, and will retain that responsibility until action is taken, until favorable action is taken on the reorganization plan. Therefore, it is incumbent upon us to present to this committee a budget request, an appropriation request under the existing law for this program. We are asking for an appropriation of $230 million for 1970, of which $190 million is not yet authorized.

Mr. EVINS. How much is the total of the unauthorized funding at this time?

Mr. FRANTZ. Mr. Chairman, if I can simplify that arithmetic just a little?

Mr. EVINS. Yes.

Mr. FRANTZ. With the 1966 amendments there was a total authorization of $675 million under this act——

Secretary WEAVER. Mass transportation.

Mr. EVINS. You are speaking about this alone?

Mr. FRANTZ. That is correct. Now, if the Congress appropriates the $15 million additional for 1969 which is requested in this budget, raising this year's funding from $175 million to $190 million, that would make a total appropriated of $635 million cumulatively, leaving $40 million unappropriated.

TOTAL BUDGET REQUESTS REQUIRING AUTHORIZATION

Mr. EVINS. What is the total unauthorized amount in your budget request?

Secretary WEAVER. As I add these figures, I get—subject to correction by my budget officers—$1,961,162,000.

Mr. EVINS. $1,961,162,000?

Mr. FRANTZ. That is correct, sir.

Mr. EVINS. What was the $16.2 million which you mentioned related to?

Secretary WEAVER. That was for urban planning alone.

Mr. EVINS. What authorization is needed to accelerate public housing? Is that embraced?

Secretary WEAVER. There is an authorization which is involved in the new legislative proposal. The public housing figure, which is in this budget, is the appropriation which is necessary to continue the program which we now have underway.

BUDGET TOTALS

Mr. EVINS. The total of the budget for 1969 is $3,588 million under the old concept. It is $5,342 million under the new concept; is that correct, Mr. Budget Officer?

Secretary WEAVER. He is the man to ask.

Mr. FRANTZ. Which figures did you use?

Mr. EVINS. In your budget summary, page I–2. Under the old concept the budget would be $3,588 million whereas under the new concept it is $5,342 million.

Mr. FRANTZ. In terms of new budget authority, yes.

AUTHORIZATIONS REQUIRED

Mr. EVINS. Mr. Secretary, you just testified that $1,961,162,000 is not authorized at this time. Is that the total amount of unauthorized appropriations which you are requesting at this time?

Mr. FRANTZ. Yes, sir.

Secretary WEAVER. I think the record should show that this is broken up into two parts. Of that figure, there is $371,016,000 which relates to the appropriations for fiscal 1969. The remainder of that is for advance appropriations for 1970 for two programs that are funded a year ahead.

Mr. EVINS. What is the other program besides urban renewal?

Secretary WEAVER. Urban mass transportation.

HUD ASSISTANCE FOR HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

Mr. EVINS. Thank you.

On page A–1 you say the budget looks toward continued and increased emphasis on providing housing for low- and moderate-income people. Jobs and housing are the two main issues. The Ribicoff committee a few years ago in a special study asked for about $100 billion. Somewhere I read in the press that Mayor Lindsay indicated that he could use about $50 billion in New York City alone. Since then we had the President's Riot Commission study which did not come up with any specific figure, but the general implications in the press are that they could use as much as we are expending annually in the Vietnam conflict, which is about $25 billion or $30 billion a year. I heard the Secretary say on a television program—by the way, he is getting to be a pretty good television star—that these are a little bit unrealistic. He thought the budgets proposals were more realistic. I want to agree with the Secretary in that regard. Some of these figures which have been mentioned are astronomical—out of reach. We recognize that there are immense problems which need and are receiving our attention.

How much have we expended, if your staff can tell us, in the housing programs in the last few years, in round figures? I think we need to present for the record what we have accomplished. Let the public, when they read this record, know that we have been doing some things in this area.

Secretary WEAVER. Over how long a period?

Mr. EVINS. Let's say the last 10 years.

Secretary WEAVER. We would be happy to supply that for the record.

(The information follows:)

FINANCIAL ASSISTANCE FOR SELECTED HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

[In millions of dollars]

Fiscal year	Urban renewal		Low-rent housing annual contributions	FNMA net lending	FHA mortgage and loan insurance written	Other	Total
	Grants disbursed	Net increase, Federal and guaranteed loans					
1958	35.3	43.4	98.8	137.4	4,588.4	7.-	4,910.4
1959	75.5	143.9	115.4	1,034.9	7,660.5	49.5	9,079.7
1960	104.3	209.7	131.2	1,142.5	6,667.5	−94.7	8,160.5
1961	142.4	238.2	145.3	−73.0	6,438.6	171.6	7,063.1
1962	163.5	193.7	159.3	257.0	6,882.2	396.6	8,052.3
1963	185.6	182.3	176.5	−1,142.1	7,226.4	477.1	7,105.8
1964	209.3	163.0	190.9	−369.4	7,471.4	186.1	7,851.3
1965	282.5	247.2	217.9	−252.2	8,166.6	245.0	8,907.0
1966	320.4	304.2	232.0	1,729.1	9,057.0	609.2	12,251.9
1967	375.2	319.2	261.0	1,360.9	6,069.0	737.8	9,123.2
Subtotal	1,894.0	2,044.8	1,728.3	3,825.1	70,227.6	2,785.3	82,505.1
1968 (estimated)	500.0	350.6	299.2	3,017.9	7,025.0	732.6	11,925.3
1969 (estimated)	700.0	350.6	358.2	1,105.9	8,534.0	1,039.9	12,088.6
Total	3,094.0	2,746.0	2,385.7	7,948.9	85,786.6	4,557.8	106,519.0

HUD AIDS TO URBAN AREAS, 1961–68

Mr. EVINS. Can you tell us how much it has been over the past 10 years and also what it has been since the Department of Housing and Urban Development was created?

Secretary WEAVER. We have the figures for 1961 through 1969, estimated, and 1968 estimated. But in 1961 the expenditures of the Department of Housing and Urban Development for Federal aid in urban areas was $310,400,000. In 1964 it was $633 million——

Mr. EVINS. $310 million, and it jumps up to what?

Secretary WEAVER. $633,100,000. For 1967 it was $1,380,700,000. We estimate for 1968 $1,689,200,000. I would stop at that point. So it gives you some idea. We have almost increased these expenditures five times, or more than five times, from 1961 to 1968.

Mr. EVINS. But this does not include the FHA financing and Federal National Mortgage Association financing and others?

Secretary WEAVER. No. If we added those figures, we would get—what I gave you before were the direct expenditures—they were grants. But if you include direct loans, which you should under the new budget concept, I would assume, and loan insurance and guarantees, the comparable figures would be as follows: In 1961 they totaled $7,347 million——

Mr. EVINS. If I may interrupt, is this the financing alone?

Secretary WEAVER. These are direct loans, loan insurance, and loan guarantees. In other words, college housing would be in here, and also FHA.

Mr. EVINS. This does not include the figures which you have just presented?

Secretary WEAVER. No.

Mr. EVINS. These are in addition?

Secretary WEAVER. Yes. We had $7,347,600,000 in 1961, $8,081 million in 1964, and $8,937 million in 1967, and we estimate $10,973,-200,000 in fiscal 1968.

Mr. EVINS. These figures which the Secretary has just testified to relate to FHA guarantees for housing, multipurpose, single-family, and college. They run into the area of $7, $8, and $10 billion.

Secretary WEAVER. Yes.

Mr. EVINS. In addition to the grants of $1.6 billion.

Secretary WEAVER. Yes.

FEDERAL AIDS TO URBAN AREAS

Mr. EVINS. So, Mr. Secretary, I wish you and your staff would, when you look at this record, supply some tables and give some totals.

Secretary WEAVER. Yes, sir.

(The information follows:)

FEDERAL AIDS TO URBAN AREAS

[In millions of dollars]

Department or agency	Actual, 1961	Actual, 1964	Actual, 1967	Estimate, 1968	Estimate, 1969
Direct programs and grants-in-aid:					
Department of Agriculture	$352.5	$426.7	$547.6	$622.4	$716.7
Department of Commerce		74.3	171.2	145.7	166.7
Department of Defense (Military and Civil)	597.4	719.1	792.7	829.0	839.1
Department of Health, Education and Welfare	2,215.8	3,105.9	7,376.3	7,173.0	8,900.8
Department of Housing and Urban Development	310.4	633.1	1,380.7	1,689.2	2,740.4
Department of Interior	107.2	190.3	360.6	433.2	495.0
Department of Justice			5.9	27.7	72.0
Department of Labor	321.7	476.7	755.6	782.5	854.6
Department of Transportation	1,569.0	1,993.8	2,332.5	2,441.1	2,901.5
Atomic Energy Commission	61.6	59.9	81.9	94.8	105.6
General Services Administration	130.7	126.4	97.0	71.1	51.7
Veterans' Administration	1,811.7	1,675.6	2,350.3	2,413.6	2,574.5
District of Columbia	27.5	40.4	61.4	73.5	83.5
Disaster relief (FAP)	9.1	33.0	15.3	30.0	16.8
Office of Economic Opportunity			1,245.0	1,311.4	1,632.4
Public works acceleration		360.3			
Appalachian regional development			35.2	62.9	69.3
Civil Service Commission					14.0
Equal Employment Opportunity Commission			4.0	5.3	10.5
Totals (direct programs and grants-in-aid)	7,514.6	9,915.5	17,613.2	18,206.4	22,245.1
Direct loans, loan insurance, and loan guarantees:					
Department of Agriculture	17.6	33.9	110.3	126.3	126.3
Department of Commerce			39.4	39.9	44.3
Department of Housing and Urban Development	7,347.6	8,081.0	8,937.0	10,973.2	10,546.4
Veterans' Administration	1,723.5	2,857.7	2,690.2	3,754.5	4,077.5
Small Business Administration	167.7	155.3	230.6	354.3	378.7
District of Columbia	22.9	42.5	54.5	65.8	108.0
Totals (loans, loan insurance, and loan guarantees)	9,279.3	11,170.4	12,062.0	15,314.0	15,281.2
Grand total	16,793.9	21,085.9	29,675.2	33,520.4	37,526.3

FEDERAL AIDS TO URBAN AREAS, 1969

Mr. EVINS. The press tends to pick up the round figures in totals. We are proud of what we have done, proud of the accomplishments; but you hear statements that we have done nothing. I think that we should let it be known—what has been accomplished. It has not been minimal, it has been substantial.

According to the Special Analyses of the Budget the Department of Housing and Urban Development estimates that the total Federal financial commitment for urban social and community development aids could be considered to exceed $37 billion in 1969 ——

Secretary WEAVER. Yes.

Mr. EVINS (continuing). More than twice the level in 1961. The Department figures indicate the magnitude of Federal financial involvement in communities of 2,500 population or over as measured by obligations or commitments, including loans, insured and guaranteed. That is what the Secretary has testified to.

Secretary WEAVER. Yes. If we would take all of the departments we would have the figures in 1961, both grants and direct loans, loan guarantees, a total figure of $16,793,900,000, and the estimate for 1969 is $37,526,300,000, or over double.

Mr. EVINS. This is very impressive. It is stated in the "Special Analysis of the Budget."

In 1969 all programs of urban social and community development in the Government will be in excess of $37 billion.

Secretary WEAVER. Yes, sir.

Mr. EVINS. I think this is what the special studies have been concerned with.

Do you have any general questions, Mr. Boland?

Mr. BOLAND. The figure of $37 billion includes everything, all types of programs?

Secretary WEAVER. Yes.

Mr. BOLAND. That is, the total to assist individuals and communities. But this really isn't too significant a figure when we start to attack some of the problems of the cities themselves that we are trying to solve now; is that so?

Secretary WEAVER. I think it is an impressive figure if looked at from where we were and where we have come to. I think it is a figure which is not of the magnitude that will solve all of the problems. In some of these areas, particularly the areas of construction, you have a limitation on how fast you can increase and how fast you can spend additional funds well without having them either become inflationary or become bogged down. This is a concern that we have had. In our best judgment, the figures that are in the President's Housing and Urban Development Act of 1968 are realistic, in the sense that they can be achieved.

ROLE OF PRIVATE ENTERPRISE

Mr. BOLAND. Your departmental summary is rather eloquent in indicating that the budget seeks to maintain and enlarge the increasing role of private enterprise in the solution of problems of housing and urban development. All of us agree that this is a task that cannot be done by the Federal Government alone, that it does require the cooperation, the assistance of all governments on every level; Federal, State and local. Above and beyond that, it requires the cooperation of private enterprise. Without this, it is impossible to solve because there isn't enough money around to do it without that kind of a partnership.

How have you been progressing in this area? What do you see in the partnership program with private enterprise in trying to solve some of the very complex and difficult problems of our cities?

Secretary WEAVER. I would like to divide that into two parts. First, I would like to speak to what has been done to date. We have done two major things: First, in 1961, as you will recall, we passed the first act which set up a viable, moderate income housing program, so-called section 221(d)(3). That program provided that the sponsors would be nonprofit, limited dividend, and cooperatives. We have now—as will be set forth in subsequent testimony by Assistant Secretary Brownstein—gotten that program fully underway. It has proven that it is an attractive program, not only to the nonprofit but also to the limited dividend people, and this is where you get your volume. Right now we have more sponsors than we have funds to provide for those sponsors. So that we have involved private enterprise in a type of housing that never before on a national basis, and except for maybe New York State on a local basis, it had been participating in in the past.

Mr. BOLAND. What would be some of the significant figures here with respect to limited partnerships?

Mr. BROWNSTEIN. We have applications on over 163,000 units totaling about $2.2 billion. We have actually committed on about 112,000 units totaling about $1.5 billion.

An interesting feature of this program is that over 20 percent of these are cooperative units. The balance breaks down fairly evenly between limited dividend and nonprofit.

Secretary WEAVER. And we have a backlog of applications and of interest in this, which indicates that we could expand this program materially if we had the funds.

Second, under the rent supplement program we have involved private enterprise in building for low-income families, a thing which had never been done before. That is a newer program. The results are not yet as impressive statistically, but they certainly indicate a responsiveness in this direction. Third, we have modified our public housing program by adding the turnkey approach which, as you know, is an approach where the private builder gets the site, draws up the plans and builds the structure, meeting the requirements which the local authority and the Federal standards require, and after he has finished he turns the key over. You get private involvement there.

LIFE INSURANCE COMPANY SUPPORT

Then, just 4 or 5 months ago the life insurance industry indicated that it would provide $1 billion to finance low-cost housing primarily in the deprived areas. What we are doing is that they are really picking up two types of mortgages. They are picking up the mortgages on the rent supplement programs at the same rate at which FNMA was committing on them, which was somewhat below what the market would ask. This is taking out FNMA activity and reducing the pressure on special assistance. They are also buying mortgages in blighted areas and in the ghetto areas and the slum areas.

MORTGAGE INSURANCE IN BLIGHTED AREAS

Here again they are supporting our 203 FHA program. I might say that in passing, just to document one thing, we are now insuring at a rate of over 1,000 mortgages a week in these blighted areas, whereas

before we were insuring practically none. So that these are three areas in which we have already gone.

Mr. EVINS. Repeat that figure again, Mr. Secretary.

Secretary WEAVER. We are now insuring mortgages in the blighted areas, in the central cities, around about a thousand a week.

Mr. BROWNSTEIN. The last 3 weeks it has run over 1,500 a week.

PROPOSED LEGISLATION

Secretary WEAVER. We had practically none 6 or 8 months ago. What we are proposing in the new legislation is to accelerate this activity. In the first place, we are proposing a new type of financing for both homeownership for low- and moderate-income families and a substitute program for the 221(d)(3). Briefly, it is a program of subsidy of the interest rate for 1 percent up to the market rate. Second, instead of getting those programs financed by special assistance, with its terrific budgetary impact, we are changing them and having those projects financed at the market rate of interest so that you can get private sources to take out the mortgages. We would then have the interest subsidy in connection with the project, and the cost to the Government would be the difference between the two, varying as incomes change. As the incomes go up, the subsidy goes down.

In that connection, we are asking that the interest rate on FHA-insured loans and VA-guaranteed loans be set free so that it can meet the market. As it is now, it is pegged at 6 percent.

When you have the 6 percent at the present time you just don't have any money.

Finally, we are proposing other things. In order to improve the amount of money going into this and particularly from new sources, like pension funds, we are proposing a new instrument which would be in effect a bond issued by the Federal Government and guaranteed by the Federal Government with the full credit of the United States behind it which would be made up of mortgages which are FHA or VA, and the reason for this is that many of the institutions which are not in mortgage financing—trust funds and pension funds—don't like to handle mortgages.

In the first place, you have a whole lot of paper. You have maybe a hundred different pieces of negotiable paper, a hundred different loans. You put them all in one in this guaranteed bond. They don't have to have a mortgage department to service it, and it, therefore, becomes more attractive. We think this will attract more money in the mortgage market.

We are also proposing that there be a partnership made up from large corporations which would participate as limited dividend sponsors under the new programs both for homeownership and for rental, and this would operate in such a way that the participants in this new partnership—and this would be authorized under law—would be able to pass through the tax benefits that would go to the corporation because of rapid depreciation and early losses, back to the parent corporation, and thereby this would become attractive for them as an investment. If you didn't have this, you might have a situation where you would have a new corporation which would have tax benefits but nothing to apply them to, because the only thing it would be in

would be in the particular activity giving it the tax benefit. Unless they can apply it to other tax responsibilities, it is meaningless and that is what this law would propose to do.

JOINT EFFORT OF SAVINGS AND LOANS AND MUTUAL SAVINGS BANKS

Mr. BROWNSTEIN. I might mention also, Mr. Chairman, that about 2 weeks ago the savings and loan associations and the mutual savings banks announced the creation of a joint committee aimed also at funneling money into the central city areas and assisting with the financial problems of the model cities areas.

COOPERATION OF PRIVATE ENTERPRISE

Mr. BOLAND. Are you satisfied with the cooperation that private enterprise is starting to give? This has been generated within the last couple of years, as you know, on a much larger scale than ever before, and it is going to so expand a great deal more.

Seceretary WEAVER. There is no question but what there is a decidedly new attitude on the part of private enterprise in this country; a new attitude, first, toward its responsibilities for dealing with the problems of low- and moderate-income families, and also its responsibilities for dealing with the problems of the economic and racial ghettos in this country.

I might say that I have been remiss because I haven't mentioned that the idea of the partnership and many of the other ideas of participation of private enterprise has been occasioned by a committee, a presidentially-appointed committee under the chairmanship of Edgar Kaiser and they have done valiant service in this area.

Mr. BOLAND. Mr. Chairman, since you have detailed a very fine schedule here, I think I will reserve some of my questions for some of the specific programs when they are discussed.

NEW LAND ACQUISITION POLICY

Mr. JONAS. Doctor, what is this new directive you recently issued dealing with market value?

Secretary WEAVER. We have discovered that very frequently where there would be one and two and three appraisals, and particularly in urban renewal areas, that the local authorities—not all of them; I don't want to give that impression, but some of them—would go to the poor and the people who had no idea of what was involved except the Government was going to take their property, and say to them, "Look, we will give you the lowest appraisal for your property." In some instances either by implication or otherwise, these people who had very little knowledge of this and no bargaining power, would immediately accept that because they didn't want to get into any trouble with the Government. The result was that the sophisticated people—the people who had the properties that were more expensive and worth more and who were more knowledgeable—would be holding out and getting the highest possible appraisal, and the people who were the most disadvantaged would be getting the lowest possible. Our directive says they cannot go and offer just the lowest possible; they have to offer

either the highest or the median amount because very often these are the final prices.

It is perfectly all right to negotiate with a sophisticated seller by offering him the lowest, and then you bargain and he bargains up. When you are dealing with unsophisticated people, it seems to me it would be unconscionable to do it the way it was being done.

Mr. JONAS. How do you decide whether to offer him the highest appraised figure or the middle one?

Mr. HUMMEL. There are two appraisals submitted to the HUD authorities who will agree on the price. They may agree on the highest or someplace in between, and sometimes the difference between the two of them may even require a third appraisal. We require them to offer the price that our Department agrees on as being a fair approach to the problem. Sometimes you get appraisals that are too low and some are obviously too high.

Mr. JONAS. Who makes these decisions?

Mr. HUMMEL. Those are made in the regional office in connection with the local public agency buying the land.

Mr. JONAS. You can't trust the local agencies?

Mr. HUMMEL. It is not a matter of trust. It is a matter where you often get wide variations in approaches as to what the value of the property is. If they are too wide, we ask for a third appraisal.

We try to arrive at what is a reasonable approach.

Mr. EVINS. Mr. Marsh.

MAJOR THRUST OF LEGISLATIVE PROGRAM

Mr. MARSH. I welcome the Secretary here today and thank him for his very fine presentation.

In looking at your programs, where is your major thrust? Where do you feel your major thrust must be, the most critical, difficult task that you have confronting you?

Secretary WEAVER. We have several. It is rather hard to separate them.

I would say that the major thrust—and this is indelibly indicated in the President's proposed legislation—is within a period of 10 years, to give sufficient financial support and get a sufficiently effective program so that we can build 6 million units of low- and moderate-income housing and thereby wipe out substandard housing, substantially, in this country. But that you can't do without some relationship to some of the other programs. Of course, the model cities program comes in because here you are not only talking about dealing with the physical rehabilitation, but the social, economic, and human rehabilitation of these areas.

We would also like to begin to make an imprint, small though it may be at the beginning, on the big problem of urban development over the next decade, or over the next four decades, and that is the doubling of population. So we would like to encourage the provision of a larger supply of housing so that we could now be building as high as 2.5 to 2.7 million dwelling units or starts a year during this period. And also we would like to start a meaningful program for the development of new communities where we could have a new type of development to meet some of the expansion. Not all of it, but some of

it. And finally, of course, we feel that we will have to continue with the program of urban renewal with more and more emphasis on the needy, more and more emphasis on housing for the low- and moderate-income people.

MORTGAGE INTEREST RATES

Mr. MARSH. Mr. Secretary, as you are aware, many of the States are changing their usury laws and increasing the amounts of interest that might be charged. This seems to me to be a serious situation as we face the possibility of interest going above 6 percent, 7 percent, and perhaps 8 percent.

Do you have any comments or suggestions on the mortgage market and making available money to try to hold the interest rates down?

Secretary WEAVER. I think you have to look at the reverse of that. There is nothing in the legislation that sets the actual market rate of interest; that is determined by the forces of supply and demand.

Under the current situation where we have a ceiling of 6 percent on many of our FHA programs and some less—five and a quarter on a few—all that does, if there are competitive uses for money where you can get 6.5 percent, is simply to dry up the funds available to the FHA program so that the people who really need it the most and who will benefit most from the longer term loans are just cut out of the program entirely. And this goes also to VA, because VA cannot set interest rates any higher than the maximum set for FHA.

As regrettable as high interest rates are—and heaven knows, I am no proponent of high interest rates—but I have a practical situation, that you cannot legislate interest rates lower than the market.

Now, what happens under our current situation is that when we have 6 percent and the market is 7 percent, we get discount points and this does two things:

EFFECTS OF DISCOUNTS

In the first place, it means that the downpayments become higher, and this eliminates many from the market. If you have a sponsor for a large project—say a million-dollar project with a 90-percent mortgage loan—he would normally put up $100,000. If he gets his loan at discounts, he has got to put up $100,000 plus whatever the discounts are because the discounts have to be absorbed by the builder. The result is that he isn't going to build much because he has to tie up more money.

In addition, finally, there are many financial institutions, reputable firms which do not like to charge discounts because of their public image. Everybody hates this thing.

You know the Congress, on many occasions, has attempted to outlaw discounts, but what happens is that it just dries up the flow of money and then they have had to modify the law.

You cannot legislate interest rates in a free market if you are going to go to that free market to get the money. You have to pay what the market requires and all you do, when you set these arbitrary limits on interest rates is to get discounts. If you say "arbitrary limit and no discount," you get no money.

Mr. MARSH. This is the situation that has caused the States to raise the rates because housing money was going to other forms of investment. It was, either get your rate up or you wouldn't have mortgages

money for the housing market in your State. I regret to see real estate mortgage loans going to 7 percent and 8 percent.

Secretary WEAVER. I do too, but, on the other hand, I think we kid ourselves if we think we can keep them from going there by passing a maximum interest rate which simply dries up the money or puts discount costs on it and then it is just the same as though the rates were free, except you don't get the money.

Mr. WYMAN. I hate to see people refer to slum areas as ghettos. I am thinking back to World War II and Warsaw and so forth. The ghetto, as such, to me has connotations of persecution and visits in the night and murder and slavery and all the rest of it. I think the problem this country is facing is largely one of improving conditions in slums, some of which are desperately deprived areas, but they are not ghettos.

In what you have requested this year, in advanced funding, have you asked for enough to do all that you can handle.

THREE PHASES OF BUDGET PROGRAM

Secretary WEAVER. Let me say that you have to look at this budget in three ways: First, those appropriations which are connected with programs that are authorized and where the funding is authorized; second, the $1,961,162,000 represents moneys for programs which are authorized, but where the funds are not yet authorized.

Now, third, in the President's legislation, there are new programs proposed and they have would also have to have additional authorizations, but we are not talking to you now about appropriations for programs that are not yet authorized.

Mr. WYMAN. You are talking, however, about $2 billion worth of needed new authorization.

Secretary WEAVER. Yes, but that is for programs that are already authorized.

If and when and as the new bill is passed, it will add on to this—how much, it is very premature to say now, because it hasn't gone through the legislative process.

ADEQUACY OF BUDGET ESTIMATES

Mr. WYMAN. In short, there isn't really enough money in the whole country to do what needs to be done in terms of cost to really change the conditions in the cities, is there? I am not talking about the unrest; I am talking about the urban renewal and the rebuilding of the cities and their housing.

As a matter of fact, Mr. Secretary, in some of the cities on the eastern seaboard a so-called coordinated or planned-out community is a virtual impossibility, is it not, without razing half the area and reconstructing it?

Secretary WEAVER. I think these are the exceptions. I think two things. I think, first, what is envisioned and what is proposed in the President's bill this year will, over a period of a decade, make a major revision in the urban image and the urban nature of this country, and I think that it will, for the first time, not only hold the dike, but really get into doing reforms.

For example, one of the things specifically we are saying is, we expect to wipe out substandard housing.

Now, in 1949, I think it was, we said "A decent home and a decent environment for every American family."

We are proposing this year to make that real in a decade. This is something that has never been done before.

Mr. WYMAN. I understand, and I don't mean to be critical at all, but much of the talk in your original remarks and in your presentation treats of the concept of a well-planned community—and housing is only one part of that, is it not?

Secretary WEAVER. Yes, sir.

Mr. WYMAN. Now, when you take a city that has grown as many of the Eastern cities have in patchwork, crazy-quilt fashion; a place here, a place there, a street that has no end, and so forth—how can you really talk in terms of planned bricks and mortar as opposed to people. For the moment, would you talk about a planned, coordinated community effort in that kind of location.

NEW APPROACHES TO PROBLEMS

Mr. WEAVER. Let me say two things to that. I think the first thing is, we took the first step in dealing with that last year when we proposed and the Congress legislated the model cities program. Here we clearly—and this was not a budgetary consideration alone—we clearly recognized, with the state of the art and with the knowledge that we had, that before we were to go in, as some have proposed and say, "We are going to wipe out all these problems in every one of these cities immediately," we ought to go in and do some experimenting. We ought to go in, and perhaps make some mistakes, in a limited area. This is what the model cities is attempting to do.

Once that program is under way—and it doesn't have to be fully completed—so that we know what its potentials are, we will then have the option of saying, "All right, here we have a vehicle. Here we have modified that vehicle, but we have a vehicle, and now we can do this throughout all of the cities or we can do it throughout all parts of any given city, depending upon how much resources we want to utilize in that particular activity." That was the first thing.

The second main change is, this year we are coming in with a program to produce a volume of shelter for low and moderate-income families on a grand scale—a scale that we have never even conceived of before, and this is going to take a lot of doing. Let me assure you it is not going to be easy.

Here I think we are saying we believe we can achieve a given goal within 10 years.

Now, the difference between what we have done before and what we are doing now is not that we are saying to you or the American people that we are going to solve this whole problem right now, but we are saying that we are going to make certain tangible, significant and epochmaking breakthroughs in certain selected areas.

NEW COMMUNITIES APPROACH

Mr. WYMAN. In connection with your policy level discussions of this, has the question been raised of whether in certain areas, particularly in the heavily concentrated parts of the eastern seaboard, literally new cities might be a better answer than trying to use what you have?

Secretary WEAVER. We are proposing what I think is a viable approach to new communities. In the housing bill now before the Congress, we have a federally guaranteed debenture which will include in it the capitalization of the interest payment over the early years.

As you know, in new communities the great problem is that for a period of 5, 6, or 7 years the project does not create any income. It is all outgo. Where you have a $50 million mortgage and you have to pay interest on that for 5 or 6 years when you have practically nothing coming in, you have got to have an awful lot of money to keep going, and usually what happens is that the developer only gets enough mortgage to do what he needs to do and then he has to go back and borrow at short term at very high interest rates in order to pay back the interest and the carrying charge. Reston faced this, for example.

These debentures we propose would not be mortgages, so they would attract a different type of investor. When you get a mortgage, you usually have to get five or six people to pick up. No one wants to pick up a $50 million mortgage.

Second, they would have built in the capitalization of carrying the operation over those difficult years of paying back interest when nothing is being created by way of income in the project.

We believe that this will enable us to get some of these new communities started and indicate what their potentials are. I think the thing we have got to do, we in America have to see them. I don't think we can say, "Here is a new town—" if you think this is going to be carried on in this country, it isn't. It has to be indigenous and responsive to our needs here.

Mr. WYMAN. Has anything been proposed in the way of incentives to get private industry to invest in a new city area?

Secretary WEAVER. This was done to some degree in the two new communities that are now underway. Both Reston and Columbia have new industries going into them and Reston has an installation of the Department of the Interior being located there.

MORTGAGE INSURANCE IN BLIGHTED AREAS

Mr. WYMAN. You said you were underwriting mortgages of a thousand a week in blighted areas. That is a rate applicable right now?

Secretary WEAVER. 1,500.

Mr. WYMAN. 1,500 a week. What for? What are they buying with the mortgage proceeds in the blighted area?

Mr. BROWNSTEIN. They are buying houses that will meet our minimum standards, Mr. Wyman. We are not insuring mortgages on substandard housing, but what we are doing is avoiding the red lining of any particular area. We are saying that if you have a house anywhere in the central city that meets our minimum property standards

and you have a borrower who wants to buy that house, we will insure the mortgage on it.

Mr. WYMAN. Take this as an example, Joseph Smith. He wants a mortgage to buy a house in this area. Does he presently live in this area?

Secretary WEAVER. He may or he may not.

Mr. WYMAN. Would he conceivably move into this area from outside?

Mr. BROWNSTEIN. There will be some who would move into this area, yes.

I think that by creating a flow of mortgage credit into these areas, you can arrest the blight and possibly bring some of them back.

Mr. WYMAN. Because they will be interested in their houses and keeping them up a little bit, but you don't want to encourage people to come into these areas; do you?

Mr. BROWNSTEIN. We want to encourage people to attain homeownership if this is their desire and if this is their interest. Furthermore, there are in many of these areas vacant pieces of land. In some of these places new construction is taking place. It is creating a totally new atmosphere in some of these neighborhoods.

Mr. WYMAN. When you give mortgage money to buy a house in one of these areas, are you doing it in an area that is designated for urban renewal under the model cities program?

Mr. BROWNSTEIN. If the house is going to be torn down in the foreseeable future, certainly not.

Mr. WYMAN. Could you give us an illustration here in the District of Columbia of a type of structure or an area in which this would be the case?

Mr. BROWNSTEIN. You can walk within two or three blocks of the Capitol and find several areas.

Mr. WYMAN. Houses that would be acceptable for purchase and mortgage under your proposal?

Mr. BROWNSTEIN. Yes.

Secretary WEAVER. And probably are insured already.

Mr. WYMAN. Thank you.

PARTICIPATING INSURANCE COMPANIES

Mr. PRYOR. My first question relates to the discussion between Mr. Boland and the Secretary. I wonder if it would be proper, Mr. Chairman, for us to have the Secretary include in the record at this point the specific insurance companies which have come forward with an offer of cooperation?

Mr. EVINS. I think that would be very appropriate.

Mr. BROWNSTEIN. It is practically all of them. They have not yet released the list of all participating insurance companies, so we could not supply it. It is all of the major ones and practically the entire insurance industry.

Secretary WEAVER. Every large insurance company is in it and most of the moderate size, and a few of the smaller ones are not.

Mr. EVINS. Supply such information as you can.

(The requested information follows:)

PARTICIPANTS IN THE LIFE INSURANCE URBAN PROBLEMS PROGRAM

Acacia Mutual Life Insurance Co., Washington, D.C.
Aetna Life & Casualty, Hartford, Conn.
Allstate Life Insurance Co., Skokie, Ill.
American Bankers Life Assurance Co. of Florida, Miami, Fla.
American Foundation Life Insurance Co., Little Rock, Ark.
American General Life Insurance Co., Houston, Tex.
American General Life Insurance Co. of Delaware, Houston, Tex.
American General Life Insurance Co. of Oklahoma, Oklahoma City, Okla.
The American Home Life Insurance Co., Topeka, Kans.
American Mutual Life Insurance Co., Des Moines, Iowa
American National Insurance Co., Galveston, Tex.
American United Life Insurance Co., Indianapolis, Ind.
Baltimore Life Insurance Co., Baltimore, Md.
Bankers Life Co., Des Moines, Iowa
Bankers Life Insurance Co. of Nebraska, Lincoln, Nebr.
Bankers National Life Insurance Co., Montclair, N.J.
Bankers Security Life Insurance Society, Washington, D.C.
Benefit Trust Life Insurance Co., Chicago, Ill.
Berkshire Life Insurance Co., Pittsfield, Mass.
Boston Mutual Life Insurance Co., Boston, Mass.
Business Men's Assurance Co. of America, Kansas City, Mo.
California-Western States Life Insurance Co., Sacramento, Calif.
Canada Life Assurance Co., Toronto, Canada
Central Life Assurance Co., Des Moines, Iowa
Colonial Life Insurance Co. of America, East Orange, N.J.
Columbian Mutual Life Insurance Co., Binghamton, N.Y.
Commonwealth Life Insurance Co., Louisville, Ky.
Companion Life Insurance Co., New York, N.Y.
Confederation Life Association, Toronto, Canada
Connecticut General Life Insurance Co., Hartford, Conn.
Connecticut Mutual Life Insurance Co., Hartford, Conn.
Continental American Life Insurance Co., Wilmington, Del.
Continental Assurance Co., Chicago, Ill.
Crown Life Insurance Co., Toronto, Canada
Durham Life Insurance Co., Raleigh, N.C.
Eastern Life Insurance Co. of New York, New York, N.Y.
Educators Life Insurance Co. of America, North Hollywood, Calif.
Empire State Mutual Life Insurance Co., Jamestown, N.Y.
Employers Life Insurance Co. of Wausau, Wausau, Wis.
Equitable Life Assurance Society of the United States, New York, N.Y.
Equitable Life Insurance Co., Washington, D.C.
Equitable Life Insurance Co. of Iowa, Des Moines, Iowa
Farmers & Bankers Life Insurance Co., Wichita, Kans.
Federal Life Insurance Co. (Mutual), Chicago, Ill.
Fidelity Life Association, Fulton, Ill.
Fidelity Mutual Life Insurance Co., Philadelphia, Pa.
Fireman's Fund American Life Insurance Co., Newark, N.J.
Franklin Life Insurance Co., Springfield, Ill.
General American Life Insurance Co., St. Louis, Mo.
Golden State Mutual Life Insurance Co., Los Angeles, Calif.
Great American Life Insurance Co., East Orange, N.J.
Great American Reserve Insurance Co., Dallas, Tex.
Great National Life Insurance Co., Dallas, Tex.
Great-West Life Assurance Co., Winnipeg, Canada
Guarantee Mutual Life Co., Omaha, Nebr.
The Guardian Life Insurance Co. of America, New York, N.Y.
Hartford Life Insurance Co., Hartford, Conn.
Hawaiian Life Insurance Co., Honolulu, Hawaii
Illinois Mutual Life & Casualty Co., Peoria, Ill.
Imperial Life Assurance Co. of Canada, Toronto, Canada
Indianapolis Life Insurance Co., Indianapolis, Ind.
Interstate Life & Accident Insurance Co., Chattanooga, Tenn.
Investors Syndicate Life Insurance & Annuity Co., Minneapolis, Minn.

Jefferson National Life Insurance Co., Indianapolis, Ind.
Jefferson Standard Life Insurance Co., Greensboro, N.C.
John Alden Life Insurance Co., Chicago, Ill.
John Hancock Mutual Life Insurance Co., Boston, Mass.
Lamar Life Insurance Co., Jackson, Miss.
Life & Casualty Insurance Co. of Tennessee, Nashville, Tenn.
Life Insurance Co. of California, San Francisco, Calif.
Life Insurance Co. of Georgia, Atlanta, Ga.
Life Insurance Co. of North America, Philadelphia, Pa.
Life Insurance Co. of Virginia, Richmond, Va.
Lincoln Mutual Life Insurance Co., Lincoln, Nebr.
Loyal Protective Life Insurance Co., Boston, Mass.
Lutheran Mutual Life Insurance Co., Waverly, Iowa
Maccabees Mutual Life Insurance Co., Southfield, Mich.
Manhattan Life Insurance Co., New York, N.Y.
Massachusetts Indemnity & Life Insurance Co., Boston, Mass.
Massachusetts Mutual Life Insurance Co., Springfield, Mass.
Mercantile Security Life Insurance Co., Dallas, Tex.
Metropolitan Life Insurance Co., New York, N.Y.
Michigan Life Insurance Co., Royal Oak, Mich.
Midland National Life Insurance Co., Watertown, S. Dak.
Ministers Life & Casualty Union, Minneapolis, Minn.
Minnesota Mutual Life Insurance Co., St. Paul, Minn.
Monarch Life Insurance Co., Springfield, Mass.
Monumental Life Insurance Co., Baltimore, Md.
Mutual Benefit Life Insurance Co., Newark, N.J.
Mutual Life Insurance Co. of New York, New York, N.Y.
National Life & Accident Insurance Co., Nashville, Tenn.
National Life Insurance Co., Montpelier, Vt.
National Travelers Life Co., Des Moines, Iowa
Nationwide Life Insurance Co., Columbus, Ohio
New England Mutual Life Insurance Co., Boston, Mass.
New York Life Insurance Co., New York, N.Y.
North American Life & Casualty Co., Minneapolis, Minn.
North American Life Assurance Co., Toronto, Canada
North American Reassurance Co., New York, N.Y.
North Carolina Mutual Life Insurance Co., Durham, N.C.
Northern Life Insurance Co., Seattle, Wash.
Northwestern Mutual Life Insurance Co., Milwaukee, Wis.
Northwestern National Life Insurance Co., Minneapolis, Minn.
Occidental Life Insurance Co. of California, Los Angeles, Calif.
Ohio National Life Insurance Co., Cincinnati, Ohio
Pacific Mutual Life Insurance Co., Los Angeles, Calif.
Pacific National Life Assurance Co., San Francisco, Calif.
Pan-American Life Insurance Co., New Orleans, La.
Patriot Life Insurance Co., New York, N.Y.
Paul Revere Life Insurance Co., Worcester, Mass.
Penn Mutual Life Insurance Co., Philadelphia, Pa.
Peoples Life Insurance Co., Washington, D.C.
Phoenix Mutual Life Insurance Co., Hartford, Conn.
Pioneer American Insurance Co., Fort Worth, Tex.
Plymouth Insurance Co., San Francisco, Calif.
Protected Home Mutual Life Insurance Co., Sharon, Pa.
Provident Life & Accident Insurance Co., Chattanooga, Tenn.
Provident Mutual Life Insurance Co. of Philadelphia, Philadelphia, Pa.
Prudential Insurance Co. of America, Newark, N.J.
Reliable Life Insurance Co., Webster Groves, Mo.
Reliance Standard Life Insurance Co., Philadelphia, Pa.
Rockford Life Insurance Co., Rockford, Ill.
Security Benefit Life Insurance Co., Topeka, Kans.
Security Life & Accident Co., Denver, Colo.
Security Life & Trust Co., Winston-Salem, N.C.
Security Mutual Life Insurance Co., Lincoln, Nebr.
Security Mutual Life Insurance Co. of New York, Binghamton, N.Y.
Sentry Life Insurance Co., Stevens Point, Wis.
Shenandoah Life Insurance Co., Roanoke, Va.
Southern Life & Health Insurance Co., Birmingham, Ala.

Southland Life Insurance Co., Dallas, Tex.
Southwestern Life Insurance Co., Dallas, Tex.
Standard Insurance Co., Portland, Oreg.
Standard Life Insurance Co. of Indiana, Indianapolis, Ind.
State Farm Life Insurance Co., Bloomington, Ill.
State Life Insurance Co., Indianapolis, Ind.
State Mutual Life Assurance Co. of America, Worcester, Mass.
Sun Life Assurance Co. of Canada, Montreal, Canada
Sun Life Insurance Co. of America, Baltimore, Md.
Teachers Insurance & Annuity Association of America, New York, N.Y.
Travelers Insurance Co., Hartford, Conn.
Union Labor Life Insurance Co., New York, N.Y.
Union Mutual Life Insurance Co., Portland, Maine
United Benefit Life Insurance Co., Omaha, Nebr.
United Farm Bureau Family Life Insurance Co., Indianapolis, Ind.
United Life & Accident Insurance Co., Concord, N.H.
United Services Life Insurance Co., Washington, D.C.
United States Life Insurance Co., New York, N.Y.
Universal Life & Accident Insurance Co., Dallas, Tex.
Volunteer State Life Insurance Co., Chattanooga, Tenn.
Washington National Insurance Co., Evanston, Ill.
Western & Southern Life Insurance Co., Cincinnati, Ohio
Western Life Insurance Co., St. Paul, Minn.
Western States Life Insurance Co., Fargo, N. Dak.
Woodmen Accident & Life Co., Lincoln, Nebr.

Mr. JONAS. It is a pool?

Mr. BROWNSTEIN. No; it is not. Each company makes its own commitments.

NEW LEGISLATIVE PROPOSALS

Mr. PRYOR. On page 4 of your statement, Mr. Secretary, the last paragraph, you begin a discussion of what you call entirely new legislative proposals.

At this point in the record, I think it might be good to discuss the new proposals, new legislation, in the field of housing and urban development.

Mr. EVINS. It is before the legislative committee and we will have to see what comes out of the committee.

You might highlight some of the proposals for the record.

Mr. PRYOR. Could the the Secretary, at this point in the record give us an approximate figure of how much money we are talking about in these new legislative proposals or is it too premature?

Secretary WEAVER. I am afraid it is a little premature because we don't know what will come out of the legislative process.

Mr. EVINS. Highlight some of the recommendations at this point in the record.

Mr. PRYOR. That would be fine, but I think we have got to determine some guidelines here as to where we are going in order that we might act intelligently when we come to the final markup of this bill.

Mr. EVINS. Supply for the record the highlights of some of your proposals before the legislative committee.

(The requested information follows:)

HIGHLIGHTS OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968 (H.R. 15624)

TITLE I—LOW AND MODERATE INCOME HOUSING

Homeownership

The first section of the bill would authorize new program of assistance payments to enable low- and moderate-income families to afford homeownership, including single-family, cooperative, and condominium units. The mortgages

would be insured by FHA under a new section 235 to the National Housing Act. These mortgages would carry a market interest rate but the Secretary would subsidize the interest rate through periodic payments to the mortgagee down to as low as 1 percent. The extent of the subsidy would depend on the buyer's income, since the buyer would pay 20 percent of his income toward mortgage payments before assistance payments are calculated. Income limits would be set by the Secretary and incomes checked at least every 2 years. Mortgage amounts would be limited to $15,000 generally and $17,500 for families of five or more persons, with a further provision for an additional $2,500 for high-cost areas in each case. The housing would have to be new or substantially rehabilitated with certain execptions, and the owner-occupant of single-family units could contribute "sweat equity." This program would also replace section 221(h) (providing for nonprofit sponsors of sales housing), which would be substantially incorporated into the new program.

The bill authorizes contracts for assistance payments subject to approval in appropriation acts in the following amounts:

Fiscal year:	*Amount*
1969	$75,000,000
1970	100,000,000
1971	125,000,000
1972	150,000,000
1973	150,000,000
Total	600,000,000

Special mortgage risks

The bill would authorize FHA to insure mortgages for low- and moderate-income purchasers who cannot meet the credit standards of certain regular FHA programs but who are otherwise satisfactory risks and capable of homeownership with the assistance of budget, debt management, and related counseling. Appropriations would be authorized for counseling services. It also would authorize FHA to insure mortgages in older declining neighborhoods which do not meet FHA's normal requirements, but are acceptable risks. These mortgages, along with the new section 235 homeownership mortgages and the new section 236 rental and cooperative housing mortgages, would be insured under a new special risk insurance fund, which would be supplemented by appropriations to the extent needed.

Aid to nonprofit sponsors

The bill would authorize the Secretary to render technical assistance and to make 80-percent, interest-free loans to nonprofit sponsors of low- and moderate-income housing to cover certain preconstruction costs of undertaking a federally assisted project. A revolving fund of $7.5 million would be established. The loans would normally be repaid when the project is permanently financed, but the Secretary could cancel all or any part of the loan which could not be recovered from the permanent financing. However, the Secretary would be required, prior to making a loan, to determine that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

TITLE II—RENTAL HOUSING FOR LOW- AND MODERATE-INCOME FAMILIES

Interest subsidies for rental and cooperative housing

Section 201 would authorize a new program under which nonprofit, limited dividend and cooperative sponsors would build housing financed with mortgages insured under a new section 236 to the National Housing Act. These mortgages would carry a market interest rate, but the Secretary would pay to the mortgagee an amount equal to the difference between the market rate and 1 percent. Occupants, who would have to be low- and moderate-income families, would pay 25 percent of their income as rent up to the full economic rent which would be charged if there were no subsidy. The sponsor would reimburse the Secretary for that part of rent receipts in excess of the amount which would be required under 1 percent financing, and this amount could be used for making other assistance payments. Contracts for assistance payments would be authorized subject to approval in appropriation acts in the following amounts:

Fiscal year:	Amount
1969	$75, 000, 000
1970	100, 000, 000
1971	125, 000, 000
1972	150, 000, 000
1973	150, 000, 000
Total	600, 000, 000

Rent supplements

The bill would extend the authorization for rent supplement contract authority in the following amounts:

Fiscal year:	Amount
1970	$40, 000, 000
1971	100, 000, 000
1972	100, 000, 000
1973	100, 000, 000
Total	340, 000, 000

Public housing

The bill would increase the authorization for annual contributions contracts for the low-rent public housing program by $100 million on the date of enactment of the bill, to be added to the $47 million becoming available on July 1, 1968. Additional authorizations would be provided in the following amounts:

Fiscal year:	Amount
1969	$100, 000, 000
1970	150, 000, 000
1971	150, 000, 000
1972	200, 000, 000
1973	200, 000, 000
Total	800, 000, 000

Upgrading management and services in public housing

The Secretary would be authorized to contract with local housing authorities to provide grants to improve management activities and provide tenant services in public housing projects. For this purpose an appropriation of $20 million would be authorized for fiscal year 1969 and such amounts as may be necessary in subsequent fiscal years.

TITLE III—FHA INSURANCE OPERATIONS

Flexible interest rates

Section 302 would remove the statutory interest rate ceilings on existing FHA programs and authorize the Secretary to set rates as he finds necessary to meet the mortgage market. (The ceiling on VA-guaranteed loans would automatically be removed since it is currently set by a cross-reference to the FHA section 203 home mortgage program.)

FHA home improvement loans

The bill would raise the maximum FHA-insured property improvement loan from $3,500 to $5,000 and extend the maximum maturity from 5 years, 32 days to 7 years, 32 days. It would also increase the maximum financing charge on the first $2,500 of the loan from a 5-percent discount to a 5.5-percent discount. The discount on that part of a loan in excess of $2,500 would be raised from 4 to 4½ percent.

TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT

This title would provide a new form of financing aid for new communities. The financing under this program would be through bonds and debentures issued by private developers and guaranteed by HUD. To encourage assistance by State and local governments in the development of new communities a special supplementary grant program would also be authorized.

TITLE V—URBAN RENEWAL

Neighborhood development programs

Section 501 would authorize an alternative approach to urban renewal in which projects would be funded by annual increments and the Federal commitment at any given time would be limited to the net costs involved in the 12-month period. Basically, the same financial assistance as for regular urban renewal programs would be available.

Urban renewal assistance

The bill would increase the amount of grant funds available for urban renewal and other title I activities by $1.4 billion on July 1, 1969. An increase of $350 million in the amount of funds available for urban renewal projects in model cities areas is also provided.

Rehabilitation grants

The maximum rehabilitation grant to a low-income homeowner in an urban renewal area would be increased from the present $1,500 to $2,500.

Rehabilitation loans

The program of 3-percent direct loans to rehabilitate property in urban renewal areas would be extended from October 1, 1969, to June 30, 1973. The current limit on appropriations of $100 million a year would be removed.

TITLE VI—URBAN PLANNING AND FACILITIES

Comprehensive planning

The urban planning grant program under section 701 of the Housing Act of 1954 would be rewritten. The principal change would be to authorize grants for rural areas through State planning agencies. Also, an additional $35 million is authorized for appropriation for fiscal year 1969 and beginning fiscal year 1970 there would be no limit on the authorization.

Planned areawide development

The bill would extend to planned rural regions the supplemental planning incentive grants authorized for metropolitan areas in the 1966 act. These grants can cover up to 20 percent of the cost of a project in addition to the basic Federal grant for a number of existing programs, if the planning and coordination standards are met.

Water and sewer facilities

The bill would extend from July 1, 1968, to October 1, 1969, the interim planning requirements for the water and sewer facility grant program and would restore $285 million previously authorized for these grants, but not appropriated.

Open-space land program

The bill would convert the funding provision for grants under the open-space land program from authority to enter into contracts to a regular authorization for appropriations. It also authorizes the further appropriation of such funds as may be necessary to carry out the program beyond fiscal year 1969 when the current authorization expires.

TITLE VII—URBAN MASS TRANSPORTATION

The bill would authorize the appropriation of $190 million for urban mass transit grants for fiscal year 1970. Together with the balance of the existing authorization, this would permit a total request for $230 million to be appropriated for fiscal year 1970. The bill would also extend from November 1, 1968, to October 1, 1969, the provision for 50 percent emergency grants in communities which have not yet met the full planning requirements for the regular two-thirds grants.

TITLE VIII—SECONDARY MORTGAGE MARKET

Private FNMA

This title would establish FNMA's secondary market operation as a Government-chartered private corporation which would retain the name of FNMA. FNMA's two other functions, special assistance and management and liquidation, would be operated by a Government National Mortgage Association within

HUD. The FNMA preferred stock held by Treasury would be retired as rapidly as possible and the common stock would receive voting rights.

By 1973 at the latest, after one-third of FNMA common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses, FNMA would be governed by a 9- to 15-member board, with one-third of the members appointed by the Secretary—during a transition period of 2 to 5 years there would be a higher ratio of Secretary-appointed directors—and the remainder by the common stockholders. The Secretary would retain regulatory authority over FNMA, including the power to require that a reasonable proportion of FNMA mortgage purchases be for housing for low- and moderate-income families—but with reasonable economic return to the corporations.

Mortgage-backed securities

The bill would authorize GNMA to guarantee securities backed by pools of FHA and VA mortgages and loans insured by Farmers Home Administration. These securities could be issued by FNMA or other private lenders.

TITLE IX—NATIONAL HOUSING PARTNERSHIPS

National housing partnerships created pursuant to title IX would be the vehicle for mobilizing private capital and business skills in the job of producing low- and moderate-income housing on a national scale. Such a national partnership would function as the catalyst in the forming of partnership ventures with local investors for the purpose of building low- and moderate-income housing in communities throughout the Nation. The partnership interest in such undertakings could not exceed 25 percent of the aggregate equity investment, except where the balance is not obtainable from local investors. A federally chartered Corporation would serve as the general partner and managing agent of the national partnership, and would provide the requisite staff and expertise in connection with the organization and planning of local projects. It is contemplated that a large investor would invest not more than 5 percent of his funds in the corporation's stock and the balance in the partnership. The partnership would be formed under the District of Columbia Uniform Limited Partnership Act, so that the investors as limited partners would have no liability for the debts of the partnership beyond their investment. The partnership arrangement makes it possible to assure an adequate return to investors. As in the case of other partnerships under existing law, the necessary benefits which are inherent in a housing undertaking during its initial years could be passed through to the individual partners who are investors.

TITLE X—RURAL HOUSING

Under existing law Farmer's Home Administration provides 4 percent direct loans to finance housing for the elderly and for families of very low income. It also provides 5 percent guaranteed loans for families of somewhat higher incomes. The bill would amend these programs to provide that the interest rate would be subsidized in a manner similar to the new programs in title I and II of this bill and the effective rate could be as low as 1 percent, depending on the family income. The upper limit of the rate would be set by the Secretary of Agriculture and would be based on the cost of money to the Treasury. (There is also provision in section 101 home ownership assistance and section 201 rental and cooperative housing assistance in this bill for the assignment of authority and funds from HUD to the Secretary of Agriculture to carry out these two programs in rural areas.)

TITLE XI—MISCELLANEOUS

Model cities

The bill would authorize appropriation of $1 billion for each of the fiscal years 1970 and 1971 for supplementary grants and for other purposes under the model cities program. It would also provide that amounts authorized but not appropriated may be appropriated in any succeeding fiscal year commencing prior to July 1, 1971.

College housing loans

The bill would eliminate the present ceiling of 3 percent on the interest rate on college housing loans and provide that the rate would be set at the market yield for Treasury bonds of comparable maturity with authority for the Secretary to reduce that rate by up to 1 percent.

Additional Assistant Secretary

The bill would increase from 4 to 5 the number of Assistant Secretaries in the Department of Housing and Urban Development. The additional Assistant Secretary would administer departmental research and development programs.

INTEREST RATE LEGISLATION

Mr. JONAS. What are they doing in the Banking and Currency Committee on the interest bill? Have you testified yet?

Secretary WEAVER. Yes, sir.

Mr. JONAS. You testified in support of the administration's proposal to eliminate the ceiling?

Secretary WEAVER. Yes, sir.

Mr. JONAS. But no action has been yet taken?

Secretary WEAVER. No, there has not been any action taken.

HOUSING STARTS ESTIMATES

Mr. JONAS. What is your prognostication about housing starts this year?

Secretary WEAVER. I would say that if we had an adequate amount of mortgage credit this could be a year where we would have 1,600,000 starts which would get us back to where we were.

Mr. JONAS. What was the total in calendar year 1967?

Secretary WEAVER. Nearly 1.3 million.

Mr. JONAS. What is the rate so far in 1968?

Secretary WEAVER. We are going at the rate of about 1.5 million, I believe. The February rate was 1,566,000.

Mr. JONAS. You mean assuming that the same rate continues?

Secretary WEAVER. Yes. This is an adjusted rate. This doesn't mean that number was built, but in a typical distribution of the year, if the other months relate to February like they usually relate to February, we would have 1,566,000 starts.

URBAN RENEWAL RESERVATIONS VERSUS OBLIGATIONS

Mr. JONAS. The committee has an investigative staff that has been worrying you people right much during the last year. I have two volumes of their report here. They are very critical about your reservation policy. They say, for example, that you have, in urban renewal, about $1.5 billion of reservations that are not legally binding and should not be considered as obligated.

Mr. HUMMEL. I don't know what you mean by "legally binding."

Mr. JONAS. They say you claim something is obligated when legally it isn't obligated under the statute. You just put a reservation down and you call that an obligation.

Mr. HUMMEL. Perhaps I should explain briefly the reservation system, because I don't understand that statement.

Mr. JONAS. May I read the statute and you see whether you comply with that:

"After the date of enactment hereof, no amount shall be recorded as an obligation of the Government unless it is supported by documentary evidence of (1) a binding agreement in writing between the parties thereto, including Government agencies, in a manner and

form and for the purpose authorized by law, executed before the expiration of the period of availability for obligation of the appropriation or fund concerned for specific goods to be delivered, real property to be purchased or leased, or work or services to be performed," et cetera.

Secretary WEAVER. Mr. Jonas, two things: In the first place, none of the Assistant Secretaries have had access to this analysis. I think perhaps Mr. Frantz could speak to this.

Mr. FRANTZ. I did have access to the problem——

Mr. JONAS. They quote a number of officials in the Department and evidently have discussed it with them.

COVERAGE OF SECTION 1311

Mr. FRANTZ. This is a little bit technical and I am afraid I didn't quite succeed in making my point to the gentlemen when we discussed it, but the statute they are quoting here—which is section 1311 of the Supplemental Appropriation Act of 1955, as amended—Public Law 83-663—was adopted actually by the Appropriations Committee—recommended by the Appropriations Committee—for the purpose of defining the point at which funds are obligated, funds which have a limited time of availability and which, if not obligated, would expire and revert to the Treasury. Now, there is no—this is not what we are talking about here. We are talking about a contract authority or an appropriation to fund contract authority, which has no expiration date, and the problem section 1311 is talking about actually doesn't arise in this program at all.

Mr. EVINS. What did section 1311 specifically relate to?

Mr. FRANTZ. Specifically it relates to the degree of obligation that must exist against an annual appropriation or an appropriation for a fixed term.

Mr. EVINS. Does it apply to specific programs or is it general?

Mr. FRANTZ. It applies generally to funds which otherwise would lapse and cease to be available.

Mr. JONAS. There is a GAO manual out that incorporates the same provisions.

Mr. FRANTZ. That is correct; yes, sir.

Secretary WEAVER. But it is not applicable to urban renewal because these funds do not——

Mr. JONAS. Oh, yes; it is, too.

Mr. FRANTZ. For reporting obligations to the Treasury in the technical terms, yes—they are reported in accordance with the terms of section 1311 on the basis of contracts executed, but the reservation system was not intended to reflect the obligation of the funds in a contract sense. It was intended to reflect the extent to which they have been utilized in terms of firm arrangements that were entered into between ourselves and communities, not in contractual form. The reservation in urban renewal is not contractually binding on the Government until it reaches the contract point.

Mr. JONAS. That is right, but they say in all of your presentations to us you have been counting allocations and reservations down in your office as an obligation when it isn't an obligation; that you have $1.5 billion worth of urban renewal money that is not legally obligated.

The reason I am asking this question is, I can't understanding why you would ask for another billion dollars in appropriations.

Mr. FRANTZ. I respectfully disagree with the way they have described the situation, Mr. Jonas. We have not described these funds as obligated in the legal or technical sense. We have described them as authority which was utilized and was, therefore, not free to be utilized a second time without doubling up.

CANCELLATIONS IN URBAN RENEWAL PROGRAM

Mr. JONAS. They make the point that you have had all these cancellations.

Mr. FRANTZ. Yes, sir.

Mr. JONAS. And they offer that as proof that you should not call it obligated because if it is a contract it can't be canceled without a penalty. They say you have recovered about $18 million in funds on projects previously called obligated that fall by the wayside; 477 projects. That originally you had obligated funds that had to be canceled, is that right?

Mr. FRANTZ. Reservations are canceled from time to time, yes, sir. That is quite true.

Secretary WEAVER. I think the whole point of this—I haven't read this, but I think the whole point of our current procedures is, in order for the localities to be able to move and to be able to go ahead and take the necessary steps getting ready to develop a project, that there has to be some indication on our part to them that the money will be available for that project when it is developed. This is the idea of the reservation.

Mr. EVINS. You cannot and do not make reservations until the appropriated funds are available to the agency?

Mr. FRANTZ. That is correct.

Secretary WEAVER. That is right, and, on the other hand, if we do not have a reservation system you are not going to permit the localities to be able to take the many steps, the long, time-consuming process that has to be involved and should be involved in getting ready for an application.

REASONS FOR DISSATISFACTION WITH RESERVATION SYSTEM

Mr. JONAS. May I read from the report something along that line?

Secretary WEAVER. Yes.

Mr. JONAS (reading):

HUD officials advised the staff they were dissatisfied with the present reservation system used by HUD for a number of reasons. They said the system is unworkable and unrealistic in that the extent of the Federal obligations under the program are not disclosed and the estimates used as the basis for establishing reservations for proposed projects are merely guesses, or ballpark estimates with no accurate data to support them. They advise that the reservation of funds is set aside for years and when a locality is prepared to undertake an approved project the funds are inadequate and must be adjusted upward. Many of the communities that deserve to be in the program are not given the opportunity to participate because a portion of the funds which would normally be made available to fund new activities is used to increase deficient grant reservations of existing projects.

Secretary WEAVER. In the first place, I think that the technique of using, "as HUD officials say" there are 14,000 of them and I am sure they say 14,000 different things——

Mr. JONAS. I don't believe they talked with 14,000.

PROPOSED NEIGHBORHOOD DEVELOPMENT PROGRAM

Secretary WEAVER. Let me say this: We are now proposing in the Housing and Urban Development Act of 1968 a complementary type of reservation. This is what we call a neighborhood development program. This would complement the existing type of program and would be primarily for those projects which can be executed over a period of years in rather discrete installments. Primarily they would be projects for rehabilitation and for housing for low- and moderate-income families, where you can start the project before having all of it funded.

In contrast to that, let's take Southwest Washington. You could never have developed Southwest Washington without first having been able to acquire the whole site; second, to have demolished the whole site, and then to have gotten redevelopers to come in because you were changing a user group, which you cannot do on the installment plan. You have to have a total plan and a total approach.

Mr. JONAS. When we get around to the discussion of urban renewal, will you have your people be prepared to discuss with us the amount of unobligated and unspent balances and how long these unobligated balances have been accumulated?

Secretary WEAVER. Let me finish this one thing and then we will get to that.

What we are proposing now is that in an instance like in the Shaw area of Washington, where you are going to have largely rehabilitation, that that area should be designated by the local authority and then they should come in with a series of proposals which would be done year by year, over 2 years, and you would get a much lesser time for the freezing of the funds. But where you have downtown central business or where you have new user groups you have to get the tying up of these funds.

PUBLIC HOUSING LEASING PROGRAM

Mr. JONAS. How hard are you pushing this rent certificate program?

Secretary WEAVER. Do you mean the leasing program?

Mr. JONAS. The certification of—this is public-housing operated—the program to take over, some people call it "instant public housing," others call it "rent certification." The use of rehabilitated housing for public housing.

Secretary WEAVER. That is the leasing program. We will be happy to get you figures on that.

Mr. JONAS. I guess it would be better to wait until we have the public housing people.

Secretary WEAVER. Do you have the figures there?

Mr. HUMMEL. Yes, sir.

Mr. JONAS. I didn't want to get to the figures until we get to public housing. I just wanted to know how hard you are pressing there.

Mr. HUMMEL. We have been urging the utilization of it, Mr. Jonas, because it makes facilities available more rapidly and through the combination of that with rehabilitation and acquisition——

Mr. JONAS. As a matter of fact, you have housed more people by far under that program than you have rent supplements; haven't you?

Secretary WEAVER. Definitely, because you are using existing housing. The difficulty with that program, however, is that it is a one-shot program. That is to say, if you simply emphasize that leasing program, you get to the point after you have reduced the amount of vacancies substantially—and every time you do this you cut down on the vacancy rate—where it will become a program that will be inflationary rather than productive, because you have to increase the supply as well as provide subsidies if you are going to house a growing population. This does not increase the supply of housing. If it is rehabilitation, it might.

Mr. JONAS. I don't follow you on that. It would increase the supply of standard housing.

Mr. EVINS. You have a two-way approach?

Secretary WEAVER. Most of it is not rehabilitation. Most of it is existing housing as is. If that housing is vacant, then you put a low-income person into a house that you didn't before, but if that house is not vacant, this could be used as a means of pushing somebody else out and putting that low-income family in, and you just raise the price and have an inflationary spiral. It has limitations, in other words.

RENT SUPPLEMENT UNITS UNDER CONSTRUCTION

Mr. JONAS. You said—and I think you said something very much like this last year—that the objective of the rent supplemental program is to provide decent housing for 100,000 families.

You are really not making much progress on that under the rent supplement program?

Secretary WEAVER. On the contrary, we are, but you must recognize the fact that you cannot——

Mr. JONAS. This report says you have only 12 projects under construction. Is that incorrect?

Secretary WEAVER. That might have been correct at the time they got it. It is incorrect as of today.

Mr. BROWNSTEIN. We have, as a matter of fact, allocated——

Mr. JONAS. I am not talking about allocations now. I am talking about how many projects you have under construction.

Mr. BROWNSTEIN. We have under construction I believe about 6,000 units, Mr. Jonas.

Mr. JONAS. How many houses?

Mr. BROWNSTEIN. 6,000 units. We only have money for 42,500 units and we——

Mr. JONAS. And you have 6,000 under construction. What is holding up the rest?

Mr. BROWNSTEIN. Many sponsors have their architects and others working on them. They are going to get under construction as fast as we can push them.

It takes time. There is leadtime. They have to get their zoning arranged, they have to get sites, they have to get their engineering, they have to have their architects draw the plans and specifications.

I think this program has moved faster than any other new FHA program has ever moved.

Mr. JONAS. How much did you pay or how much will you pay this year in rent supplements, say, as of June 30, 1967?

Mr. BROWNSTEIN. As of January 31, 1968, we have paid out $662,000.

Mr. JONAS. Why does it take all this time? You have had this money for 3 years.

Mr. BROWNSTEIN. No, sir; we have not.

Mr. JONAS. You have had part of it. You haven't even spent what you got 2 years ago.

Mr. BROWNSTEIN. We have had six projects that are completed. By the time that you start—first, you have to get your fund allocation. Then you start shopping for a site. Once you get your site, you go through your local authorities, and so forth. You cannot do this kind of thing in much under 2 years, Mr. Jonas.

Mr. JONAS. Is it going to take 2 years for every project?

Mr. BROWNSTEIN. From the time the funds are authorized——

Mr. JONAS. It will take you a long time to take care of 100,000 people, Doctor.

Secretary WEAVER. That is exactly what it takes in most construction. Once you get the program over the first hump and going, then it moves, but you have to get that.

For example, the 221(d)(3) program, the moderate income program, we are now going to 40-some-thousand units and it took some time to do that.

Mr. JONAS. When did you get your first money?

Mr. BROWNSTEIN. 1966.

Secretary WEAVER. In May.

Mr. JONAS. Calendar year 1966.

Secretary WEAVER. At the end of fiscal year 1966, in the supplemental.

Mr. JONAS. As of January 1 you have paid out how much?

Mr. BROWNSTEIN. As of January 31 we have paid out $662,000.

Mr. JONAS. How much money unexpended?

You paid out $662,000. How much do you have unexpended? How much do you have authorized for spending from which you deduct the $662,000?

Mr. BROWNSTEIN. The appropriation was $5 million.

Mr. JONAS. And that involved how many complete projects? Six thousand units?

Mr. BROWNSTEIN. 1,792 units are occupied.

Mr. EVINS. It has taken some time to get the contractors to develop and build, but you have also utilized rehabilitation of existing housing and put people under the rent supplement program in this process; have you not?

Mr. BROWNSTEIN. Some of it is rehabilitation, Mr. Chairman. Some of this is not new.

Mr. JONAS. Some of it is rehabilitated.

Mr. BROWNSTEIN. Some is 202, under the experimental.

Mr. JONAS. How much under the regular rent supplement? You have had the experimental longer than 1966.

Secretary WEAVER. No.

Mr. JONAS. I thought you had.

Secretary WEAVER. No; not for rent supplement.

Mr. JONAS. You called it an experimental program but it was, nevertheless, payment of a rent subsidy.

Secretary WEAVER. The units were built before then. The subsidy was not available until the appropriation.

Mr. JONAS. You see, I am having difficulty getting in the record answers to questions and that is probably my fault because I may not be expressing myself clearly. I want to know how much—how effective your rent supplement program has been, in the main; the rent supplement, not some experiment program and not a rehabilitation program.

Mr. BROWNSTEIN. I will tell you, Mr. Jonas——

Mr. JONAS. We can go into that when we get to rent supplement.

PROGRESS OF RENT SUPPLEMENT PROGRAM

Secretary WEAVER. When we do go into it, Mr. Congressman, it has to be looked at in relationship to what happens in a program of FHA involving new construction. You cannot compare it to a leasing program which takes in existing units. You have to take it as a program that starts de novo—first getting the sponsors to understand it, getting our people to understand it, then getting the sites, getting the design, getting the zoning, getting the organization, and getting the program going. I think this is the only fair criteria by which you can judge this program. I am perfectly willing to have it looked at from that point of view and I think it will stand on its own. It cannot be compared to a leasing program. It is not the same type of a program.

Mr. JONAS. I must say that I get the impression that this program is not moving as fast as it was sold to us as being possible to be moved. This is the third year. We have had all these glowing prospects about what the rent supplement program is going to do and it doesn't seem to me that you have it off the ground yet.

Mr. BROWNSTEIN. I think it is well off the ground, Mr. Jonas, but I think, also, you have to recognize that in any homebuilding undertaking there is considerable leadtime, and when we have now six projects that are finished that started out as rent supplement projects from scratch, in less than 2 years, I think this is quite significant. And we have in the pipeline——

Mr. JONAS. It is significant if you did not have all this backlog of people breathing down your necks crying for this program. We were told that it was ready to move off at a gallop. You had ministers from all over the United States who came in here and made strong pleas for this program. I thought they were ready to go forward immediately.

Mr. BROWNSTEIN. And they are, but from the initial authorization until the families can move in is going to take time.

Secretary WEAVER. I think the record should show, Mr. Jonas, that when we talked about the potential of this program, we talked about how many units would be provided by the program. We did not say they were going to be provided next year, we did not say they were going to be completed in 6 months. And very often this has been interpreted as that but this is not the case because we knew from our experience that a new construction program takes time to get going.

RENT SUPPLEMENT CONTRACT AUTHORITY

Mr. JONAS. What is your total contract authority now?

Mr. BROWNSTEIN. $42 million.

Mr. JONAS. How much of it has been used?

Mr. BROWNSTEIN. We have reserved it all.

Mr. JONAS. How much has been obligated?

Mr. BROWNSTEIN. Again, we have reserved for projects, virtually the entire authorization.

Mr. JONAS. To reserve something all you have to do is make a little mark down in the office. I am talking about a legal obligation.

Mr. BROWNSTEIN. It is more than a little mark at the office, Mr. Jonas.

Mr. JONAS. It is cancelable.

Mr. BROWNSTEIN. No, sir, it is not that easy. No project sponsor can move forward with a proposed project until he gets a letter from us saying "We have reserved on behalf of this project x dollars in rent supplement authorization." So I must say to you that the entire amount of the authorization has been reserved for rent supplement projects.

Mr. EVINS. $42 million is all reserved under your concept of a reservation?

Mr. BROWNSTEIN. Yes, Mr. Chairman. Now the fact that the contract will come along later does not alter the fact that this money cannot be assigned to any other projects.

WORK OR "SWEAT" EQUITY

Mr. JONAS. I have just one other general question. What support are you giving to this concept of home acquisiton through work equity?

Mr. BROWNSTEIN. Under our regular home purchase programs we allow work equity to go toward the downpayment.

Secretary WEAVER. I might say, Mr. Jonas, that by and large this has been much, much more effective in smaller communities than it has been in the larger cities. We have had only one city of any size where we have had much success with this, for obvious reasons. But in the smaller towns it has been very, very effective, and on Indian reservations, it has been extremely useful.

Mr. JONAS. Give us a little more information on the extent to which you are using it and what its effectiveness has been.

Mr. BROWNSTEIN. I would have to supply that for the record, Mr. Jonas, the best information I can give you on the extent to which the value of work equity is used toward downpayment.

Mr. JONAS. Don't give the figures until we get to that, but give us a little oral comment on how that works.

Mr. BROWNSTEIN. Usually it is the kind of work that can be done by an unskilled person. It often is painting of the house, it may be landscaping. It is not something that requires a highly technical skill, or craft.

Mr. JONAS. In other words, you mean John Smith wants to acquire a house and lot. It is not in such shape that you would insure it without some renovation. You would say to him, "If you will fix the porch, put up some blinds and paint the house and do some other repair work, we will count that as part of your downpayment."

Mr. BROWNSTEIN. It could be done that way. It is often done on new construction. Say the downpayment is $500 and the builder says to the prospective buyer. "Well, if you will put on the final coat of paint and if you will plant, or lay the sod, or do this, that or the other thing, we will allow toward your $500 downpayment, the amount of $200 and you will have to come up with only $300 in cash."

Mr. JONAS. You say that is used in what program?

Mr. BROWNSTEIN. All of our home purchase programs.

Mr. JONAS. All of them?

Mr. BROWNSTEIN. Yes, sir.

Secretary WEAVER. In addition, we also use it in public housing, on the Indian reservations.

EQUITY ALLOWANCES FOR OWNER'S LABOR

Mr. JONAS. When we get to that point in the budget review, will you be prepared to give us some figures showing the extent to which this is being used?

Mr. BROWNSTEIN. I will try and get them for you, sir; yes. I do not know that I have them.

(Note: The Department advised that statistical information on equity allowances for owner's labor is not available.)

Mr. JONAS. I would like to say that I hope you will encourage the expansion of this program.

I do not mind saying on the record I take a little dim view of paying somebody's rent for 40 years, but I do not mind subsidizing somebody who is willing to take a little risk and do a little work and who wants to become a homeowner, because I think you make good citizens that way. You give a man a feeling of being a capitalist if he has a little equity in "Be it ever so humble, there is no place like home"; something that he can take pride in, that he will keep up.

Very often those people do not do that if they know somebody is paying their rent.

I am all for homeownership.

MORTGAGE INSURANCE IN BLIGHTED AREAS

Mr. EVINS. Mr. Talcott, do you have any general questions?

Mr. TALCOTT. Yes, if I may.

Mr. EVINS. Very well.

Mr. TALCOTT. You mentioned that there were 1,500 mortgages you were insuring in blighted areas each week.

Mr. BROWNSTEIN. That has been the rate for about the last 3 weeks. As the Secretary said, Mr. Talcott, it has been running over a thousand a week.

Mr. TALCOTT. Are you insuring any mortgages outside of blighted areas?

Mr. BROWNSTEIN. Oh, yes.

Mr. TALCOTT. How are they running?

Mr. BROWNSTEIN. Well, our total volume is about 15,000 or 16,000 a week.

Mr. TALCOTT. And so about a tenth of the total are in blighted areas?

Mr. BROWNSTEIN. Yes.

Mr. TALCOTT. And does this mean central cores of big cities?

Mr. BROWNSTEIN. Yes; this is what we are talking about.

Mr. TALCOTT. Then in private industry's contribution to insurance, in their contribution to the renewal of blighted areas, could you tell us a little more specifically about how it operates? Almost all of the insurance companies are putting into a central fund a certain amount of money.

Mr. BROWNSTEIN. There is not really a central fund, Mr. Talcott. The life insurance industry agreed to provide $1 billion.

Mr. TALCOTT. Per year, or as one single shot?

Mr. BROWNSTEIN. This is a one-shot thing, though I have read recently where they are talking about possibly expanding this sum. But this was the commitment of the life insurance industry.

Mr. TALCOTT. To whom is it committed?

Mr. BROWNSTEIN. It was a general commitment. It was a presentation that was made to the President and to the Secretary.

Mr. TALCOTT. Dr. Weaver?

Mr. BROWNSTEIN. Yes.

Secretary WEAVER. They worked this out and they made a proposal. We worked with them. At a meeting at the White House they announced that they would make, through each of the companies taking a share, this billion dollars available for housing for low-income people and primarily for the areas of pockets of poverty.

Mr. TALCOTT. To whom would they be loaning this billion dollars?

Secretary WEAVER. They do not loan it to anybody. Actually, what they do is pick up the FHA mortgages. It is restricted to FHA mortgages, and the loans which go to individuals.

Mr. BROWNSTEIN. It is two principal areas——

Mr. TALCOTT. They are not contributing any money, they are just guaranteeing loans to a limit of $1 billion, like the Federal Government does?

Mr. BROWNSTEIN. They are making loans to the sponsors of rent supplementary projects.

Mr. TALCOTT. This is limited, then, just to the rent supplement program?

Mr. BROWNSTEIN. No, not totally. That has been one of their largest areas of activity. It is to buy the mortgages, to acquire the mortgages that are used to build rent supplement projects. Secondly, they are taking a very large number of these home-purchase mortgages in blighted areas.

Mr. TALCOTT. Did they say what interest they would expect or what people they would deal with?

Mr. BROWNSTEIN. What they said was that they would take these mortgages at yields no greater than the yields that they would take on prime investments outside these areas. The fact of the matter is they are taking them at even less favorable yields than they could otherwise get.

Mr. TALCOTT. Has this already been done in some instances?

Mr. BROWNSTEIN. Oh, yes.

RESULTS OF INSURANCE COMPANY PROGRAM

Secretary WEAVER. Yes.

Through February 20 there were about 9,000 units of homes, individual houses, and about 8,000 units of mutifamily.

Mr. BROWNSTEIN. Some of those are rent supplements.

Mr. TALCOTT. Who selects the particular loans that they will make?

Secretary WEAVER. They do.

We make referrals to them and they select whatever they want to take.

To answer one of your original questions, this is not a pool. Each insurance company makes its own arrangements. We make referrals to a central source. They then refer them to their various participants around the country.

Mr. TALCOTT. When was this offer made?

Mr. BROWNSTEIN. In September, I believe it was—September 1967.

Mr. TALCOTT. Are they going to report to anybody?

Mr. BROWNSTEIN. Oh, yes.

Mr. TALCOTT. What is the status of it now?

Mr. BROWNSTEIN. The last figure I saw they had committed on $200 million. Again, leadtime is involved in this, and their activity is accelerating.

EXISTING RENT SUPPLEMENT PROJECTS

Mr. TALCOTT. With regard to the rent supplement program, some of the rent supplement funds of this 1,792 were simply buildings already in being and occupied.

Mr. BROWNSTEIN. That is correct. Well, the units were not occupied, but the buildings were.

Mr. TALCOTT. Well, even the individual units were occupied.

Secretary WEAVER. No.

Mr. BROWNSTEIN. It is conceivable that there could have been——

Secretary WEAVER. An eligible family, yes.

Mr. TALCOTT. I have a situation in mind where a church unit was operating an apartment. In this apartment house were members of the church who the church was supporting at least in part by paying or forgiving a portion of their rent. As soon as the rent supplement program came along, they turned these units over to the rent supplement program and instead of the church paying the rent, the Federal Government now pays for the rent. So the units were not only there in being, but the occupants were there in being. The occupants are the same except that the Government is now paying the supplement for rent instead of the church. Naturally, some churches like such an arrangement.

Mr. BROWNSTEIN. This would be possible under the experimental part of the rent supplement program which authorized 5 percent of the funds for housing for the elderly projects—these must be elderly people.

Secretary WEAVER. That was not a part of the original proposal of the administration.

Mr. TALCOTT. It is a part of the 1,792 units.

Mr. BROWNSTEIN. It could be that some elderly tenants were already occupying the units.

NONPROFIT SPONSORS

Mr. TALCOTT. Isn't one of the reasons the rent supplement program is so far behind and is not living up to the expectations is that the people who were managing the housing, the unions, the churches, or some nonprofit corporation, have no experience in housing management, especially low-cost family housing?

Mr. BROWNSTEIN. I cannot accept the hypothesis that the program is so far behind because I do not think it is. I think it is moving extremely well, but I would certainly agree with you that it does take a group of well-intentioned, well-motivated but unsophisticated people more time to put together a project than those who are more knowledgeable.

Mr. TALCOTT. What is going to happen in the long run if these people are unsophisticated in housing management? How are they possibly going to run a housing project? Housing is a difficult function to manage.

Mr. BROWNSTEIN. Managing it and putting the project together initially are two different things. Before we approve a rent supplement project, we find out how the sponsors propose to manage it and insist that there be professional and competent management in it.

Secretary WEAVER. I might say I started out in public housing in 1934 and we had all the problems that you mention then, and these were public agencies. They had great difficulty in learning. I think one of the real contributions this proposal does make is that it brings in a large number of well-motivated nonprofit people. It has developed a degree of sophistication and it gets a new resource, so if we are patient in these earlier periods, which we anticipated—it seems to be awfully slow to the casual observer—that the net results of this will be a great asset which we have never had in this country and which has been fairly prevalent in other parts of the world and we will probably catch up.

Mr. TALCOTT. You mean, housing management?

Secretary WEAVER. Management and sponsorship.

Mr. EVINS. Private enterprise management.

Secretary WEAVER. Putting the projects together.

Mr. TALCOTT. This isn't private enterprise.

Secretary WEAVER. Yes, sir.

PROJECT MANAGEMENT

Mr. TALCOTT. People in churches and labor unions are getting together and hiring experts in housing management, to use Federal funds, to receive payment from Federal taxpayers, that is not private enterprise.

Secretary WEAVER. It certainly is not government, and it is not public—it is private, but nonprofit.

Mr. TALCOTT. What is the rent supplement program if it isn't public or government?

Secretary WEAVER. The rent supplement program has two types of sponsors, primarily. It has the nonprofit sponsor, the church groups and those that you are speaking of——

Mr. TALCOTT. Mr. Secretary, don't these people have to go out and buy management? They have to pay handsome prices for the management, too, from what I understand. They may be nonprofit, but their managers make handsome wages if you want to call it a wage.

Secretary WEAVER. I have not seen this handsome wage as yet.

Mr. TALCOTT. Don't you check on the wages, expenses, and fringe benefits to the directors and managers of nonprofit corporations who participate?

Mr. BROWNSTEIN. We do, indeed.

Secretary WEAVER. Have you seen the handsome wages?

Mr. BROWNSTEIN. I don't know whether it is handsome; but it is in line with what it costs to do the same thing in other projects.

Mr. TALCOTT. In one case which I know a little about, as soon as the nonprofit corporation got to be a rent-supplement program, the manager's salary went way up. He had been managing in a private-enterprise, profit-type situation; but as soon as you got in, his wages almost doubled. I will have to check and find out more specific details.

Secretary WEAVER. I will have to know about that one.

Mr. BROWNSTEIN. His salary ought not to be governed by how much the supplement is; because the rentals ought not to have changed and his salary would be based on what the rentals are, not on how much the supplement is.

Mr. TALCOTT. The supplements were used to increase his salary. His increase in salary may have been related to his success in obtaining rent supplement approval.

Mr. BROWNSTEIN. I don't see where one relates to the other because you set a rental on a particular unit. The rent supplement deals with who is helping pay that rental.

Secretary WEAVER. The rental income of this project does not go up one iota. The income is the same; it is just the source of the income which is different.

Mr. TALCOTT. The organization was paying the rent before; now the Government steps in and supplements the rent and there is no place for the supplements to go but to the management.

Mr. BROWNSTEIN. I would be glad to have that case identified and I would be glad to look into it for you.

HOUSING GOALS

Mr. EVINS. We have been discussing the role of the Federal Government, the role of the private economy, and also the role of the States and local agencies. There has been a declared goal of about 6 million new housing units over the next 10 years. There are various means to achieve this goal. The Department of HUD cannot do it all. They are trying to enlist private enterprise. The insurance companies, as a major segment, are engaged in providing additional housing.

Do you feel, Mr. Secretary, that you are making progress?

Secretary WEAVER. Yes. I think that the response has been very encouraging.

Mr. EVINS. All right. Suppose we suspend until 1:15.

AFTERNOON SESSION

FNMA—TRANSITION TO PRIVATE OWNERSHIP

Mr. EVINS. The committee will come to order.

Mr. Secretary, I wanted to ask you what is being proposed with respect to FNMA. We are going to discuss that in more detail later. FNMA has been very successful, it has been profitmaking, and it has been a good instrument for financing. Now, your proposals for new legislation encompass setting up a separate corporation or a new corporation, putting it into the private sector. FNMA has been working pretty well in the Government; has it not?

Secretary WEAVER. Yes, sir. Well, we are proposing two things: The first thing we are proposing is that FNMA's secondary market activities—which when they were first established were contemplated as ultimately being activities that would be carried out in the private sector—that that part of FNMA be pulled away and set up under a new FNMA which would become a private corporation, not a Government agency over a period of 3 or 4 years. There would be a plan announced at the time of the passage of the new bill which would set forth in detail the mechanisms whereby that would be carried out. Then the special assistance and the management and liquidation functions which are now handled by FNMA would be handled by a new Government agency called GNMA. That would be a part of HUD, and would carry on those functions which obviously have to be carried on by a Government agency.

The transition in FNMA would occur with the Secretary's naming, in the first year, two members from the industry as private members. The ultimate arrangement would involve a board of nine to 15 members, of which a third would be appointed by the Secretary and the others would be elected by the common stockholders. But that would occur only at such time as the common stockholders would be predominantly made up of persons who are connected with the home building industry and whose concern would not be just the maximization of profit but adequate credit for the home building industry.

The advantages of this are dual: In the first place, at the present time in order to increase FNMA secondary market activities you have a budgetary impact and it is limited—the amounts that can be made available are limited—by the overall budgetary process. Sometimes budget considerations want you cutting back and that is probably just the time when the building industry needs a shot in the arm. So, you have these two cross-cutting purposes.

TREASURY INVESTMENT IN FNMA STOCK

Mr. EVINS. The Federal National Mortgage Association stock has been liquidated and paid off. It is Government-managed but it is self-sustaining and successful. Why do you need a new corporation?

Secretary WEAVER. It still has preferred stock which is held by the Treasury, and it still has a board of directors who are all Government employees. So that under the new concept of the budget, it becomes a public agency with all that that implies as far as budgetary impact is concerned.

Mr. EVINS. It is considered a public agency for budgetary purposes, and it has an impact on the budget. Is this the principal reason for the current desire to change its setup and operation?

Secretary WEAVER. It would free it from the budgetary limitations and make it more flexible in meeting the demands of the housing market, and also would take it out of the budgetary constraints which presently exist.

IMPACT OF INTEREST RATE PROPOSAL ON FNMA

Mr. EVINS. What effect will refusal of Congress to approve flexible interest rates have on your plan for FNMA's transfer?

Secretary WEAVER. It will complicate it a great deal. One of the things we are talking about—in order to provide a source of funds for the new secondary market operations—this instrument that I spoke of earlier in the form of a new debenture or bond which will be based on FHA and VA paper. We want to have a flexible rate in order to make this and the other activities more effective.

At the same time, all of the activities of FHA and VA would be increased if you had the flexible rate because you could compete for funds in the market.

HOUSING STARTS

Mr. EVINS. Mr. Secretary, you have discussed the private housing market and testified, I believe, that about 1,200,000 or 1,600,000 new housing starts have been underway in the past year and you anticipate it will go to 1,600,000 this year. Is that the situation?

Secretary WEAVER. Yes, sir. This year we will be just about 1,300,000. The February 1969 rate was 1,566,000. We expect next year we will get to 1,700,000 if we can get an adequate amount of mortgage credit.

URBAN INSTITUTE

Mr. EVINS. You mentioned something about the proposed urban institute. Tell the committee what your plans are with regard to the urban institute.

Secretary WEAVER. The urban institute was first referred to in the President's housing message a couple of years ago. It would be a group of outstanding individuals named by the President to become the board of trustees. This institute would operate as a private institution, but it would receive support from Government agencies, HUD, and other agencies as well. It would then be in a position to carry on the types of research that would be pertinent to these programs. It would do a certain amount of this research inhouse and a certain amount of it under contract, but primarily it would be an inhouse research agency.

Mr. EVINS. This would be an organization of experts in the field of municipal affairs and housing. Would it be set up by legislation?

Secretary WEAVER. No.

Mr. EVINS. The research funds from HUD and other agencies of Government could be granted or made available to this urban institute?

Secretary WEAVER. Yes. It would then become one of the resources for research for the Department.

Mr. EVINS. This would be a subcommittee of HUD, then, would it not?

Secretary WEAVER. Well, no; it would be an agency which HUD would utilize, but HUD would not be its only customer.

Mr. EVINS. How much does HUD envision by way of support in research funds for the institute?

Secretary WEAVER. We have not made a decision as yet.

Mr. EVINS. Well, you should have some idea.

Secretary WEAVER. Around a third of our resources.

Mr. EVINS. A third of the research funds?

Secretary WEAVER. Yes.

TEN-YEAR HOUSING GOALS

Mr. EVINS. You have talked about new legislation. The President set goals in his housing message to the Congress for the next 10 years. Tell us about these goals.

Secretary WEAVER. Over a 10-year period we hope to get some 28 million-plus units of housing starts. This is for all segments of the population, including a little over 2.5 million of those for rehabilitation.

Mr. EVINS. Tell us the goal for the next year in housing units as reflected in this budget.

Secretary WEAVER. Let me give just one other figure and then I will come back to this.

Of the 28 million total, we expect to have 6 million starts for low- and moderate-income families. These are housing starts that will require some form of public subsidy and assistance. We hope next year, 1969, to be able to start 300,000 units of low- and moderate-income housing. This is about three times what we will probably do this year. It would go up to as many as 600,000-plus in some of the years during that 10-year period, but 300,000 for next year.

Mr. EVINS. When you speak of next year you mean——

Secretary WEAVER. Fiscal 1969.

CALENDAR 1968 HOUSING STARTS ESTIMATE

Mr. EVINS. What is your goal, again, in total number of starts for 1968, the current calendar year?

Secretary WEAVER. For all?

Mr. EVINS. All.

Secretary WEAVER. 1,600,000 housing starts for all types of housing, for all income groups, public and private.

Mr. EVINS. This is the overall picture, private and everybody else.

FEDERALLY ASSISTED HOUSING GOALS

Secretary WEAVER. That is right. For assisted housing, we hope to get 300,000 housing starts for low- and moderate-income families in fiscal 1969 and we are going to get a little over 100,000 this year. So it will be a threefold increase.

Mr. EVINS. The 6 million you are speaking about, then——

Secretary WEAVER. Over a 10-year period. This is the first installment of that, and it will go up each year.

OBJECTIVES UNDERLYING HUD BUDGET PROGRAM

Mr. EVINS. Unless there are further general questions, we will review this summary of the Department's budget program.

The Secretary has listed about six broad guiding purposes. First, the budget looks toward continued and increased emphasis on providing housing for low- and moderate-income people.

Second, the budget seeks to maintain and enlarge the increasing role of private enterprise in the solution of problems of housing and urban development. The Department has never entertained or sponsored the illusion that the immense and immensely complicated problems of our cities can be met by government alone. It has sought to foster the concept of a multilateral partnership at all levels—Federal, State, and local—combined with the private economy.

Mr. Secretary, are you really able to generate these private, State, local, and other interests to do this job? Or are they increasingly looking to Uncle Sam? I know you have to provide leadership, you have to provide the resources, but if you can stimulate their initiative and know-how, they are going to lessen your burden.

Secretary WEAVER. I think over the years there has been a steady growth toward the objective you mention. The localities have been unable to assume more and more initiative, particularly insofar as planning and carrying out the programs. The States have come in more slowly, but there are some very encouraging signs. For example, the State of New Jersey has just set up a department of urban affairs under the very capable leadership they have there. They are funding that. The State of Pennsylvania is moving in the same direction. The State of Massachusetts and the State of New York are already there. Other States, as well, are moving. This is a beginning. As I said earlier, the signs that private enterprise is coming in in a big way are indubitable and I think they will continue.

Mr. EVINS. How many States have created departments of urban affairs? Do you have a model legislative proposal for them?

Mr. TAYLOR. We have some standard legislation. I do believe we have it.

Secretary WEAVER. How many States do you have now?

Mr. TAYLOR. I think it is now over 20.

Mr. EVINS. I believe the Governor of my State, Tennessee, has recommended a department of urban affairs. I don't think it has been enacted into law, although the legislature is in session. Are you active in this field?

Secretary WEAVER. We encourage and we have guidelines. We do not try to pressure the State governments; we merely try to offer assistance.

COORDINATED APPROACH TO URBAN PROBLEMS

Mr. EVINS. Your third major purpose is stated: "The budget seeks to maintain and to advance the concept of a coordinated and orderly approach to the problems of urban areas as a whole." You cannot do this by a crash program; it takes time, but you like to look at the overall concept.

Secretary WEAVER. Yes, sir. Our major instruments here are things like planning programs, model cities, other things of that type.

TECHNOLOGY, RESEARCH, AND DEVELOPMENT

Mr. EVINS. Fourth, the budget looks toward a rapid expansion of both activity and capability in bringing to bear modern technology and modern techniques of research and development in the area of housing and urban problems. Do you feel that your current budget has been insufficient for that purpose?

Secretary WEAVER. Yes, sir. It gave us an interesting and a significant start, but we have so much catchup to do—there is so much needed here—we would like to have an expansion.

SHORTAGE OF SKILLED MANPOWER

Mr. EVINS. You discuss the plans for the future. You have already discussed the urban institute program.

Then, fifth, the budget provides for continuing and very gradually expanding the first steps being initiated this year toward meeting the acute shortage of skilled manpower. We have had the training and the fellowship programs.

Off the record.

(Discussion off the record.)

Mr. EVINS. It looks to me like the cities ought to be able to teach their people to collect taxes, collect water bills, and answer phone calls for street repairs. Do you have to subsidize the cities for this?

COMMUNITY DEVELOPMENT TRAINING PROGRAM

Secretary WEAVER. No, sir. What we are trying to do here is to work on those skills which are in short supply. We are trying particularly to take the people who are already employed.

Mr. EVINS. It will be 5 years before they get through the training.

Secretary WEAVER. But these are not for people who are going to be in a whole year, or 2 years, or 3 years. These are for people who are doing pretty important jobs but need more training. These are not city hall programs, these are programs developed by the States. They are State programs. We operate this program through grants to the States. They are not direct grants to individuals.

Mr. EVINS. Where are the greatest needs?

Secretary WEAVER. The long-range problem: There is a tremendous shortage of planners. That is the reason for the fellowship program. In addition, there is a need for the upgrading of those that we have. There is a tremendous shortage in our particular field in people working in codes and inspections, that type of thing. These are two of the first that come to mind. There will be a continuing shortage of people who are savvy in working with the communities involved. One of the problems that we have is how you involve the people at the neighborhood level, what we call—the indigenous people in these communities. Frankly, we don't have too many people that are knowledgeable in this field.

Mr. EVINS. I would agree in some cities you have undoubtedly competent and skilled people, whereas in other cities there is a lack of this leadership and capability. Do you magnify the former or do you magnify the latter?

Secretary WEAVER. Well, it depends. I think here is where we have to look so much to the States. In most instances these programs are being developed by State universities, either the land-grant colleges or the State university system. They do a pretty good job. Our problem is that if we do not have these people, then we cannot move these programs, or if we do move them, we don't move them too well. The quality of the people is the quality of the program.

URBAN PLANNING ASSISTANCE LEGISLATION

Mr. EVINS. On page A–5 you say that the legislation now pending would completely rewrite and update section 701 of the Housing Act of 1954, which authorized the program of grants for urban planning assistance. Haven't you been doing this planning assistance work?

Secretary WEAVER. Yes, we are refining it. One of the things we are proposing is a new activity in the smaller communities. There, we will work with and often through the Department of Agriculture in those areas which are neither urban nor rural. They are smalltown areas where you have a central area, which is the growth area, around which you could bring in the surrounding townships. This is a major change.

Mr. EVINS. You have created a Division of Rural or Small Town Planning Assistance within the Department?

Secretary WEAVER. Yes; not rural, because that is agricultural, but small towns.

Mr. EVINS. Smalltown America needs assistance as much as the metropolitan areas who have received a lot of funds.

Secretary WEAVER. Yes. Their problems aren't as great, but their resources are less so it adds up to about the same thing.

ADDITIONAL LEGISLATIVE PROPOSALS

Mr. EVINS. You want to introduce a new neighborhood development concept into urban renewal; that is what you refer to there.

Secretary WEAVER. Yes, sir.

Mr. EVINS. This would also authorize the transfer of the secondary market functions of FNMA to private ownership, which you discussed somewhat. Then also another provision, providing for a new Government corporation to carry out the residual special assistance and management and liquidating functions of the present FNMA. We will have to see what the legislative process does on these.

You say it would extend and increase legislative authorizations in a number of cases, both in terms of fund authorizations and expiration dates for authorizations previously enacted. This is all a very good summary and it will all be inserted, pages A–1 through A–7.

(The pages follow:)

DEPARTMENTAL SUMMARY

Foreword

The budget program submitted by the President for the Department of Housing and Urban Development for the fiscal year 1969 is unavoidably complex and difficult to grasp, dealing, as it does, with a very wide range of programs, with a variety of complicated and often highly technical statutory authorizations, and with an unusually diverse combination of forms of Federal participation,

support, and financing. It may be useful, therefore, in an introductory presentation to seek to identify some of the major unifying themes which can be traced through the detailed recommendations included in the budget, as well as in the legislative recommendations now before the Congress for consideration.

Review and evaluation of the budget proposals detailed in these justifications should start from the premise that it reflects the following broad guiding purposes:

The budget looks toward continued and increased emphasis on providing housing for low- and moderate-income people.—Thus it recognizes that the unparalleled success of our private economy in providing not only adequate shelter but the materials of relative luxury for an affluent society becomes progressively attenuated as one moves down the income scale through middle to moderate incomes—terms which themselves have no exact or accepted definitions—ending in the grim conditions under which far too many of our urban poor still live. Where once the Federal Government was assumed by many to have no role at all, it is now rather generally accepted doctrine that it has a responsibility which grows greater in rough proportion to the obstacles which confront the private economy in solving problems through its normal mechanisms, and which is therefore greatest in connection with housing people of low- and moderate-income, where the productive mechanisms of the unaided private market have been least effective. This emphasis can be seen in the proposals for substantial increases in the production of low-rent public housing; in the proposal for a major increase in housing aided through the rent supplement program; in the direction and magnitude of efforts in the urban renewal programs; and in the definitions of goals emerging in the model cities program.

The budget seeks to maintain and enlarge the increasing role of private enterprise in the solution of problems of housing and urban developments.—The Department has never entertained or sponsored the illusion that the immense and immensely complicated problems of our cities can be met by Government alone, or even by programs and activities which are predominantly governmental. It has sought instead to foster the concept of a multilateral partnership involving governmental awareness and responsiveness at all levels—Federal, State, and local—combined with the fullest possible enlistment of the financial, productive, and managerial skills of the private economy. This necessarily recognizes an appropriate role for legitimate profits, which are the major propellant of the private enterprise system. At the same time, it leaves ample scope for private contribution through an infinite variety of limited profit or nonprofit forms of organization, association, and individual activity. This concept underlies the budget proposals for greatly increased reliance on private enterprise in housing low-income people: through the rent supplement program, the turnkey approach in public housing, and through a variety of legislative proposals foreshadowed though not detailed in the President's budget. It is reflected as well in the increased reliance on the private market for funds necessary to support the levels of investment required for all these activities: through measures to make the interest rates on Governmnt-supported mortgages viable in the market, to substitute private for public credit through a continued program of participation sales, and to make possible the transfer of the secondary market functions of FNMA from public to private ownership and management.

The budget seeks to maintain and to advance the concept of a coordinated and orderly approach to the problems of urban areas as a whole.—It is easy to say that these problems cannot effectively be attached piecemeal, and that a coordinated approach and an overall concept are essential; in our complex and multijurisdictional society with its many overlapping and conflicting motives and interests, it is much more difficult to find practical ways to bring this about. The programs presented in this budget are designed to contribute to this end: through strengthened program of urban planning assistance; the introduction of areawide development grants; the selective use of grants for water and sewer and open space; the coordinated planning and executive requirements of the model cites programs; and through a number of related efforts to improve the quantity, the quality and the availability of information to those who must make plans and decisions.

The budget looks toward a rapid expansion of both activity and capabilty in bringing to bear modern technology and modern techniques research and development in the area of housing and urban problems.—Increased funding is provided for the research and development program now getting under way pursuant to authorization granted by the Congress last year. The first formal steps are expected to be taken soon toward the establishment of an urban in-

stitute, as a nongovernmental agency which will fill an important gap in the available resources for enlarging and perfecting our knowledge of the physical, social and economic aspects of urban problems.

The budget provides for continuing and very gradually expanding the first steps being initiated this year toward meeting the acute shortage of skilled manpower—one of the most serious limiting factors in the capability of all levels of government to respond to the urgent needs of the people living in urban areas. Funds are provided for a very small program of fellowships in critically short urban skills; for supporting State-sponsored training programs; and for launching and developing State programs to provide urban information and technical assistance to smaller communities.

The foregoing brief summary is not intended to identify and highlight all the significant features of the Department's budget for the fiscal year 1969, which are discussed in somewhat more specific form later in this and in detail in the other parts of this justification. It is intended, rather, to bring out the fact that the individual programs, authorizations and appropriations should not be considered singly, but should be regarded rather as related to each other within the broad framework of the Department's mission as defined by the President and the Congress.

Relationship of the budget to the legislative program

It has been historically true that the budgets of the Department of Housing and Urban Development and its predecessor agencies have been closely related to and importantly affected by its legislative program. This is even more significantly true than usual in connection with the budget program for fiscal year 1969.

Legislation now pending before the Congress (S. 3029 and H.R. 15624) would affect the Department's programs and activities in the budget year in three important respects:

1. It would establish significant new programs, such as those concerned with additional means of providing housing for low- and moderate-income families, and a new vehicle for public and private collaboration in the planning and development of entire new communities.

2. It would revise and redirect many existing programs, capitalizing on experience and adapting them to meet more effectively present and developing urban problems. Thus, it would completely rewrite and update section 701 of the Housing Act of 1954, which authorized the program of grants for urban planning assistance; introduce a new neighborhood development program concept into urban renewal; authorize the transfer of the secondary market functions of FNMA to private ownership, and provide for a new Government corporation to carry out the residual special assistance and management and liquidating functions of the present FNMA; and make still other significant improvements in various mortgage insurance and other housing and urban development programs of the Department.

3. It would extend and increase legislative authorizations in a number of cases, both in terms of fund authorizations and in terms of expiration dates for authorizations previously enacted.

The Department recognizes, of course, that in its action on the regular appropriations for 1969 the Committee on Appropriations is constrained by the rules to confine itself to functions and funds which have been and are authorized by law for the period involved. The sweep and significance of the pending legislation are brought out here in order to make the point that the total program of the Department for the coming year should not be visualized solely in terms of the matters included within the pending requests for appropriation action, but against the backdrop of the total program before the Congress for consideration. Thus, for example, the request for approval in the appropriation act of an additional $65 million in contract authority for the rent supplement program is an important part of the pending budget before the committee for present action; it should also be recognized, however, as a vital part of the resident's proposal for a total approach to rapidly expanding the provision of housing for low- and moderate-income persons and families, designed to start 300,000 such units in the budget year. Other important parts of this total program require enactment of the legislation now being considered.

The recommendations now pending before the legislative committees also affect the appropriation process in another important way: In several cases, the amounts recommended to be appropriated for ongoing programs are partially,

but not wholly, within authorizations already enacted by the Congress; in other cases, the entire amount proposed requires further authorization by the Congress. For the convenience of the committee, the following table summarizes the extent to which the budget requests require authorizing legislation.

APPROPRIATIONS REQUIRING AUTHORIZING LEGISLATION

[In thousands]

	Total request	Authorization required
Appropriations requested for fiscal year 1969:		
Urban renewal programs in model cities areas	$500,000	$350,000
Urban planning grants	55,000	16,162
Urban information and technical assistance	5,000	5,000
Advance appropriations requested for fiscal year 1970:		
Urban renewal programs	1,400,000	1,400,000
Urban transportation programs	230,000	190,000

Summary of Budget for Renewal and Housing Assistance

Mr. Evins. With respect to urban renewal and housing assistance programs, you point out an increase from $30 to $40 million in appropriations for grants to neighborhood facilities projects. Mr. Secretary, they are talking about an austerity program. They are talking about cutting back on the budget. Are we going to accelerate all these programs at this time?

Secretary Weaver. No, sir. Some of them are not being accelerated. Most of them are being accelerated modestly, and some are not being accelerated at all. Those that have particular impact on the neglected segments of the population are getting particular attention at this time in this budget.

Mr. Evins. No. 2 is the forward appropriation of $1.4 billion for urban renewal for fiscal 1970, and $500 million for urban renewal for fiscal 1969 for the model cities program. Of this amount, $150 million can be appropriated and $350 million requires authorization.

Another item is continuation without additional appropriation of a program of low-interest rate loans for rehabilitation. Tell us how you fund this.

Secretary Weaver. This is an appropriation previously made, which has not been used up yet. We had an appropriation for this 2 or 3 years ago, and we are still working within that appropriation.

ANNUAL CONTRIBUTIONS REQUIREMENTS

Mr. Evins. Then you have an appropriation of $358 million to continue Federal subsidy payments for public housing projects. What was the figure last year?

Mr. Hummel. $275 million was the appropriation, but we need a supplement.

Mr. Evins. What is the total figure for contract payments for public housing in 1968 with the supplemental appropriation?

Mr. Frantz. In round numbers, $300 million, including the supplemental.

Mr. Evins. It was, as I recall, $275 million——

Mr. FRANTZ. Plus the supplemental, $24 million, which the committee has not acted on yet.

Mr. EVINS. That is $299 million in total?

Mr. FRANTZ. Yes, sir.

Mr. EVINS. So beyond that you are asking for $59 million more for contract payments next year. How many more units have been brought in under public housing?

Mr. HUMMEL. We have a proposal for 65,000 additional.

Secretary WEAVER. No, no. How many units came in during 1968?

Mr. HUMMEL. You mean how many came in for actual authorization?

Mr. EVINS. Mr. Hummel, your total appropriation for contracts for public housing in the current year of 1968 goes about $300 million. Next year you are asking for $358 million. What I am trying to arrive at, in summary fashion, is how much increase for next year is there to justify this $58 million increase?

Secretary WEAVER. How many units did we get under contract in 1968?

Mr. HUMMEL. The $58 million takes care of those that are already under contract.

Mr. EVINS. I understand, but the $300 million takes care of them, too.

Mr. HUMMEL. The previous number, yes, but the $58 million is for those that were added.

Secretary WEAVER. That is what he wants to find out, how many of them are there?

Mr. Chairman, I understand it is 58,000.

Mr. EVINS. 58,000 additional units?

Secretary WEAVER. Yes.

Mr. FRANTZ. Units completed during this year.

ALASKA HOUSING

Mr. EVINS. This new program of $1 million for housing in Alaska is in the present authorization, but it has not been funded.

Secretary WEAVER. That is right. Last year we did not have a plan. We have now worked with Alaska, the State housing people, and we have a plan this year which we are ready to work out with them.

COLLEGE HOUSING AND HOUSING FOR THE ELDERLY

Mr. EVINS. The budget also includes continuation, with funds to be provided through participation sales, of programs for college housing loans and loans for housing for the elderly and handicapped. The elderly and handicapped in addition to the college housing loans are to be funded through the participation sales device?

Secretary WEAVER. Yes.

Mr. EVINS. $300 million for college housing, and you propose $85 million for the elderly and handicapped?

Secretary WEAVER. Yes. That is about the same level as this year. It is the same level.

Metropolitan Development Programs, Urban Planning Assistance

Mr. Evins. Another major area is the metropolitan development programs. You are asking for an increase from $45 to $55 million in the appropriation for grants to assist comprehensive urban planning generally—from small town to metropolitan area to statewide.

What are your plans?

Mr. Haar. We hope to fund some of the increasing backlog for the smaller cities that are now running about 3 to 1 in terms of the funds that are available, and in addition, to provide some additional aid to the States and to provide for the new rural district planning groups when they are authorized under the proposed legislation.

Mr. Evins. Part of the $10 million increase is for a new authorization which has not been passed.

Mr. Haar. Yes. About $3 million of it is for district planning; another $2,500,000 is for urban systems engineering which is authorized but for which a separate sublimitation is being proposed in the legislation.

Areawide Development Grants

Mr. Evins. You also refer in the next paragraph to an additional $10 million for title II of the Demonstrations and Metropolitan Development Act of 1966 for comprehensive planning on an areawide basis.

Is this currently authorized?

Secretary Weaver. Yes.

Mr. Evins. Is it in addition to the $10 million increase which you testified to earlier?

Secretary Weaver. No, sir. This is the funding of a program that has already been authorized. It was authorized in the 1966 act, and the pending legislation would extend the authorization for appropriations.

Mr. Evins. This is to provide for bonus grants to the planners?

Secretary Weaver. No; not to the planners, but bonus grants to projects which are being carried out on an areawide basis. If you have an areawide system and you have an areawide program to carry it out, then we would give the bonus grants.

Mr. Evins. We are going to go over this in summary fashion; that is, your new proposals and your continuing programs.

Mr. Haar, your first $10 million increase—for urban planning grants—you testified some of it was for unauthorized programs.

Some of it is for new programs.

Mr. Frantz. A small part of the 701 appropriation would be used for community development district planning which is proposed in the new legislation.

Secretary Weaver. But it is not in here, is it?

Mr. Frantz. Yes, $3 million is.

Secretary Weaver. $3 million?

Mr. Frantz. Yes, sir.

Mr. Evins. $3 million of the $10 million increase has not been authorized?

(The following was subsequently submitted to clarify the foregoing exchange:)

Of the $55 million requested for fiscal year 1969 for urban planning assistance grants, $16,162,000 requires authorization through further legislation. This authorization is included in the proposed Housing and Urban Development Act of 1968 now pending before the Congress.

The proposed legislation would also authorize grants to community development districts. Assistant Secretary Haar was referring to the fact that if such grants are authorized, and if sufficient funds are authorized and appropriated, a small portion of the 1969 program (estimated at not more than $3 million) may be applied to this new activity.

Mr. HAAR. The second $10 million increase is not for planning assistance. It is title II—areawide development grants—which has already been authorized in the legislation we are seeking to continue the authorization, but this is for the appropriation. This is a return of the savings on particular projects which are done according to a plan. We are redistributing, as it were, the efficiencies, the economies, the savings back to the localities.

Mr. EVINS. You gave supplementary grants to stimulate a project and move it forward, where there is a lack of funds to complete the project; is that correct?

Mr. HAAR. It is used for that purpose and to encourage them doing it on an areawide scale, so you get an overall lower unit cost.

OPEN SPACE LAND PROGRAMS

Mr. EVINS. You are requesting an appropriation of $85 million for an expanded program for preservation of open space land. How much was appropriated for open space land programs last year?

Mr. HAAR. About $75 million.

Mr. EVINS. $75 million?

Mr. HAAR. Yes, sir.

Mr. EVINS. $75 million last year, and you are requesting $85 million or a $10 million increase.

Mr. HAAR. Yes, sir. It is not quite that much. It was $77,500,000 last year and it is $85 million this year.

Mr. FRANTZ. $75 million appropriated, and $2,500,000 carried over.

Mr. EVINS. You had a total of $77,500,000?

Mr. FRANTZ. Yes.

Mr. EVINS. You had $75 million appropriated for last year and you had some carryover, which made it $77,500,000.

Mr. FRANTZ. Yes, sir.

Mr. EVINS. Has the $75 million plus the carryover been committed or do you have some funds left?

Mr. HAAR. We have some funds available as of the present time——

Mr. EVINS. Supply it for the record.

Mr. HAAR. All right.

(The information follows:)

OPEN SPACE LAND PROGRAMS—FUNDS AVAILABLE

As of February 29, 1968, funds available under the open space land programs total $31.7 million. It is clear that these funds will be used by the end of the fiscal year, inasmuch as the Department now is reviewing applications on hand totaling $113 million.

WATER AND SEWER FACILITIES GRANTS

Mr. EVINS. You are asking for $150 million, Mr. Haar, to assist in the provision of basic water and sewer facilities. Somebody said you had a big backlog over there. You could use all this money next year, and more too, couldn't you?

Secretary WEAVER. Yes, sir.

Mr. EVINS. Where did I get the impression that you had a $6 billion backlog?

Secretary WEAVER. I don't know what the total request has been because they come to four or five different departments. This is a multi-billion-dollar program in this area, however.

Mr. EVINS. How much have you been funding by way of water and sewerage grants on an annual basis?

Secretary WEAVER. $165 million appropriation last year.

Mr. EVINS. $165 million last year?

Secretary WEAVER. Yes, sir.

Mr. JONAS. That was the lowest it had been for several years. It had been running $200 million a year, hasn't it?

Mr. HAAR. No; $100 million a year for the first 2 years.

Mr. JONAS. $100 million? The authorization was for $200 million.

Secretary WEAVER. Yes, sir.

Mr. JONAS. You still are not up to your authorization?

Secretary WEAVER. That is right.

URBAN TRANSPORTATION PROGRAMS

Mr. EVINS. You are asking for an advance appropriation of $230 million for fiscal 1970 to encourage and improve urban transportation. $190 million of this will have to be authorized as of this time. Tell us again how you propose to work this transfer between HUD and DOT.

Secretary WEAVER. If and when the reorganization plan gets passed——

Mr. EVINS. It was not rejected.

Secretary WEAVER. If the plan becomes effective before the appropriation bill is enacted, a part of this appropriation could be redirected to DOT. If the transfer comes after the appropriation act, the funds would have to be transferred from HUD to DOT because in the interim, we are the only department which can ask for anything for this.

Mr. JONAS. When is the time, now, to reject that plan?

Secretary WEAVER. A resolution hasn't been introduced yet.

Mr. FRANTZ. My recollection, Mr. Jonas, is that the date is around the 6th of May.

Mr. JONAS. It goes into effect unless there is an affirmative rejection?

Mr. FRANTZ. Not exactly, sir. Under the plan, as written, it goes into effect after 60 days or July 1st, whichever is later. So if it isn't rejected, it will become effective on July 1st.

Mr. EVINS. The plan has been transmited to the Congress.

Mr. FRANTZ. Yes, but the 60 days runs out before July 1st.

Mr. JONAS. We will have this bill through the House before then.

Mr. EVINS. $190 million of this $230 million requested needs to be authorized.

Secretary WEAVER. Yes, as provided for in the proposed housing bill.

Mr. EVINS. $40 million has been authorized and not funded.
Mr. FRANTZ. That is correct, sir.

PUBLIC FACILITY LOANS

Mr. EVINS. You propose to continue, without appropriated funds, the program of loans for public facilities, primarily for the benefit of small communities which have difficulty obtaining funds in the private market. To what are you referring here?
Secretary WEAVER. This is handled by us. This is the public facility loan program for smaller communities, for public buildings of various types, and public improvements of various types.
Mr. EVINS. Is the program one for the city hall; anything that they need, you can make a loan?
Secretary WEAVER. Yes. This is where they cannot get the funds in the private market at a reasonable rate.
Mr. EVINS. You state it is without appropriated funds. Tell us how you financed it without appropriated funds?
Mr. HAAR. $600 million is authorized as a Treasury borrowing authorization. We draw down the necessary amounts each year. We propose a program level of $40 million for 1969.
Mr. EVINS. $600 million has been authorized as a line of credit from the Treasury. It is available for loans for public facilities on a draw-down basis through the Treasury?
Mr. HAAR. Yes, sir.
Mr. EVINS. How much of this $600 million has been used and how much is left?
Mr. FRANTZ. At the end of fiscal 1967 there was a little under $400 million of that authority used.
Mr. EVINS. You have about $200 million left?
Mr. FRANTZ. Over $200 million.
Mr. EVINS. You have plenty of funds to draw down from?
Mr. FRANTZ. Yes.
Mr. EVINS. No new funds are necessary?
Mr. FRANTZ. Right.
Mr. EVINS. This is done through HUD and not the Farmers Home Administration?
Mr. FRANTZ. That is right.

DEMONSTRATION AND INTERGOVERNMENTAL RELATIONS

Mr. EVINS. Next are the programs under the direction of the Assistant Secretary for Demonstrations and Intergovernmental Relations. These deals with the model cities programs and the development of new and improved methods of coordination and cooperation between Federal, State, and local agencies. What are your new methods?

URBAN INFORMATION AND TECHNICAL ASSISTANCE

Mr. TAYLOR. The States are now coming in with plans for use of the funds made available to assist them. I will be able to give you in detail examples of what they are proposing. We have a backlog of applications on hand, or an expected demand that the States have talked to us about, of roughly double the appropriated amount. We

had $2,200,000 appropriated for 1968. We will have it all under contract by the end of fiscal 1968.

Mr. EVINS. It is a continuation of your current, ongoing programs; you are just getting to where the States understand it now?

Mr. TAYLOR. That is right.

MODEL CITIES

Mr. EVINS. Another item is an appropriation of $500 million to fund the second year of the model cities program. I thought this was about the third year of the model cities program.

Mr. TAYLOR. No, sir. We have had 2 years of planning funds appropriated, 1 year of execution funds. This would be the second year of execution funds.

Mr. EVINS. This is the second year of supplementary grant funds for programs that have been planned in the model cities program. How many cities have been approved in round 1?

Mr. TAYLOR. Seventy-five.

Mr. EVINS. How long have they been planning?

Mr. TAYLOR. They have been planning for less than 6 months, sir.

Secretary WEAVER. The first selection was made last fall in November. We are closing the applications for the second round of planning on April 15, and those selections should be made in the summer.

Mr. EVINS. In round figures, how many do you project might be announced in your second round?

Secretary WEAVER. I would say around 60.

Mr. EVINS. You have 75 which have been approved.

Secretary WEAVER. Yes

Mr. EVINS. How are they coming along, Mr. Taylor?

Mr. TAYLOR. They are organizing themselves now. They are getting the planning going and working with citizens. Some interesting things have developed. There are some fine examples of municipalities and counties working together. We are very hopeful that the promise of this program will be fulfilled.

Mr. EVINS. Have grants been made to a certain group of cities after their initial planning?

Mr. TAYLOR. No, sir.

Mr. EVINS. Mr. Jonas, you have a question?

Mr. JONAS. You have made some selections since the initial ones; did you not?

Secretary WEAVER. Yes.

Mr. EVINS. How many were selected initially?

Secretary WEAVER. Sixty-three, and then we selected 12 more.

Mr. JONAS. To make your 75?

Secretary WEAVER. Yes, sir.

NEED FOR ADDITIONAL GRANT APPROPRIATION

Mr. JONAS. Of course, you have not disbursed any of your grant money because you haven't approved any plans.

Secretary WEAVER. That is right.

Mr. JONAS. You won't need this $500 million if you are as slow in selecting the second group of cities as you were in selecting the first group; will you?

Secretary WEAVER. I think we will. We have to have a grant appropriation at the time that the planning process gets underway so that those that are planning will know they have a ball game to plan for.

Mr. JONAS. Pardon me, I don't follow you. You give them x number of dollars to finance their planning?

Secretary WEAVER. Yes.

Mr. JONAS. It doesn't cost them a cent. Why do they have to know you have $500 million in the bank before they go ahead and spend your money on planning?

Secretary WEAVER. Because they do not know what they are planning for. They do not know that there is any need of getting a plan, and that the plan will be carried out. One of the great problems that I think all of the studies of the pockets of poverty have demonstrated is the great danger of creating expectations which cannot be realized. Unless there is some security and some basis for knowledge that the program is going to go on, you get people to plan and they either will plan half-heartedly, or if they plan at all they will plan unrealistically. If the program size is much smaller than they have contemplated, they may have grandiose plans and not have anything to carry them out with.

Mr. JONAS. I don't follow that either, because this $200 million is only a relatively small percentage of the total money that will be required to complete the plans for the first 75 cities. They don't know that you are going to get any money beyond the $200 million. Their plan contemplates a 5-year program; is that right?

Secretary WEAVER. It contemplates a 5-year program but it also contemplates a first installment of that 5-year program which is planned out in detail. That is what the people who are involved in the planning realize. Remember, it is not only a group of planners. In fact, it is primarily a group of citizens who are going to be affected by this program, those who are being consulted and are being involved. They are being involved with the idea and with the understanding that during a first year period certain things will be done. There is a dollar figure, there will be allocations made to these first 75 cities and they will know during the first year that they will have that amount of money to carry out that installment of their plan. Then when this appropriation is made, they will know what they have for the second year.

Mr. JONAS. Some of your programs need leadtime, I am sure. We have gone through that in here with urban renewal, we have approved 2 years' advance funding. But you haven't made out a case yet for the $500 million when you haven't as yet disbursed any of the grant money given you last year and will not do so until late this year at the earliest.

ANNUAL SEGMENTS OF MODEL CITIES PLANS

Secretary WEAVER. I think I can do it in general, and then let Mr. Taylor do it in detail. I think you have to realize that we have two processes going along simultaneously. First, we have a group of 75 cities which are now in various stages of planning. They will develop an overall plan to carry out the purposes and achieve the objectives of the model cities program. That will be divided into several parts. The first and the most important and most specific part will be that sector of the total plan that will be carried out during the first year. For that

purpose there is now $200 million. They know that, and we know that. Therefore, we will allocate to each city a certain amount of money for which it will, in turn, develop a detailed plan for the expenditure of that fund. They will also be concerned with the subsequent sectors of this activity for which they will also develop a plan, a yearly plan on the basis of yearly money.

Mr. JONAS. I thought it was to be an overall plan.

Secretary WEAVER. It is, but it has to be broken up into digestible sectors because it is funded annually.

Mr. JONAS. I know, but do you mean you will have to give them planning money every year?

Secretary WEAVER. No, sir.

Mr. JONAS. That is what I thought. Now, in fiscal year 1967 you had $11 million for planning, and then you got $12 million more for planning last year.

Secretary WEAVER. Yes.

Mr. JONAS. That was for the first group of cities?

Secretary WEAVER. No.

Mr. JONAS. For the second group of cities?

Secretary WEAVER. The second group of cities; yes.

Mr. JONAS. Now, that is not to be a 1-year plan, that is to be a 5-year plan?

Secretary WEAVER. Yes; but it will be a plan which will have to have, in order to make it at all a rational plan, a question of what will be done in the first year, what will be done in the second year, and what will be done in subsequent years.

Mr. JONAS. Why does the city run any more risk of not getting its grant money next year than it does in not getting the balance of the original 5-year money?

Secretary WEAVER. It hasn't gotten any 5-year money. There is no 5-year money involved here.

Mr. JONAS. The program is a 5-year one and the cities will be looking for money 5 years hence as much as next year. You say if you do not have the money in the bank, the cities will be lackadaisical about it, although they have a 5-year plan that you have approved. Why do we need to appropriate half a billion dollars that you won't spend for 3 years?

Secretary WEAVER. Well, for two reasons. In the first place, part of that $500 million will be the second installment for the program execution of the first group of cities, the first 75 cities. Part of that will be the first year installment of the other 70 cities.

DISTRIBUTION OF SUPPLEMENTARY GRANTS

Mr. JONAS. How much? Break those down, please. How much of the $500 million will go to the original cities in addition to the $200 million that has been made available to them?

Mr. TAYLOR. We have to estimate roughly at this point, because we cannot be sure until we see what the universe of the second group of cities is. I would say, approximately $250 million, perhaps, an even split.

Mr. JONAS. You see, there, you cannot even be sure yourselves. Yet you are asking us——

Secretary WEAVER. If we cannot utilize it, we won't spend it. But we have to know that we have it there in order for the cities to do meaningful planning. You can't plan against a vacuum.

Mr. JONAS. You have $11 million plus $12 million for use in planning—you pay for all the planning.

Secretary WEAVER. No, sir. That $12 million is not money that you plan against, that is money you plan with.

Mr. JONAS. Yes. You are playing on words now.

RECAP OF MODEL CITIES APPROPRIATIONS

Mr. EVINS. Let us try to summarize this. We have appropriated $23 million for the model cities planning to date.

Secretary WEAVER. Yes, sir.

Mr. EVINS. Beyond that we have appropriated $200 million for supplementary grants.

Secretary WEAVER. Right.

COMMITMENTS VERSUS ALLOCATIONS OF FUNDS

Mr. EVINS. How much of your $200 million has been committed or allocated for programs? You are asking for $500 million more.

Secretary WEAVER. Well, of the——

Mr. JONAS. Let's get an answer to the chairman's question. The answer is zero.

Secretary WEAVER. The $200 million we have will have been allocated by the end of the fiscal year to the cities.

Mr. JONAS. The $200 million will be committed?

Secretary WEAVER. Will be allocated.

Mr. EVINS. Allocated?

Secretary WEAVER. Of the $500 million we are asking, that will be allocated during the next fiscal year when it is available.

Mr. JONAS. Will the chairman yield?

Mr. EVINS. Yes.

Mr. JONAS. I don't see how you can say that, Doctor, because you don't even have the plans in. The cities tell our investigators that it will be 12 months, some of them, before they get their plans in. You didn't even select them until late last fall.

Secretary WEAVER. That is right.

Mr. JONAS. If it takes 12 months you will be in fiscal 1969 before you review and approve these plans; isn't that right?

Secretary WEAVER. But——

Mr. JONAS. Isn't that right?

Secretary WEAVER. Let us take the $200 million because you get confused when you take both at once.

Mr. JONAS. All right.

Secretary WEAVER. In order for these plans to be at all reasonable, or workable or achievable, the first installment for the first year's expenditure has to be based upon a figure that will be available, and it is to that figure that the plans are developed in detail. The plans are the detailed execution or the detailed program for executing the first segment as well as the total of the model cities program. Now, in order for that first sector to be planned for, you have to have some idea of what you are planning for. You cannot plan the expenditure of this

year's budget if you don't know what this year's budget is. Neither can the cities.

Mr. JONAS. The answer to the chairman's question is you haven't allocated any of the $200 million, you haven't obligated any of the $200 million, and you won't be able to allocate or earmark or obligate any of this until the plans are in.

Secretary WEAVER. No, sir, that is not true. We will allocate and earmark the $200 million that has been appropriated for this fiscal year during this fiscal year.

Mr. JONAS. Before the plans are in?

Secretary WEAVER. Yes.

ALLOCATION OF FUNDS

Mr. JONAS. How can you allocate or earmark x dollars for a city until you approve its plan? How do you know what is in the plan until you review it?

Secretary WEAVER. Well, we know in general what the city is going to do. That was the basis on which we made the selection. We know what the overall figures would be to carry out that particular program. We will then make an allocation on the basis of what we know from that, and then the city will develop its detailed plans to spend wisely the amount of money that it has earmarked for it.

Mr. EVINS. Mr. Secretary, can it be said that you are in constant and continuing contact with the cities? You know what their programs are and you know some of them that have been given a tentative OK. All aspects of their plans have not been finalized, but you have a pretty good estimate of the total costs, I would imagine, already.

Secretary WEAVER. I think that is a fair statement. Secretary Taylor, do you want to elaborate on that?

Mr. TAYLOR. What we have done is to make, in conjunction with other departments of the Government, an analysis of the kind which I do not believe has been available before, which is to measure some 65 Federal grant-in-aid programs that will have an impact on the selected model cities. We have gotten from that the percentage of non-Federal costs, the local share, and we have a study that shows us that there is over $1 billion of eligibility under the statutory formula. So that we know that the cities are eligible legally to the money. That was step 1. Step 2 is our constant contact with the cities during the course of the planning. Step. 3, which we hope to carry out within the next 30 days, which we certainly will be able to do well before the end of the fiscal year is this: to say to the cities that on the basis of what they are thinking of doing and what we know about their plans, about their submission, on the basis of their eligibility, here is a hard figure which we will reserve against. We cannot enter into a contract for that figure under the law until the plan has been approved, but at least it gives them a specific target against which to focus that first year action component on the plan.

COMPOSITION OF $1 BILLION REQUEST FOR MODEL CITIES

Mr. EVINS. Let me get this straight for the record. The President in his state of the Union message, as I gained the impression on that

night, said he was asking for the full amount of the $1 billion for the model cities. What does this include?

Secretary WEAVER. He is talking about grant money.

Mr. JONAS. You see, we haven't even gotten to urban renewal. This is in addition to all this.

Secretary WEAVER. No, sir.

Mr. JONAS. Urban renewal.

Secretary WEAVER. That was included, urban renewal, in 1969.

Mr. JONAS. He is asking for $1 billion in that.

Secretary WEAVER. No. He is asking for $500 million for urban renewal, which will be allocated in 1969 specifically to the model cities. He is asking for $500 million in supplemental grants for model cities, making a total of $1 billion.

ALLOCATIONS ARE NOT LEGAL OBLIGATIONS

Mr. JONAS. That is right; that is the $1 billion. May I ask Mr. Frantz a question?

You will admit that this is not a legal obligation?

Mr. FRANTZ. Which one is not?

Mr. JONAS. What Mr. Taylor has been describing, as making a notation on your books.

Mr. FRANTZ. Notice of allocation to the cities?

Mr. JONAS. Yes.

Mr. FRANTZ. Yes, that is not a legal obligation; you are quite right.

Mr. EVINS. You will have no difficulty committing the $200 million or the $1 billion?

Secretary WEAVER. No, sir.

OBLIGATION OF RENT SUPPLEMENT CONTRACT AUTHORITY

Mr. EVINS. Of critical importance to your budget is the request for authorization of an additional $65 million for contract authority for the rent supplement program. You are asking for $65 million for contract authority. Again, do you think you can commit this authority if this amount is approved?

Secretary WEAVER. We can allocate the full $65 million and we can keep the program moving at a much more rapid rate than it is now. There is a backlog of applications and of interest in this program, and we think that there would be no question that we can utilize this authority.

Mr. JONAS. But you can't legally obligate it?

Secretary WEAVER. I don't know what you mean by legally obligate it.

Mr. JONAS. Mr. Frantz knows.

Secretary WEAVER. You mean we are going to sign contracts on it?

Mr. JONAS. That is right.

Secretary WEAVER. No, but we cannot have any legal obligation in this program, or in the model cities program, or any program with a long leadtime, if you don't have the money or the authority available so that you can allocate it, so that the people who are going to put these things together know there is some money there after they put forth these efforts.

Mr. JONAS. Have you tried this?

Secretary WEAVER. Yes; it is absolutely impossible.

Mr. JONAS. Who did you try it with? I don't believe anything in this field is impossible.

PROJECT SPONSORS REQUIRE ASSURANCES

Secretary WEAVER. Let me ask this question: What sponsor is going to come in—whether limited dividend or nonprofit sponsor—and develop a project for rent supplements if he does not know that if he is able to put that project together and it meets our requirements, the money is going to be there? He would be a fool to do it.

Mr. JONAS. Well, I don't know. He can tell you that he is ready to go ahead and sign a contract, that he is ready to go ahead, predicated on getting the money.

Secretary WEAVER. But he has to put out these expenditures, he has to do all of the preliminary work that is involved here, and what assurance does he have when he does this that he is going to get his contract under the program?

Mr. JONAS. It seems to me it would be conditioned on whether the money becomes available. If it doesn't, it didn't cost him anything.

Secretary WEAVER. But it does.

EXAMPLES OF SPONSOR COSTS

Mr. BROWNSTEIN. It did cost him. It cost him to get an option on the land, to get an architect to draw up plans and specs, it cost him to hire an engineer.

Mr. JONAS. He doesn't have to do that until he gets a contract.

Mr. BROWNSTEIN. Oh, yes, he does.

Mr. JONAS. Why?

Mr. BROWNSTEIN. Because his contract is conditioned on his developing a feasible project. You cannot tell whether he has developed a feasible project until you know how much it is going to cost and until you know how much the rents will be. You can't know the answers to these two questions until he has done the things that I described earlier.

Secretary WEAVER. And he has to have a site, either optioned or owned, because he has to build it on something.

Mr. TALCOTT. So the turnkey projects are in the same relative situation; we cannot develop or proceed with turnkey projects until we allocate the money for it, not only for one contractor but for a dozen subcontractors, perhaps, and for the land acquisition usually.

NEED FOR THE RESERVATION SYSTEM

Mr. EVINS. You have to have the money in reserve before you can make commitments or obligations.

Secretary WEAVER. That is right, yes, before we can make the sponsor know that when he spends his time, money and effort, if he meets our requirements, he is going to have a project. Otherwise he is just going ahead and spending out pie in the sky.

Mr. HUMMEL. The same thing works in the turnkey process. The developer comes in and he says "I have a piece of land" or "I have an option on a piece of land," but he will not proceed to draw plans, speci-

fications, incur expenses until we give him a letter of intent saying we will go forward with you on such-and-such a basis.

Secretary WEAVER. Let me say one word here, and I will desist on this. The whole notion of our involvement of the private enterprise is involved here. What we are doing in all of these programs, 221(d)(3), rent supplement and turnkey, is to say to private enterprise: "If you come in with a project which meets our specifications, we can guarantee you that you will be able to carry that project out." Therefore, he feels justified in spending his money or borrowing other money or involving other people because he knows that if the project meets the requirement it is going to go ahead. If we don't have that he has no impetus, no encouragement, and if he is a nonprofit, there is no justification for putting a project together. He has to know that if it meets the specifications, it will be accepted.

REPORTED ABUSE OF RESERVATION SYSTEM IN RENT SUPPLEMENT PROGRAM

Mr. JONAS. Now, I read from this report some statements attributed to some unnamed officials at HUD. I am going to give you an example of a project that is named. Our investigators—this is an example of how indefinite and loosely operated this reservation thing is for the rent supplements: The listing of projects showing preliminary reservations in your office, supporting the status of contract authority report as of June 30, 1967, prepared by GAO shows a preliminary reservation amount of $76,800 for the North Richmond Baptist Church, of Richmond, Calif., for rent supplements applicable to the construction of 80 units. The date of the preliminary reservation was May 12, 1967. In connection with this matter, the chairman of the church was contacted and advised the staff that the board of directors had informally discussed the possibility of constructing 50 units under the rent supplement program. He further advised the staff that the board of directors had not made up its mind to construct even the 50 units or to vote for placing the proposal before the congregation, that no plans had been made for the selection of a building site, the financing of the project, or the development of any construction plans and that he has not participated in filling out any forms for application to HUD. Yet you had this church down for a reservation of funds.

In addition to this example, it is interesting to note that as of June 30, 1967, 121 preliminary and five reservations totaling about $7,500,000 had been canceled as shown on another page of this report. That is the kind of reservations you are making.

Secretary WEAVER. First, I would like to have a chance to check on that specific reference.

Mr. JONAS. North Richmond Baptist Church.

Secretary WEAVER. There is one example. This one I would like to check out.

The second thing is that I think the investigators indicate their lack of understanding of this process by much of their description of it.

Obviously, if you have a reservation, the reservation is to permit the doing of the very things that they criticize as not having been done. The idea of the reservation is to give the sponsor the security to go ahead and do these things. When he does these things, he will come in and if he has met our requirements, he will get his contract. This is

exactly what the reservation system is supposed to do—not what they imply.

On this particular instance, we would be very happy to check this out and make a report to the committee.

Mr. BROWNSTEIN. I would like to add, in October we sent 10 teams of two men each to all of our insurance offices to move everything for lower and moderate income people that could be moved. They recaptured $4 million in contract authority that we have since reallocated. There is an attrition rate and a fairly high one here because we do make reservations to sponsors who ultimately cannot put a feasible job together.

We recapture it as quickly as we can and reallocate it to those that we think can move quickly.

Secretary WEAVER. This is indigenous to the process.

APPROPRIATIONS IN ADVANCE OF COMMITMENT

Mr. SHIPLEY. This is very important. I think that the problem is that we have ignored this for too long. Unless we show the people who are trying to move forward that the Federal Government is willing to put this money into the bank, so to speak, we will never be able to solve the problem.

I think that not only HUD but any agency of the Government that handles similar grant programs must first put the money in the bank to get the cities, private industry, and anybody else to come in and, if nothing else, devote the time needed for the detail work involved in developing a feasible project.

We all know the cities do have these problems. I think probably a good justification for making this money available is that it is only a drop in the bucket to what we are going to have to spend to solve these problems.

This, again, shows the public that we are willing to do this and are making steps in this direction.

ALTERNATIVE TO RESERVATION SYSTEM

Secretary WEAVER. Mr. Chairman, apropos of what Congressman Jonas said, I think we have only two choices to make. If you do not want to have an allocation system and you want to have the money obligated right away, then you are going to have to have a public agency do the whole job itself. It is going to be protected. It can put out the front money. It does not take a risk.

If you are going to get private enterprise in these programs, you have got to say to private enterprise, "Look, you take a risk, but if you meet our specifications, here is the money which will permit you to recover your front money."

I think that using private enterprise just requires this and without it we are kidding ourselves.

Mr. EVINS. Is the guarantee an incentive for them to become involved in 221(d)(3) and rent supplements? You state here, "with amounts previously approved, this will bring the ceiling on annual payments which may be contracted for up to $107 million, providing decent housing for 100,000 families. * * *"

This is the goal and objective.

Secretary WEAVER. Mr. Chairman, let me say this in order that it may be crystal clear. Apparently there was some misunderstanding about this. We are not saying that we are going to put $107 million into contracts this fiscal year or that we are going to start this many housing units. We say that we are going to start the process for this production. It may take more than a fiscal year to do it.

Mr. EVINS. That is a fair statement.

NEW BUDGET CONCEPTS

Mr. EVINS. Next is a discussion of the effects of the new budget concepts. The budget now has in it the various trust funds. These have previously been excluded from administrative budget totals. Now we have more accounts coming into the total budget than previously presented. We will place this section on the treatment of new budget concepts in the record at this point.

(The information follows:)

DEPARTMENTAL SUMMARY

TREATMENT OF THE NEW BUDGET CONCEPTS

The 1969 budget reflects a number of changes in budget concepts, terminology, and treatment based largely on the report of the President's Commission on Budget Concepts. The most significant of these changes as they affect the HUD budget are:

1. *The inclusion in budget totals of amounts for trust funds.*—These were previously excluded under the "administrative budget" concept. For the Department, this results in the addition to totals of all authorities and expenditures for FNMA secondary market operations;

2. *The redefinition of participation sales transactions to*—

a. Count all authorizations for the sale of participation certificates as creating budget authority which adds into budget totals;

b. Eliminate the receipts from the sales of participation certificates as an offset against departmental expenditures; and

c. Reclassify as Federal funds that part of participation sales transactions formerly included under "Trust Funds."

Many terms have been redefined under the new budget concepts. Whereas totals were formerly stated in terms of "new obligational authority" and "expenditures," totals are now stated in terms of "budget authorities" and "outlays."

The former term "new obligational authority" has been replaced by two new terms, as follows:

1. *Loan authority (LA).*—Representing that portion of the former NOA which is estimated to be intended or necessary to cover the principal of direct loans to be made. The authorizations for the sales of participation certificates—whether or not the sales are actually made—are generally included within "loan authority." Borrowing authorities enacted to fund lending programs are generally considered loan authority.

2. *New obligational authority (NOA).*—Representing that portion of the former NOA necessary for purposes other than the principal of direct loans.

The former term, "expenditures" has been replaced by two terms, as follows:

1. *Net lending (NL).*—Representing that portion of the former "expenditures" which shows the net change in loans outstanding. A decrease in loans outstanding is termed, "negative net lending."

2. *Expenditures.*—Representing that portion of the former expenditures incurred for purposes other than changes in the amount of loans outstanding.

In order to come to Departmental totals, NOA and LA have been added together to come to total "budget authority" and expenditures and NL have been added together to come to total "outlays."

The result of these changes is to increase the total budget authority for the Department by $1.8 billion and the total of all budget outlays (formerly expenditures) by $2 billion in 1969 over what they would have been under old concepts. A comparison of the results under the prior and current concepts is as follows:

[In millions of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Budget authority:			
Old concepts	$2,017	$2,781	$3,588
New concepts	7,368	5,703	5,342
Net change under new concepts	5,351	2,922	1,754
Outlays:			
Old concepts	493	495	1,249
New concepts	2,793	4,551	3,216
Net change under new concepts	2,300	4,056	1,967

BUDGET AUTHORITY

In general, budget authority under the new concepts means any new authorization to commit the Government to make budget outlays, or an increase in an existing authorization of this nature.

The principal forms of budget authority—which include both NOA and LA—are:

1. Appropriations, which are amounts directly made available by an appropriation act, usually from the general fund of the Treasury, for such programs as salaries and expenses, neighborhood facility grants, urban transportation grants, urban planning grants, metropolitan development incentive grants, water and sewer facility grants, and rent supplement payments.

2. Contract authorizations, which provide authority to enter into contracts for the payment of grants for low-income housing demonstrations, open space land and urban beautification, and urban renewal projects. (Appropriations to liquidate contracts entered into pursuant to contract authorizations are not NOA.)

3. Treasury borrowing authorizations, which are authorities to borrow from the Treasury for such purposes as college housing loans, public facility loans, and mortgage purchases under FNMA special assistance functions.

4. Public borrowing authorizations, which are authorities to borrow from the public for such purposes as FNMA secondary market operations. Authorizations for the sale of participation certificates are also considered public borrowing authorizations.

The principal sources of new budget authority are identified in the table below:

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Urban renewal programs	725,000	750,000	750,000
Urban renewal assistance in model cities areas		100,000	500,000
Low-rent public housing programs	255,000	299,000	358,000
College housing loans	1,541	323,787	363,291
Grants for basic water and sewer facilities	100,000	165,000	150,000
Model cities program	11,000	212,000	500,000
Urban transportation	130,000	125,000	190,000
FNMA secondary market operations:			
Preferred stock authorization	110,000		
Trust fund operations	3,931,272	536,655	159,000
Special assistance functions	500,000	550,000	525,000
Participation sales authorizations	1,420,000	2,385,000	1,595,000
All other	184,099	256,450	251,897
Included in budget	7,367,912	5,702,892	5,342,188
Change from fiscal year 1967		−1,665,020	−2,025,724
Change from fiscal year 1968			−360,704

BUDGET OUTLAYS

In general, budget outlays—including both expenditures and net lending—represent amounts drawn from the Treasury in support of a program or activity—regardless of whether such amounts are disbursed for operating expenses, loans, grants, or for other purposes.

Budget receipts represent amounts realized for the Treasury as a result of program operations—principally from repayments of loans, receipt of fees and premiums, sale or exchange of loans or securities, and earnings on investments.

Total budget outlays (or receipts) represent the net result of offsetting total budget expenditures and net lending and total budget receipts. Net budget receipts and negative net lending are always designated with a minus sign (—).

Total budget outlays of $3.216 million are estimated for fiscal 1969—a decrease of $1,335 million from the 1968 outlay figure of $4,551 million.

The principal outlays (or receipts) are identified in the table below:

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Urban renewal, title I	445,404	500,000	711,000
Low-rent public housing programs	267,701	300,245	320,255
College housing loans	358,269	332,946	326,214
Grants for basic water and sewer facilities	5,691	90,000	130,000
Urban mass transportation	42,715	99,600	149,610
Model cities program	732	25,000	250,000
Special assistance functions	105,992	639,600	430,600
Management and liquidating functions	408,366	368,000	54,500
Participation sales fund	115,581	−45,731	−206,190
FNMA secondary market operations	807,149	1,949,000	590,000
All other	235,627	291,952	459,913
Included in budget	2,793,227	4,550,612	3,215,902
Change from fiscal year 1967		1,757,385	422,675
Change from fiscal year 1968			−1,334,710

Mr. Evins. On page A–16 it shows that the budget authority in 1967 was $2.017 billion under the old concepts. With the new concepts it would have been $7.368 billion, or a net change of $5.351 billion.

In 1969 budget authority is $3.588 billion under the old concepts and your estimate for 1969 under the new budget format is $5.342 billion, or a net change of $1.754 billion.

Under the new concepts, the budget authority in 1968 is $5.703 billion and in 1969 it is $5.342 billion. It is slightly less in 1969 than it was in 1968.

Actually, the estimate for 1969 under the new concepts is less than in 1968 or 1967. It shows a declining budget. The same is true with respect to outlays. The outlays under the old concepts go up from $493 million in 1967 to $495 million in 1968 and to $1,249 million in 1969. Under the new concepts, the budget goes down from $4.5 billion in 1968 to $3.2 billion in 1969. So the outlay is less under the new concept.

Mr. Jonas. May I say to my distinguished friend from Tennessee, that I do not agree with his facts. This statement does not say the budget is down. This is just the difference between the old concept and the new. This does not say there is a reduction. If you look at the paragraph above, it is an increase of $2 billion.

Mr. Evins. From $7 billion to $5.3 billion is down $2 billion.

Mr. Jonas. You don't deduct those to get what the bundget looks like. Look at the paragraph above. It is $2 billion more.

Mr. Evins. I think we are talking about two different things. You are correct that the overall figures under the new budget concepts are higher than under the old concepts, but the comparisons of 1969 with 1968 show declining amounts under the new concepts, both in budget authority and outlays. That is what I was trying to bring out.

NEGATIVE NET LENDING

We know what new obligational authority is and what net budget expenditures are. I want to talk about negative net lending. Who wants to explain this?

Secretary WEAVER. I think Mr. Frantz is obviously the man to do that.

Mr. EVINS. You state: "Net lending—representing that portion of the former expenditures which shows the net change in loans outstanding. A decrease in loans outstanding is termed negative net lending."

Mr. FRANTZ. In effect that says that, in a lending program, when there are greater repayments than there are new amounts loaned out, negative net lending results.

Mr. EVINS. If they pay back more than you lend?

Mr. FRANTZ. If they pay back more than you lend, you get negative lending, which I must say is a rather peculiar term.

Mr. EVINS. It ought to be money in the Treasury.

Mr. FRANTZ. In effect it is.

Mr. EVINS. The result is that, Mr. Frantz, do you anticipate any negative net lending?

Mr. FRANTZ. In places, yes, sir.

PRINCIPAL SOURCES OF BUDGET AUTHORITY

Mr. EVINS. Gentlemen, these next tables show, in summary fashion, the principal sources of new budgetary authority.

For urban renewal, we have provided at a $750 million rate for the past several years.

Model cities, urban renewal in model cities, from $100 million to $500 million. You testified earlier that you ask this be consolidated in your $1.4 billion?

Secretary WEAVER. For 1970, not 1969.

Mr. EVINS. Low-rent public housing; $299 million is the contract payments for 1968 and estimated to be $358 million in 1969?

Mr. FRANTZ. Yes, sir.

COLLEGE HOUSING LOANS

Mr. EVINS. College housing loans. You are going to be active in this field next year?

Secretary WEAVER. Yes, sir; about the same level as before.

Mr. JONAS. Do you visualize there will be any change in this program if the war continues and the present draft policies are continued? I talked to some college people and they say it is going to affect their student bodies.

Secretary WEAVER. I think it will, but I don't think it will affect the demand for this program. We are proposing in the new legislation a return to the formula for fixing the interest rate in relation to the cost of money to the Government, rather than to set it at a flat 3-percent interest. The administration feels that this program has to be rationed in some way. You cannot meet the total demand; it is too large. Those institutions which can borrow money through tax-exempt bonds at a reasonable interest rate should not be included, but those that do not should be included at a slightly higher interest rate than the current 3-percent.

Mr. EVINS. Mr. Secretary, do you think there is any real possibility of changing the interest rate? Is it going to be recommended by the legislative committee?

Secretary WEAVER. I have hopes.

Mr. EVINS. That is a good answer.

The water and sewer grant program is down from $165 to $150 million. The model cities program from $212 to $500 million.

Isn't that only 50 percent of what the President recommended?

Secretary WEAVER. No, because you have two items in that for 1969. You have the $500 million for urban renewal in model cities areas, and $500 million for supplementary grants.

Mr. EVINS. Urban transportation is $190 million. We will see what the final action on this is.

Mr. JONAS. Is that figure down here the total for the Department, P.C. sales, $1.5 billion?

Mr. FRANTZ. Participation sales authorized, yes, sir.

Mr. JONAS. That is the total you expect?

Mr. FRANTZ. To be authorized in the 1969 appropriation act; yes, sir.

Mr. EVINS. Mr. Frantz, you talk about earnings on investments? What would be an example of that?

Secretary WEAVER. Negative lending?

Mr. EVINS. At the bottom of the page you talk about budget receipts, fees and premiums, earnings on investments. What are the sources of earnings on investments?

Mr. FRANTZ. A portion of the——

Mr. BROWNSTEIN. FHA reserves are invested in Treasury securities. It is the earnings on those securities.

Mr. EVINS. Tell us about some of those.

INVESTMENTS OF FHA INSURANCE RESERVES

Mr. BROWNSTEIN. We have about 1¼ billion in FHA insurance reserves at the present time.

Mr. EVINS. That is in the Treasury?

Mr. BROWNSTEIN. No. Not all of it. Part of it is in acquired properties and mortgages.

Mr. EVINS. You don't make any earnings on the properties? You always sell those at a loss. Where do you get the earnings?

Mr. BROWNSTEIN. That is right. The funds that we do not require for current operating expenses and for the payment of claims are invested in Treasury securities.

Mr. EVINS. They are invested in what?

Mr. BROWNSTEIN. Notes, bills, and bonds of the Treasury. This is where we realize these earnings. We are getting a return of somewhere around 5.6 to 5.7 on the current investments.

Mr. EVINS. You earn a little interest?

Mr. BROWNSTEIN. Yes, sir.

Mr. TALCOTT. What is the total amount of the interest?

Mr. BROWNSTEIN. Of our total investment in Treasury certificates and notes and bonds?

Mr. TALCOTT. Yes.

Mr. BROWNSTEIN. It is over $700 million, Mr. Talcott. I will put the exact figure in the record.

Mr. EVINS. That is very positive. You are making $750 million on interest.

Mr. TALCOTT. Mr. Brownstein mentioned interest, rather than total investment.

Mr. BROWNSTEIN. This is what our investment is in Treasury securities.

Mr. TALCOTT. This is not the interest on investments?

Mr. BROWNSTEIN. $750 million? No, that is our total investment in Treasury notes and bonds.

Mr. TALCOTT. What are your earnings on investments?

TOTAL INTEREST

Mr. BROWNSTEIN. Probably a little better than 3 percent. I would say around $30 million a year. Again I will put the exact figure in the record.

(The information follows:)

FHA INSURANCE RESERVE INVESTMENTS IN U.S. SECURITIES

	Actual, 1967	Estimate, 1968	Estimate, 1969
Investment in U.S. Government securities (par)	$628,711,000	$718,711,000	$821,711,000
Interest on U.S. Government securities	21,108,000	23,997,000	28,188,000

JUSTIFICATION MATERIAL

Mr. EVINS. Gentlemen, let us place the rest of this summary in the record.

(The information follows:)

SUMMARY OF MAJOR APPROPRIATION PROPOSALS

Parts 2 through 6 of these justifications describe in detail the appropriation actions proposed by the 1969 budget, with appropriate background data concerning need, program accomplishments, workloads, and related information. In order to provide a quick overview of the items of greatest interest, the major proposals are briefly identified below:

RENEWAL AND HOUSING ASSISTANCE PROGRAMS

For programs under the direction of the Assistant Secretary for Renewal and Housing Assistance and focused primarily on the problems of the central cities, the budget includes as its significant elements:

An increase from $30 to $40 million in appropriations for grants to neighborhood facilities projects, which are designed to bring into neglected low income areas facilities which will house a wide variety of services to their people. Responsibility for the choice of services and for their financing remains with the local community.

A forward appropriation of $1.4 billion for urban renewal for the fiscal year 1970. Action on this appropriation is dependent, as noted above, on enactment of authorizing legislation.

Appropriation of an additional $500 million for urban renewal for the fiscal year 1969, as a special item in support—and available solely in support—of the model cities program. Of this amount, $150 million can be appropriated under existing authority, and $350 million requires authorization as proposed in the pending legislation.

Continuation, without additional appropriations, of a program of low interest rate loans to encourage the rehabilitation of both homes and business properties in urban renewal and code enforcement areas.

Appropriation of $358 million to continue Federal subsidy payments to public housing projects involving almost 800,000 units, and providing standard housing to more than 3 million low income people.

Inauguration, with appropriation of $1 million, of a new program of loans and grants to help provide housing for low income residents of Alaska, authorized by section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966.

Continuation, with funds to be provided through participation sales, of the programs of college housing loans and loans for housing the elderly and handicapped, at net loan reservation levels of $300 million and $85 million, respectively.

METROPOLITAN DEVELOPMENT PROGRAMS

For programs under the direction of the Assistant Secretary for Metropolitan Development dealing with urban and metropolitan areawide problems, the major budget proposals include the following:

An increase from $45 to $55 million in the appropriation for grants to assist comprehensive urban planning generally—from small town to metropolitan area to statewide.

A proposed appropriation of $10 million to initiate a new program of supplementary grants authorized by the Congress in title II of the Demonstrations and Metropolitan Development Act of 1966, designed to encourage comprehensive planning on an areawide basis, and to further the practical use of comprehensive plans in the areawide programing of facilities.

Appropriation of $85 million to support an expanded program of grants for the preservation of open space land, for the creation of open spaces in developed areas, and for urban beautification.

An additional appropriation of $150 million for grants to assist in the provision of basic water and sewer facilities in projects which fit into an areawide plan for the provision of public facilities.

A forward appropriation—for the fiscal year 1970—of $230 million for grants to encourage improved urban transportation through capital improvements, demonstration projects, system studies, and research and training; $190 million of this forward appropriation requires legislative authorization. Also proposed is an additional appropriation of $15 million for the fiscal year 1969 to permit a major attack on the research and development problems of providing modern transportation systems in our cities.

Continuation, without appropriated funds, of the program of loans for public facilities, primarily for the benefit of small communities which have difficulty obtaining funds in the private market.

DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS

For programs under the direction of the Assistant Secretary for Demonstrations and Intergovernmental Relations, dealing with demonstration programs and the development of new and improved methods of coordination and cooperation between Federal, State, and local agencies involved in the interrelated problems of housing and urban development, key budget items include:

Appropriation of $500 million, the full amount authorized by Congress, to fund the second year of the model cities program. As noted above, the budget also requests appropriation of an additional $500 million for urban renewal projects which are scheduled to be carried out as part of approval demonstration projects under the model cities program.

Appropriation of $5 million to continue the program authorized by Congress in title IX of the Demonstrations Cities and Metropolitan Development Act of 1966 under which information on urban needs and resources is made available and technical assistance provided to cities having a population of less than 100,000. Additional authorizing legislation is required for this budget request and it is contained in the pending Housing and Urban Development Act of 1968.

Appropriation of $7 million to assist States in developing and financing special training programs for people employed or training to be employed at the local level in community development activities, together with $500,000 to continue the program of urban fellowships.

URBAN TECHNOLOGY AND RESEARCH

Appropriation of $20 million to continue and expand the major new effort being begun with the $10 million appropriation provided by Congress for the current year to bring modern research and development techniques to bear on problems of housing and urban development.

Continuation of modest levels of research and demonstration programs concerned with the provision of housing for low-income families and for the handicapped; means of providing and utilizing open space land; and methods for making comprehensive planning more effective in shaping the development of urban areas.

MORTGAGE CREDIT PROGRAMS

Although no appropriated funds are involved, the budget projects an active and significant role in the economy for all of the mortgage insurance programs of FHA, and for the support programs of the Federal National Mortgage Association in both its secondary market and special assistance functions.

FHA unit applications are estimated to increase by a factor of about 20 percent to a total of over 1,200,000 in all categories. FNMA will continue to provide essential support to the general housing market through its secondary market functions, and through its special assistance activities will backstop such essential programs as housing for moderate income families under section 221(d)(3) and housing in urban renewal areas. The budget program estimates a substantial drop in mortgage purchases in the secondary market, resulting from improved availability of private mortgage funds under proposed legislation. As already noted, such legislation would permit interest rates on Government-insured mortgages to go to realistic levels in the market, and would authorize transfer of FNMA secondary market operations to private ownership and management. The assumption of improved availability of private funds also leads to an estimated decline in mortgage purchases by FNMA in connection with the sale of FHA-held properties.

Of critical importance is the budget request for authorization, through appropriation action, of an additional $65 million in contract authority for annual rent supplement payments. With amounts previously approved by the Congress, this will bring the ceiling on annual payments which may be contracted for up to $107 million, providing decent housing for over 100,000 families or individuals who previously lived in substandard housing, who were displaced from their homes, or are elderly or handicapped, or were made homeless by natural disaster.

The tables in the following section B summarize in broad outline the Department's budget for the coming year:

Table I shows the appropriations and limitations which the Department is recommending to the Congress for 1969 compared with the past and current years.

Table I–A identifies those budget requests which require additional authorizing legislation.

Table II shows program levels for the actual year 1967, for the current year, and for the budget year. This table compares activity in the various programs over the budget period. It cannot be totalled, because program levels are stated in different kinds of units—dollars, applications, acres, etc.—as may be appropriate to describe the particular activity involved.

Table III is a comparative summary of significant budget totals of the Department during the budget period.

TABLE I.—COMPARATIVE SUMMARY OF APPROPRIATIONS AND LIMITATIONS PROPOSED FOR THE INDEPENDENT OFFICES AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT APPROPRIATION BILL, 1969

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
RENEWAL AND HOUSING ASSISTANCE			
Appropriations:			
Urban renewal grants (enacted)	725,000	750,000	750,000
Appropriations for next year's program:			
Under existing authorization	(750,000)	(750,000)	
Under proposed authorization			(1,400,000)
Assistance for model cities areas:			
Under existing authorization		100,000	150,000
Under proposed authorization			350,000
Administrative expenses	15,395		
Rehabilitation loans: Administrative expenses	1,396		
Neighborhood facilities grants	17,000	30,000	40,000
Low-rent public housing:			
Annual contributions	255,000	275,000	358,000
Supplementals for 1966 and 1967 (enacted and proposed)	21,597	6,042	
Proposed supplemental for 1968		24,000	
Administrative expenses	13,725		
Alaska housing			1,000
Housing for the elderly	80,000	25,000	
Salaries and expenses		31,950	36,360
Proposed Pay Act supplemental		880	
Subtotal, appropriations	1,129,113	1,242,872	1,685,360
Limitations:			
Housing for the elderly	1,232	1,232	1,282
Proposed Pay Act supplemental		40	
College housing loans	2,089	2,200	2,285
Proposed Pay Act supplemental		75	
Subtotal, limitations	3,321	3,547	3,567
Total, renewal and housing assistance	1,132,434	1,246,419	1,688,927
METROPOLITAN DEVELOPMENT			
Appropriations:			
Urban planning grants:			
Under existing authorization	33,000	45,000	38,838
Under proposed authorization			16,162
Public works planning advances			
Grants for basic water and sewer facilities	100,000	165,000	150,000
Open space land programs	54,179	75,000	85,000
Administrative expenses	821		
Grants to aid advance acquisition of land			
Urban transportation programs:			
Appropriations enacted	130,000	125,000	175,000
Appropriations proposed			15,000
Appropriations for next year's program:			
Under existing authorization	(125,000)	(175,000)	(40,000)
Under proposed authorization			(190,000)
Administrative expenses	735		
Salaries and expenses, metropolitan development		6,100	8,700
Proposed pay act supplemental		195	
Subtotal, appropriations	318,735	416,295	488,700
Limitations:			
Public facility loans	1,205	1,187	1,235
Proposed pay act supplemental		40	
Revolving fund (liquidating programs)	110	100	104
Subtotal, limitations	1,315	1,327	1,339
Total, metropolitan development	320,050	417,622	490,039
DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS			
Appropriations:			
Model cities program:			
Planning grants to city demonstration agencies	11,000	12,000	
Supplementary grants city demonstration agencies		200,000	500,000
Administrative expenses (transfer to salaries and expenses)	(750)	(2,500)	(8,380)
Proposed pay act supplemental		(80)	
Urban information and technical assistance:			
Under existing authorization		2,200	
Under proposed authorization			5,000

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Appropriations—Continued			
Community development training programs		3,000	7,000
Fellowships for city planning and urban studies	470	500	500
Administrative expenses	30		
Salaries and expenses		1,850	1,860
Proposed pay act supplemental		45	
Total, demonstrations and intergovernmental relations	11,500	219,595	514,360
URBAN TECHNOLOGY AND RESEARCH			
Appropriations:			
Urban research and technology	500	10,000	20,000
Low-income housing demonstration programs	1,500	2,000	4,496
Administrative expenses	75		
Special studies	1,500		
Total, urban technology and research	3,575	12,000	24,496
MORTGAGE CREDIT			
Appropriations:			
Rent supplement program:			
Approval of contract authority	(20,000)	(10,000)	(65,000)
Rent supplement payments	2,000	5,000	15,000
Administrative expenses	900	1,100	1,600
Subtotal, appropriations	2,900	6,100	16,600
Limitations:			
Federal Housing Administration:			
Administrative expenses	10,650	11,000	11,950
Nonadministrative expenses	85,000	87,000	95,600
Federal National Mortgage Association:			
Administrative expenses	9,931	9,600	10,340
Proposed pay act supplemental		340	
Subtotal, limitations	105,581	107,940	117,890
Total, mortgage credit	108,481	114,040	134,490
DEPARTMENTAL MANAGEMENT			
Appropriations:			
General administration		4,000	8,000
Proposed pay act supplemental		135	
Regional management and services		5,300	8,925
Proposed pay act supplemental		160	
Office building equipment and furnishings	575		
Salaries and expenses, OS	13,799		
Working capital fund		(1,500)	2,000
Total, departmental management	14,374	9,595	18,925
Appropriations for participation sales insufficiencies:			
Permanent indefinite appropriation for 1967 sales	1,883	12,064	13,366
Annual definite appropriation for 1968 sales		23,000	
Proposed permanent indefinite appropriations:			
1968 sales			47,638
1969 sales			9,977
Total	1,883	35,064	70,981
Proposed for separate transmittal, proposed legislation:			
Areawide development grants			10,000
Housing and urban development legislation			30,000
Total			40,000
Departmental totals:			
Appropriations	1,482,080	1,941,521	2,859,422
Limitations	110,217	112,814	122,796
Approval of contract authority	(20,000)	(10,000)	(65,000)
Appropriations for following year	(875,000)	(925,000)	(1,630,000)
Grand total, Department of Housing and Urban Development	1,592,297	2,054,335	2,982,218

Note: Figures in parentheses do not add.

TABLE 1–A. APPROPRIATIONS REQUIRING AUTHORIZING LEGISLATION

[In thousands]

	Total request	Authorization required
Appropriations requested for 1969:		
Urban renewal programs in model cities areas	$500,000	$350,000
Urban planning grants	55,000	16,162
Urban information and technical assistance	5,000	5,000
Advance appropriations for 1970:		
Urban renewal programs	1,400,000	1,400,000
Urban transportation programs	230,000	190,000
Proposed for later transmittal:		
Area wide development grants	10,000	10,000
HUD legislation	30,000	30,000

TABLE II.—SUMMARY OF PROGRAM LEVELS, FISCAL YEARS 1967–69

[Dollar amounts in thousands]

	Actual 1967	Estimate 1968	Estimate 1969
RENEWAL AND HOUSING ASSISTANCE			
Grants for neighborhood facilities:			
Number	92	102	130
Grant reservation (net)	$26,697	$30,034	$40,000
Alaska housing: Grant and loans			1,000
Workable programs:			
Initial certifications	400	385	385
Recertifications	774	800	850
Total in effect, end of year	1,174	1,185	1,235
Recertifications in process	416	450	475
Total participating localities, end of year	1,590	1,635	1,710
Urban renewal programs—Net reservations:			
Projects	$735,174	$835,164	$1,128,500
Code enforcement	51,578	59,500	108,000
Community renewal programs	5,735	9,700	10,000
Demolition grants	4,239	2,000	2,000
Sec. 314 demonstration grants	649	1,500	1,500
Total	797,375	907,864	1,250,000
Urban renewal assistance in model cities areas included above	(.....)	(100,000)	(500,000)
Advance appropriation for 1970			(1,400,000)
Rehabilitation loans (sec. 312):			
Loan approvals (net):			
Residential	6,240	18,000	18,000
Nonresidential		2,000	2,000
Total	6,240	20,000	20,000
Total number of loans approved	1,103	3,560	3,560
Low-rent public housing:			
Annual contributions contracts executed (units)	63,309	65,000	85,000
Construction starts (units)	29,564	55,000	75,000
Completed for occupancy (units)	35,243	58,000	75,000
Units in modernization program		62,500	62,500
Units in management, end of year	654,118	712,118	787,118
Annual contributions appropriations	$276,597	$275,000	$358,000
Proposed supplemental appropriations		$30,042	
Housing for the elderly or handicapped (sec. 202):			
Loan reservations (net)	84,203	85,000	85,000
Sale of participation certificates		60,000	65,000
Projects completed (cumulative):			
Number	124	182	247
Units	13,937	22,637	32,387
College housing loans:			
Loan reservations (net)	299,807	200,000	300,000
Sale of participation certificates	600,000	1,385,000	500,000
METROPOLITAN DEVELOPMENT			
Urban planning grants (sec. 701):			
Grants to planning agencies	31,443	42,769	52,250
Studies, research, and demonstrations	1,650	2,250	2,750
Areawide development grants: Grant approvals (net)			10,000

	Actual 1967	Estimate 1968	Estimate 1969
Open space land programs—Grant approvals (net):			
Acquisition of undeveloped land	51,732	50,600	54,350
Developed land in urban areas	8,743	15,850	18,600
Urban beautification and improvement	7,427	10,000	10,000
Historic preservation		1,000	1,000
Demonstration and studies	1,042	50	1,050
Total	68,944	77,500	85,000
[Dollars in thousands]			
Grants for basic water and sewer facilities:			
Grant approvals (net)	99,909	175,098	150,000
Projects completed and under construction, yearend (cumulative)	85	492	1,137
Grants to aid advance acquisition of land: Grant approvals (net)	113	1,887	3,000
Public works planning advances (sec. 702): Advances approved (net)	5,787	8,500	8,500
Urban transportation programs—Grant approvals (net):			
Capital improvement grants (net)	120,860	123,500	157,500
Research, development, and demonstrations	9,041	10,000	25,000
Transportation systems design grants	3,113	5,500	6,500
Managerial training programs	100	1,000	1,000
Total grants	133,114	140,000	190,000
Advance appropriation for 1970			(230,000)
Public facility loans (PFL):			
Loan approvals (net)	29,868	50,000	40,000
Sale of participation certificates	80,000	80,000	80,000
Projects completed and under construction, yearend (cumulative)	1,137	1,340	1,522
DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS			
Model cities programs:			
Planning grants		22,250	
Supplementary grants		52,500	647,500
Urban renewal add-on		(100,000)	(500,000)
Urban information and technical assistance (title IX): Grant approvals (net)		2,200	5,000
Community development training programs (title VIII): Grant approvals (net)		3,000	7,000
Fellowships for city planning and urban studies: Grant approvals (net)	464	500	500
URBAN TECHNOLOGY AND RESEARCH			
Urban research and technology: Contracts and administration of research	500	10,000	20,000
Low-income housing demonstrations (sec. 207):			
Grant approvals (net)	1,500	2,000	4,496
Projects in execution, yearend	41	34	34
Urban renewal demonstration grants (sec. 314)	(649)	(1,500)	(1,500)
Sec. 701(b) urban planning studies, research, and demonstrations	(1,650)	(2,250)	(2,750)
Open space land studies and publications	(49)	(50)	(50)
Public works planning surveys		(100)	(100)
MORTGAGE CREDIT—FHA			
Rent supplement program:			
Approval of contract authority	$20,000	$10,000	$65,000
Reservation of authority: Number of units	24,848	11,100	72,200
Rent supplement payments:			
Number	3,566	42,900	200,000
Amount	$80	$3,000	$15,000
Federal housing administration fund:			
Unit application receipts:			
Homes:			
Sec. 203:			
New	141,464	165,000	170,000
Existing	490,659	620,000	712,500
Sec. 221(d)(2):			
New	5,649	8,500	9,500
Existing	33,733	52,000	61,000
All other sections	14,423	24,500	27,000

	Actual 1967	Estimate 1968	Estimate 1969
Federal Housing Administration fund—Continud			
Unit applicatfon receipts—Continued			
Multifamily:			
Sec. 207 new	2,792	6,000	8,000
Sec. 221(d)(3) BMIR	27,851	39,100	41,300
Sec. 221(d)(3) for rent supplement	6,741	38,550	35,200
All other sections	25,278	32,800	36,300
Land development (lots)	9,656	20,000	100,000
Group practice facilities		550	700
Total	758,246	1,007,000	1,201,500
Title I loans insured	$614,000	$610,000	$610,000
Insurance in force (end of year)	55,054,000	57,417,000	61,259,000
MORTGAGE CREDIT—FNMA			
Secondary market operations:			
Mortgage purchases	1,118,253	2,400,000	1,000,000
Mortgage sales	9,408	25,000	25,000
Special assistance functions:			
Reservations and commitments:			
Moderate-income housing, BMIR (reserve net)	310,058	500,000	500,000
Moderate-income housing, BMIR (reserve gross)	(499,669)	(650,000)	(650,000)
Rent supplement (reserve net)	21,021	100,000	
Low- and moderate-cost housing (No. 14)	393,199	256,800	
Urban renewal housing	18,428	55,000	55,000
Elderly, co-op and other	64,225	47,000	20,000
Subtotal	806,931	958,800	575,000
Mortgage purchases	177,980	725,000	520,000
Mortgage sales			
Sale of participation certificates	300,000	250,000	655,000
Management and liquidation programs:			
Mortgage purchases	542,412	500,000	200,000
Mortgage sales			
Sale of participation certificates	440,000	355,000	550,000

Note: Figures in parentheses do not add.

TABLE III.—COMPARATIVE SUMMARY OF SIGNIFICANT BUDGET TOTALS FISCAL YEARS 1967-69

[Dollar amounts in thousands]

	Actual 1967	Estimate 1968	Estimate 1969
Appropriations:			
Effective for fiscal year	$1,482,080	$1,941,521	$2,859,422
In advance for following year	(875,000)	(925,000)	(1,630,000)
Limitations: Administrative and nonadministrative expenses	110,217	112,814	122,796
Aprroval of contract authority: Rent supplement program	20,000	10,000	65,000
Budget authority:			
New obligational authority	1,420,872	1,824,002	2,763,256
Loan authority	5,947,040	3,878,890	2,578,932
Total	7,367,912	5,702,892	5,342,188
Trust funds included above	(3,931,272)	(536,655)	(159,000)
Budget outlays:			
Expenditures	695,327	985,483	1,756,058
Net lending	2,097,900	3,565,129	1,459,844
Total	2,793,227	4,550,612	3,215,902
Trust funds included above	(807,149)	(1,949,000)	(590,000)
Employment (end of year):			
Full-time permanent	14,250	15,010	16,460
Other	505	252	300
Total	14,755	15,262	16,760
Average employment (man-years)	13,642	14,775	16,547

ECONOMIC AND HOUSING OUTLOOK

Mr. EVINS. Economic and Housing Outlook. The Secretary has already testified to that. Mr. Reporter, put pages A–23 through A–26 in the record.

(The information follows:)

ECONOMIC AND HOUSING OUTLOOK FOR 1968

Housing market conditions are favorable for a rise in housing starts. Unsold home inventories and vacancy rates are low, and the number of household formations is rising. Employment is high, as are incomes. This could be a 1.6 million starts year if adequate mortgage financing is available. The financing can be made available if an income tax increase is enacted to reduce Federal borrowing needs and relieve the pressure on capital markets, and if FHA and VA mortgage interest rates are restored to a competitive position.

On the assumptions that (1) no substantial escalation of the Vietnam war will occur and (2) the proposed surcharge on personal and corporate income taxes will be enacted, gross national product in 1968 is projected at about $846 billion, up about 7¾ percent over 1967. Such economic growth should keep the unemployment rate at around 3.5 percent and raise the factory utilization rate to about 90 percent.

FINANCIAL MARKETS

The Federal Government will have heavy borrowing requirements throughout 1968 to finance the budgeted deficits of $18.6 billion for fiscal year 1968 and $11.8 billion for 1969. The amount of Treasury securities to be absorbed by the private capital market in 1968, however, is expected to be comparable to the 1967 volume of $3.5 billion after allowance for the increased holdings by the U.S. investment accounts and the Federal Reserve Banks. The capital market will also have to absorb in 1968 certificates of participation and Federal agency securities amounting to $7 billion, compared to $5 billion in 1967.

The volume of corporate bond offerings in 1968 is expected to fall significantly from the record 1967 volume. Recent reports indicate more modest requirements to finance capital expansion and inventory growth. The financial position of corporations is believed at the beginning of the year, moreover, to be much easier due to anticipatory corporate borrowings in 1967 and to more substantial internal cash flow from depreciation and retained earnings. The projected drop in corporate bond issuances should largely offset the 1968 demands in the private capital market arising from Federal agency financings, and more importantly, from record State and local government capital requirements.

Under the circumstances, while the levels of capital market interest rates—especially in the short-term sector—may rise somewhat, they are not expected to be so attractive as to cause large scale withdrawals of funds from thrift institutions, such as occurred in 1966. The 1968 rate of cash savings is expected to be about the same as 1967, as households continue their high rate of personal savings as related to disposable personal income. Mortgage oriented thrift institutions are expected to receive about the same share of the 1968 cash savings as experienced in 1967.

HOUSING MARKETS

Housing starts have been estimated at about 1.6 million in 1968, therefore, compared with 1.3 million in 1967. The underlying strength in the housing market encourages builders despite prevailing high residential mortgage interest rates. Sales have been good over the past 9 months and the unsold inventory of new homes is low. Rental vacancies have decreased in the past year. At the same time a upward trend in marriages is contributing to rising household formations as post-World War II babies come of age.

The increased number of households, the pent-up demand resulting from the low volume of starts in 1966–67, the reductions of unsold housing inventory, and the reduced vacancy rates should serve to induce builders to construct an increasing volume of housing. Home purchases are expected to keep pace with construction, even though residential mortgage interest rates continue high.

Further pressures on mortgage interest rates may result from the recent narrowing of the yield differential between mortgages and Treasury and corporate bonds. Relaxation of FHA and VA interest rate ceilings would place FHA and VA mortgages in a more competitive position.

Forward mortgage commitments of savings and loan associations continue at record levels while new commitments of life insurance companies for multifamily projects have largely recovered to the high levels reached at the end of 1964–65. On the other hand, life insurance company commitments for home loans remain at low levels, and those of New York State mutual savings banks have decreased more than seasonally.

Reductions in corporate bond offerings are expected to cause life insurance companies and mutual savings banks to invest more heavily in mortgage loans. Now that favorable liquidity positions have been reached, savings and loan associations should be more aggressive. Increasing use of advances from the Federal Home Loan Banks can also be made, now that their liquidity has been restored. Commercial banks are expected to be the chief sources of funds for the expansion of Treasury, Federal agency, and municipal securities, but their level of mortgage lending activity depends largely on the level of competing business and consumer loans and on the credit base provided by the Federal Reserve.

Mr. EVINS. Gentlemen, we thank you for your testimony.

MONDAY, MARCH 18, 1968.

FEDERAL HOUSING ADMINISTRATION

WITNESSES

PHILIP N. BROWNSTEIN, ASSISTANT SECRETARY FOR MORTGAGE CREDIT AND FEDERAL HOUSING COMMISSIONER

FEDERAL HOUSING ADMINISTRATION

M. CARTER McFARLAND, ASSISTANT COMMISSIONER FOR PROGRAMS
RALPH L. VITALE, DEPUTY ASSISTANT COMMISSIONER-COMPTROLLER
HORACE B. BAZAN, ASSISTANT COMMISSIONER FOR ADMINISTRATION
ALLAN F. THORNTON, DIRECTOR, RESEARCH AND STATISTICS DIVISION
JOSEPH P. SMITH, JR., DIRECTOR, COMMUNITY DISPOSITION STAFF
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OFFICE OF THE SECRETARY

HON. ROBERT C. WEAVER, SECRETARY
ASHLEY A. FOARD, DEPUTY GENERAL COUNSEL
JOHN M. FRANTZ, DEPARTMENTAL BUDGET OFFICER
NATHANIEL J. EISEMAN, DEPUTY DEPARTMENTAL BUDGET OFFICER

FHA'S ROLE IN THE HOUSING MARKET

Mr. EVINS. For the past 34 years, the Federal Housing Administration has been underwriting mortgages and property improvement loans for a large sector of the American population. Long-term mortgages with reasonable rates of interest and reasonable downpayments

have become the norm for both Government and conventional home mortgages.

A long-term mortgage with a low downpayment is about the norm in all types of housing today; is that right, Mr. Brownstein?

Mr. BROWNSTEIN. Yes; it is, Mr. Chairman. As a matter of fact, at the present time you can get conventional mortgages with 10 percent down.

Mr. EVINS. This has stimulated further home ownership. The budget estimate for 1969 you indicated closes the gap. What do you mean?

Mr. BROWNSTEIN. In the money market?

Mr. EVINS. Yes. You state that budgetary estimates are predicated on a general improvement in the money market and an increasing demand for housing units.

Mr. BROWNSTEIN. There has been a rather sharp reduction in the number of housing starts in the last couple of years due in large measure to the unavailability of mortgage credit. We anticipate now that there will be a better flow of mortgage credit. As a matter of fact, there has been a better flow of savings into savings and loan associations and into mutual savings banks, which are the traditional investors in mortgages. They have to get a competitive yield and this is why we have suggested that the interest ceiling on FHA-insured mortgages be raised.

Mr. EVINS. Maybe we will get an overall view with your statement. We will be pleased to hear you.

GENERAL STATEMENT

Mr. BROWNSTEIN. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, once again I have the privilege to appear before the committee to discuss the budget requirements of the FHA for the next fiscal year.

The President, in his message on housing and cities, described the evolution of the crisis in urban America. He also outlined programs to date and the huge task yet at hand.

The FHA is an integral cog in a wheel designed to meet this challenge with the speed to match its urgency.

I would like to take a few moments to provide you with the status of several newly instituted features which I feel indicate the attention that FHA is giving to one of our top national priorities—increasing housing opportunities for low-income families.

Increased emphasis placed upon inner-city housing needs, eliminating arbitrary red lining of central neighborhoods, and waiving economic soundness in riot or riot-threatened areas, has produced dramatic results.

Mr. EVINS. We may interrupt you from time to time. What do you mean by waiving economic soundness?

WAIVER OF ECONOMIC SOUNDNESS

Mr. BROWNSTEIN. In the housing legislation of 1966, the Congress put a provision in the FHA statute which authorized the waiver of economic soundness in riot or riot-threatened areas.

Mr. EVINS. What was previous standard?

Mr. BROWNSTEIN. Economic soundness. They had to be economically sound.

Mr. EVINS. Before you could make the guarantee, they had to be economically sound in your judgment?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Which liberalized the FHA procedure and allowed you to waive economic soundness to make more housing in the inner city available if, in your judgment, it was appropriate?

Mr. BROWNSTEIN. That is correct. What it really means is that you ignore neighborhood characteristics. As I said this morning, Mr. Chairman, if you have a house which meets the standards and a borrower who wants to buy it, you can match the two up together and FHA will insure the mortgage.

Mr. EVINS. In some areas it wouldn't be economically sound, but since there is a need for housing in the area, you can waive that if this is to be built in rehabilitation?

Mr. BROWNSTEIN. Yes, sir. Hopefully, this will cause some of these areas to come back.

Mr. EVINS. New standards written into the law?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. Proceed.

Mr. BROWNSTEIN. The first 6 months of the current year, over 51 percent of——

Mr. EVINS. You are telling us in the last year 51 percent of your activity was in the inner cities?

Mr. BROWNSTEIN. Yes, sir.

Mr. JONAS. Would you yield?

Mr. EVINS. Yes.

STATUS OF INSURANCE RESERVES

Mr. JONAS. Are you increasing your reserves now as a result of this change?

Mr. BROWNSTEIN. Our reserves have increased some in the past year.

Mr. JONAS. I do not mean in total dollars. I mean percentagewise as a result of this change of policy.

Mr. BROWNSTEIN. No. We have proposed in the current housing legislation that the losses from these more risky loans, and indeed they are just that, be paid by appropriation rather than out of FHA reserves.

Mr. JONAS. I was moved to ask that question because the Comptroller General's report issued in February of this year shows that your reserve deficiency since 1962 has gone up from $32 to $569.5 million.

Mr. BROWNSTEIN. That is principally due to the increased business during that period of time, not on the quality of the mortgages. I think it is important to recognize that making these loans in the inner cities, in some cases to marginal credit risks, are high-risk loans. We believe that the need is so great that this is a risk that must be undertaken.

Secretary WEAVER. I think the important thing there, Mr. Jonas, is that the new legislation says out in front that you cannot get adequate reserves for loans of this type from the premium payments. As Mr. Brownstein said, in recognition of this we are proposing there

be a new type of financing for losses on these insured loans. That would be on an annual appropriation basis.

Mr. JONAS. My concern does not arise as a result of the change of policy, because it is not reflected in the increase in the reserve deficiency pointed out by the Comptroller General. That would be in addition to this deficiency?

Mr. BROWNSTEIN. I think when you speak in terms of reserve deficiency you have to recognize what that is. This is a very conservative estimate of what the magnitude of losses would be were we to undergo a huge depression such as the one we had in 1929.

This is not at all to indicate that this is the current position of the FHA program.

Mr. JONAS. Let us see. They say your reserve requirements have been based on a formula you have been following in the past?

Mr. BROWNSTEIN. It is the same formula that FHA has always followed, which assumes that these would be the needs were we to have a depression of the magnitude of the late twenties and early thirties. That is the basis on which that is propounded.

Mr. JONAS. You said reserve requirement?

Mr. BROWNSTEIN. That is what is meant.

RESERVE DEFICIENCY

Mr. JONAS. Under your regular policy, it would be $1,709 million and you only have reserves of $1,177 million, which leaves a reserve deficiency of half a billion dollars.

Mr. BROWNSTEIN. Again, that assumes that if we were to have a depression of the magnitude of the one at the end of the twenties and early thirties, starting tomorrow, that is how much the estimate is we would need.

Mr. JONAS. Why did you base a reserve requirement on the concept of a depression?

Mr. BROWNSTEIN. This is how the actuaries believe that you ought to calculate reserve requirements. You assume the worst.

Secretary WEAVER. They just came out of a depression. I suppose they were more depression prone.

Mr. JONAS. That was the policy? How did you arrive at the deficiency? Why wouldn't you have $1,700 million in there? How can you increase your deficiency?

Mr. BROWNSTEIN. This is an estimate, Mr. Jonas.

Mr. JONAS. Somebody had to make a decision to reduce it?

Mr. BROWNSTEIN. Yes, sir. The estimate is based on what would happen and what we would need in the way of reserves if we were immediately hit with a kind of a depression that we had at that time.

Mr. JONAS. All of this deficiency, practically all but $32 million of it has been built up since 1962. Why have you suddenly decided your reserves——

Mr. BROWNSTEIN. Increased volume of activity.

Mr. JONAS. That didn't affect it.

Mr. BROWNSTEIN. That is the principal factor.

Mr. JONAS. Your deficiency is reduced by about the same amount as your requirement has increased. The report says, for example, that in 1962 your reserve requirement under the old method of calculating

reserves was $1.1 billion. Your deficiency was only $32 million. Under the new concept, it is $1.7 billion. But your deficiency has gone up $500 million.

Mr. BROWNSTEIN. All of the business which was put on in very large amounts over the last decade, say, does not build reserves quickly. In 1962, what he was talking about there also was the fact that we did not then have some of the high-risk programs that we have now.

Mr. JONAS. These programs are going to increase the danger these reserves are not large enough?

Mr. BROWNSTEIN. That takes that into account.

Mr. JONAS. This is just based on what you have been doing in the past.

Mr. BROWNSTEIN. No, but it takes into account the 231 program, for example, which is a 100-percent program. It takes into account the fact that mortgage terms have been liberalized.

Mr. JONAS. You are saying, in effect, that you do not consider there is any danger in having this reserve deficiency go up as high as it is going?

Mr. BROWNSTEIN. I do not consider that this indicates that the FHA reserves are in real bad shape now. I will say we have three reserves. We have the mutual mortgage insurance reserve which is the home purchase one principally. That one I don't think there is any particular hazard in at all. That is the one where we have most of the $1.2 billion today. We have a second reserve for 213, cooperative management types. This one is not bad. The general insurance reserve, though, is the one that has taken the sharpest losses and the one that there could be some question about. Not from the standpoint of the investor in FHA mortgages, however, since he will be fully protected in any case.

Mr. JONAS. I will call your attention to the fact that the Comptroller General says, and I quote, "The situation needs close scrutiny."

Mr. BROWNSTEIN. We are closely scrutinizing it.

Mr. JONAS. What does it take to make a decision to reduce this deficiency?

Mr. BROWNSTEIN. Increase the reserve?

Mr. JONAS. Well, that would be one way of doing it.

Mr. BROWNSTEIN. It is a question of how you would do it. I think a decision has been made. The fact that in these programs, the ones we are now taking about, the recommendation in the legislation that they be funded with direct appropriation I think is one of the results out of this close scrutiny we have been giving it.

FHA INSURANCE PREMIUMS

Mr. EVINS. You point out in your financial review section that generally one-half of 1 percent on the outstanding balance of the loan is collected. This is where your receipts are brought into play?

Mr. BROWNSTEIN. Yes, sir. Plus commitment fees.

Mr. EVINS. With an increased volume of business this increases substantially also?

Mr. BROWNSTEIN. Yes, sir. That results in increasing income. I do think it is important to recognize, Mr. Chairman, that these are high risk programs. They are on liberal terms and there are going to be failures.

Mr. JONAS. You create this reserve by a premium that you charge the borrower?

Mr. BROWNSTEIN. Yes, sir.

Mr. JONAS. What do you do? Do you mean that when the deficiency increases it means that you have not put all the income from insurance into the reserves?

Mr. BROWNSTEIN. No. All of the income——

Mr. JONAS. What happened to the rest of it?

Mr. BROWNSTEIN. First let me say this. The $1.7 billion that you mentioned there, that is shown in the report, is the estimated reserve requirement. The $1.177 billion present reserve has gone up some from what you have there. I think it is $1.215 billion. The $1.215 billion is actually what we have right now either in securities or in properties.

Mr. JONAS. Is that the total amount that you have collected in insurance premiums or have you diverted some of those insurance premiums to other programs?

Mr. BROWNSTEIN. No, sir. The $1.250 billion which we have now is the total amount that we have collected from premiums, fees, investment income, everything else, and deducted from that is the losses that we have paid out plus our administrative expenses.

Mr. JONAS. Have you reduced these insurance premiums?

Mr. BROWNSTEIN. No, sir.

Mr. JONAS. Something is wrong.

Mr. EVINS. As your volume of business increases, your percentage of reserve decreases?

REASONS FOR RESERVE DEFICIENCY

Secretary WEAVER. No, I think it could be explained in two ways. The first is that we had a long period of very relatively high rates of foreclosures both in FHA and VA and the conventional market during the sixties. So the volume of properties we acquired went up to much higher volume than ever before. Every time we acquire a property and we sell it we take a loss on it. This is almost 100 percent, true, isn't it?

That is one drain. This was due to the economic circumstances which occurred at that time. Largely due to overbuilding, and most of the overbuilding incidentally was not FHA building but in areas where FHA got caught.

The second circumstance, we had a series of programs which started in the sixties, some of them 1959, but became volume programs of some magnitude during the sixties which were very high risk programs. They were programs with 90- or 100-percent loan. They were programs which were untested and sometimes in difficult markets. It might be that the 220 program, where it would take you 2 years to rent out a moderately high-income development in a renewal area, let us take Southwest Washington, when Jim Scheuer did Capitol Park it took a couple of years to rent that out. Now it has been renting fine. During that period there was a loss involved here. Then we had the 231 program which was a 100-percent program in some instances and 90 percent in others for senior citizens. That is a high risk program.

Then we had the 221(d)(2) program which we inherited as we did the 220 and the 231. This was a program for homeownership, primarily

for low-cost housing at much more liberal terms than ever before. In 1961, in order to give the building industry a shot in the arm, we extended the life of mortgages on our regular program of homeownership up to 35 and 40 years. In 1961, we entered into the 221(d)(3) program.

All of these programs with the higher rate of risk have put a strain on the reserve situation as well as the foreclosure situation.

Now we are saying, recognizing that, we have recommended to the Congress and the Congress has now considered these programs be recognized as high-risk programs. Instead of trying to protect them against the expenses that would ordinarily be incident to the operation from premiums, which are not high enough to cover the risk, we want appropriations to do it. We are recognizing the problem now.

Mr. JONAS. Let me be sure I understand this, Mr. Brownstein. There has been no change in the rate of insurance premiums?

Mr. BROWNSTEIN. No, sir.

Mr. JONAS. Or fees charged?

Mr. BROWNSTEIN. We have, over the years, modified the fees charged a couple of times. They have been increased.

Mr. JONAS. They have been increased but never reduced.

Mr. BROWNSTEIN. That is correct.

Mr. JONAS. Secondly, all fees and insurance premiums that you collect under the insurance program are in the reserves?

Mr. BROWNSTEIN. Yes, sir; except for what we take out for losses and administrative costs.

Mr. JONAS. Except for that?

Mr. BROWNSTEIN. Yes, sir.

Mr. JONAS. The reason for the increase in the deficiency is not because you have had a change of policy from one based on depression experience. You say you no longer need to base it on that. But the answer is that the increase in the deficiency has been caused by losses on properties foreclosed?

Secretary WEAVER. Both.

Mr. BROWNSTEIN. It is a combination of things. That is partly it. Let me illustrate. We insure a $10,000 mortgage today. Immediately we set up for that mortgage a reserve deficiency. That increases it. We are not even going to collect anything on that mortgage until a year from today when we collect one-half of 1 percent on it.

Mr. JONAS. I understand that, but how does that change what I said?

Mr. BROWNSTEIN. It does not. It just amplifies a bit why the reserve deficiency is as large as it is.

RESERVE REQUIREMENTS FOR NEW LEGISLATION

Mr. EVINS. In the event Congress adopts the legislation that you are recommending, Mr. Commissioner and Secretary, how much in appropriations may be needed because of the low-risk insurance involved in these cases?

Mr. BROWNSTEIN. It would depend, of course, Mr. Chairman, on what the volume of business is. In the proposed legislation, we have asked for $5 million to get it started.

Mr. TALCOTT. Would the objective be to change the whole appropriation process rather than to incerase the premium?

Mr. BROWNSTEIN. Not at all.

Secretary WEAVER. Just for the high-risk programs. We still feel that the program is basically sound. We feel, however, that as we get more and more of the high-risk element in here, that we can erode the soundness of the system by this action. Therefore, we are trying to prevent that by going to this other device.

Mr. JONAS. It wouldn't be fair, perhaps, to put the burden of this program entirely on the home buyer who is making his mortgage payments and keeping current with his obligations? You want to spread the risk.

Mr. EVINS. Proceed, Mr. Brownstein, with your statement.

LIFE INSURANCE COMPANY PARTICIPATION

Mr. BROWNSTEIN. The $1 billion investment pledge from insurance companies to provide permanent mortgage financing for inner-city residential properties and job-creating opportunities is receiving our full support. Since the program was announced 6 months ago, the FHA has referred commitments on approximately 10,489 home and 27,125 multifamily units totaling $398 million to the participating insurance companies.

Mr. EVINS. You have been active since that announcement.

Mr. BROWNSTEIN. Yes, sir.

Through February 20, 1968, the insurance companies had issued firm commitments to purchase mortgages in an amount totaling nearly $200 million.

Mr. JONAS. They have taken a great risk there.

Mr. BROWNSTEIN. Yes.

Mr. JONAS. The Government guarantees the mortgages?

Mr. BROWNSTEIN. We do. The fact that they are going into these areas and are willing to take yields which are really less than they otherwise could get, Mr. Jonas, is significant.

Secretary WEAVER. Thereby the same price as FNMA.

Mr. BROWNSTEIN. Even in some instances more favorable.

Mr. EVINS. They are making significant contributions, but they are are still picking and choosing?

Mr. BROWNSTEIN. As I said earlier, Mr. Chairman, each of the insurance companies makes its own arrangements on these.

Mr. EVINS. They have not accepted all you have referred?

Mr. BROWNSTEIN. No; not all of them.

Mr. EVINS. Proceed.

CONTINUATION OF GENERAL STATEMENT

Mr. BROWNSTEIN. Revised processing procedures have been issued to our field offices to facilitate rehabilitation of inner-city apartment buildings. A rehabilitation handbook has been developed outlining abbreviated requirements for nonprofit and limited-dividend sponsors attempting to renovate sound older structures. Close cooperation with sponsors, city governments, planning agencies, and industry has stimulated rehabilitation efforts in major cities, including Pittsburgh, Chicago, Boston, and Omaha.

Service to the public in processing home mortgage applications continues to be prompt, as I reported to you last year. With this accomplishment, we have turned our attention to multifamily projects in

order to evaluate the feasibility of reducing overall processing time. An experimental program initiated 8 months ago on a trial basis has demonstrated that the time required to process an application can be reduced by as much as two-thirds. Multifamily coordinators are designated in test insuring offices to provide continuous sponsor/FHA liaison to improve procedures and prevent backlogs. This program will be expanded to 72 offices by this month, and will have a significant impact in providing needed additional housing more quickly.

While training and refinement continues on this accelerated multifamily processing system, expediting teams have been sent into the field to dissolve the backlog of cases already in process. This activity has resulted in the issuance of 352 project commitments since October 1967.

Below-market interest rate funds and rent supplement contract authority have been recaptured in the amounts of about $150 and $4 million, respectively, from projects which were not moving forward promptly. These funds are now being applied to more promising projects that will lead to placing low-income housing on the market quickly.

EXPENSE LIMITATIONS

For insuring operations, involving the initiation of mortgage and loan insurance, the maintenance of insurance in force, and the settlement of insurance claims, FHA will require $107,550,000 under both the administrative and nonadministrative expense limitations. This request is 10 percent greater than the current year's——

Mr. EVINS. Total of the two?

Mr. BROWNSTEIN. Yes, sir.

This request is 10 percent greater than the current year's estimated expenses of $98 million. Approximately 30 percent of this increase is attributable to the balance of the full year's cost of the pay rates which became effective October 1967, within-grade salary advancements, and an extra day's pay; the balance will be required to process a significant upswing in the agency's workload.

Mr. EVINS. Congress is responsible for 30 percent of the increase?

WORKLOAD

Mr. BROWNSTEIN. Yes, sir.

Applications for mortgage insurance are expected to reach 1,201,500, almost 20 percent over the level estimated for the current year, based on general improvement in the availability of mortgage money and an increasing demand for housing.

In order to meet this 20-percent increase in workload without causing processing delays, an increase of only 6.5 percent in average employment is required. Increased productivity and greater reliance on fee appraisers during peak periods will absorb the balance of the workload increase. Increased productivity has reduced the 1969 requirements 173 man-years below the number which would be required at 1968 production rates. Although our insuring operations cover 30 active programs, I would like to highlight a significant few that are incorporated in the total workload referred to above.

Under the low- and moderate-income programs—section 221 programs—unit applications are expected to increase 9,550, or 6.5 percent

over the current year. These programs, which have nearly doubled since 1964, will represent 13 percent of FHA's total business.

These include—

(1) Low-cost homes with liberal financing provisions available in older neighborhoods;

(2) Rental housing carrying market interest rates;

(3) Rental housing with below-market interest rates available to families with incomes above that required for admittance to public housing but insufficient to obtain decent housing in the private market; and

(4) Our newest program which provides for the rehabilitation of substandard or deteriorating single-family homes for subsequent resale to eligible low-income families. This program also is financed with below-market interest rates and, together with waiver of FHA insurance premiums, assists in keeping costs within reach of qualifying families.

FHA INSURANCE PREMIUM WAIVER

Let me say, Mr. Jonas, there has been this kind of a modification. In the 221(d)(3) and in the 221(h) homeownership program, which is also below the market, there is no insurance premium charge.

Mr. TALCOTT. Is this a new program where you buy up old houses, rehabilitate them, and sell them to low-income families?

Mr. BROWNSTEIN. They are bought up by a nonprofit-sponsored group, Mr. Talcott. They fix them up, select the people whom they believe have potential for homeownership at incomes that are within the public housing income ranges, and then they get, in effect, direct loans. It is a Government loan at 3 percent through FNMA for homeownership.

Mr. EVINS. In addition to that, you waive the insurance premium?

Mr. BROWNSTEIN. Yes, sir.

Mr. TALCOTT. Do you reduce the cost of the home then?

Mr. BROWNSTEIN. There is no writedown on the cost of the home, no. The total subsidy to the home buyer is through the below market interest rate.

Mr. EVINS. Is this an administrative regulation or the result of new legislation authorizing you to do this?

Mr. BROWNSTEIN. New legislation in 1966.

Mr. EVINS. Proceed.

Mr. TALCOTT. What is the new legislation?

Mr. BROWNSTEIN. This was an amendment that was put in by Mrs. Sullivan from St. Louis.

Secretary WEAVER. Only a $20 million program. It is called 221(h).

Mr. EVINS. You don't charge an insurance premium on this type of housing?

RENT SUPPLEMENT PROGRAM

Mr. BROWNSTEIN. Another program geared to low-income families of increasingly significant proportions is the rent supplement program. Through fiscal year 1968, contract authority of $42 million will be reserved for payments on 44,800 housing units. By the close of the current year, 5,000 units will be ready for occupancy, with an additional 21,600 units on the market by the end of fiscal year 1969. The budget

contains a request for additional contract authority of $65 million to make reservations on 72,200 more units——

Mr. EVINS. What do you pay then on the market?

Mr. BROWNSTEIN. We estimate by the end of fiscal year 1968 there will be a total of 26,600 ready for occupancy.

Mr. EVINS. Proceed.

Mr. BROWNSTEIN. The budget contains a request for additional contract authority of $65 million to make reservations on 72,200 more units, $15 million to make 200,000 rent supplement unit payments, and $1,600,000 to provide for expenses of administering the rent supplement program.

Efforts will continue in providing assistance to redevelop urban renewal areas. Rehabilitation is being stressed whenever feasible to minimize the cost and inconvenience of relocation, and progress is being made to achieve a more appropriate mingling in slum clearance areas of housing for low to higher income families. Applications for these programs are expected to increase nearly 40 percent over the current year.

Our workload incident to the basic and general home and multifamily mortgage insurance programs—sections 203, 207, 213, and 234—will recover from the adverse money condition experienced during the last 2 years and result in application receipts of 901,600, nearly the same level as fiscal year 1965.

As the money supply improves and public awareness of the land development and group practice facility programs increases, the resulting impact is expected to produce applications of 100,000 lots of 100 group practice facilities.

I am pleased to report to you that our mortgage insurance settlement activities will continue the trend of reducing acquired home properties in inventory. Home dwelling units in inventory will decrease 48 percent from the yearend 1966 level. Sales of acquired homes will remain brisk at 55,000 units, or 2.8 percent ahead of this year's projections. Insurance claims will be paid on approximately 14,300 multifamily housing units in 1969. Sales will increase to 12,600 units, resulting in a net increase of 2 percent in the multifamily properties and mortgages on hand.

Administrative expenses of $233,000 are required to continue the community disposal operations at Los Alamos, N. Mex. The disposal of the entire inventory at Richland, Wash., and Oak Ridge, Tenn., appraised at $80 million, has been completed. The balance of inventory at Los Alamos, N. Mex., will be disposed of in the budget year. Repayments to the treasury of $73.5 million are expected to result from disposal operations at these three communities by the end of 1969.

Mr. JONAS. Are you insuring most of those properties?

Mr. BROWNSTEIN. Practically all of them insured, Mr. Jonas.

Mr. JONAS. As you disposed of them? Most of them come back under your insurance?

Mr. BROWNSTEIN. Yes, sir.

COMMUNITY DISPOSITION

Mr. EVINS. Mr. Brownstein, I do not know why you keep referring to Oak Ridge and Richland in your justifications. This has been disposed of for years. We have had this before the Public Works Com-

mittee. It makes a nice summary but you keep repeating it. It has been settled for years, Oak Ridge has been a free city for years. They have elected a mayor and aldermen and all the property has been sold. They are paying taxes on that property.

Mr. BROWNSTEIN. We still have insured mortgages on them.

Mr. EVINS. There are still some there?

Mr. BROWNSTEIN. Yes, sir.

We still have insured mortgages on them. We don't have the properties.

Mr. EVINS. In other words, you have not paid off all the debts yet? What has been disposed of has been sold?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. AEC points with pride and said they did that. Now you come in here and tell us FHA accomplished that?

Mr. BROWNSTEIN. I think that HUD really had a very fine disposal program in this. It was accomplished in mighty good shape, in my judgment.

Mr. EVINS. We commend you for it. We thought that it had all been wrapped up except Los Alamos. You tell us that home dwelling units will decrease in your property holdings to about 48 percent, where your multifamily units are expected to increase; is that the trend?

HOME PROPERTY INVENTORY

Mr. BROWNSTEIN. Slight increase in what we anticipated having on hand at the end of the year in multifamily units. I think we have had a very sharp and somewhat dramatic reduction in our home property inventory, Mr. Chairman; we at one time had an inventory of over 54,000 single-family homes. We have got that down now to around 28,000.

Mr. EVINS. Very good. We commend you for this.

Mr. JONAS. Are you selling any of these homes to servicemen? Do you have any located there where the military people need them?

Mr. BROWNSTEIN. Yes, some of them. As a matter of fact, in some instances, Mr. Jonas, we have rented some to the Defense Department for servicemen.

Mr. JONAS. You didn't want to start renting but you had to?

Mr. BROWNSTEIN. Where the sales market is slow we will rent. We certainly would not want to sell a house to a serviceman who is going to be there for 2 years and then leave.

Mr. JONAS. Better to rent, then?

Mr. BROWNSTEIN. Yes, sir.

OEO PROGRAMS

Mr. TALCOTT. Is there a rent supplement program in OEO? Is OEO in the rent supplement business also? Can a community organization under the OEO program obtain funds from the Federal Government to do the same kind of thing you are doing?

Secretary WEAVER. I don't know. I do know this. In one of our experimental programs in Harlem, 114th Street, OEO and HUD were together. We have been putting up the rent supplement money, weren't we?

Mr. FOARD. They were for a short period of time.

Mr. BROWNSTEIN. This was worked out with the Rent and Rehabilitation Commission of the State of New York.

Mr. TALCOTT. There were two programs in my hometown; one OEO oriented for 300 units of low-cost family housing and one HUD oriented for 300 units under the leasing program. Both seemed to be going through the same application procedures and both of them almost granted at the same time. That would have been 600 units all of a sudden in a town that could handle maybe 200.

Secretary WEAVER. I think if this happened it was a unique situation. I do not know what their program is. As a matter of fact, I think there has been a rather low-pitch emphasis on their housing in recent months.

As to whether they are going back or not, I do not know. They have pretty broad authority.

Mr. FOARD. I might mention they do have broad authority, but I don't believe that they have authority to commit their funds on into the future. It would only be for the period of time their funds are available. That is a problem in the 114th Street project the Secretary referred to.

FINANCIAL REVIEW OF INSURANCE OPERATIONS

Mr. EVINS. Under the financial review of the FHA program, you state that cumulative income has amounted to $4.1 billion; your expenses over the years have been $2.4 billion, leaving a $1.7 billion net income.

Mr. Brownstein mentioned the mutual mortgage insurance fund, the cooperative management insurance fund and the general insurance fund. You have had several funds, but your $1.7 billion net income is in these three funds; is that correct?

Mr. BROWNSTEIN. It is not $1.7 billion, Mr. Chairman. Because from the $1.7 billion we deduct the amount that has been paid out in participation payments to mortgagors, and so forth. This is a little in excess of $1.2 billion. It is about one billion and a quarter.

Mr. EVINS. You have that in three funds?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. What is the status of the mutual mortgage insurance fund?

Mr. BROWNSTEIN. The mutual mortgage insurance fund is the one involving mostly 203(b) home purchases. That fund, I believe we have an explanation of that.

Mr. EVINS. You have about 50,000 individual homes and down to about 28,000?

Mr. BROWNSTEIN. We had about 54,000 and now down to about 28,000.

Mr. EVINS. You have sold a number of your properties and this fund is pretty liquid?

Mr. BROWNSTEIN. There is a table here on that.

Mr. EVINS. Tell us the amount of funds in that.

STATUS OF EACH INSURANCE RESERVE

Mr. BROWNSTEIN. The mutual mortgage insurance fund, I think that we will have to separate those in the record, Mr. Chairman. We do

have the combined ones here. The mutual mortgage insurance fund has something in excess of $979 million in it.

Mr. EVINS. What is the status of the cooperative management housing insurance fund?

Mr. BROWNSTEIN. About $15 million.

Mr. EVINS. What is the average annual operation in this fund?

Mr. BROWNSTEIN. We recently went over $1.5 billion in total cooperative mortgages insured, Mr. Chairman. This is the management-type cooperative fund.

Mr. EVINS. Do you consider this fund liquid and sound?

Mr. BROWNSTEIN. Yes, we believe that that fund is reasonably in good shape.

Mr. EVINS. The third fund administered by FHA is the general insurance fund.

Mr. BROWNSTEIN. That is the one that has taken the high-risk programs.

Mr. EVINS. This is the one with the high-risk programs?

Mr. BROWNSTEIN. The section 220 program which the Secretary talked about, urban renewal areas, section 231, which is the housing for the elderly, with the 100 percent mortgages.

Mr. EVINS. What is the volume of business handled in this fund?

Mr. BROWNSTEIN. It runs at the rate of about 200,000 units per year, Mr. Chairman.

Mr. EVINS. Some of them do not have a percentage rate at all; only certain of the programs bring a certain amount into this fund.

Mr. BROWNSTEIN. That is correct. This fund also has 221(d)(3), below the market interest rate program in it for which there is no premium collected.

Mr. EVINS. Tell us the status of the fund. What does the balance sheet show?

Secretary WEAVER. We have too many figures here.

Mr. BROWNSTEIN. The general insurance fund has $203 million.

Mr. EVINS. How much are you recommending be appropriated to this kind if this legislation which you are recommending is passed?

Mr. BROWNSTEIN. As I said earlier, Mr. Chairman, it would depend on the amount of business done. It is not everything which is in this fund, it is the new high-risk programs that the legislation contemplates. We have asked for $5 million to get that started.

TREASURY BORROWINGS

Mr. EVINS. You say these sources will be supplemented by borrowings from the Treasury totaling $95 million by the end of 1969. They are not very liquid if it is necessary to borrow that amount of money.

Mr. BROWNSTEIN. We have certain of our programs in which we have to make cash payments, for example the 220 program where the lender, if he wants to file a claim, we have to pay him in cash.

Mr. EVINS. You have three funds. Now, you want to borrow $95 million from the Treasury.

Mr. BROWNSTEIN. On the general insurance fund, yes.

Mr. EVINS. This is on the third one?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Is this a measure of how much appropriation need you might have?

Mr. BROWNSTEIN. No; because we have reserves and properties that are substantially in excess of the amount of money that we will have to borrow.

CLAIM PAYMENTS

Mr. EVINS. In September of 1965, a policy of cash payment of claims was adopted, and FHA is now paying all home mortgage claims and multifamily claims under sections 220, 221, and 233 in cash. So you haven't enough money in the fund to make those claim payments?

Mr. BROWNSTEIN. No. Most of these are home mortgage claims and are paid out of the mutual mortgage insurance fund there and we do have an adequate amount of cash.

Mr. EVINS. This $95 million you expect to borrow goes where?

Mr. BROWNSTEIN. In the general insurance fund.

Mr. EVINS. You have enough in your mutual mortgage insurance fund to make your claim payments?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. You have enough money under the cooperative management insurance housing insurance fund to handle such withdrawals as may be needed?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. But you want to draw from the Treasury $95 million for the general insurance fund?

Mr. BROWNSTEIN. That is right; that is our estimate.

Mr. EVINS. Tell us again why you need to do that.

Mr. BROWNSTEIN. When the lender files his claim he has the option of getting cash. In this kind of a money market obviously the lenders who have this option take the cash. We estimate that we will need the $95 million to make the cash payments.

Mr. EVINS. This is for acquisition of what?

Mr. BROWNSTEIN. Properties or mortgages.

Mr. EVINS. Or mortgages?

Mr. BROWNSTEIN. Yes. It could be mortgages.

Mr. EVINS. These are guaranteed mortgages and the banks decide that they need the cash and they want to cash in, so that you have to pay them?

Mr. BROWNSTEIN. Yes.

Mr. FRANTZ. Those liabilities to the Treasury are offset by the assets which the fund acquires.

Secretary WEAVER. It just is not liquid to the extent that it can pay out the cash. Isn't that the problem?

Mr. BROWNSTEIN. Yes. As the chairman suggests, many of these, most of them probably will be mortgages. Obviously, the mortgage has to be in default before the lender has the option of transfering it to us.

Mr. EVINS. FHA has guaranteed these. Who holds them?

Mr. BROWNSTEIN. FHA holds them.

Mr. EVINS. If the bank decides they need the cash——

Mr. BROWNSTEIN. They are eligible for claim payment, so we have no option.

Mr. TALCOTT. Does this mean we lose $95 million a year?

Mr. BROWNSTEIN. Oh, no. This is just an estimate of what we will need to make cash claim payments, Mr. Talcott.

FHA ASSETS

Mr. EVINS. You state that financing in 1969 reflects increased sales of real property for cash with private financing, steadily increasing income and borrowing of $70 million from the Treasury. By the end of fiscal year 1967 FHA assets totaled $1.8 billion, including $629 million in Government securities, $806 million in real property and assigned mortgage notes, $167 million in mortgage notes acquired on sale of properties, and $235 million in cash. So it is a big operation. During 1969 the value of the total assets is expected to increase to $2.1 billion. Is this the increase in total assets of FHA operations?

Mr. BROWNSTEIN. Yes.

FHA CUMULATIVE LOSSES

Mr. EVINS. For all programs, cumulative losses have amounted to 1 percent of the amount of insurance written. Loss percentages range from 0.86 of 1 percent for home mortgage programs—which is an excellent record—to 2.78 percent for multifamily mortgage programs. The statistics on the actual losses are presented in tabular form on page C–10—let us go to that loss table. You show section 213 with a net loss of 3.47 percent. Which one is that?

Mr. BROWNSTEIN. That is cooperative housing.

Mr. EVINS. Now, another high risk program——

Mr. BROWNSTEIN. Excuse me. Let me say there, Mr. Chairman, that for the most part those would be investor-sponsored 213 programs which never really were sold out to the cooperative.

Mr. EVINS. Tell us about that again.

SECTION 213 PROGRAMS

Mr. BROWNSTEIN. Well, we have two kinds of 213's. One is a regular cooperative where you have each individual owning his own apartment. Now, that may start out as what we term an investor-sponsored cooperative. This is someone who puts together a proposal which will ultimately, he hopes, sell out as a cooperative, but in fact he does not do so and it is in that category that we have suffered our greatest losses in the 213 program.

Mr. EVINS. If a group forms a cooperative, they come to FHA to guarantee the mortgage and you say "Well, the declared goal is to provide more housing and this is going to provide more houses, therefore we will guarantee it," knowing it is one of the highest loss percentages?

Mr. BROWNSTEIN. No. Those are the ones that we are insuring, for the most part. We are not insuring many of the investor-sponsored type any more.

Secretary WEAVER. In other words, now to get a 213 the sponsor has to indicate that he has 80 percent.

Mr. BROWNSTEIN. We are requiring more and more of the presale which means he has to have 80 percent of the units sold before we will agree to insure.

Mr. EVINS. If 80 percent of the units are sold and then you will guarantee it?

Mr. BROWNSTEIN. Yes.

Secretary WEAVER. And very little on that.

SECTION 221 PROGRAM

Mr. EVINS. What about this section 221, a 1.90 percentage loss?

Mr. BROWNSTEIN. That for the most part is the old section 221. This was the one before section 221(d)(3). It was mortgages that could be insured for as much as 100 percent with a nonprofit sponsor, was proposed initially as relocation housing and there were some substantial losses in it. That program today is practically inactive and has been replaced in large part by 221(d)(3), the below the market interest rate program.

Mr. EVINS. You have section 903, with a 8.81 percent loss.

Mr. BROWNSTEIN. That one is now extinct. That was a war housing program.

Mr. EVINS. Your average of them all, then, is a 0.74 percent net loss?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Mr. Brownstein, do you consider that a pretty good record for the providing of housing?

Mr. BROWNSTEIN. I think you have to look at this in total perspective, Mr. Chairman. Considering the kinds of risk that are undertaken, I think it is.

Mr. EVINS. You are doing a large volume of business.

What trends in losses are you having in the last few years?

Mr. BROWNSTEIN. I think we have improved substantially in some of these programs. We have tightened up where we thought they ought to be tightened up. I do think, though, with our getting into the inner city programs, insuring mortgages for marginal and perhaps, in some cases, submarginal risks, that you have to anticipate that there are going to be failures.

Mr. EVINS. Congress has liberalized the law and you are going into the high-risk insurance area, the inner city, and you are projecting greater loss factors as being possible?

Mr. BROWNSTEIN. Yes. I don't think really you ought to look at this from the standpoint of what your losses are in this kind of an operation, but rather what are your successes.

Mr. EVINS. We are giving you an opportunity to point out your good side.

INSURANCE WRITTEN IN INNER CITY AND BLIGHTED AREAS

Mr. BROWNSTEIN. Again, we are now insuring at the rate of about 1,500 a week on home purchases in the inner city. There are going to be a lot of those that go down the drain but, by the same token, there are going to be a lot of them that do not, and a good many people that otherwise could never achieve home ownership will do so successfully. If we can bring back some neighborhoods, if we can cause people to attain home ownership, then I think you are going to have a heavily weighted balance in your favor.

Mr. EVINS. Mr. Brownstein, we comemnd you for your achievements. We will give you an opportunity when the record comes back to elaborate on this.

(The information follows:)

INSURANCE OF CENTRAL CITY HOME PROPERTIES

Of home mortgage insurance commitments issued in central city areas, since the beginning of fiscal year 1968, about half are section 203(b) economically sound mortgages or section 221(d)(2) acceptable risk mortgages. The remaining commitments are for mortgage insurance under section 203(b) with economic soundness waived by reason of location in a riot-prone area.

Sec. 203(b) "economic soundness" commitments, sec. 221(d)(2) commitments, and other home mortgage commitments, blighted city neighborhoods, Oct. 6, 1967, to Feb. 29, 1968

Insuring office	*Cases*
Alabama, Birmingham	91
Arizona, Phoenix	133
California:	
Los Angeles	405
Sacramento	165
San Francisco	627
Santa Ana	173
Colorado, Denver	59
District of Columbia, Washington	209
Florida:	
Miami	118
Tampa	193
Georgia, Atlanta	299
Illinois:	
Chicago	978
Springfield	69
Indiana, Indianapolis	162
Iowa, Des Moines	93
Kentucky, Louisville	122
Maryland, Baltimore	60
Michigan, Detroit	1,002
Minnesota, Minneapolis	50
Missouri, St. Louis	101
Nebraska, Omaha	51
New Jersey, Newark	57
New York, Hempstead	241
Ohio:	
Cincinnati	233
Cleveland	230
Columbus	78
Pennsylvania, Philadelphia	1,251
Puerto Rico, San Juan	92
South Carolina, Columbia	72
Tennessee, Knoxville	144
Texas:	
Dallas	123
Houston	80
Virginia, Richmond	93
Washington, Seattle	167
All other offices	893
Total	8,914

Section 203(b) "acceptable risk" commitments, riot or riot-threatened areas, August 1, 1967, to February 29, 1968

Insuring office	*Cases*
California:	
Los Angeles	543
Sacramento	55
San Francisco	221
Santa Ana	202
Colorado, Denver	110
District of Columbia, Washington	71
Florida:	
Jacksonville	402
Miami	110
Georgia, Atlanta	298
Illinois:	
Chicago	684
Springfield	339
Kentucky, Louisville	63
Maryland, Baltimore	255
Massachusetts, Boston	55
Michigan:	
Detroit	2,587
Grand Rapids	55
Minnesota, Minneapolis	99
Missouri, St. Louis	96
New Jersey, Newark	105
New York, Hempstead	1,153
Ohio:	
Cincinnati	241
Cleveland	178
Pennsylvania:	
Philadelphia	335
Pittsburgh	61
Tennessee, Memphis	97
Texas, Fort Worth	91
Wisconsin, Milwaukee	677
All other offices	365
Total	9,548

Mr. JONAS. What you are saying seems to indicate that you are putting emphasis on inner city home insurance program, and that this is slowing down your regular operations. Is that true?

Mr. BROWNSTEIN. No, sir; it is not. We are still giving 5-day service on issuing commitments anywhere. We are still giving 3-day service on passing on credit, all over. You cannot beat that.

Mr. JONAS. There hasn't been any slowdown in your regular programs?

Mr. BROWNSTEIN. No, sir.

INSURANCE LIMITATIONS

Mr. JONAS. You have some lending limitations. Aren't you approaching your limit? How do you stand on that?

Mr. BROWNSTEIN. We had limitations on the availability of both our below-market interest rate money and our rent-supplement money, and we are practically out of funds there. Our authorization will run until October of 1969 in our regular insurance programs.

Secretary WEAVER. The ones we have limitations on are the central city-oriented programs, not those others.

Mr. JONAS. You have plenty of authorization yet that you have not exhausted.

Secretary WEAVER. It is only a date authorization, not a dollar authorization.

COMPARISON OF LOSSES TO INSURANCE WRITTEN

Mr. EVINS. Gentlemen, take a look at your chart on page C–9. When you look at this, it is a 99-percent-perfect record. In total, the insurance written is $115.374 billion the insurance outstanding is $55.054 billion and the losses to funds are $1.262 billion. Compared with the total volume of insurance written and insurance outstanding, the loss doesn't look very big on that chart.

Next is the home mortgages. The insurance written is $83.987 billion, the insurance outstanding is $45.721 billion, with $725 million in losses. Then in multifamily mortgages, the losses have been a little higher with respect to the total.

Mr. BROWNSTEIN. Yes.

Mr. EVINS. A loss of $367 million.

In the category of property improvement loans——

Mr. BROWNSTEIN. Title 1, home improvement loans.

Mr. EVINS. These are loans for improvement of properties?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. Tell us the nature of this for the record.

Mr. BROWNSTEIN. This is a consumer-type loan. Generally, it has a maximum amount of $3,500, a maximum term of 5 years. It is at a $5 discount, which comes out at about an interest rate of 9.5 percent, which is, today particularly, a pretty low rate for a consumer-type loan of this kind.

Mr. EVINS. Losses to the insurance written is 0.93 percent in this particular field?

Mr. BROWNSTEIN. Yes.

Secretary WEAVER. This is one of the few programs of that nature where the consumer gets some protection.

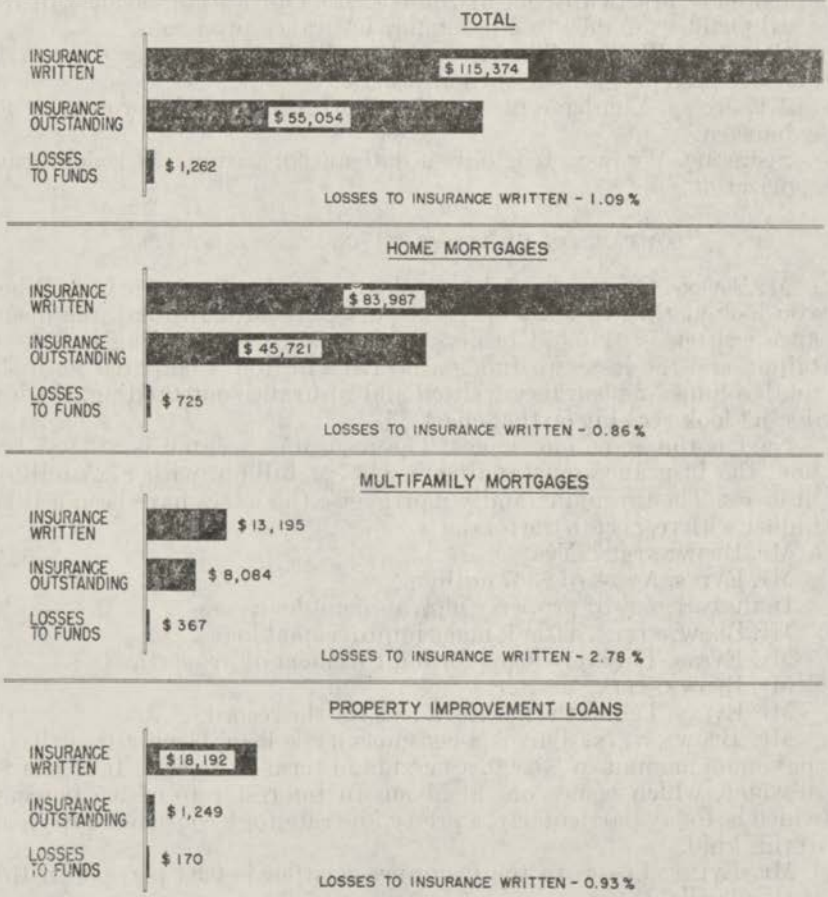
JUSTIFICATION MATERIAL

Mr. EVINS. Gentlemen, let us place this chart into the record; also C–10 and C–11.

(The pages follow:)

COMPARISON OF LOSSES TO INSURANCE WRITTEN AS OF JUNE 30, 1967 [1]

(DOLLARS IN MILLIONS)



[1] LOSSES INCLUDE ESTIMATED LOSSES ON MORTGAGES AND PROPERTIES IN THE INVENTORY

ANALYSIS OF PROPERTY SALES AND LOSSES, CUMULATIVE AS OF JUNE 30, 1967

[Dollar amounts in thousands]

Section of act	Properties sold				Percent of net loss—	
	Units	Total cost[1]	Sales proceeds	Net profit or loss (—)	To total insurance written	To acquisition costs
Home properties:						
Sec. 203	191,023	$2,474,797	$2,001,776	—$473,021	0.64	23
Sec. 2	391	1,342	1,229	—113	.12	9
Sec. 8	1,714	11,211	9,677	—1,534	.75	18
Sec. 203k	4	20	7	—13	.10	63
Sec. 213	4,080	61,633	47,086	—14,547	3.47	28
Sec. 220	118	1,585	1,255	—330	.52	25
Sec. 221	14,567	173,877	129,334	—44,543	1.90	31
Sec. 222	12,457	171,876	140,824	—31,052	1.15	21
Sec. 603	16,352	79,381	67,600	—11,781	.32	16
Sec. 609	65	187	126	—61	2.86	33
Sec. 611	2	15	17	2		
Sec. 809	469	6,999	5,758	—1,241	.56	21
Sec. 903	15,892	137,215	91,641	—45,574	8.81	41
Total, homes	257,134	3,120,138	2,496,330	—623,808	.74	24
Multifamily properties:						
Sec. 207	11,169	78,137	57,765	—20,372	.72	27
Sec. 213	2,676	42,904	31,916	—10,988	1.67	27
Sec. 231	1,061	13,133	6,868	—6,265	1.34	50
Sec. 232	294	1,826	1,453	—373	.14	23
Sec. 220	1,121	25,696	27,974	2,278		
Sec. 221	776	6,490	4,380	—2,110	.21	33
Sec. 608	43,052	260,089	181,829	—78,260	2.27	30
Sec. 609	305	926	200	—726	22.72	78
Sec. 803	5,682	71,874	55,249	—16,625	.64	24
Sec. 810	54	474	499	25		
Sec. 908	1,982	14,189	8,990	—5,199	8.20	36
Total, multifamily	68,172	515,738	377,123	—138,615	1.05	27
Total	325,306	3,635,876	2,873,453	—762,423	78	24

[1] Acquisition cost plus capitalized items, including interest on debentures and maintenance operating, tax, insurance, and selling expense.

ANALYSIS OF PROPERTY SALES AND LOSSES, FISCAL YEAR 1967

[Dollar amounts in thousands]

Section of act	Properties sold				Percent of loss to acquisition costs
	Units	Total cost [1]	Sales proceeds	Net profit or loss (—)	
Home properties:					
Sec. 203	42,661	$591,157	$481,619	—$109,538	23
Sec. 2	3	8	3	—5	85
Sec. 8	163	1,248	1,008	—240	31
Sec. 203k	3	15	2	—13	83
Sec. 213	582	9,053	7,080	—1,973	26
Sec. 220	53	763	571	—192	30
Sec. 221	5,696	70,519	51,410	—19,109	33
Sec. 222	3,510	48,903	40,323	—8,580	21
Sec. 603	271	1,416	818	—598	59
Sec. 611					
Sec. 809	164	2,575	2,183	—392	18
Sec. 903	1,599	15,438	9,370	—6,068	57
Total homes	54,705	741,095	594,387	—146,708	24
Multifamily properties:					
Sec. 207	2,528	24,159	17,728	—6,431	26
Sec. 213	1,761	30,047	20,459	—9,588	33
Sec. 231	535	6,664	2,854	—3,810	58
Sec. 232	—71	—575	—346	229	
Sec. 220	1,107	25,617	27,927	2,310	
Sec. 221	404	3,273	2,294	—979	30
Sec. 608	2,809	9,372	10,191	819	
Sec. 803	219	1,389	998	—391	22
Sec. 810	54	474	499	25	
Sec. 908	110	689	381	—308	36
Total multifamily	9,456	101,109	82,985	—18,124	17
Total	64,161	842,204	677,372	—164,832	23

[1] Acquisition cost plus capitalized items, including interest on debentures and maintenance, operating, tax, insurance, and selling expense.

SUMMARY STATEMENTS

Mr. EVINS. Let us turn back to page C–4. We will insert these statements in the record.

(The statements follow:)

SUMMARY OF OBLIGATIONS AND FINANCING

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
OBLIGATIONS			
Capital outlay:			
Acquisition of real properties	$709,843	$683,199	$758,085
Acquisition of defaulted notes	16,097	16,650	15,750
Acquisition of defaulted mortgages	70,942	78,758	115,754
Acquisition of stock in rental housing corporations			
Acquisition of furniture and equipment	1,644	397	397
Total capital outlay	798,526	779,004	889,986
Operating costs:			
Administration	10,493	11,000	11,950
Initiation	56,427	65,290	73,353
Maintenance	6,739	5,172	5,520
Settlement	61,972	60,398	51,428
Interest on borrowing from Treasury	1,045	1,200	2,995
Participation payments out of statutory reserve	4,358	5,000	5,000
Total operating costs	141,034	148,060	150,246
Total program costs	939,560	927,064	1,040,232
Change in selected resources	−341		
Net loss from sale of U.S. securities			
Total obligations	939,219	927,064	1,040,232
FINANCING			
Debenture issuance and redemption:			
Issued	157,312	126,780	131,324
Redeemed (−)	106,644	71,202	67,273
Net debentures issued or redeemed (−)	50,668	55,578	64,051
Borrowing from U.S. Treasury	15,000		70,000
Revenue:			
Fees	26,529	41,585	45,633
Insurance premiums	273,016	286,630	304,090
Interest on U.S. securities	21,108	23,997	28,188
Other interest, dividends and revenues	1,361	2,084	2,000
Total revenue	322,014	354,296	379,911
Other receipts:			
Proceeds from sale of real properties and assigned notes	81,014	100,972	421,631
Recoveries on mortgage notes	5,072	5,994	5,780
Sale of mortgage notes	532,934	500,000	200,000
Recoveries on defaulted mortgages and notes	9,759	6,197	6,197
Proceeds from sale of equipment	24	252	287
Stock in rental housing corporations redeemed	17		
Total other receipts	628,820	613,415	633,895
Total revenue and other receipts	950,834	967,711	1,013,806
Unobligated balance brought forward	634,508	711,791	808,016
Unobligated balance carried forward	711,791	808,016	915,641
Net increase (−) in unobligated balance	−77,283	−96,225	−107,625
Total financing	939,219	927,064	1,040,232

SUMMARY STATEMENT OF INCOME AND EXPENSE

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Income:			
Fees and insurance premiums	299,545	328,215	349,723
Interest on U.S. Government securities	21,108	23,997	28,188
Other interest, dividends, and income	1,361	2,084	2,000
Total income	322,014	354,296	379,911
Expense:			
Salaries and expenses	91,263	98,372	107,641
Loss on defaulted title I notes	9,750	9,650	10,553
Loss on acquired security	164,832	174,728	190,715
Miscellaneous expenses	71		
Interest on debentures	21,188	22,334	24,503
Fee appraisals and fee inspections	784	1,923	2,595
Employees' annual leave			
Interest on borrowings from U.S. Treasury	1,045	1,200	2,995
Discount on PMM sales	21,562	20,000	8,000
Total expense	310,495	328,207	347,002
Net income before adjustment for valuation allowances and participation payments	11,519	26,089	32,909
Increase (−) or decrease (+) in valuation allowances:			
Allowance for estimated future losses on acquired properties and notes	+43,297	+13,249	+1,942
Allowances for estimated future losses on defaulted title I notes	−2,015	−678	+760
Net adjustment of valuation allowances	+41,282	+12,571	+2,702
Net income or loss (−)	52,801	38,660	35,611
Participation payments to mortgagors (−)	−4,358	−5,000	−5,000
Increase or decrease (−) in insurance reserves	48,443	33,660	30,611

STATEMENT OF FINANCIAL CONDITION AT YEAR END

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
ASSETS			
Current assets:			
Cash	64,983	64,466	69,395
Accounts receivable	169,904	180,689	191,397
Total, current assets	234,887	245,155	260,792
Investments:			
U.S. Government securities (par)	628,711	718,711	821,711
Stock purchased in rental and cooperative housing corporations	279	279	279
Total, investments	628,990	718,990	821,990
Other assets:			
Mortgage notes acquired on sale of properties (less allowance for losses)	167,455	227,193	295,185
Acquired security:			
Real property (at cost less allowance for losses)	520,620	464,830	432,807
Mortgage notes acquired under terms of insurance (at cost less allowance for losses)	285,312	274,935	296,859
Defaulted title I notes (less allowance for losses)	7,583	7,708	7,468
Furniture and equipment (less allowance for depreciation)	4,529	3,905	3,527
Total, other assets	985,499	978,571	1,035,847
Total, assets	1,849,376	1,942,716	2,118,629
LIABILITIES			
Current liabilities:			
Accounts payable	40,499	51,369	58,304
Participation dividends payable	2,843	2,843	2,843
Accrued interest on debentures	9,971	10,773	12,059
Employees' annual leave	8,601	8,601	8,601
Trust and deposit liabilities	18,120	17,342	16,572
Deferred credits (unearned fees, premiums, and other)	49,309	51,806	53,678
Total, current liabilities	129,343	142,734	152,057
Debenture obligations:			
Debentures payable (issued and outstanding)	492,024	547,602	611,653
Debentures authorized for issue and debenture claims in process of audit	22,070	12,722	14,411
Total, debenture obligations	514,094	560,324	626,064
Other liabilities: Reserve for foreclosure costs—defaulted mortgage notes	4,424	4,483	4,722
Total, liabilities	647,861	707,541	782,843
GOVERNMENT EQUITY			
Interest bearing capital:			
Start of year	10,000	25,000	25,000
Borrowings from Treasury, net	15,000		70,000
Total, end of year	25,000	25,000	95,000
Retained earnings:			
Statutory reserves (participating reserve account)	128,432	123,432	118,432
General surplus—reserves for future expenses and losses	1,048,083	1,086,743	1,122,354
Total, retained earnings	1,176,515	1,210,175	1,240,786
Total, Government equity	1,201,515	1,235,175	1,335,786
Total, liabilities and Government equity	1,849,376	1,942,716	2,118,629

SUMMARY OF INCOME AND EXPENSES

Mr. EVINS. Page C–6 is your summary statement of income and expenses. For 1967 FHA had an income of $322 million. In 1968 it was $354 million, and for 1969 it is estimated to be $379,900,000. Your income is going up. Your expenses are also increasing, from $310 million to $328 million to $347 million. Yet you have a net income esti-

mated next year of $32,909,000. Thus far it looks good. How do you arrive at your loss estimates?

Mr. BROWNSTEIN. Well, when we take in a property we automatically set up a reserve on what we believe we can get for it when we resell it.

Mr. EVINS. So it is all in the way you set it.

Mr. BROWNSTEIN. But it catches up with you in time if you do that when you ultimately sell it. So we try and come as close to it as we can.

Mr. EVINS. You put the real bona fide value on it?

Mr. BROWNSTEIN. Yes. We reanalyze periodically and adjust it if we need to.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. You are involving insurance people, private enterprise of all types, the banks, financial institutions, Federal savings and loan associations, everybody possible to make money available for housing and FHA is guaranteeing the mortgages.

Mr. BROWNSTEIN. Yes; and FHA will sustain the losses.

LIQUIDITY PROBLEM

Mr. EVINS. In some of your statements here you show you are liquid and your funds are in good condition. Another time you turn around and tell us you are in bad shape and have to borrow from the Treasury. Now, give us the overall picture.

Secretary WEAVER. I think the borrowing from the Treasury—I may be wrong—but I think it is the problem of liquidity rather than the problem of assets. Since certain of these obligations have to be paid off in cash, you have to have cash, whereas the fund is invested in other forms of investment and you cannot get the cash readily, therefore you have to borrow from the Treasury.

Mr. BROWNSTEIN. This is correct. Liquidity is a problem. We have assets in that fund which are made up, for the most part, of houses or mortgages which we own.

Secretary WEAVER. It is like the person who had to pay his income tax, he does not have the ready cash, so he borrows from the bank to pay his income tax. It does not mean he is bankrupt. I think another thing to remember is the fact that the FHA program was originally conceived and set up on the basis of selling homes to middle-class families with rather steady incomes, and in areas where the resale values were going to increase as time goes on because they were areas which were developing. In recent years, beginning really in 1961, we began a series of programs to use the FHA program, because of its proven capacity, to provide homes increasingly for low-income people and in many instances in areas which would not increase in value comparable to the areas where FHA had originally concentrated its efforts.

Now, with the new system which would increase the emphasis on, and increase the volume of homes both for sale and rental to low- and moderate-income families, and in areas which are not as desirably located, it is obvious to us that you are not going to be able to do that out of an insurance premium which was designed for another group of income-producing people, in another type of housing market. Therefore, we say we want to recognize this as a high-risk program and we

want to have that risk come out of appropriations rather than to look to your premiums which are not adapted to that particular universe of risks. So this is where we are. This does not mean that we are in dire straits as far as the liquidity of the program is concerned, but it does mean we cannot continue to go on the basis we have been going up to this time.

SUMMARY

Mr. EVINS. With respect to administrative expenses, you are asking for a limitation of $11,950,000 and under nonadministrative expenses, a limitation of $95,600,000; is that correct?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Do you have separate limitations for your other programs?

Mr. BROWNSTEIN. There is a separate one on rent supplement, Mr. Chairman.

Mr. EVINS. For that you are recommending $1,600,000 for administrative expenses and payments of $15 million?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. Place page A–1 through A–5 in the record.

(The pages follow:)

INTRODUCTION AND SUMMARY

For the last 34 years the Federal Housing Administration has been underwriting mortgage and property improvement loans for a large segment of the American population. The result of that effort is self-evident—by the significant increase in homeownership which has occurred, as well as the pattern of mortgage financing which has been established. Long-term mortgages with level payments at a reasonable rate of interest and minimal downpayment have become the norm for both Government and conventional home mortgage lending. Concurrent objectives of the FHA are to stimplate further homeownership, improved home financing practices, improved housing standards, and stabilization of the mortgage market.

Budgetary estimates for 1969 are predicated on a general improvement in the availability of mortgage money, an increasing demand for housing units, and the need to close the gap between housing demand and supply.

The recent stringency of mortgage funds has led to a lag in new residential construction activity as evidenced by a 33-percent reduction of total private nonfarm starts in 1967 compared to 1964. Meanwhile, household growth has continued virtually unabated. During the second quarter of 1967, the Bureau of the Census reported homeowner and rental vacancy rates of 1.2 and 6.3 percent, respectively; 1 year earlier the comparable rates were 1.4 and 6.8 percent, respectively, indicating that construction is not keeping pace with demand. For this period of the year, the current level of rental vacancies is lower than that reported in any year since 1960.

A partial recovery appeared at yearend fiscal year 1967 continuing into fiscal year 1968 as unit application receipts in the first half of fiscal year 1968 were 53 percent over the same period in the prior year. Due to the trend noted above and an underlying assumption that consumers will accept the relatively higher interest rates now prevailing, the estimate for the budget year is predicated on mortgage insurance business recovery to pre-1966 rates. As a further impetus to providing sufficient mortgage money, a pledge of $1 billion was given by leading insurance companies making permanent mortgage financing available for inner city housing.

BUDGET REQUEST

The FHA requests expense limitations for its insuring operations, rent supplement program contract authorization, appropriations for rent supplement payments and the administrative expenses of the rent supplement program. The requests are:

Fiscal year 1969

Insuring operations:	
Administrative expense	$11,950,000
Nonadministrative expense	95,600,000
Rent supplement program:	
Contract authority	65,000,000
Administrative expense	1,600,000
Rent supplement payments	15,000,000

These requests are based upon the workload estimates developed from experience and the assumptions covered earlier and translate to a yearend staff of 8,449 in 1969. This is an increase of about 450 over the estimated staff June 30, 1968.

The financial results of FHA operations and growth in insurance reserves during fiscal 1967, together with estimates for 1968 and 1969 are presented on the following page.

[In millions of dollars]

	1967 actual	1968 estimate	1959 estimate
Income:			
Fees and insurance premiums	300	328	350
Interest on investments	23	25	30
Total	323	353	380
Net receipts from property and mortgage transactions:			
Cash recoveries on sale of properties and mortgages	629	613	633
Net increase in properties and mortgages on hand	35	−6	58
Total	664	607	691
Total income and receipts	987	960	1,071
Obligations:			
Capital outlay:			
Acquisition of real properties	710	684	758
Acquisition of furniture and equipment	2	...	...
Acquisition of defaulted notes and mortgages	87	95	132
Total	799	779	890
Operating expense:			
Under administrative limitation	10	11	12
Under nonadministrative limitation	82	87	96
Fee appraisals and fee inspections	1	2	3
Interest on borrowing from the Treasury	1	1	3
Interest on debentures	21	22	23
Discount on sale of mortgages	22	20	8
Participation payments under mutual mortgage insurance fund	4	5	5
Total	141	148	150
Total obligations	940	927	1,040
Increase in insurance reserve	47	33	31
Total insurance reserves	1,177	1,210	1,241

Income is expected to increase during the budget year by $57 million or 18 percent over 1967 with the primary source being additional premium payments resulting from an increasing amount of insurance in force. Total obligations in 1969 are projected at $1,040 million in 1969, an increase of 11 percent over 1967. The major part of the increase in obligations in 1969 results from additional mortgage insurance claims. Total retained earnings are expected to increase 5 percent from June 30, 1967, to the end of the budget year.

A tabular presentation of program highlights of FHA insuring operations is presented on the following page.

Contents of submission.—Sections B, C, D, and G of this justification relate to FHA insuring operations; section E presents the detailed justification of the requests for contract authorization and for appropriated funds to administer the rent supplement program. Section F covers the administrative expense requirements and program data for the community disposition program. Section B covers insuring operations and program developments; section C, financial developments; section D, the justification of expenses under the admiinstrative and nonadministrative limitations; and section G (the appendix), covers the terms and conditions of mortgage insurance programs and the organization of the central office and the field offices for insuring operations.

PROGRAM HIGHLIGHTS

[Dollar amounts in millions]

	1967 actual	1968 estimate	1969 estimate
Insurance initiation:			
Mortgage insurance applications:			
Applications received (units)	758,246	1,007,000	1,201,500
Applications examined (units)	717,369	969,000	1,145,000
Mortgage insurance committed:			
Units	669,939	914,000	1,055,000
Amount	$10,071	$12,657	$14,238
Mortgage insurance written:			
Units	337,987	413,000	581,000
Amount	$5,455	$6,415	$7,924
Construction inspection:			
Home inspections made	712,788	830,000	914,000
Average multifamily units under inspection	54,657	61,000	88,000
Title I property improvement loans insured:			
Notes	453,174	450,000	450,000
Amount (net proceeds)	$614	$610	$610
Insurance maintenance—Program status, end of year (outstanding balance of insurance in force):			
Mortgage insurance	$53,805	$56,157	$59,990
Title I property improvement loan insurance	1,249	1,260	1,269
(Maximum liability)	(392)	(381)	(370)
Total	55,054	57,417	61,259
Insurance settlement:			
Property acquired during year:			
Homes	47,462	44,500	49,500
Direct acquisition from mortgagee	47,359	44,300	49,300
Forclosure of assigned mortgages by FHA	103	200	200
Multifamily	10,986	11,135	10,020
Direct acquisition from mortgagee	3,065	3,500	3,770
Foreclosure of assigned mortgages by FHA	7,921	7,635	6,250
Mortgage assignments during year:			
Homes	174	200	200
Multifamily	7,403	9,000	10,500
Property sales during year:			
Homes	54,691	53,500	55,000
Multifamily	7,848	10,520	12,600
Property on hand, end of year:			
Homes	37,818	28,818	23,318
Multifamily	27,666	28,281	25,701
Assigned mortgages on hand, end of year:			
Homes	1,197	1,197	1,197
Multifamily	44,403	45,768	50,018
Defaulted title I property improvement loans:			
Number	59,938	60,961	59,789
Amount	$51	$52	$51
Income, costs, and reserves:			
Income, recoveries, and increase in net asset value of security acquired:			
Fee and premium income	$300	$328	$350
Other income	23	25	30
Cash recoveries	629	613	633
Increase in net asset value of acquired security (properties, mortgages, and title I notes and sales contracts)	35	−6	58
Total	987	960	1,071
Operating costs and capital outlay:			
Operating costs	141	148	150
Capital outlay	799	779	890
Total program costs	940	927	1,040
Excess of income, recoveries, and asset value over costs	47	33	31
Insurance reserves, end of year	1,177	1,210	1,241
Obligations under limitation:			
Administrative expense	10.5	11.0	12.0
Nonadministrative expense	82.4	87.0	95.6
Total obligations under limitation	92.9	98.0	107.6

PROGRAM HIGHLIGHTS

Mr. EVINS. A summary of your program is shown on page A–5. I am also interested in taking a quick review of this one. Mortgage insurance committed, 669,000 up to 914,000, and for 1969 it is estimated to be 1,055,000.

Mr. BROWNSTEIN. These are units, 1,055,000.

Mr. EVINS. This is 1,055,000 units for an amount of $14,238 million, mortgage insurance committed. Now, insurance settlements, property acquired during the year, 49,500, and how many were foreclosed?

Mr. BROWNSTEIN. Those will have been foreclosed properties that we will have acquired.

Mr. EVINS. Then you come down to a figure of excess of income, recoveries, and asset value over costs at the end of the year, $31 million.

Mr. BROWNSTEIN. Yes, sir. That will increase the reserve to the extent of $31 million.

Mr. EVINS. You are trying to tell us that out of all of these operations you wind up with a $31 million reserve increase?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. Off the record.

(Discussion off the record.)

REVIEW OF INSURANCE PROGRAMS

Mr. EVINS. Place in the record statements B–1 through B–13.

(The pages follow:)

REVIEW OF INSURANCE PROGRAMS

The Federal Housing Administration, since it began operations in 1934 has helped about 100 million Americans to live in decent housing through either home-ownership, rental occupancy, or by upgrading the accommodations in which they live. Through October 31, 1967, insurance in the amount of $99.9 billion had been written which covers over 10 million home and multifamily housing units. In addition, modernization and improvement insurance has been written on over 28.7 million housing units in the amount of $18.4 billion. An estimated $7 billion of insurance will be written during fiscal year 1968 and $8.5 billion during 1969. The outstanding insurance in force is estimated to increase to nearly $57.4 billion by the end of fiscal year 1968 and $61.3 billion by the end of fiscal year 1969.

Although the agency may look with pride upon its past accomplishment, a changing environment provides a new challenge for FHA to aid the inner city, the poor, and the disadvantaged. Consequently, a strong emphasis of insuring operations has been directed to this segment of the American population * * * those without the means to take advantage of our society's affluence, while at the same time continuing to perform FHA's important function in the general housing market. The Congress recently endorsed this new emphasis by amending the National Housing Act authorizing the requirement of "economic soundness" for mortgage insurance under section 203 (FHA's largest program) to be waived and a standard of "acceptable risk" substituted in those areas in which rioting or other civil disorders have occurred or are threatened. Increased concentration on providing assistance to low- and moderate-income families will result in one more great stride in fulfilling FHA's goal to provide clean, decent, sanitary housing for every American.

The need for progress in this area is evidenced by a Bureau of Census report of October 1967 which indicated that fully 10 percent (5.7 million units[1]) of the total occupied national housing inventory in 1966 was classed as substandard. Even more revealing is the fact that, of minority-group-occupied housing, 29 percent was classified as substandard. These statistics reveal a monumental

[1] Includes dilapidated units and units lacking one or more plumbing facilities.

job that needs to be done. The FHA has accepted this challenge and is applying its full weight of experience and innovation to the problem at hand.

Home mortgage insurance in the inner city.—As a result of FHA's increased emphasis on promoting better housing in central city areas, in the first 6 months of calendar year 1967, over 51 percent (56,970 mortgages) of FHA's business for existing homes under its general Section 203 program was in the central city, and of that 20 percent (11,394 mortgages) is in what could be described as blighted areas. About 67 percent (7,085 mortgages) of section 221(d)(2) existing home business was in the inner city.

Local offices are now insuring section 203(b) home mortgages on properties meeting our standards in riot-prone areas on the basis of an acceptable risk finding. Waiver of economic soundness, in such circumstances, was authorized by an amendment to the National Housing Act during fiscal year 1967. This will help preserve and improve the neighborhoods involved and make decent housing available to families who otherwise might not be able to improve their living conditions.

Investment pledge from private lending institutions.—A major segment of the mortgage lending industry responded quickly to a Presidential call for renewed private investment in the central city. On September 13, 1967, the President and a spokesman for the major life insurance companies announced a $1 billion pledge of permanent mortgage financing for inner-city residential properties and for job-creating opportunities. FHA made arrangements to forward to the insurance companies lists of home and multifamily mortgage conditional commitments involving inner-city properties. The insurance companies had by the end of November 1967 made firm commitments to purchase $49.1 million in FHA insured mortgages covering 342 homes and 29 projects consisting of 3,703 units. Most of this represents permanent financing for FHA section 221(d)(3) rent supplement projects. In addition to providing new impetus to this priority program, purchases by the insurance companies of mortgages held by the Federal National Mortgage Association added liquidity to FNMA funds for purchase of other special assistance mortgages.

Rehabilitation stressed.—Taking another major step to increase the supply of decent housing for low- and moderate-income families, FHA has developed new processing techniques specifically intended to facilitate the rehabilitation of properties in the poorer areas of cities both inside and outside approved urban renewal and code enforcement areas.

The Federal Housing Administration encourages the renovation of sound, existing structures, whenever financially feasible. By keeping costs low, decent, comfortable housing can be made available to lower income families in the inner-city neighborhoods. It is believed that through this approach, families will be displaced for a much shorter period of time than when existing structures are demolished and new buildings constructed in their place. When buildings in an older neighborhood are rehabilitated, general improvement often results as other residents take steps to upgrade their own homes.

Under procedures issued in October 1967 greater decisionmaking authority has been delegated from the central office to FHA's insuring offices in the field. In accordance with the new Multifamily Rehabilitation Handbook, local offices require a minimum of paperwork from nonprofit and limited dividend organizations that wish to renovate inner-city apartment buildings. At initial conferences and joint property inspections, FHA advises prospective sponsors with respect to project feasibility. Assistance in making application is provided in accordance with each sponsor's experience and needs. If a project is feasible, plans and specifications required of the sponsor are simple, spelling out what is to be accomplished at each property site. Cooperation with sponsors is provided as needed to involve private enterprise successfully in FHA programs for low- and moderate-income housing.

FHA has stimulated rehabilitation efforts in a number of major cities including Pittsburgh, Chicago, Boston, and Omaha. Cooperation has come from city governments, planning agencies, industry, and private foundations who are using a number of FHA programs to increase substantially the supply of decent housing for low- and moderate-income families living in inner-city areas.

A privately funded Allegheny Housing Rehabilitation Corp. is undertaking rehabilitation of a large number of housing units in Pittsburgh and in other parts of Pennsylvania, relying on the nonprofit corporation, Action-Housing, as consultant and liaison with Federal, State, and local governments, and residents of the affected communities. Upon completion of construction, rehabilitated housing will be transferred to local nonprofit groups and other FHA-approved groups

for ownership and management. Plans call for rehabilitation of 1,000 units a year, and FHA is cooperating closely with Action-Housing to develop the techniques needed to process this volume. Mortgages are insured under sections 221(d)(3) and 221(h) utilizing below-market interest rate funds. Rent supplement contract authority will be made available under this program.

FHA through the below-market interest rate, rent supplement, and 221(h) programs is also participating in the pilot program undertaken by HUD and the city of Chicago to accomplish the large-scale rehabilitation of approximately 1,000 deteriorated, absentee-owned structures in the Lawndale urban renewal area at rents which neighborhood residents can afford. This involves close coordination of programs of FHA and the Renewal Assistance Administration and Housing Assistance Administration. Again, FHA is concentrating on adapting its processing to the urgent needs of the program by designating a special rehabilitation team—consisting primarily of an appraiser-valuator and an architect-engineer—under regional office supervision, working in close cooperation with the Chicago Department of Urban Renewal and the contractor, to design and carry out the rehabilitation work.

Great attention was devoted to building into the rehabilitation plan ways of reducing dislocation of the residents. There will be no net reduction in units available to house low- and moderate-income people. For all structures eliminated in the construction process, new units will be built on vacant land.

Another pilot program underway in Boston, has the objective of rehabilitating 2,000 units for occupancy by June 30, 1968. From a starting date of October 1, 1967, FHA accomplished its preliminary goal of issuing commitments by November 30. In fact, 21 different commitments were issued in this short period, and by the end of the year, tenants had already begun to move into some of these projects.

FHA acccomplished this without changing basic underwriting premises. Working with the experienced contractors and limited dividend mortgagors associated with the Boston experiment, FHA can accept a sponsor's application and specifications submission for processing to commitment following examination of the proposed buildings for structural soundness. Further innovations unique to the Boston experiment occur in the commitment processing. Instead of item-by-item computations, the cost estimation of the rehabilitation work is made on the basis of average factors derived from similar items on comparable construction jobs. All of the sponsor's plans and specifications are made on special FHA forms which lend themselves to the use of these cost factors.

The rehabilitation is being carried out in old but sound brick residential structures scattered throughout a 4 square mile area in the Roxbury-Dorchester section of Boston. In all, 2,074 units will be rehabilitated for the low- and moderate-income residents of the area at monthly rents ranging from $75 for efficiencies to $140 for 5-bedroom units. All financing is provided through the FHA 221(d)(3) below-market interest rate program.

FHA and the Boston Redevelopment Agency are working closely to assure that human distress caused by relocation is kept to a minimum. Federal financial assistance to meet the relocation and moving expenses of displacees is normally available inside approved urban renewal areas. In this case, the Department is also making a grant to the Boston Redevelopment Agency to provide comparable financial assistance to those outside the Dorchester urban renewal area who must move to new locations after the rehabilitation.

The city of Omaha began work this year on a program of rehabilitation which will upgrade run-down areas all over the city. The Assistant Secretary-Commissioner concluded an agreement with the mayor of Omaha to ensure the kind of FHA processing most conducive to this goal. Underwriting decisions are made quickly in accordance with streamlined procedures set forth in the Rehabilitation Handbook. Following inspection of certain properties, FHA issued a commitment on 100 units in only 2 days. Another 33-unt project was under construction by December 1967 and two other projects of 100 and 128-units, respectively had been processed through feasibility, one in 2 days, and the other in 2 weeks. Following determination of feasibility, FHA can process to commitment the sponsor's plans and application within two days of receipt of the submission. The Omaha rehabilitation is being carried forward under the 221(d)(3) market rate, rent supplement, and the 221(h) programs of FHA.

Accelerated multifamily processing (AMP).—As rehabilitation project procedures have been undergoing improvement witth the Federal Housing Administration, efforts have been expanded toward the improvement of multifamily processing on a broad scale. Concerted efforts have been made to cut processing

time and reduce the failure rate within all multifamily housing programs. Under the experimental accelerated multifamily processing program, the local insuring offices are accountable for fast, accurate multifamily processing based on adequate data. Local offices are given the authority and flexibility needed to improve their multifamily work. In each insuring office there is a multifamily processing coordinator and a design representative who work with the sponsor's architects, providing continuous liaison to insure that when plans and specifications are submitted they will conform with FHA requirements. Cost data and procedures have been updated and revised to assure quick cost determinations.

To accelerate processing, the central office delegated to the assistant regional administrators and insuring office directors authority to make decisions regarding fund allocations, sponsor's previous participation reviews, and nonprofit sponsorship eligibility. Schedules are established for completion of the project which must be followed not only by FHA, but by the sponsor, mortgagor, builder, architect, and mortgagee to get the job completed and occupied promptly.

After 8 months' trial in selected insuring offices, AMP has demonstrated that overall processing time can be reduced by more than two-thirds—from 18 months to 5 months. AMP has already proved a strong stimulus to multifamily processing in the field offices, and the effort to streamline and refine techniques is continuing. By February 1968, AMP should be operating in 30 of FHA's insuring offices, with other offices scheduled to receive the new procedures shortly thereafter. AMP should make possible a greatly expanded program of low- and moderate-income housing by providing sponsors the expeditious processing and the responsive assistance they need to make FHA multifamily programs work.

Expediting cases in process.—While developing new simplified AMP procedures to prevent backlogs in the future, FHA began an immediate clean-up of multifamily cases in process in the field offices. Two-man processing teams went into field offices with the necessary authority to process cases promptly. The teams closed out and removed from the records projects in the preapplication and processing stages where the sponsors were not prepared to proceed promptly. This permitted recapture and reallocation of rent supplement and below-market interest rate funds to projects more likely to proceed quickly. Projects that could not be made feasible and projects that could not proceed for reasons beyond the sponsor's control were also closed out. Several features of AMP were incorporated into this procedure, including simultaneous processing actions to be completed by FHA and sponsors. In addition, each director appoints a multifamily monitor to specialize in speeding processing and takes any other steps to reorganize his office for improved multifamily service.

This expediting procedure concentrated exclusively on section 221(d)(3) BMIR, section 221(h), and rent supplement cases, in recognition of the high need involved. In slightly less than two months from inception of the program in October 1967, the operation resulted in issuance of 224 commitments (24,345 units). This activity, through January 11, 1968, made possible the recapture, for use in more promising proposals, of $102.7 million in BMIR funds and $2.8 million in rent supplement contract authority. Once the backlog in low-income housing is cleared up, the techniques and sense of urgency described here will be applied to other multifamily programs.

Housing counseling service.—FHA initiated early in fiscal year 1968 an extensive program of free counseling primarily intended for low-income familes, minority groups, servicemen, and others having difficulty finding housing they can afford. Begun in August 1967 in five FHA offces, the program is now being carried out in 15 cities throughout the country.

FHA interviews those seeking advice on housing to obtain facts bearing on the range of housing they can afford to rent or buy. Information concerning credit, income, and debts is kept strictly confidential.

As of January 1968, over 2,000 people had been counseled. Over 70 percent of these people belonged to minority groups.

FHA service includes assistance in making appointments for the families to see various housing suitable to their needs, calls to builders of new homes and apartment managers to arrange appointments with them or real estate brokers acting for them, and general assistance in resolving any problem the home-seeking families may encounter. If suitable FHA-owned houses are available, families are given the names of local brokers who actively participate in the sale of FHA properties. This service has encouraging potential for reaching the part of the public which has not yet been educated to the opportunities in housing available to them.

Research in Lowering Housing Costs.—FHA is continuing to use the experimental housing program in a variety of ways to explore the application of modern technology to the urgent requirements of low-income housing. A section 233 project in Richmond, Calif., is proceeding under the "uniment" construction system of fitting together precast apartment-size units into a completed multifamily project. This low-cost construction technique should prove a useful vehicle for low-income new construction carried out under the model cities program. The central core unit method of construction which helped make possible 48-hour rehabilitation of the New York City tenement is being adapted to single-family construction by a builder in Hampton, Va. The Magnolia Homes project in Vicksburg, Miss., using the latest mobile home and prefabricated construction techniques to produce sound, efficient, low-cost housing, was completed and occupied in 1967. Similar techniques are being applied to produce housing for married university students in Amherst, Mass. New proposals under consideration for section 233 mortgage insurance range from the use of plastic to sandbag to concrete construction materials. FHA's continued efforts will aim to develop new multipurpose materials which are designed for low-cost industrialized production and assembly into single-family or multifamily housing.

FHA loan insurance is now administered through 30 different active programs. In addition, maintenance and settlement work continues under nine programs for which authority to insure additional loans has expired. Those programs active in 1967 are identified in the following table, providing volume of insurance written and amounts in force at the end of 1967.

FEDERAL HOUSING ADMINISTRATION LOAN INSURANCE PROGRAMS

[Dollar amounts in millions]

Title and section of act	Purpose	Volume of insurance, as of June 30, 1967		
		Total written (amount)	In force	
			Amount	Number of insurance contracts
ACTIVE MORTGAGE-LOAN INSURANCE PROGRAMS				
Home programs:				
II:				
203(b)	Basic	$73,818	$40,957	3,779,536
203(h)	Disaster housing			
203(i)	Low cost			
203(k)	Home improvement, general	13	10	1,993
213	Cooperative sales	419	231	20,387
220	Urban renewal	63	54	4,261
220(h)	Home improvement, urban renewal areas	(1)	(1)	3
221(d)(2)	Moderate income	2,339	2,012	204,395
221(h)	Low-income purchasers			
222	Servicemen	2,709	1,840	142,990
233	Experimental	4	4	297
234	Condominium	13	12	719
VIII: 809	Armed services (civilian)	223	187	12,711
Total under active home programs		79,601	45,307	4,167,292
Multifamily programs:				
II:				
207	Basic	2,835	2,064	1,143
207	Moblie home courts			
213	Cooperative management and sales	1,496	834	472
220	Urban renewal	953	814	219
220(h)	Project improvement, urban renewal areas			
221(d)(3 and 4)	Moderate income (market interest rate)	145	143	104
221(d)(3)	Moderate income (below-market interest rate).	763	756	459
221(h)	Low income purchasers			
231	Elderly	468	327	179
232	Nursing homes	270	236	400
233	Experimental	10	10	9
234	Condominium	16	16	11
VII: 701	Yield insurance			
VIII: 810	Armed services (impacted areas)	30	23	14
Total under active multifamily programs		6,986	5,223	[2]3,010

See footnotes at end of table.

Title and section of act	Purpose	Volume of insurance, as of June 30, 1967		
		Total written (amount)	In force	
			Amount	Number of insurance contracts
X: 1002	Land development	2	2	2
XI: 1100	Group practice facilities			
Total under all active mortgage-loan programs		86,589	50,532	4,170,304
EXPIRED MORTGAGE-LOAN INSURANCE PROGRAMS				
I: 8	Low cost (home)	204	61	19,143
VI:				
603	War and veterans (home)	3,645	185	92,972
608	War and veterans (multifamily)	3,440	875	3,435
609	Manufacturer's loans	5		
610	Resale of U.S. Government housing	24	4	1,244
611	Site fabrication	13	[1]	31
VIII: 803	Armed services (multifamily)	2,602	1,957	1,099
IX:				
903	National defense (home)	517	166	26,999
908	National defense (multifamily)	64	25	44
Total under expired programs		10,514	3,273	144,967
Total under expired home programs		(4,386)	(414)	(140,382)
Total under expired multifamily programs		(6,128)	(2,859)	(4,585)
ACTIVE PROPERTY-IMPROVEMENT LOAN INSURANCE PROGRAM				
I: 2	Property improvement	18,192	1,249	[3] 1,639,698
Total insurance under all programs		115,295	55,054	5,954,969

[1] Less than $0.5 million.
[2] Covers 405,666 dwelling units.
[3] Estimated.

For financial purposes, the agency's programs are grouped under three separate insurance funds. Income from fees, premiums, and investments are credited to the funds. Operating expenses and the expenses and losses associated with property and defaulted notes and mortgages acquired under the terms of insurance contracts are charged to the funds.

For purposes of program review, the work of the agency may be classified under four main headings: (1) mortgage insurance initiation, which includes the examination of applications for insurance, the inspection of properties under construction, and the recording of new insurance contracts in agency records; (2) mortgage insurance maintenance, which in the field offices covers mainly the servicing of multifamily insured projects and the handling of construction complaints, and in the central office includes chiefly the premium collections and accounting transactions associated with insurance in force; (3) mortgage insurance settlement, which includes the acquisition, management, and resale of foreclosed properties, the servicing and sale of assigned mortgages and purchase-money mortgages, the issuance of debentures or payment of cash in settlement of claims submitted to FHA, and the accounting work associated with these transactions; and (4) the home improvement loan insurance program (title I), which involves entering on agency records insurance contracts with lending institutions and billing of premiums due, and the liquidation of assigned defaulted notes, including collection in the field. The relative importance of each of these activities is shown in the following summary of employment and operating expense requirements under the nonadministrative limitation for fiscal year 1969:

	Average employment		Operating expenses	
	Number	Percent	Amount	Percent
Mortgage insurance:				
Initiation	5,385	71	$70,451,000	74
Maintenance	532	7	5,160,000	5
Settlement	1,405	19	15,615,000	17
Home improvement loan insurance (title I)	238	3	3,977,000	4
Total operating expenses	7,560	100	95,203,000	100
Acquisition of capital assets			397,000	
Total nonadministrative requirement			95,600,000	

Each of the four major activities enumerated above is discussed in following sections.

TOTAL EXPENSE ESTIMATE

Mr. EVINS. Then there are really two key pages in this area, D–1 and D–2. We will place them in the record.

(The pages follow:)

TOTAL EXPENSE ESTIMATE

As was stated previously, the expenses of the Federal Housing Administration relating to insuring operations are paid out of operating income derived from application fees, insurance premiums, and investments. The National Housing Act establishes two limitations with respect to the expenses which may be incurred—an administrative limitation relating to those expenses of the central office which are generally regarded as overhead and a nonadministrative limitation relating to the operating activities carried on both in the central office and the field bearing directly on the initiation of mortgage and property improvement insurance, the maintenance of insurance on the books, and the claims settlement activities under insurance contracts associated with the acquisition, management, and disposition of properties and mortgages and the liquidation of property improvement notes. A full explanation of requirements under the administrative and nonadministrative limitations for 1969 is presented in the two following sections of this justification. A consolidated summary of the administrative and nonadministrative budget requests is given in this introductory section.

Total FHA budgeted requirements for 1969 amount to $107,550,000, of which $11,950,000 comes under the administrative limitation and $95,600,000 under the nonadministrative limitation. Of the total 1969 requirements, $27,266,000 is accounted for by departmental activities and $80,284,000 by field activities. The budget request for 1969 is $9,550,000, or 10 percent, greater than the current year's estimated expenses of $98,000,000. Of this increase, $2,637,000, or 30 percent, is attributable to the balance of the full year's cost of the pay rates which became effective in October 1967, the cost of within-grade salary advancements and an extra day's pay.

A consolidated summary of the staff and expenses for 1967, 1968, and 1969 is presented in the table on the following page.

CONSOLIDATED SUMMARY OF STAFF AND EXPENSES

		1967 actual		1968 estimate		1969 estimate	
		Positions	Amount	Positions	Amount	Positions	Amount
	PERSONNEL COMPENSATION AND BENEFITS						
11	Personnel compensation:						
	Departmental:						
	Commissioner's Office	14.0	$189,942	15	$208,065	15	$210,699
	Assistant Commissioner for Programs	75.0	677,072	79	748,037	79	758,673
	Assistant Commissioner-Comptroller	960.0	6,605,808	951	6,995,527	943	7,040,835
	Assistant Commissioner for Field Operations	37.0	471,428	38	498,427	38	502,670
	Assistant Commissioner for Home Mortgages	7.0	98,132	8	113,061	8	113,736
	Assistant Commissioner for Multifamily Housing	80.0	922,132	88	1,071,156	90	1,106,756
	Assistant Commissioner for Property Disposition	62.0	609,713	64	690,872	64	719,634
	Assistant Commissioner for Property Improvement	80.0	624,700	80	664,945	80	677,610
	Assistant Commissioner for Technical Standards	101.0	1,315,646	106	1,441,680	110	1,512,802
	Assistant Commissioner for Administration	295.0	2,464,071	306	2,849,652	309	2,942,226
	Total departmental	1,711.0	13,978,644	1,735	15,281,422	1,736	15,585,641
	Field	6,210.0	55,527,356	6,369	59,898,954	6,829	64,616,369
	Total departmental and field	7,921.0	69,506,000	8,104	75,180,376	8,565	80,202,010
	Pay above the stated annual rate		255,722				296,000
	Deduct pay increase for part of year				787,032		
	Deduct savings from part-time employment and lag in recruitment	368.4	3,281,337	423	4,023,684	443	3,372,440
	Positions abolished during year	+35.0	+190,887	+10	+54,340	+11	+56,430
	Net full-time average employment	7,587.6	66,671,272	7,691	70,424,000	8,133	77,182,000
	Overtime	45.9	401,421	80	750,000	101	959,000
	Intermittent	51.3	186,403	70	270,000	62	329,000
	Terminal leave	48.2	462,090	51	503,000	52	521,000
	Other		144,464		147,000		148,000
	Total average employment	7,733.0	67,865,650	7,892	72,094,000	8,348	79,139,000
12	Personnel benefits		5,309,071		5,717,000		6,257,000
	CONTRACTUAL SERVICES, SUPPLIES, EQUIPMENT AND INSURANCE						
21	Travel and transportation of persons		4,250,470		4,815,000		5,011,000
22	Transportation of things		172,222		248,000		270,000
23	Rent, communications, and utilities		5,843,190		5,652,000		6,406,000
24	Printing and reproduction		585,197		642,000		998,000
25	Other services		6,767,429		7,884,000		8,442,000
	(Transfer to HUD)		(5,877,539)		(6,675,000)		(7,072,000)
26	Supplies and materials		345,489		400,000		468,000
31	Equipment		1,682,142		495,000		495,000
42	Insurance claims and indemnities		45,489		53,000		64,000
	Total expenses		92,866,349		98,000,000		107,550,000
	Adjusted to reflect rates effective October 1967—Pay increase (Public Law 90-206)		96,625,000		99,043,000		

EXPENSE LIMITATION REQUIREMENTS

Mr. EVINS. As stated, the expenses of the Federal Housing Administration are administrative and nonadministrative. Now, the administrative relates generally to the expenses of the central office, and the nonadministrative relates to operating activities carried on both in the central office and the field bearing directly on the initiation of mortgage

and property improvement insurance, and so forth. The total FHA budgeted requirements for 1969 amount to $107,550,000.

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. For all programs of FHA?

Mr. BROWNSTEIN. Yes, sir; except the rent supplement and community disposition.

Mr. EVINS. Your limitations for administrative and nonadministrative, FHA, are $107,550,000?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Add on to that the administrative expenses for rent supplement.

Mr. BROWNSTEIN. $1,600,000.

Mr. EVINS. And for the community program?

Mr. MCDOWELL. $233,000.

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. Of this amount, $11,950,000 is for administrative and $95,600,000 is the nonadministrative limitation. The budget request is 10 percent greater than the current year. Of this increase, 30 percent is attributable to the pay act and within grades.

Mr. MCDOWELL. Yes, sir.

EMPLOYMENT LEVELS

Mr. EVINS. Page D–2 shows the employment level. The total for the Departmental, estimated for 1969 is 1,736, and for the field, 6,829, for a total of 8,565. Where do you get your 14,000 figure?

Mr. BROWNSTEIN. That is the rest of the Department. It was the Secretary who said there were about 14,000 in the Department.

Mr. EVINS. This is just FHA?

Mr. BROWNSTEIN. Yes, that is just FHA.

Mr. EVINS. Talking about FHA alone; how much of an increase in personnel is this over last year, Mr. Brownstein?

Mr. BROWNSTEIN. About 461.

Mr. EVINS. Where are you going to put these 461 new jobs?

Mr. BROWNSTEIN. Most of them in the field.

INCREASE IN POSITIONS

Mr. EVINS. Will you give us the breakdown table showing where you are going to supply these new jobs and in what activities?

Mr. BROWNSTEIN. Yes, sir.

(The information follows:)

ANALYSIS OF INCREASE IN ADMINISTRATIVE POSITIONS, FISCAL YEAR 1969

The nine positions requested under the administrative limitation are required to: (1) staff the recently-established Land Development Division; (2) provide central office direction for the expanding rehabilitation programs; (3) develop operating procedures and instructions for the group practice facilities program; and (4) provide for a more nearly complete audit program through the addition of three auditors.

These positions are identified below by grade, title, and organizational unit.

Positions, fiscal year 1968	764
Appraisal and Mortgage Risk Division	+2
GS–13 architect.	
GS–12 architect.	

Land Development Division	+2
GS–14 land development specialist.	
GS–5 clerical.	
Project mortgage insurance	+2
GS–13 rehabilitation specialist.	
GS–9 trainee (loan specialist).	
Auditing	+3
GS–11 field auditor.	
2 GS–9 field auditors.	
Total	773

Analysis of increases in nonadministrative positions, fiscal year 1969

Departmental:	
Positions, fiscal year 1968	971
Comptroller's clerical	−8
Total Departmental	963
Field:	
Positions, fiscal year 1968	6,369
GS–12	+40
15 construction analysts.	
20 appraisers.	
5 supervisory construction representatives.	
GS–11	+140
40 construction analysts.	
15 loan specialists.	
50 appraisers.	
35 construction representatives.	
GS–9	+185
30 construction analysts.	
23 loan specialists (realty).	
20 loan specialists.	
86 appraisers.	
26 construction representatives.	
GS–5 clerical	+28
GS–4 clerical	+39
GS–3 clerical	+14
GS–2 clerical	+14
Total Field	6,829
Total, nonadministrative fiscal year 1969	7,792

These positions will be added as the volume of unit applications for mortgage insurance increases, and will be placed among the 76 insuring offices in accordance with each office's need.

Mr. EVINS. Gentlemen, if there are no further questions, we will suspend until tomorrow morning at 10 o'clock.

TUESDAY, MARCH 19, 1968.

Mr. EVINS. The committee will come to order.

We will resume our hearing this morning with officials of the Department of Housing and Urban Development. We were discussing the funding requirements of the Federal Housing Administration mortgage credit programs.

We will turn now to administrative and nonadministrative expenses.

Administrative Expenses

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
Operating costs:			
1. Mutual mortgage insurance fund	5,395	5,735	6,375
2. Cooperative management housing insurance fund	89	90	95
3. General insurance fund	5,014	5,175	5,480
Total operating costs	10,498	11,000	11,950
4. Change in selected resources	−24		
Total obligations	10,474	11,000	11,950
Financing:			
Unobligated balance lapsing	176		
Limitation	10,650	11,000	11,950

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

	Personnel compensation:			
11.1	Permanent positions	6,514	7,383	8,094
11.3	Positions other than permanent	22	2	
11.5	Other personnel compensation	64	65	65
	Total personnel compensation	6,600	7,450	8,159
12.0	Personnel benefits	507	568	625
21.0	Travel and transportation of persons	237	277	327
22.0	Transportation of things	25	26	27
23.0	Rent, communications, and utilities	701	634	709
24.0	Printing and reproduction	47	42	63
25.1	Other services	30	37	53
25.2	Services of other agencies	151	143	162
25.3	Payments to Administrative operations and Working capital funds	2,124	1,736	1,735
26.0	Supplies and materials	57	70	73
31.0	Equipment	19	17	17
	Total costs, funded	10,498	11,000	11,950
94.0	Change in selected resources	−24		
	Subtotal	10,474	11,000	11,950
93.0	Administrative expenses included in schedule for fund as a whole	−10,474	−11,000	−11,950
99.0	Total obligations			

PERSONNEL SUMMARY

Total number of permanent positions	728	764	773
Full-time equivalent of other positions	3.0		
Average number of all employees	648	696	735
Average GS grade	8.2	8.2	8.3
Average GS salary	$8,793	$9,299	$9,383

Mr. Evins. Mr. Brownstein, will you tell us what your needs and requirements are with respect to the administrative expense limitation?

Mr. Brownstein. Yes, Mr. Chairman. This year we are asking for $11,950,000. This is 8.6 percent over the current year. Of this increase, $266,000, or 28 percent, is attributable to the balance of the full year's cost of the pay increases which became effective in October of 1967.

Mr. Evins. For 1968 you had an administrative limitation of $11 million. For next year you are asking for $11,950,000; is that correct, $950,000 more?

Mr. Brownstein. Yes, sir.

Mr. Evins. You were able to absorb the Pay Act costs for 1968; is that correct?

Mr. McDowell. Yes, sir. We absorbed 9 months of it.

Mr. EVINS. Couldn't you do a good job and make it 12, and absorb it again in 1969?

Mr. BROWNSTEIN. We do not believe this is going to be possible this year, Mr. Chairman. There are some areas in which we are going to need some additional personnel.

Mr. EVINS. How much was transferred into your administrative account from other funds?

Mr. BROWNSTEIN. There isn't any.

Mr. EVINS. Did you have some transfers into the administrative account?

Mr. MCDOWELL. Only the reimbursable items where we work for somebody else.

Mr. EVINS. The exact amount is reimbursed to the fund?

Mr. MCDOWELL. Yes, sir. There is no profit.

Mr. EVINS. You don't charge anything for your service?

Mr. MCDOWELL. We charge exactly what it costs us, sir.

Mr. EVINS. You absorbed the $627,000 last year. You are to be commended for that. You tell us that you can't do it in 1969?

Mr. BROWNSTEIN. No, sir. We need to add a few employees in 1969. Particularly, we need some technical standards people.

Mr. EVINS. You have an extra day's pay and within grade, $133,000.

Mr. MCDOWELL. These are increases over 1968, sir. The 1968 limitation of $11 million is increased by the $627,000.

HUD OFFICE BUILDING RENTAL COST

Mr. EVINS. You have a pay rate increase of $133,000 and rent on the new building is $71,000. Where is this?

Mr. BROWNSTEIN. That will be the new building into which we expect to move.

Mr. EVINS. You shouldn't have to pay rent on that.

Mr. BROWNSTEIN. We pay full rent on it.

Mr. FRANTZ. Mr. Chairman, under the Government Corporation Control Act, corporate-type agencies such as FHA pay a rental charge as a matter of showing their full cost of operation.

Mr. EVINS. If you were not a Government corporation you wouldn't have to pay it?

Mr. FRANTZ. That is correct.

Mr. EVINS. $5.25 per square foot, isn't that pretty high?

Mr. BROWNSTEIN. I would say it is rather competitive with the new building rates generally in this area, Mr. Chairman.

Mr. Chairman, we will be paying $1,130,141 in the new building as an annual rental.

Mr. EVINS. FHA will be?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Dosen't GSA have a limit of about $5 per square foot? You are paying above the limit.

Mr. MCDOWELL. They advised us our share would be $5.25.

Secretary WEAVER. We have no control over this.

Mr. EVINS. That $71,000 is the rent bill. Now, that makes a total budget of $11,950,000, an increase of $950,000. Jobwise last year you had 764 jobs.

Mr. BROWNSTEIN. This would add a total of nine jobs, Mr. Chairman.

Mr. EVINS. You have a new building, you have to have more jobs, and you have more expenses.

Mr. BROWNSTEIN. It is really the new programs that bring this about.

AVERAGE EMPLOYMENT

Mr. EVINS. Take a look at this breakdown again on page D–4. Your total average employments goes up. It was 655 in 1967, 704 in 1968, and estimated to be 743 for 1969.

Mr. BROWNSTEIN. It was 728 actual positions in 1967.

Mr. EVINS. 728 was the actual?

Mr. BROWNSTEIN. Yes, sir.

Mr. MCDOWELL. The figures you were reading were the average employment figures. The numbers Mr. Brownstein just gave you relate to positions.

Mr. EVINS. Those are actual positions?

Mr. MCDOWELL. Yes.

Mr. EVINS. Your positions are shown at the top as 728, and shown down at the bottom is the average employment?

Mr. MCDOWELL. Yes, sir. We have lapses, and so on, which accounts for the difference.

Mr. EVINS. You will soon be approaching a 100 increase. Can you get a little more efficient as you go along?

Mr. BROWNSTEIN. I think we have, Mr. Chairman. Had we not, this limitation would be substantially higher.

Mr. EVINS. Where is this increase to be placed? In the headquarters or in the field?

Mr. BROWNSTEIN. All of them are in headquarters, four in technical standards, two in mortgage insurance, and three are auditors.

Mr. EVIN. Travel and transportation goes up from $236,000 to $327,000 in the last 2 years. You show transportation of things from $26,000 to $27,000; rents and communications and utilities go up from $634,000 to $709,000, printing and reproduction goes up from $42,000 to $63,000.

Mr. BROWNSTEIN. A good deal of that added expense, Mr. Chairman, is brought about by our putting into effect our accelerated multifamily housing processing. We have had to send teams out to all of the insuring offices to put this into effect, and also it means new forms, fewer but new forms.

JUSTIFICATION MATERIAL

Mr. EVINS. Place in the record D–3, D–4, D–5, D–7, and D–8.

(The pages follow:)

ADMINISTRATIVE EXPENSE ESTIMATE

The administrative expense limitation, supporting the overhead functions of the agency, includes three broad categories of activity: line supervision; program supervision and advisory services; and fiscal and administrative management. The administrative staff is located in the central office, with the exception of 15 auditors stationed in field offices.

Estimated administrative expenses for the budget year increase by 8.6 percent over the current year—from $11 million to $11,950,000. Of this increase, $266,000 or 28 percent, is attributable to the balance of a full year's cost of the pay rates which became effective in October 1967, the cost of within-grade salary advance-

ments and an extra day's pay. A summary of the additional costs for the budget year is as follows:

1968 limitation	$11,000,000
Add:	
1. Staff and related costs	627,000
2. Pay rate increases	133,000
3. Within-grade salary advancements and extra day's pay	133,000
4. Increased space rental costs	71,000
Deduct: Net decrease in transfers to Office of the Secretary	14,000
1969 estimate	11,950,000

The justification of the administrative request by object follows the summary table on staff and expenses presented on the following page.

ADMINISTRATIVE STAFF AND EXPENSES

	1967 actual	1968 estimate	1969 estimate
Positions	728.0	764.0	773
June 30 employment	685.0	725.0	735
Average full-time employment	640.0	690.0	728
Overtime	8.2	8.0	8
Intermittent	3.3	.4	
Subtotal	651.5	698.4	736
Terminal leave	4.3	5.6	7
Total, average employment	655.8	704.0	743
Personnel compensation and benefits:			
11 Personnel compensation:			
Full time	$6,467,046	$7,315,000	$8,012,000
Overtime	63,673	65,000	65,000
Intermittent	21,516	2,000	
Subtotal	6,552,235	7,382,000	8,077,000
Terminal leave	47,831	68,000	82,000
All other	65		
Total, personnel compensation	6,600,131	7,450,000	8,159,000
12 Personnel benefits	506,589	568,000	625,000
Contractual services, supplies, and equipment			
21 Travel and transportation of persons	236,603	277,000	327,000
22 Transportation of things	24,703	26,000	27,000
23 Rent, communications, and utilities	701,414	634,000	709,000
24 Printing and reproduction	30,720	42,000	63,000
25 Other services	2,304,512	1,916,000	1,950,000
26 Supplies and materials	54,239	70,000	73,000
31 Equipment (noncapitalized)	15,271	17,000	17,000
Total, administrative expenses	10,474,182	11,000,000	11,950,000
Adjusted to reflect rates effective October 1967, Pay Increase Act, Public Law 90-206	10,889,000	11,111,000	

1. Staff and related costs

The average employment requirements under the administrative expense limitation will increase by 39 man years in fiscal year 1969, partly due to the addition of nine positions, but primarily to provide a full year's cost for employees recruited to fill essential vacant positions in the current year. The staff will total 725 at the end of the current year and is expected to increase to 735 by the end of the budget year. Details of the additional positions required are discussed below.

The majority of the administrative offices remain stable in their staffing requirements; nine additional positions are required for the following functions:

1. Technical standards	4
2. Project mortgage insurance	2
3. Auditing	3
Total	9

The table on the following page identifies positions by organizational elements in the three major categories of line supervision, program supervision and advisory services, and fiscal and administrative management. Additional staff requirements will be discussed in the categories shown above.

Technical standards.—Four additional positions are required in the office of technical standards for developing training materials for the accelerated multifamily housing processing program, and staffing the Land Development Division.

A study of multifamily housing processing procedures has been in process during the past year to find ways to shorten the time required to process an application for multifamily housing insurance. Processing forms have been redesigned, and procedures have been streamlined. The new program will be put into effect in the current year. To implement it will require extensive training of the field underwriting staff and the development and maintenance of an extensive appraisal data bank; for this purpose two employees will be added in 1969.

The Land Development Division, established during the past year, has been only partially staffed. The program is well underway now with preapplication analysis being performed for five new communities. Two employees will be added in the budget year when applications involving 100,000 lots are expected to be received.

Project mortgage insurance.—Two additional positions will be required in the budget year—one to provide central office direction to the expanding rehabilitation programs and one to develop operating procedures and instructions for the group practice facilities program.

Administration.—All functions under administration will remain at the current year's level with the exception of auditing.

Two areas of FHA operations require more nearly complete audit coverage—corporate mortgagors and brokers managing FHA-acquired properties. Such audits may disclose misuse of corporate funds which, when followed up by administrative action, often result in a reduction of the mortgage and, therefore, the FHA's contingent liability. There are nearly 9,000 subject to audit. Based on requests from operating officials and planned program coverage at reasonable minimum levels, 350 onsite audits and 150 audits of mortgagees not otherwise subject to Federal or State supervision will be needed. The current staff can perform a total of about 300 audits annually. The staff will be increased to 69 in the budget year which, when fully trained, will provide a more adequate audit program.

	1967 actual	1968 estimate	1969 estimate
Personnel benefits	$506,589	$568,000	$625,000

Personnel benefits, comprising FHA's contribution to the Civil Service Retirement Fund and the expenses for employees' life and health insurance amount to about 7.6 percent of the full-time personnel compensation. In addition to these basic benefits, $16,000 is included in the 1969 budget for estimated moving and related costs.

2. Pay rate increases

The pay scales which became effective in October 1967 will cost $331,000 in the current year and $464,000 in the budget year. The 1968 costs will be absorbed out of funds available in the current year. Additional costs in 1969 arising from pay legislation, therefore, are $133,000.

3. Within-grade salary advancements and extra day's pay

The additional requirements of $133,000 for these costs are as follows:

Net cost of within-grade salary advancements	$102,000
Pay in excess of 52-week base	31,000
Total	$133,000

4. Increased space rental costs

The FHA has been advised that it will be billed at the rate of $5.25 per square foot for space in the new HUD building. This will increase rent costs under the administrative expense budget by $71,000 in 1969.

5. Net decrease in transfers to Office of the Secretary

Transfers to the Office of the Secretary are reduced by $14,000 excluding the balance of a full year's cost of the pay rates which became effective in October 1967 which required $13,000. Detailed information on the transfers is shown in other services.

ADDITIONAL AVERAGE EMPLOYMENT

Mr. JONAS. Mr. Brownstein, it looks like you want about 88 more people, average employment, than you had in 1967. Is that right?

Mr. MCDOWELL. Average employment; yes, sir.

Mr. JONAS. From what I read in the paper the President is getting ready to agree to some very drastic spending cuts, and I don't see how housing and home financing can escape the ax. Why don't we help him a little bit by rolling employment levels back to 1967? You have 655 people, average employment. You cannot keep going up 88 every year and get any kind of fiscal improvement.

Mr. BROWNSTEIN. I think it is a question, Mr. Jonas, of what the priorities are on the programs. Certainly, one of the most critical problems that we have in the country today, it seems to me, in meeting the crisis in our cities is housing. If we are to cope with the inner city housing problems we will require some people.

Secretary WEAVER. I might point out also that what FHA has been doing particularly in the last year and a half and will be continuing to do next year is, as we have demonstrated in our testimony, shifting its emphasis to include a great deal more concern for and activity in the central city. This requires a new type of approach, it requires training of people, it requires a new administrative activity, and these take bodies if we are going to do these new programs. It is not just a question of adding volume, it is a question of adding a new type of volume. Dealing, for example, as we do now with a large number of nonprofit corporations, which has been practically dormant in this country until very recently in housing, requires a great deal more attention and more work on the part of the FHA and it requires a great deal more time to work with these groups than if you are working with the profit-oriented sponsors. They are a different breed.

Mr. JONAS. I would have to inject here the point that it doesn't look like it has been dormant to me, with 655 people in FHA's administrative staff. That is a small army.

Secretary WEAVER. I am speaking of the fact that the sponsorship has been dormant until the last 2 years. There have been very few nonprofit corporations involved in housing in this country. Each of them requires a great deal of attention and assistance.

Mr. JONAS. You weren't affected by the joint resolution?

Mr. MCDOWELL. Yes, sir.

Mr. JONAS. Did you act under it?

Mr. BROWNSTEIN. Yes.

Mr. JONAS. Did you cut back any on employment?

Mr. MCDOWELL. You will notice our positions are much higher than our average employment. The reason we are not up to our positions is

because we were operating under the joint resolution and could not fill the vacant positions for quite a spell.

Mr. JONAS. How many people do you have on board right now, Mr. Brownstein?

Mr. BROWNSTEIN. In our administrative staff?

Mr. JONAS. Yes.

Mr. BROWNSTEIN. 688.

Mr. JONAS. In order to get up to 773, which you are asking for, you will have to recruit 85 new people.

Mr. MCDOWELL. We would never get up to that number, sir. We have vacancies and lapses, and such, so that we will never get up to the position number.

Mr. JONAS. In order to get up to your average employment projected for 1969 you would have to go up to 743.

Mr. MCDOWELL. Yes.

Mr. JONAS. That is up from 688.

Mr. BROWNSTEIN. Fifty-five.

Mr. JONAS. Fifty-five. What if we gave you that many positions and money, you don't have any idea you would be allowed to fill those places; do you?

Mr. BROWNSTEIN. Within our limitation.

Mr. JONAS. Where is the President going to get this $9 billion reduction that he is now reported as being willing to accept in order to get a tax increase if you don't cooperate and reduce the number on the rolls?

Secretary WEAVER. I think that remains to be seen. When the decision is made by the White House and the Bureau of the Budget, when they will work out some plan for that, and whatever that plan is we will follow, of course.

EFFECT OF PUBLIC LAW 90-218

Mr. EVINS. Mr. Secretary, how did the 2-10 percent formula which the Congress adopted during the latter part of the last session affect FHA?

Mr. BROWNSTEIN. There was a reduction in our authorization, Mr. Chairman, and it was not necessary for us to accept any additional reduction.

Mr. EVINS. You could live within the new resolution without a bite or a pinch?

Mr. BROWNSTEIN. It was a pinch; yes, sir.

Mr. FRANTZ. May I answer that more generally, Mr. Chairman? As you know, the joint resolution applied to the Department as a whole and applied only to the extent that the Congress had not already reduced them in the appropriation action.

Mr. EVINS. How about FHA in particular?

Mr. BROWNSTEIN. We were under.

Mr. EVINS. It didn't apply in your case?

Mr. MCDOWELL. That is correct.

Mr. JONAS. You just got through telling me, and I guess you were referring to the Director of the Bureau of the Budget——

Mr. McDowell. No, sir. On the continuing limitation, that is what I was referring to, where we cannot operate above the lower number that either the House or the Senate passed.

Mr. Jonas. That was the continuing resolution?

Mr. McDowell. Yes, sir.

Mr. Jonas. You are not affected by the final legislative act?

Mr. McDowell. No, sir.

Mr. Evins. The administrative expense estimates are for top management. This is for headquarters, is it not?

Does it embrace also some branch offices?

Mr. Brownstein. No, sir; this is headquarters.

SUMMARY OF ADMINISTRATIVE PERSONAL SERVICES

Mr. Evins. In the line supervision category you go up from 51 in 1967 to 53 in 1969, and in the program supervision and advisory services you increase from 276 to 294, and for 1969, 300. In the fiscal and administrative management you go from 401 in 1967 up to 420 for 1969.

Place this chart in the record.

(P. D–6 follows:)

SUMMARY OF ADMINISTRATIVE PERSONAL SERVICES

	1967 actual			1968 estimate			1969 estimate		
	Positions	Average employment	Amount	Positions	Average employment	Amount	Positions	Average employment	Amount
Line supervision:									
Office of the Assistant Secretary Commissioner	14	10.7	$147,465	15	13.0	$182,500	15	14.6	$206,600
Assistant Commissioner for Field Operations	7	6.0	86,238	8	7.0	109,400	8	7.7	118,600
Regional Operations Commissioners	30	28.7	357,573	30	28.0	353,100	30	28.5	366,000
Total	51	45.4	591,276	53	48.0	645,000	53	50.8	691,200
Program supervision and advisory services:									
Assistant Commissioner for Home Mortgages	7	6.9	97,457	8	7.5	107,400	8	7.6	109,300
Assistant Commissioner for Multifamily Housing	18	17.5	189,864	18	18.0	197,500	18	17.5	196,800
Project Mortgage Insurance Division	29	27.8	337,040	31	28.0	360,000	33	30.0	402,600
Project Mortgage Servicing Division	33	29.2	335,910	39	35.0	418,000	39	37.5	453,800
Assistant Commissioner for Technical Standards	19	15.6	208,398	20	17.0	229,500	20	18.5	261,100
Architectural Division	53	51.7	658,986	57	49.0	654,200	57	54.0	753,400
Appraisal and Mortgage Risk Division	24	23.6	273,289	24	21.0	273,000	26	23.5	313,600
Land Development Division	5	.4	5,908	5	3.5	46,600	7	6.0	89,400
Assistant Commissioner for Property Improvement	25	23.8	232,757	25	25.0	254,100	25	24.5	255,800
Assistant Commissioner for Programs	6	5.4	79,683	6	6.0	89,300	6	5.6	86,000
Research and Statistics Division	50	45.6	396,915	52	47.0	437,100	52	49.0	467,300
Program Division	7	5.7	67,032	9	7.0	86,300	9	8.5	103,300
Total	276	253.2	2,883,239	294	264.0	3,153,000	300	282.2	3,492,400
Fiscal and administrative management:									
Assistant Commissioner for Administration	11	7.5	117,319	12	11.0	160,300	12	11.5	174,200
Management Division	82	70.4	474,075	86	79.0	563,000	86	81.0	634,300
Personnel Division	109	83.6	679,518	106	98.0	852,300	106	100.0	876,300
Budget Division	13	13.0	142,431	14	13.0	150,200	14	13.5	165,400
Audit Division	58	50.8	554,994	66	55.0	616,000	69	64.0	743,400
Compliance Coordination	7	5.8	60,942	7	6.0	62,800	7	6.5	69,000
Assistant Commissioner-Comptroller	121	110.3	963,252	126	116.0	1,112,400	126	118.5	1,165,800
Total	401	341.4	2,992,531	417	378.0	3,517,000	420	395.0	3,828,400
Total permanent	728	640.0	6,467,046	764	690.0	7,315,000	773	728.0	8,012,000
Overtime	.....	8.2	63,673	.....	8.0	65,000	.....	8.0	65,000
Intermittent	.....	3.3	21,516	.....	.4	2,000	.....	.....	.....
Terminal leave	.....	4.3	47,831	.....	5.6	68,000	.....	7.0	82,000
All other	.....	.....	65	.....	.....	.....	.....	.....	.....
Total administrative average employment	.....	655.8	6,600,131	.....	704.0	7,450,000	.....	743.0	8,159,000

UTILIZATION OF OVERTIME

Mr. TALCOTT. Most of the military, who are engaged in the war at this time, are on a 70-plus-hour week. I am just wondering if you have given any consideration to extending the workweek of your Department, say from 36 to 44 hours?

Mr. BROWNSTEIN. We would have to pay overtime to our employees if we were to do this, Mr. Talcott. I can speak for myself in terms of how many hours a week I put in, which is substantially in excess of that.

Mr. TALCOTT. Well, you have 14,000 officials in your Department and therefore only a few employees.

Mr. EVINS. I would use the phrase "distinguished public servant."

Mr. TALCOTT. You haven't given any consideration to increasing the workweek for the duration of the war.

Secretary WEAVER. We have, but every time we extend the workweek except for the highest ranking officials, we have to pay overtime. This gets to be a very, very expensive way of doing it. We try to minimize overtime. As a matter of fact, at various times when we have budgetary problems we cut out overtime entirely, if we can get away with it, because it is a very expensive way to do business.

NONADMINISTRATIVE EXPENSES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
Operating costs, funded:			
1. Mutual mortgage insurance fund	57,356	60,827	66,656
2. Cooperative management housing insurance fund	272	286	305
3. General insurance fund	23,537	25,490	28,242
Total operating costs	81,165	86,603	95,203
Capital outlay: Purchase equipment	1,544	397	397
Total program costs, funded	82,709	87,000	95,600
4. Change in selected resources	−317		
Total obligations	82,392	87,000	95,600
Financing:			
Unobligated balance lapsing	2,608		
Limitation	85,000	87,000	95,600

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Personnel compensation:			
11.1	Permanent positions	60,619	63,544	69,609
11.3	Positions other than permanent	165	268	329
11.5	Other personnel compensation	482	832	1,042
	Total personnel compensation	61,266	64,644	70,980
12.0	Personnel benefits	4,802	5,149	5,632
21.0	Travel and transportation of persons	4,014	4,538	4,684
22.0	Transportation of things	148	222	243
23.0	Rent, communications, and utilities	5,142	5,018	5,697
24.0	Printing and reproduction	548	600	935
25.1	Other services	871	889	970
25.2	Services of other agencies	149	140	185
25.3	Payments to administrative operations and working capital funds	3,753	4,939	5,337
26.0	Supplies and materials	286	330	395
31.0	Equipment	1,685	478	478
42.0	Insurance claims and indemnities	45	53	64
	Total costs, funded	82,709	87,000	95,600
94.0	Change in selected resources	−317		
	Subtotal	82,392	87,000	95,600
93.0	Nonadministrative expenses included in schedule for fund as a whole	−82,392	−87,000	−95,600
99.0	Total obligations			

PERSONNEL SUMMARY

Total number of permanent positions	7,193	7,340	7,792
Full-time equivalent of other positions	48	70	62
Average number of employees	7,040	7,116	7,512
Average GS grade	8.2	8.2	8.3
Average GS salary	$8,793	$9,299	$9,383

Mr. Evins. Let us turn to the nonadministrative expenses. This covers the operation or production activities of the agency—initiating insurance, maintaining insurance on the books, settling insurance claims which includes the payment of claims and the acquisition, management, and disposition of mortgages, properties, and home improvement notes. These activities are carried on both in the field and in the central office. The nonadministrative expenses requested for 1969 are $95,600,000 comparing with obligations of $82,392,000 for last year and an estimated $87 million for the current year. The net increase is $8.6 million, of which $2.4 is for fixed costs such as within-grade salary advancements and recent pay increase legislation. The net increase is $8.6 million.

Mr. Brownstein. Yes.

INCREASES REQUESTED

Mr. Evins. $2.4 million is for salaries and in-grade promotions caused by congressional action; and $5.5 million, or an increase of 6 percent, is required to process an 18-percent increase in mortgage insurance unit applications examined. Where are the other increases?

Mr. Brownstein. That is the aggregate.

Mr. Evins. It is estimated that home mortgage insurance applications will total 870,000 in 1968, and 980,000 in the budget year, an increase of 12.6 percent. You spell out the increased activity and the fact that Congress passed the Pay Act. This chart, I suppose, on page D–13 shows your position lapses, your personnel, et cetera.

Mr. BROWNSTEIN. Yes, sir.

Mr. MCDOWELL. The total average employment is up at the top of the page, sir.

Mr. EVINS. You have an increase of 417. Can you make that about 350, Mr. Brownstein?

Mr. BROWNSTEIN. Sir, only if our volume is less than we anticipate.

Mr. EVINS. You are more efficient and you know how to handle the workload faster.

Mr. BROWNSTEIN. We have taken that into account. If we had not, we would be asking for more——

Mr. MCDOWELL. If we had not, we would be asking——

Mr. EVINS. Both of the brothers spoke up and said the same thing at the same time.

Mr. MCDOWELL. We would have asked for 173 more.

Mr. EVINS. The Scripture says that out of the mouths of two witnesses shall the truth be established.

Mr. BROWNSTEIN. We are seeking a consensus.

Mr. EVINS. Gentlemen, place in the record D–12 through 15.

(The pages follow:)

NONADMINISTRATIVE EXPENSE ESTIMATE

The nonadministrative expense limitation covers the operating or production activities of the agency—initiating insurance, maintaining insurance on the books, and settling insurance claims, which includes the payment of claims and the acquisition, management, and disposition of mortgages, properties, and home improvement notes under the terms of insurance contracts. These activities are carried on both in the field and the central office. Major segments of the Comptroller's Division are the largest nonadministrative organizational units within the central office.

The FHA nonadministrative expense requirement for 1969 amounts to $95,600,000. This compares with obligations of $82,392,167 for the past fiscal year and an estimated $87,000,000 for the current year. The net increase in the 1969 estimate over the current year thus comes to $8.6 million, of which $2.4 million is for such fixed costs as within-grade salary advancements and recent pay increase legislation. Of the remainder, $5.5 million, or an increase of 6 percent, is required to process an 18 percent increase in mortgage insurance unit applications examined, FHA's major workload item. The estimate for 1969 is based on an expected improvement in the mortgage money market.

The adverse conditions in the mortgage money market, which began to affect FHA's volume of applications for mortgage insurance in the spring of 1966, began to ease in April 1967. It is estimated that home mortgage insurance applications will total 870,000 in 1968 and 980,000 in the budget year—an increase of 12.6 percent over 1968, consistent with the average annual increase experienced prior to the tightening of the mortgage money market in the first half of fiscal year 1966. The requirements for 1969 are presented in detail in the table on the following page.

NONADMINISTRATIVE STAFF AND EXPENSES

	Departmental			Field			Total		
	1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
Positions	983.0	971	963	6,210.0	6,369	6,829	7,193.0	7,340	7,792
Less lapse	78.4	61	46	167.0	278	341	245.4	339	387
Average full-time employment	904.6	910	917	6,043.0	6,091	6,488	6,947.6	7,001	7,405
Intermittent	5.0	8	1	43.0	62	61	48.0	70	62
Overtime	21.7	20	29	16.0	52	64	37.7	72	93
Subtotal	931.3	938	947	6,102.0	6,205	6,613	7,033.3	7,143	7,560
Terminal leave	4.4	5	5	39.5	40	40	43.9	45	45
Total, average employment	935.7	943	952	6,141.5	6,245	6,653	7,077.2	7,188	7,605
Personnel compensation and benefits:									
11 Personnel compensation:									
Full-time	$6,277,534	$6,550,000	$6,832,000	$53,926,692	$56,559,000	$62,338,000	$60,204,226	$63,109,000	$69,170,000
Intermittent	14,640	30,000	10,000	150,247	238,000	319,000	164,887	268,000	329,000
Overtime	180,615	174,000	237,000	157,133	511,000	657,000	337,748	685,000	894,000
Subtotal	6,472,789	6,754,000	7,079,000	54,234,072	57,308,000	63,314,000	60,706,861	64,062,000	70,393,000
Terminal leave	33,095	35,000	35,000	381,164	400,000	404,000	414,259	435,000	439,000
All other	2,282			142,117	147,000	148,000	144,399	147,000	148,000
Total, personnel compensation	6,508,166	6,789,000	7,114,000	54,757,353	57,855,000	63,866,000	61,265,519	64,644,000	70,980,000
12 Personnel benefits	504,815	541,000	564,000	4,297,657	4,608,000	5,068,000	4,802,482	5,149,000	5,632,000
Contractual services and supplies:									
21 Travel and transportation of persons	43,203	48,000	49,000	3,970,664	4,490,000	4,635,000	4,013,867	4,538,000	4,684,000
22 Transportation of things	5,045	25,000	26,000	142,474	197,000	217,000	147,519	222,000	243,000
23 Rents, communications, and utilities	1,244,459	1,178,000	1,364,000	3,897,317	3,840,000	4,333,000	5,141,776	5,018,000	5,697,000
24 Printing and reproduction	74,312	80,000	125,000	480,165	520,000	810,000	554,477	600,000	935,000
25 Other services	4,146,380	5,493,000	5,921,000	316,537	475,000	571,000	4,462,917	5,968,000	6,492,000
26 Supplies and materials	43,044	57,000	89,000	248,206	273,000	306,000	291,250	330,000	395,000
Grants and fixed charges:									
42 Insurance claims and indemnities	45,489	53,000	64,000				45,489	53,000	64,000
Total	12,614,913	14,264,000	15,316,000	68,110,383	72,258,000	79,806,000	80,725,296	86,522,000	95,122,000
Acquisition of furniture and equipment:									
31 Equipment							1,666,871	478,000	478,000
Total, nonadministrative expense							82,392,167	87,000,000	95,600,000
Adjusted to reflect rates effective October 1967, Pay Increase Act, Public Law 90-206							85,736,000	87,932,000	

Processing applications for mortgage insurance on multifamily housing will present a much heavier workload in the current and budget years as the reservations of rent supplement contract authority and 221(d)(3) BMIR allocations move into the insurance application stage.

The principal elements entering into the increased request in 1969 are summarized in the following tabulation.

	Average employees	Amount
Fiscal year 1968 limitation	7,143	$87,000,000
Add:		
1. Staff and related costs	417	5,672,000
a. Processing and other functional staff	408	5,507,000
b. Automation of central files	9	165,000
2. Within-grade salary advancements and an extra day's pay		1,177,000
3. Technical studies		10,000
4. Working capital fund		235,000
5. Increase in transfers to administrative operations fund		312,000
6. Pay and postal rate increase		1,194,000
1969 estimate	7,560	95,600,000

Among the elements in the 1969 increase are staff and materials required for the conversion of the central files from manual to automated operation; minimal growth in the technical studies program; and such fixed costs as within-grade salary advancements, an extra day's pay, and the effect of the October 1967 portion of the pay increase, totaling 30 percent of the total increase. The remainder of the increase is accounted for by larger workloads generally, but principally in the processing of mortgage insurance applications. Each of the elements identified in the foregoing tabulation is discussed briefly below.

1. Staff and related costs

a. Processing and other functional staff.—Most of the nonadministrative staffing requirements are developed on the basis of estimated workloads and production ratios. The principal workloads relate to receipt of applications for mortgage insurance and to property transactions which have been discussed under "Review of Insurance Programs" at the begining of this justification. Staffing requirements are summarized below.

Personal services	1967 actual	1968 estimate	1969 estimate
Positions	7,193	7,340	7,792
June 30 employment	6,955	7,167	7,593
Average Employment:			
Full-time	6,947.6	7,001	7,405
Overtime	37.7	72	93
Intermittent	48.0	70	62
Subtotal	7,033.3	7,143	7,560
Terminal leave	43.9	45	45
Total	7,077.2	7,188	7,605
Personnel compensation	$61,265,519	$64,644,000	$70,980,000

A total of 7,792 positions will be required in fiscal year 1969–963 in the departmental segment, primarily for fiscal services on insurance written, settlement of claims, sale of acquired properties and servicing of Secretary-held mortgages; and 6,829 in the field service for the initiation of mortgage insurance, mortgage servicing, and property disposition activities. The personnel requirements are based largely on measured workloads; departmental and field personnel requirements are discussed separately. A summary of the departmental staffing requirements is shown on the following page.

Departmental service	1967 actual	1968 estimate	1969 estimate
Positions	983	971	963
June 30 employment	932	931	923
Average employment:			
Full time	904.6	910	917
Overtime	21.7	20	29
Intermittent	5.0	8	1
Subtotal	931.3	938	947
Terminal leave	4.4	5	5
Total	935.7	943	952
Personnel compensation	$6,508,166	$6,789,000	$7,114,000

FEE APPRAISERS

Mr. JONAS. Most of these are appraisers?

Mr. BROWNSTEIN. Yes, plus compliance inspectors in our insuring offices.

Mr. JONAS. How many appraisers do you plan to add? Or are you going to do the extra appraisal work with field appraisers, or should I say fee appraisers?

Mr. BROWNSTEIN. No; we planned to add some permanent appraisers. We plan to add 50 appraisers at GS–11 and 86 at GS–9 and 20 at GS–12.

Mr. JONAS. That will take some time to train those people, to put them on the permanent rolls. It is always difficult to get them off once you put them on. Do you figures it costs more to do your appraising with regular appraisers or through the fee appraisal method?

Mr. BROWNSTEIN. It costs more as a general proposition to use fee appraisers. It is less expensive for fee appraisers in remote areas where you have a one-shot appraisal to make in a small town somewhere, and you would have to pay per diem and travel.

Mr. JONAS. What do you pay a fee appraiser to appraise a $15,000 house?

Mr. BROWNSTEIN. $25.

Mr. JONAS. How many can he appraise in a day?

Mr. BROWNSTEIN. Again, it depends on the location of them. If they are within a fairly compact area, why, I would judge that he could probably appraise four houses.

Mr. JONAS. Is your efficiency experience as good with fee appraisers as with in-house appraisers?

Mr. BROWNSTEIN. I would say that it is fairly comparable, because we do this: When we put on a fee appraiser on our panel we spot check his appraisals until we are satisfied he is doing well.

Mr. JONAS. It seems to me this would be a good time to use 150 additional fee appraisers instead of putting 50 permanent people on the roll. You may have to get rid of them pretty shortly.

Mr. BROWNSTEIN. It is much more expensive where you have a concentration of appraisal assignments overall.

Mr. JONAS. I wish you would give us the figures showing that. You pay a fee appraiser $25 and you have 20 on there at GS–12. That is a pretty good salary.

Mr. MCDOWELL. We expect our people to do at least four a day. That is what our production ratios are established at, four and a half, as a matter of fact.

Mr. JONAS. They don't all do that?

Mr. MCDOWELL. They had better. We don't give the offices additional appraisers unless they do.

Mr. JONAS. You mean, your mathematics are such that you can prove that over a year's time they do four a day, all your fee appraisers?

Mr. MCDOWELL. If the workload permits it.

Mr. JONAS. That is what I am getting at. If the workload is down you don't have to pay the fee appraisers, but if the workload is down you have to pay your regular appraisers whether they are appraising or sitting in the office.

Mr. BROWNSTEIN. What we try to do is staff, not for the peak workload but for an average workload. We do take care of peak workloads with fee appraisers.

Mr. JONAS. Let's do a little figuring here. How many in-house appraisers do you have—the total number? Let's see whether it works out to four a day.

Mr. BROWNSTEIN. I can put this in the record.

Mr. JONAS. You have that information?

Mr. BROWNSTEIN. Oh, yes.

HOME PROPERTY APPRAISAL COST PER CASE

Mr. JONAS. I think you had better put something in there, a little table to prove that this is a less expensive way of appraising.

Mr. BROWNSTEIN. All right, sir.

(The information follows:)

Analysis of FHA home property appraisal cost per case for the period July 1–Dec. 31, 1967

	Average cost [1]
Personnel compensation	$3,788.00
Personnel benefits	294.00
Travel	881.00
Change of duty station	90.00
Space, telephone, and supplies	206.00
Total costs	5,259.00
Average number of home property appraisals made during the period per appraiser	420.00
Cost per appraisal	12.52
Cost of fee appraisal	25.00
Fee appraisal cost over FHA staff appraisal cost	12.48

[1] Average costs per appraiser during the period, including a pro rata share of the costs related to moving an employee from one official station to another.

Mr. JONAS. It strikes me that if you figure the work days in the year——

Mr. BROWNSTEIN. We will put a table in the record on this, Mr. Jonas.

Mr. JONAS. I don't know which is more expensive, but my opinion is that in-house appraising is more costly.

Mr. BROWNSTEIN. We have had a study made on this, because as you know I have had experience with an organization that did use fee appraisers almost exclusively, at the Veterans' Administration. The study convinced me that we were better off, for the most part,

with staff appraisers and augmenting them during peak periods and in remote areas with fee appraisers.

Mr. JONAS. When you put a person on the Federal payroll at a GS–12, that is not the full extent of his pay.

Mr. BROWNSTEIN. Most of our appraisers are journeymen at grade 9.

Mr. JONAS. We figure that it costs at least 15 or 20 percent more in fringe benefits and to fix places for them to work. So unless your studies clearly demonstrate that it is less expensive to add appraisers than use fee appraisers, I think we would want to look at that pretty closely.

Mr. BROWNSTEIN. Of course, we do this, Mr. Jonas: As the workload has declined we have not filled jobs and we have transferred people around. I think this is demonstrated by the fact that at June 30, 1964, we had 8,638 employees. This went down in June of 1967 to 7,640. We now estimate that at June 30 of this year we will have 7,892.

Mr. JONAS. When you hire a fee appraiser from Washington, say, to appraise a piece of property out in Allendale, do you have to pay him the fee plus his travel?

Mr. BROWNSTEIN. No, sir.

Mr. JONAS. No travel?

Mr. BROWNSTEIN. No travel, only the fee.

TRANSFER OF APPRAISERS

Mr. TALCOTT. What can you transfer a GS–12 appraiser to when the appraisal work runs out in the area where he resides?

Mr. BROWNSTEIN. You mean within a particular office?

Mr. TALCOTT. You said you transferred them around.

Mr. BROWNSTEIN. No. If we have a GS–12 surplus in Washington and a deficiency in Los Angeles, we would transfer him to Los Angeles.

Mr. TALCOTT. That is expensive, too.

Mr. BROWNSTEIN. It is expensive; yes, but we put the people where the need is. There are not many such reassignments.

Mr. TALCOTT. Will you include all of those expenses, and the expense of keeping on a GS–12 appraiser after the appraisal work is finished?

Mr. BROWNSTEIN. I think the average cost of the appraisal will reflect this, the table that Mr. Jonas requested.

Mr. JONAS. Will it reflect the travel?

Mr. MCDOWELL. Yes.

Mr. JONAS. Be sure it reflects that because you wouldn't have to transfer this man from Washington to California if he were just a fee appraiser. That runs into money; travel and transportation of family, and so forth.

Mr. BROWNSTEIN. Another thing which we sometimes do which is less expensive than paying a fee appraiser per appraisal, we have hired some appraisers on a per diem basis.

Mr. JONAS. Where you have a lot of appraising to do?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. You use both methods?

Mr. BROWNSTEIN. Yes, sir.

AUTOMATION OF RECORDS

Mr. EVINS. You are asking for $165,000 for automation of your central files. I thought you had your files in pretty good shape.

Mr. BROWNSTEIN. This is going to improve that, Mr. Chairman.

Mr. MCDOWELL. This is just the expense of going onto the machines.

Mr. EVINS. You want machines and you want nine new jobs.

Mr. MCDOWELL. Beg pardon. That is nine man-years of overtime to make the transition.

Mr. EVINS. When you get it automated will you need the jobs?

Mr. MCDOWELL. No, sir; we will be saving several jobs.

WORKING CAPITAL FUND

Mr. EVINS. All right. You are asking for working capital funds of $235,000. What is that for?

Mr. BROWNSTEIN. That is to reimburse the Department's working capital fund on printing.

Mr. EVINS. You have your own printing plant at present?

Mr. BROWNSTEIN. The Department does.

Mr. EVINS. You pay the Department for printing the forms for you?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. They don't give you any service?

Mr. BROWNSTEIN. The Department has to pay for everything and each of us in the Department contributes our proportionate share.

Mr. EVINS. This is the reimbursement.

You have that pretty precisely figured out, that it is going to cost you $235,000.

Mr. BROWNSTEIN. Yes.

MORTGAGE INSURANCE PROCESSING

Mr. EVINS. If there are no more questions, let's take a look at this examination process. It is estimated that the number of mortgage insurance applications examined will increase from about 716,000 to 953,950 in the current year, and rise to 1,071,900 in the budget year. A lot of these are in process, are they not?

Mr. BROWNSTEIN. No, sir. These are applications received.

Mr. EVINS. Mortgage insurance applications, you estimate you will have 1,071,000 next year?

Mr. BROWNSTEIN. A total of 1,071,000.

Mr. EVINS. Yes. Compliance inspection, on new homes between four and five inspections are made during various stages of construction to insure conformity with FHA's minimum property standards. About 20 percent of the applications for insurance of existing homes require an inspection report on repairs made. What is the nature of these?

Mr. BROWNSTEIN. These inspections that we speak of here are on existing older houses.

Mr. EVINS. You say on new homes?

Mr. BROWNSTEIN. That is on new ones; yes, but I thought you were talking about the 20 percent of the applications on existing homes which require a report on repairs made.

Mr. EVINS. Twenty percent is on the repairs?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. The four inspections is on the construction?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. You have about 19 percent engaged in assignment and review?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. You review the direct examinations?

Mr. BROWNSTEIN. This is to see that the inspections which are being made are being made satisfactorily.

Mr. EVINS. After you make these inspections on construction, do the contractors readily comply?

Mr. BROWNSTEIN. Yes, sir. We very seldom have any difficulty.

Mr. EVINS. What about on the old homes when they make inspections?

Mr. BROWNSTEIN. Similarly, the problems on old homes are even less, really, than on the new ones. These, for the most part, are not extensive repairs. For example, it might be a new roof, repair of a porch, paving, fixing plaster—this sort of thing.

LAND DEVELOPMENT PROGRAM

Mr. EVINS. It is estimated that 15,000 lots will be processed in the current year and 73,000 lots in the budget year, requiring an average employment of 34 in 1969. What is this lot processing?

Mr. BROWNSTEIN. That is our land insurance program that came into being in 1965 by act of Congress.

Mr. EVINS. Tell us the nature of the processing you do.

Mr. BROWNSTEIN. This can be either a subdivision or a new community. We make the same kind of an examination there as we do in connection with any new subdivision. In the first place, we see that it is located in an area in which we expect a suitable development for residential purposes. We see that the topography is such that it is suitable. Then the proposal is for putting the site in shape for construction. This is the insurance feature which we put into effect.

Mr. EVINS. The private developer is going to develop the houses on the land and you go out to see if it is suitable for that type of development?

Mr. BROWNSTEIN. Yes. It will all be totally privately developed.

GROUP PRACTICE FACILITY PROGRAM

Mr. EVINS. Under the heading of "Group practice facilities" you state that 100 applications will be processed in 1969, requiring two people.

Mr. BROWNSTEIN. Yes.

Mr. EVINS. What is the nature of this work?

Mr. BROWNSTEIN. This is a new program where a group of doctors, dentists, or optometrists can get together and put together a group medical facility and conduct it as a group venture. The construction of the building and the ownership of the building itself has to be on a nonprofit basis, although obviously——

Mr. EVINS. Do you mean these doctors and dentists are nonprofit operators?

Mr. BROWNSTEIN. No, sir. I was going to say the income of the doctors, and dentists, and optometrists is not nonprofit but they will operate the building itself on a nonprofit basis.

Mr. EVINS. You insure the land, insure the building, and you help the doctors and dentists.

Mr. BROWNSTEIN. This is a practice where we also can provide insurance on the equipment.

Mr. EVINS. It will take two jobs to check on the doctors.

Mr. TALCOTT. Do you do this for accountantcy and law offices?

Mr. BROWNSTEIN. No.

Mr. TALCOTT. Not yet?

JUSTIFICATION MATERIAL

Mr. EVINS. Place in the record pages D–23 through D–27, D–29, and D–30.

(The pages follow:)

Examination.—The examination function covers the processing of mortgage insurance applications from receipt through the appraisal, architectural, and mortgage credit functions to the commitment for insurance. It is estimated that the number of mortgage insurance applications examined will increase from about 716,000 in the past year to 953,950 in the current year, and rise to 1,071,900 in the budget year. By increasing the utilization of fee appraisers in peak workload periods and increasing productivity significantly, the additional work will be performed with a 10-percent increase in staff over the current year.

Compliance inspection.—On new homes, between four and five inspections are made during various stages of construction to assure conformity with FHA's minimum property standards. About 20 percent of the applications for insurance of existing homes require an inspection report on repairs made. In the case of multifamily housing, a project is under inspection by FHA throughout the construction period. Again, anticipating a significant increase in productivity, a compliance inspection staff of 577 will be adequate to handle the estimated workload in 1969.

Assignment and review.—Assignment and review, requiring a staff equivalent to about 19 percent of the number engaged in the direct examination and inspection functions, safeguards the quality of the work performed. Production rations are expected to increase in this area also, so that the additional workload will require only three more employees in the budget year.

Land development processing.—The land development program had its inception in 1966 when 710 lots were processed. It is estimated that 15,000 lots will be processed in the current year and 73,000 lots in the budget year, requiring an average employment of 34 in 1969.

Group practice facilities.—The group practice facilities program enacted by Congress in November 1966 as a part of the Demonstration Cities and Metropolitan Development Act of 1966 has received countrywide interest. It is estimated that 100 applications will be processed in 1969, requiring 2 man-years of average employment.

Servicing and settlement.—This function comprises field activities involved in the servicing of insured mortgages, as well as mortgages acquired in the course of FHA operations, the collection of defaulted title I notes, and the acquisition, management, and disposition of properties acquired in connection with the settlement of insurance claims. No increases are forecast for these activities in the budget year.

Other services.—Other services comprise general direction and administrative management and a series of other functions which undergird the underwriting process. The 1969 estimate of average employment represents an increase of 54 man-years, which is attributable to: (1) heavier emphasis on program representation covering the more recent housing legislation (rent supplement, group practice facilities, and land development), and the housing counseling service; (2) minimal increases in preapplication services due to the acceleration in multifamily processing; and (3) training which provides in-house training of appraisers and construction analysts by experienced FHA personnel.

1967 actual	$4,802,482
1968 estimate	5,149,000
1969 estimate	5,632,000

Personnel benefits

The FHA contribution to the civil service retirement fund and the costs of the life and health insurance programs total about 7.8 percent of the full-time personnel compensation. In addition to these basic benefits, $183,000 has been included in the 1969 estimate for the benefits portion of the moving and related costs authorized in the amendments to the Administrative Expenses Act.

(*b*) *Automation of program files.*—The home mortgage program files, totaling about 4.2 million cases, are maintained manually by a staff of 52 employees with total annual costs approximating $350,000 which will increase as the files grow. The continuing growth in the files, the difficulty in recruiting employees for this type of work, and the space required for the operation make it desirable to automate these files. Several types of automated files were considered, and the Videofile system was determined to fulfill FHA's needs best. The equipment, costing $1,190,000, has been ordered. The time required for delivery prevents installation of the system and conversion of existing files before July 1, 1968. The 1969 estimate of $165,000 for conversion work in the budget year is summarized below:

Personal services	$60,000
Equipment rental	75,000
Cards and magnetic tape	30,000
Total	165,000

2. *Within-grade salary advancements and extra day's pay.*—The adjustment of $1,177,000 for within-grade salary advancements and an extra day's pay is as follows:

Net cost of within-grade salary advancements	$912,000
Pay in excess of 52-week base	265,000
Total	1,177,000

3. *Technical studies.*—Funds to be applied to contracts for study of problems in the areas of engineering, building technology and materials, architecture, and land planning are estimated at $500,000 in 1969, only $10,000 above the current commitment for the program. Currently, there are 32 studies under contract. New problems which have been identified for study and on which preliminary work prior to letting the contract is being done include: (1) photogrammetric techniques to measure the physical conditions of buildings to be rehabilitated; (2) storm-resistant housing design; (3) insulation of houses with respect to aircraft noise; (4) performance and acceptability of bituminized fiber pipe; and (5) partition cracking in high-rise buildings.

4. *Working capital fund.*—The working capital fund which will become operational late in the current year will cover, among its functions, the printing needs of the agency. Prior to the establishment of the working capital fund, a significant amount of the Federal Housing Administration's printing needs were supplied by the printing section whose expenses were borne under the administrative budget. With the establishment of the working capital fund late in the current year, all printing costs will be reflected under this object of expense. It is estimated that this will increase the nonadministrative printing costs by $235,000.

5. *Increase in transfers to administrative operations fund.*—Included in "Other services" for the 3 years are transfers to the administrative operations fund in the Office of the Secretary for the FHA costs of the consolidated regional offices, legal work in connection with defaults and foreclosures, FHA's automatic data processing requirements, and other centralized activities. Estimated expenses for all of these services are expected to increase by 6 percent or $312,000 in 1969.

6. *Pay and postal rate increase.*—The balance of a full year's cost of the pay rates which became effective in October 1967 is $1,095,000. To this must be added $99,000 for a full year's cost of the postal rate increases effective in January 1968.

DEVELOPMENT OF ESTIMATED COSTS

The bases and assumptions used in developing the estimated expenses by object are discussed below.

	1967 actual	1968 estimate	1969 estimate
Travel:			
Departmental	$43,203	$48,000	$49,000
Field	3,970,664	4,490,000	4,635,000
Total	4,013,867	4,538,000	4,684,000

Departmental travel will increase to $49,000 in the budget year, commensurate with the increased employment in the Property Disposition Division.

Unit costs for technical processing and compliance inspection activity will decrease in the current and budget years as volume increases and better scheduling of travel can be accomplished. Travel costs for these functions are $117,000 less than would be required at the current year's unit costs.

Rents, communications, and utilities.—The estimated costs are summarized below:

	1967 actual	1968 estimate	1969 estimate
Switchboard costs	$648,624	$677,000	$741,000
Federal telecommunications system, long-distance calls and telegrams	453,352	484,000	513,000
Penalty mail	872,450	972,000	1,144,000
Space and utility charges	2,995,848	2,700,000	3,016,000
Rent of equipment	171,502	185,000	283,000
Total	5,141,776	5,018,000	5,697,000

Switchboard and FTS charges are based on current man-year costs. Space provides 100 square feet for each additional employee. Penalty mail is based on increased volume of business and a 19-percent increase in postal rates. Rental of equipment includes $75,000 for file conversion, discussed earlier in this justification, and a small increase in copying equipment for the field offices.

Printing and reproduction.—The details of this object of expense are as follows:

	1967 actual	1968 estimate	1969 estimate
Legal instruments, amendments to the regulations, and minimum property standards	$60,559	$75,000	$75,000
Operating forms	402,038	470,000	800,000
Publications	7,840	5,000	5,000
Printed envelopes	44,040	50,000	50,000
Appraisal data program	40,000		
Cards for files conversion			5,000
Total	554,477	600,000	935,000

All printing costs remain at the current year's level with the exception of operating forms which will increase by $330,000. Of this increase, $95,000 will be required for additional workload and for changeover of operating forms to implement the AMP program, and $235,000 will reflect reimbursement to the working capital fund explained earlier in this justification.

Other services.—The details of the estimated requirements for "Other Services" summarized below indicate that the principal increase is in the transfers to the Office of the Secretary discussed earlier in this justification. There are minor increases wherever the item of expense is related directly to staff or workload increases. The transfers to the Office of the Secretary for consolidated departmental functions have been explained earlier in this section.

	1967 actual	1968 estimate	1969 estimate
Security investigations	$2,905	$5,000	$5,000
Credit reports	67,388	77,000	91,000
Technical studies	307,478	490,000	500,000
Postal surveys	19,470	20,000	35,000
Veterans certificates	76,752	80,000	95,000
Repair and maintenance of furniture, equipment, and buildings and other services	202,782	357,000	429,000
Civil Service Boards of Examiners	32,980		
Transfers to Office of the Secretary	3,753,162	4,939,000	5,337,000
Total	4,462,917	5,968,000	6,492,000

Supplies and materials.—Based on the current cost of supplies per employee and the estimated needs for magnetic tape to be used in the files conversion, the estimate for supplies and materials is as follows:

	1967 actual	1968 estimate	1969 estimate
Supplies and materials	$291,250	$330,000	$370,000
Magnetic tape			25,000
Total	291,250	330,000	395,000

Equipment.—The requirements for equipment totaled about $1,666,871 in the past year, including $1,190,000 for the videofile and $477,000 for other equipment. Requirements of $478,000 for the current and budget years are based on the past year's expense for equipment other than the videofile.

Insurance claims and indemnities.—The estimates of $53,000 and $64,000 for the current and budget years are based on advice from the Department of Labor.

DEFECTS IN NEW CONSTRUCTION

Mr. JONAS. What can you do to help a homeowner to require a builder to repair a new building that soon after occupancy turns out to be defective? For example, in a flooding area where he has a lot of water in a basement, walls cracking, that sort of thing.

Mr. BROWNSTEIN. We can require that the builder correct everything that is determined to be his responsibility. Our problem is with enforcement of this. If he refuses to do so we can only decline to do further business with him.

Mr. JONAS. It is up to the owner, then, to sue him?

Mr. BROWNSTEIN. The owner could sue him at that point. There is one further possibility, Mr. Jonas. In the 1964 legislation amendment, authority was given to us to actually make the repairs if it went to the structural soundness of the dwelling and we couldn't get the builder to do it, and if the mortgage was insured after 1964. We have had a few cases in which we have actually made the repairs for the homeowner.

Mr. JONAS. And charged it to the builder?

Mr. BROWNSTEIN. No. We tried to, but could not recover from him.

Mr. JONAS. You did not succeed. You just absorbed that from your insurance money?

Mr. BROWNSTEIN. Yes. The theory of the Congress in passing that piece of legislation was that if there were no repair done the homeowner would default and we would wind up with the house anyhow and have to repair it and put it into salable condition, and then go through the expense of a resale. It has to affect the structural soundness of the building, however, before we are authorized to do this.

Mr. JONAS. What type of things have come to light that would qualify?

Mr. BROWNSTEIN. I think your illustration of——

Mr. JONAS. A cracking wall?

Mr. BROWNSTEIN. No, not a crack in the wall.

Mr. JONAS. That would be a result of the house settling?

Mr. BROWNSTEIN. Yes. If it were really bad, pulling away from the foundation.

Mr. JONAS. That would be a structural defect?

Mr. BROWNSTEIN. Yes.

Mr. JONAS. What about failure to provide adequate drainage?

Mr. BROWNSTEIN. Again, if it caused the kind of a flooding condition that was very serious, such as the one you described in your illustration, it might fit within that category.

Mr. JONAS. Off the record.

(Discussion off the record.)

RENT SUPPLEMENT PROGRAM

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
1. Program payments	167	2,955	14,548
2. Administrative expenses	729	1,058	1,550
Total program costs, funded	896	4,013	16,098
Change in selected resources [1]	2	87	502
10 Total obligations	898	4,100	16,600
Financing:			
25 Unobligated balance lapsing	2,002	2,000	----------
40 New obligational authority (appropriation)	2,900	6,100	16,600
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures)	898	4,100	16,600
72 Obligated balance, start of year	----------	89	589
74 Obligated balance, end of year	−89	−589	−1,089
90 Expenditures	809	3,600	16,100
Expenditures are distributed as follows:			
01 Out of current authorizations	809	3,511	15,511
02 Out of prior authorizations	----------	89	589

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, $0; 1967, $2,000; 1968, $89,000; 1969, $591,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Personnel compensation:			
11.1	Permanent positions	302	570	705
11.3	Positions other than permanent	134	83	325
	Total personnel compensation	436	653	1,030
12.0	Personnel benefits	35	53	84
21.0	Travel and transportation of persons	44	35	50
22.0	Transportation of things		1	3
23.0	Rent, communications, and utilities	25	54	58
24.0	Printing and reproduction	4	3	4
25.1	Other services	2	2	3
25.3	Payments to "Administrative operations fund"	181	252	312
26.0	Supplies and materials	2	4	5
31.0	Equipment		1	1
41.0	Grants, subsidies, and contributions	167	2,955	14,548
	Total costs, funded	896	4,013	16,098
94.0	Change in selected resources	2	87	502
99.0	Total obligations	898	4,100	16,600

PERSONNEL SUMMARY

Total number of permanent positions	67	67	85
Full-time equivalent of other positions	11	7	30
Average number of all employees	41	71	106
Average GS grade	8.2	8.2	8.3
Average GS salary	$8,793	$9,299	$9,383

Mr. EVINS. Let's turn to a noncontroversial item, the rent supplement program. Mr. Reporter, place in the record 1 through 12.

(Pages E–1 through E–12 follow:)

RENT SUPPLEMENT PROGRAM

[Dollar amounts in thousands]

	Cumulative, June 30, 1966	1967 actual	1968 estimate	1969 estimate
Contract authority available	$12,000	$20,000	$10,000	$65,000
Reservation of contract authority:				
Number of units	8,852	24,848	11,100	72,200
Amount	$5,436	$26,564	$10,000	$65,000
FHA unit application received		[1] 10,179	39,600	36,000
Occupancy (end of year):				
Number of projects		74	140	384
Number of units		1,464	5,000	26,600
Number of unit months paid		3,566	42,900	200,000
NOA—Appropriations:				
Amount of payments	$100	$2,000	$5,000	$15,000
Administrative expenses	450	900	1,100	1,600
Expenditures	252	809	3,600	16,100
Payments		(80)	(2,542)	(14,550)
Administrative expenses	252	(729)	(1,058)	(1,550)

[1] Includes 3,010 unit applications received in prior years and converted to the rent supplement program in fiscal year 1967.

Introduction

The rent supplement program, enacted by the 89th Congress in the Housing and Urban Development Act of 1965, provides for a rent supplement in behalf of needy tenants. This new concept permits the abilities and energies of the private market working through nonprofit, limited dividend, or cooperative associations to be utilized in the massive job of meeting the housing needs of low-income families and individuals. Housing units provided are privately owned, privately operated, and privately financed. Most mortgages will be insured under the section 221(d)(3) market-interest-rate program. Not more than 10 percent of the amounts approved in the annual appropriation acts may be utilized for the ex-

perimental part of the program of which one-half may be used for housing provided under the section 221(d)(3) below-market-interest-rate program and one-half for housing for the elderly under the direct loan program (sec. 202) and the FHA elderly program (sec. 231).

A unique feature of the rent supplement program is that families are permitted to stay in rent supplement projects after their income levels rise about the amount for admission to the project. The family pays 25 percent of its income or the full market rent, whichever is lower. The program nurtures initiative since a family is able to apply to other family needs 75 percent or more of its increased earnings. This policy of allowing tenants to remain in a project after their incomes exceed the eligibility levels has a twofold effect. First, rent supplement payments in a given project will most likely not continue at the maximum level throughout the 40-year contract; and, second, diversity of tenant income levels, an important goal of the rent supplement program, can be achieved under these circumstances. Additional facts about the program are included in the appendix following this section.

Market and current experience

A report recently published by the Census Bureau indicated that in 1966 5.7 million families in the United States were housed in substandard accommodations. Although some of these families or individuals would not qualify for occupancy in rent supplement units, the majority probably would or they would not presently be living in the substandard units. In addition to the families living in substandard accommodations, an additional housing need exists for the elderly whose incomes are low, those displaced by governmental action, the physically handicapped, and those living in units destroyed or extensively damaged by natural disaster. Thus, it is evident that the need for rent supplement or other low-income units is great.

A survey of several rent supplement projects designed for the elderly, which now are occupied (secs. 202 and 231) sheds light on the dire circumstances of some of the present tenants in rent supplement units. The median reported asset figure of all interviewees was about $1,550. Almost 31 percent reported assets under $1,000 and 22 percent of the total reported assets under $500. The median monthly income of all surveyed families and individuals is $145 or about $36 a week. Based on a median monthly rental of $86, these families and individuals had a balance of $59 a month or about $15 a week to provide the other necessities. Now that they are housed in rent supplement accommodations, they need pay no more than 25 percent of their income toward their housing expense. This serves to reduce the monthly housing expense from $86 to $36. These same families and individuals now have $108 a month or $27 a week to provide for all other living costs. This cost differential represents an increase of 80 percent in spendable income which will help to alleviate the anxieties of life for these elderly persons.

Although the supplemented amounts as discussed above may be representative of "elderly" families and individuals, they are not representative of rent supplement payments for the program as a whole.

Status of the program

At the end of January 1968, reservations of contract authority totaled in excess of $38 million, and rent supplement proposals requiring $13.7 in contract authority were under consideration in the field offices. Requests in process, therefore, exceed available unallocated contract authority by nearly $10 million.

Accelerated processing techniques are expected to result in the start of construction or rehabilitation on over 14,000 units of rent supplement housing in the current year.

At the end of the past fiscal year, 74 projects containing 1,464 supplemented units were ready for occupancy (primarily already-constructed section 202 projects for the elderly); current data on projects under construction or rehabilitation indicate that there will be approximately 5,000 rent supplement units ready for occupancy by the end of the current year.

Though more low-income housing is needed, this represents a significant accomplishment in the relatively short time since the program was implemented.

Contract authority

The Housing and Urban Development Act of 1965 stipulates that the maximum annual rent supplement payments which may be provided in contracts are limited to aggregate amounts approved in appropriation acts.

The maximum rent supplement payments authorized in the act and the amounts approved in appropriation acts by fiscal year are shown in the following table:

SUMMARY OF RENT SUPPLEMENT PROGRAM CONTRACT AUTHORITY, FISCAL YEARS 1966-69

[In thousands of dollars]

Fiscal year	Statutory authority		Authority approved	
	Annual	Cumulative	Annual	Cumulative
1966 actual	$30,000	$30,000	$12,000	$12,000
1967 actual	35,000	65,000	20,000	32,000
1968 actual	40,000	105,000	10,000	42,000
1969 estimated	45,000	150,000	65,000	107,000
Contract authority not approved by appropriation action				43,000

A recent survey of FHA insuring offices points to continued nationwide sponsor interest in the rent supplement program. The offices submitted listings of 162 proposed projects. These proposals, when added to the projects for which funds have already been reserved, would exceed the $42 million contract authority approved through fiscal year 1968 by $10 million. The current backlog of proposals on file does not represent any concerted effort to invite previously unknown proposals. In the spring of 1967 proposals for reservation of funds were being received by insuring offices at a rate of $1.2 million per week. This momentum was brought to an abrupt halt due to the lack of sufficient contract authority.

Approval by the Congress of additional contract authority would quickly result in new proposals sufficient, when added to the current backlog, to allocate the fiscal year 1969 authority of $65 million in a relatively short time. The 1969 budget request is expected to support about 72,200 rent supplement housing units. This estimate is based on the assumption that the average rent supplement payment per unit will be $900, or a monthly rate of $75 per unit.

Payments

The appropriation request for payment of rent supplements to project owners on behalf of eligible tenants is $15 million for fiscal year 1969. This estimate is based on FHA field office reporting as to when each rent supplement project in their area of jurisdiction will be ready for occupancy. Field offices reported that, by the end of fiscal year 1969, 26,600 units will be ready for occupancy and that 200,000 unit payments will be made during the year.

Administrative expenses

The cost of administration of the rent supplement program during fiscal year 1969 is estimated at $1.6 million. This amount covers the making of reservations of contract authority, negotiating rent supplement contracts with housing owners, certifying tenant eligibility for occupancy in rent supplement units, and disbursing rent supplement payments. The workload under the administrative expense appropriation is in addition to the costs of processing the mortgage insurance applications which are covered under the nonadministrative expense limitation by income from fees, insurance premiums, and investments.

Currently, there are 67 authorized rent supplement positions—16 in the central office and 51 in the insuring offices. The field staff must be increased to 69 in the budget year to provide the necessary staff capability to make over 72,000 reservations of contract authority, negotiate rent supplement contracts with housing owners, certify tenant eligibility, and disburse rent supplement payments. All of these workloads will reach considerable magnitude in 1969. They are summarized below:

Reservation of contract authority (units)	72,200
Rent supplement contracts negotiated and/or adjusted	300
Tenant eligibility certifications	21,600
Review of tenants' income recertifications	3,500
Rent supplement unit payments certified and disbursed	200,000

The estimate of $1,600,000 for 1969 provides 18 additional positions and increases to 30 man-years the staff time applied to the program by insuring office personnel and central office fiscal and accounting employees. In addition to the FHA staff, funds are provided under "Other services" in the estimate for a staff of four employees in each of the six regional offices who provide the necessary regional office reviews. Actual administrative expenses for fiscal year 1967 and estimates for 1968 and 1969 are shown on the table on the next page.

The travel estimate has been increased in 1969 to $50,000 for the additional staff time required to make 72,200 contract reservations.

All other objects of expense have been based on the current year's average costs per employee.

ADMINISTRATIVE EXPENSES, RENT SUPPLEMENT PROGRAM

	1967 Acutal	1968 estimate	1969 estimate
Positions	67.0	67.0	85
June 30 employment	59.0	62.0	77
Average full-time employment	30.3	62.8	75
Full-time equivalent of other positions	10.8	7.2	30
Subtotal	41.1	70.0	105
Terminal leave	.2	.5	1
Total, average employment	41.3	70.5	106
Personnel compensation and benefits:			
11 Personnel compensation			
Full time	$301,893	$607,000	$745,000
Full time equivalent of other positions	134,341	83,008	325,000
Subtotal	436,234	690,000	1,070,000
Terminal leave	2,326	5,000	10,000
Total, personnel compenstion	438,560	695,000	1,080,000
12 Personnel benefits	34,806	53,000	84,000
Contractual services and supplies			
21 Travel and transportation of persons	44,413	35,000	50,000
22 Transportation of things	28	1,000	3,000
23 Rents, communications, and utilities	25,017	54,000	58,000
24 Printing and reproduction	4,088	3,000	4,000
25 Other services	182,427	254,000	315,000
26 Supplies and materials	1,619	4,000	5,000
31 Equipment	459	1,000	1,000
Total	731,417	1,100,000	1,600,000

SPONSOR ELIGIBILITY REQUIREMENTS

Three kinds of sponsors can participate in the rent supplement program—nonprofit, limited dividend, and cooperative, as defined below. To be accepted, proposals from all three types of sponsors, of course, must be economically feasible. Nonprofit sponsors, however, must in addition meet certain general eligibility requirements which evidence their potential for successful sponsorship.

Private nonprofit mortgagor.—A corporation or association which is organized for purposes other than making a profit or gain for itself or for 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.

Limited dividend or limited distribution mortgagor.—A corporation, trust, partnership, individual, or other legal entity which is restricted by law or by the Commissioner as to distribution of income and rate of return on investment. The maximum return now allowable is 6 percent of 11.11 percent of the mortgage finally endorsed. (This is equivalent to 6 percent on a sponsor's 10-percent investment in a project.)

Cooperative mortgagor.—A nonprofit cooperative ownership housing corporation which is approved by the Commissioner. Any income, of course, goes toward the reduction of tenants' rental costs.

Nonprofit sponsors should have a sincere desire and the financial and administrative ability to see a project through to completion and to assure its successful operation. If necessary, an organization can make arrangements for outside professional and management skills. Support should be from the entire membership of the organization and must not have come from a party which could profit from the venture. The sponsoring organization should be reliable and preferably have a well-established reputation in the community. Some examples of acceptable sponsors are strong local chapters of national service organizations, established churches or church organizations, active local unions, fraternal organizations, and foundations.

TENANT ELIGIBILITY

The law provides that a tenant must meet certain eligibility tests before he can receive rent supplements.

I. His income must be within the income group served by public housing.

II. He must qualify under one of the following categories:

(*a*) He must have been displaced by governmental action, such as urban renewal, code enforcement, highway development, and so forth;

(*b*) Either he or his spouse must be 62 years of age or older;

(*c*) Either he or his spouse must be physically handicapped;

(*d*) He must now be living in substandard housing; or

(*e*) His present or former dwelling must have been destroyed or extensively damaged by natural disaster in an area determined by the Small Business Administration since April 1, 1965, to be a disaster area.

Satisfactory evidence that an applicant is eligible for rent supplements must be submitted for approval by FHA. If an applicant claims that he is now living in substandard housing, or that his house has been destroyed or damaged, the FHA insuring office (or an appropriate local agency with which FHA has made arrangements) will make a physical inspection of his present housing.

A handicapped person is one who has a physical impairment which is expected to be of long-continued and indefinite duration, which substantially impedes his ability to live independently, and which is of such a nature that his ability to live independently could be improved by more suitable housing conditions.

Asset limitations

Total assets cannot exceed $2,000 unless the applicant is 62 years of age or older, in which case his assets may total up to $5,000. The asset limitation is higher for elderly than for other tenants because elderly persons must often rely on savings to supplement social security or other retirement income to pay current living expenses.

Furniture, clothing, and personal property are not counted as assets for the purpose of determining eligibility; however, the estimated value of any automobiles or real estate owned by members of the household (less indebtedness) is included in total assets.

Asset disqualification

If the tenant is an elderly individual (62 years or older) or a family whose head or spouse is elderly, when the individual or family assets increase to more than $5,000, rent supplements will be discontinued. In a case involving other than the elderly, rent supplements will be discontinued when the individual or family assets increase to more than $2,000.

Tenants whose rent supplements have been discontinued may occupy the same premises paying the normal economic rent. Subsequently, if the tenant again becomes economically qualified for rent supplements, his payments may be restored if the landlord has eligibility within his rent supplement contract.

GROSS INCOME VERSUS RENT BASE INCOME

Income for eligibility purposes

In determining whether or not a family or individual is eligible for rent supplements, gross income from all sources (before taxes or withholding) of all members of the household who propose to live in the unit will be counted. Income of children or other dependents who will live in the unit should be included. No deductions from gross income will be allowed for dependents.

If two or more eligible single persons (such as elderly individuals) want to live together in the same unit, their income will be added together for purposes of determining rent supplement eligibility.

Current gross income is derived by reviewing reported income for the previous 12 months and estimated income for the next 12 months, making an adjustment for unusual or temporary income which will not be forthcoming during the current 12-month period.

Income for rent supplement determination purposes

Although gross income will be used to determine eligibility for rent supplements, the following deductions from gross income will be permitted to determine the rent base income, or the income from which the amount of rent supplement is calculated:

1. Annual income up to $300 for each working member of the family under 18 years of age.

2. Continuing cost (as established by FHA) attributable to a permanent disability or chronic illness which is not compensated by insurance or otherwise.

3. Expenses incurred for the care of children under 13 years of age if necessary to the employment of a wage earner in a household.

LEASE OPTION PROVISION

The law contains a lease-option provision which authorizes rent supplement payments in projects whose tenants are expected in the future to be able to purchase the units they occupy. Only tenants with indicated potentialities for increasing their income sufficiently to assume the responsibilities of homeownership will be selected for lease-option projects. A minimum number of five units would constitute a project. In most cases, the project will be specially designed to facilitate this purpose; that is, detached, semidetached, or row houses. The units would have to be designed so that they could be readily released from the project mortgage and individualy refinanced under the home mortgage insurance provisions of FHA.

Although no time limit is set for conversion from renter to owner status, it is expected that this should take place within a reasonable period of time.

Participants under the lease-option program will pay 25 percent of their income for rent just as do tenants in other projects. They will accumulate their required downpayment by paying extra money into special escrow accounts that will be arranged by the project management. Rent supplements benefits would not be used to develop the downpayment. Normally, release of funds from such escrow account could be made to the tenant only when he either purchases or vacates the unit.

When the occupant's income has risen to a point where he qualifies from a credit standpoint and has accumulated the required downpayment, he can purchase the dwelling unit. The minimum downpayment for a $10,000 property would normally be $300 including closing costs.

Mr. EVINS. It says here that a recent survey by the Census Bureau indicated that, in 1966, 5.7 million families in the United States were housed in substandard accommodations. Although some of these families or individuals would not qualify for occupancy in rent supplement units, the majority probably would, or would they not presently be living in the substandard units. In addition to the families living in substandard accommodations, an additional housing need exists for the elderly whose incomes are low, those displaced by governmental action, the physically handicapped, and those living in units destroyed or extensively damaged by natural disaster.

Now, over on page E–9 it shows eligibility for the rent supplement. The income must be within the income group served by public housing and he must qualify under one of the following categories: He must have been displaced by governmental action such as urban renewal, code enforcement, or highway development, or he or his spouse must be 62 years of age or older, or either he or his spouse must be physically handicapped, or he must now be living in substandard housing, or his present or former dwelling must have been destroyed or extensively damaged by natural disaster in an area determined to be a disaster area. These are qualifications for the rent supplement program.

The budget figures are shown on page E–1. You had contract authority for $12 million cumulative through 1966. In 1967 the Congress authorized contract authority of $20 million, last year $10 million, and for 1969 you are asking for $65 million. The number of units goes up from 8,852 to an estimated figure of 72,200. The number of units paid, on a monthly basis, jumps up from 3,566, precipitously to 200,000. How do you account for this great increase?

Mr. BROWNSTEIN. Well, of course, this again is a cumulative compilation, Mr. Chairman. Every unit which is occupied for a period

of 12 months means 12 payments each year. We estimate by the end of 1969 we will have 26,600 rent supplement units ready for occupancy.

Mr. JONAS. That figure will be astronomical when it goes to 40 years, won't it.

Mr. BROWNSTEIN. It will be pretty high; yes.

Mr. JONAS. If you add the figures by months.

Mr. BROWNSTEIN. Yes.

Mr. JONAS. I guess that is the only way to figure it to really be accurate, because some will not be occupied the full year.

Mr. BROWNSTEIN. That is correct.

Secretary WEAVER. It will be reduced somewhat because as the projects become older, an increasing number will increase their income and will no longer receive the rent supplements, no longer be eligible because of their increased income. It is very hard to project this over a period of time. It will go up or go down——

NEW RENT SUPPLEMENT UNITS

Mr. JONAS. Mr. Chairman, may I bring up a point? We went into this yesterday but I would like to get it in the record at this point. How many new units did you say are now occupied? I don't mean rehabilitated, I mean new.

Mr. BROWNSTEIN. New, about 300 in projects which were processed initially as rent supplement proposals.

Mr. JONAS. 300 are new. Where are they located? Around the country?

Mr. BROWNSTEIN. Albuquerque, Lake City, Fla., Pasco, Wash., two in Boston and one in Cleveland.

Mr. JONAS. How many areas of the United States, if any, have you found to be high-cost areas in order to qualify for the 25-percent differential?

Mr. BROWNSTEIN. I don't have that figure with me. I would have to supply it. I would say a very sizable percentage of them.

Mr. JONAS. Of the 300?

Mr. BROWNSTEIN. Of these, 300 all are in high-cost areas with the exception of the projects in Lake City, Fla. and Cleveland, Ohio.

Mr. BROWNSTEIN. Incidentally, the one in Cleveland was a rehabilitated project but it was so terribly substandard that the repair——

Mr. JONAS. It was practically new?

Mr. BROWNSTEIN. Practically rebuilt.

AVERAGE RENT SUPPLEMENT PAYMENTS

Mr. JONAS. One other question, and you can answer it in any way you want to, to get the information in the record: I would like to know what the average payment per month is on the 300 units.

Mr. BROWNSTEIN. About $82.

Mr. JONAS. That is up from the original estimate.

Mr. BROWNSTEIN. The original estimate, yes.

Mr. JONAS. It is up about 100 percent from the original estimate, but also up from last year.

Mr. BROWNSTEIN. We were reserving on the basis of $75.

Mr. JONAS. How do you account for it going up that much?

Mr. BROWNSTEIN. Of course, we have a very small program sample that we are dealing with at the moment. Whether, as we get more of these projects underway, this will be reduced, I am not in a position to say at this time. But probably costs have just gone up. Taxes have gone up from the original estimates.

Let me mention, too, Mr. Jonas, you read from that report yesterday on North Richmond Baptist Church.

Mr. JONAS. Yes.

Mr. BROWNSTEIN. I have gotten some information on that. There was a preliminary conference held with our San Francisco people in May of 1967 with a representative of this church who had indicated that they did want to sponsor a rent supplement project. On the basis of this indication, we did reserve $76,800 for 80 units.

In August we asked them what progress they were making and were told that the board of trustees said that they were not in a position to proceed with the project. At that time the reservation was transferred to another nonprofit sponsor, the St. Johns Misisonary Baptist Church. They have now found a site which they think is suitable. They believe that this project is going to go forward with this other sponsorship.

PREMATURE RESERVATIONS

Mr. JONAS. The question yesterday was whether you are premature in making these reservations simply on a letter of inquiry and if it wouldn't be better to wait until more progress is made before you tie up your money.

The reason this is brought up is because you have had to cancel 400 or 500 projects, haven't you?

Mr. BROWNSTEIN. There have been a substantial number of them in which we have reserved, and then recaptured the funds. In this case those funds were tied up for about two and a half months while this first sponsor was trying to determine whether to go forward. But I think they have to have assurance before they start spending any money, Mr. Jonas, that they have a reservation available.

Mr. JONAS. I can understand that, but I still am not entirely satisfied that you aren't too fast in reserving money on a mere letter of inquiry.

Mr. BROWNSTEIN. It has to be more than just a letter of inquiry. We have to have some indication from them that they are serious about it and also that the sponsorship is acceptable to us.

Mr. JONAS. The reason this is important to us, you tell us you have so many dollars reserved and we don't know how firm those reservations are, and that affects the level of your funding requirement.

Mr. BROWNSTEIN. I can also tell you this, though, as I said to you yesterday: Practically all of the $42 million except for a small amount we are holding in reserve for possible increases that may come along later, has now been reserved. We know also that as we do have washouts, we have them waiting in line with additional projects. We have about $12 million that we cannot fund right now and this is without any encouragement, that we can reserve for immediately.

TYPE OF SPONSORS

Mr. JONAS. How many of those are limited dividend organizations and how many are cooperatives and how many are nonprofits?

Mr. BROWNSTEIN. On the allocations made we have 377 nonprofit projects and 182 limited dividend, and nine cooperative, or a total of 568.

Secretary WEAVER. This program is particularly attractive to the nonprofit groups.

Mr. JONAS. Church groups, fraternal organizations?

Secretary WEAVER. Yes. There are some advantages which can be developed, many of them already have the means of doing it and go into good management groups. We have a project at Boston, which the Assistant Secretary and I visited, run by a church. It is a beautiful project and extremely well managed. When you get a good nonprofit group you have a unique potential for good management for this type of housing.

Mr. JONAS. Have you had anybody to move out of any of the new units or rehabilitated units?

Mr. BROWNSTEIN. I cannot answer, I don't know.

Mr. JONAS. We have been talking in terms here that as the wage levels go up—and they are rising constantly—if your original concept was correct you ought to be having some people move up the economic ladder and move out and make room for some others.

Secretary WEAVER. But I don't think it is quite reasonable to expect that to happen in the first year. I might say in the Boston management project, the manager is working with the tenants. Their objective is to get everybody off of the rent supplement.

Mr. BOLAND. Are there any off of the rent supplement now?

Secretary WEAVER. No.

Mr. BROWNSTEIN. There is one family, I believe, in that project that went in paying the full economic rent. I might say, too, that you really can get a good deal of personal satisfaction out of this in talking with some of these families, as Secretary Weaver and I did. Some of these people who said to us they never believed that they would be able to bring their children up in an environment of this kind——

Mr. EVINS. Gentlemen, we have had public housing for 30 years. Now we have a new concept which brings in the churches, fraternities, lodges, and private contractors and builders. It says here in your justification that these are privately owned, privately operated, and privately financed. Most of the mortgages will be insured under section 221(d)(3) market interest rate program. Not more than 10 percent of the amounts approved in the annual appropriation acts may be utilized for the experimental part of the program. You are not going beyond 10 percent?

Mr. BROWNSTEIN. No, sir.

A PROFILE OF ELDERLY RENT SUPPLEMENT TENANTS

Mr. EVINS. You are getting private enterprise into the projects. This is an interesting survey here. It says a survey of several rent supplement projects designed for the elderly indicates that the median reported asset figure of all interviewees was about $1,550. Almost 31 percent reported assets under $1,000 and 22 percent of the total

reported assets under $500. The median monthly income of all surveyed families and individuals is about $145 or about $36 a week. Based on a median monthly rental of $86, these families and individuals had a balance of $59 a month or about $15 a week to provide the other necessities. Now, the rent supplement program serves to reduce the housing expense from $86 to $36. As you say, 25 percent of their income goes toward housing. These same families and individuals now have $108 a month or $27 a week to provide for all other living costs. This cost differential represents an increase of 80 percent in spendable income.

Now, all this data that we are reading here applies to the elderly?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Formerly they had about $86 a month and now they have about $108 a month.

Now, at the end of January 1968, reservations of contract authority totaled in excess of $38 million, and rent supplements proposals requiring $13,700,000 in contract authority were under consideration. The requests in process, therefore, exceed the available unallocated contract authority by $10 million.

Tell us again the status of your reservations.

STATUS OF CONTRACT AUTHORITY

Mr. BROWNSTEIN. We have $42 million total authorization.

Mr. EVINS. You have $42 million in authorization. Of that amount, how much have you contracted?

Mr. BROWNSTEIN. We have reserved virtually all of it. We are holding back about $2 million for possible increases.

Mr. EVINS. How much do you think you have in the pipeline?

Mr. BROWNSTEIN. We know we have pending with us firm requests of about $12 million.

Mr. EVINS. That is above that?

Mr. BROWNSTEIN. Above our authorization, but this has been without any encouragement on our part to stimulate any.

Mr. EVINS. At the end of the past fiscal year, I suppose that is 1968, 74 projects containing 1,464 supplement units were ready for occupancy. Current data on projects under construction or rehabilitation indicate that there will be approximately 5,000 rent supplement units ready for occupancy by the end of the current year. You mean 1968 there?

Mr. BROWNSTEIN. Yes.

EXPERIMENTAL PORTION OF PROGRAM

Mr. EVINS. You have 74 projects completed and expect 5,000 more units.

Mr. BROWNSTEIN. Those 74 projects were constructed, for the most part, under section 202 direct loans for the elderly program, and they come under the experimental part of the rent supplement program.

Mr. EVINS. You are transferring housing for the elderly and others under the rent supplement program; is this the way you are getting your figures up?

Mr. BROWNSTEIN. No, sir. We have done about all we can do under the experimental. The ones we are talking about now are ones that

started out as rent supplement projects, and this is how they will be constructed. We have about 6,000 units currently under construction.

Mr. EVINS. I would think you would want all the construction you can get private enterprise to build. What I want to know is how you interpret this provision down here, not more than 10 percent of the amounts approved in the annual Appropriation Act may be utilized for the experimental part of the program?

Mr. BROWNSTEIN. This means not over $4.2 million can be used for the experimental part of the program.

Mr. EVINS. This is for your own contract experimental work?

Mr. BROWNSTEIN. Yes, sir. In the sections 202 and 231 programs, and under the 221(d)(3) below market interest rate program.

Secretary WEAVER. This was added on. The original administration proposal for rent supplements did not have this proposal in it. This was added on by amendment. Those who were pushing that amendment already had buildings under construction, many in occupancy, and obviously they immediately were available, either as soon as they were finished with the buildings or as soon as the law was passed, to use the rent supplements in the existing buildings. That is why they moved there first. This was inevitable. Now they have taken up their 10 percent and the amount that they will be able to do will be very, very small in the future. We are concentrating, as we originally intended to, on new construction and rehabilitation.

Mr. EVINS. With your new construction and rehabilitation you are building up the number of units in the rent supplement program?

Secretary WEAVER. Yes.

FINANCING AT MARKET RATE OF INTEREST

Mr. EVINS. Mr. Secretary, earlier this committee directed that these projects be financed in the private, unsubsidized market. This is the private enterprise approach. We wanted financing in the private market. This was one of our directives. The Senate didn't look with too much favor on that, did they? What has been the net result?

Secretary WEAVER. At the present time all of these have been financed at the market rate of interest. We had a problem for a little while when the interest rates were going up, with the fixed 6 percent, and some of these were taken out with special assistance.

Now that we have the insurance companies coming in and taking these, plus the others that are being financed otherwise independently, this is being done in the market. We are not doing any special assistance in this program in the future.

Mr. BROWNSTEIN. Well, there was the provision in the Senate appropriation report which required that in order for a rent supplement project to be eligible for sale to FNMA in the special assistance program, there had to be a 5-percent equity in the project. That applied to the last $10 million contract authority that we were given. We have so instructed our offices that we will not allow any project to be sold to FNMA in the special assistance program unless there is this 5-percent equity. But as the Secretary said, this would practically rule out all nonprofit sponsored rent supplement projects because they don't have 5 percent to put into them. This would have very seriously ham-

pered the program except for the fact that the insurance companies are picking up many of these projects.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. Look at page E–4. The statutory authority which Congress authorized was $30 million for the first year, $35 million for the second year, $40 million for the third, and $45 million for the fourth. We approved $12 million out of the $30 million, $20 million out of the $35 million, $10 million out of the $40 million, and you are asking for $65 million for next year, which is more than the 1969 estimate?

Mr. BROWNSTEIN. Yes, sir.

Mr. EVINS. You see the picture here, gentlemen.

Any questions on the rent supplement program?

Mr. TALCOTT. I have a question.

Mr. EVINS. Mr. Talcott.

NUMBER ELIGIBLE FOR RENT SUPPLEMENTS

Mr. TALCOTT. In talking about tenant eligibility for rent supplements, what percentage of the tenants in America are eligible—over 50 percent, would you say?

Mr. BROWNSTEIN. Oh, no.

Mr. TALCOTT. Not 50 percent of the tenants?

Mr. BROWNSTEIN. Of all tenants?

Secretary WEAVER. Do you mean the population?

Mr. BROWNSTEIN. Of the roughly 40 percent who rent in the United States, what percentage of them would be eligible for rent supplements?

Mr. TALCOTT. Yes.

Mr. BROWNSTEIN. I really cannot answer, but I would think a fairly low figure.

Mr. TALCOTT. It seems to me those living in substandard categories add up to more than 50 percent.

Secretary WEAVER. But they have to have the income requirements, they have to meet those.

Mr. BROWNSTEIN. This is all coupled with the public housing income requirement.

Secretary WEAVER. What we could do would be to get you an estimate of the number of families that are eligible for public housing. Let me point out the difficulty here. That is, that each city has its own schedule for public housing, so that all you could do would be to get a guesstimate because you have to take the proportion in each city and add it. You cannot take one figure and go across because the limits in Baltimore and Washington are different and these are different from those in Alexandria and those are different from the ones in Marietta, Ga. So you just have a moving target, as it were. You don't have a multiplier.

Mr. TALCOTT. Is it possible to get some sort of a general figure?

Secretary WEAVER. We can give you a guesstimate.

Mr. EVINS. You state that the Census Bureau indicated there were 5.7 million families in substandard accommodations.

Mr. BROWNSTEIN. A good many of those would not be eligible because their incomes would be too high.

Mr. TALCOTT. A high percentage of them own their own homes and wouldn't be interested in this program.

Secretary WEAVER. Not too high, but it is a sizable number.

Mr. TALCOTT. Many people feel they would rather live in a substandard home and have a high standard car. You can't fault them for that, I guess.

(The requested information follows:)

RENTERS ELIGIBLE FOR THE RENT SUPPLEMENT PROGRAM

In order to qualify for the rent supplement program, a family must meet prescribed income limits. In addition, a family must also meet at least one of the following criteria: displaced by governmental action or a natural disaster; physically handicapped; housed in substandard units; or elderly (age 62 or over).

Renter households qualifying for assistance under these provisions are estimated to be 3,200,000. This estimate, based upon Bureau of Census data, incorporates several assumptions. Average income limits for a family of four persons is $4,000 per annum. There are 5.4 million renter households meeting the income limit criteria.

Within renter households meeting income provisions, 3.1 million meet an additional criteria by virtue of presently being housed in substandard units. An additional 0.1 million elderly not presently housed in substandard units also satisfy eligibility requirements. Because of the inadequate data available on those households qualifying under the "physically handicapped" and "displaced" provisions, nothing has been included in this estimate for those segments of the population.

Mr. EVINS. You are asking for $1,600,000 for administrative expense in the rent supplement program and 18 additional positions?

Mr. MARSH. At this point, could I pursue a comment of the gentleman from California?

Mr. EVINS. Mr. Marsh.

HOMEOWNERSHIP

Mr. MARSH. I think it is a very valid comment. With automobiles selling at from $4,000 to $6,000 on very free and easy credit plans, in the field of low-cost housing why can't we get the same type of credit plans that would be applicable?

Secretary WEAVER. We have several problems.

Mr. MARSH. I want the record to show this.

Secretary WEAVER. In the first place, the aggregate amount for the cost of a house is greater and it is a longer term loan. We have extended the life of the loan. I remember in 1961 we proposed extending the length of loan up to 40 years for homeownership, which would have made it more available. In the Housing and Urban Development Act of 1968, we are proposing a whole new program for homeownership which will accomplish much of what Congressman Talcott is speaking to and what you suggest, giving the same type of credit benefits, in the form of an interest subsidy for low- and moderate-income families to purchase their homes as well as to assist them in renting. We will accomplish that, I think.

Mr. BROWNSTEIN. Under our current programs, you can buy a house costing $15,000 with 3 percent down, which can include the closing costs, which is quite liberal.

RENT SUPPLEMENT ADMINISTRATIVE EXPENSES

Mr. EVINS. Mr. Administrator, last year you had 67 jobs in the rent supplement program. Now you are asking for 85 jobs, an increase of

18. Your appropriation was $1,100,000 in 1968. You are asking for $1,600,000 in 1969, a $500,000 increase and 18 new jobs.

Mr. BROWNSTEIN. Yes, sir. This is because of the increased volume that we anticipate with this budget request.

Mr. EVINS. All your expense items go up. Travel increases from $35,000 to $50,000, rent and communications from $54,000 to $58,000, other services increase from $254,000 to $315,000. Only one item remains the same, equipment, $1,000.

Mr. BROWNSTEIN. Yes. As the Secretary mentioned, Mr. Chairman, in dealing with nonprofit groups, particularly, it is expensive because you have to lead them every step of the way. In many instances they require a good deal of attention and it is more expensive. But this is built into the program and I think it is an essential part.

COMMUNITY DISPOSITION

Mr. EVINS. We have already discussed the community disposition activities. Let us place that material into the record.

(Pages F–1 through F–5 follow:)

COMMUNITY DISPOSITION ACTIVITIES

PROGRAM HIGHLIGHTS

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Property sales (cumulative)	$89,347	$92,292	$99,672
Repayment of investment to Treasury:			
Annual	3,000	1,000	8,500
Cumulative	64,000	65,000	73,500
Net budget expenditures or receipts (−)	−2,206	−885	−8,142

The Atomic Energy Community Act of 1955, Public Law 84–221, authorizes the sale of Government-owned residential and commercial properties at the atomic energy communities of Oak Ridge, Tenn., and Richland, Wash. The act was further amended by Public Law 87–719, approved September 28, 1962, to provide for the termination of Government ownership and management of the community of Los Alamos, N. Mex. Sales and financing functions, delegated to the Secretary of the Department of Housing and Urban Development by Executive Orders 10657 and 11105, were redelegated by him to the FHA late in the fiscal year 1966.

The sales program started at Oak Ridge in September 1956 and at Richland in June 1957. Disposal of the entire inventory of some 12,000 properties appraised at $80 million has been completed at these locations.

The Department advised and assisted the Atomic Energy Commission with the predisposition activities at Los Alamos. The planning, platting, classification of properties, and development of priorities regulations, for which the AEC retained responsibility, progressed to the point that the sales program was initiated during the past year.

Appraisal of the properties earmarked for disposition were made by the Federal Housing Administration. At the end of the past fiscal year, there were 393 properties in the inventory. The majority of the remaining residential properties will be sold in the current fiscal year. Other property, including churches, commercial properties, and vacant land, will require a longer time to sell; however, with sales of all types estimated at 241 in 1968 and 152 in 1969, all properties and land tracts will be sold by the end of 1969.

The sales program is largely divided into two phases—priority sales and public bid offering sales. Priority is extended to occupants of dwellings, to other residents, to project connected persons, and to former residents in that order. For commercial and other property the lessee has priority. Priority purchasers of single-family, duplex houses, and cooperatives will be accorded, under the disposi-

tion statute, a deduction of 15 percent from the appraised value; in addition a 10-percent discount will be allowed if the priority purchaser waives his statutory right to be indemnified later by the Government should he suffer a loss on the resale of such property. Purchasers are also allowed a credit for the value of improvements made by or at their expense.

As prescribed by the statute, sales are for cash, except when financing is not available on reasonable terms from other sources, the Secretary may take back a purchase money mortgage. Purchase money mortgages acquired from sales of residential properties bear interest at the rate authorized by FHA regulations at the time the notes and mortgages are executed. Mortgages acquired in the sale of commercial properties carry an interest rate of 6 percent for a term of 10 years. Advances for financing property repair and improvements on residential property are also authorized; such sums are included in the mortgage.

There were 1,061 mortgages in the portfolio at the end of the past fiscal year. It is estimated that 183 mortgages will be acquired in 1968 and 150 in 1969. No mortgage sales are estimated for 1968. Under the more favorable mortgage money market conditions anticipated for 1969, it is estimated that 1,070 will be sold, leaving 324 mortgages in the portfolio at the end of the budget year.

The property and mortgage transactions which constitute the principal workload items under the community disposition program are summarized below:

	1967 actual	1968 estimate	1969 estimate
Properties sold	606	241	152
Property inventory, end of year	393	152	
Mortgages acquired	471	183	175
Mortgages sold			1,000
Mortgage inventory, end of year	1,061	1,244	324

Repayment of investment to the Treasury

The community disposal operations fund was established to be credited with all proceeds of sale and income and to pay all necessary costs and expenses incident to the sale of these properties. All resources determined to be in excess of reasonable needs are annually paid as liquidating dividends to the Treasury. By the end of the budget year, it is estimated that liquidating dividends aggregating some $73.5 million will have been paid to the Treasury.

Administrative expenses

The estimate for administrative expenses for fiscal year year 1969 is $233,000—a decrease of $77,000 from the current year. The budget assumes a decrease of six positions—from 13 this year to seven by yearend fiscal 1969.

Community disposition activities are conducted by an administrative staff of four located in Washington, D.C., and nine at Los Alamos, N. Mex. The Los Alamos office staff includes a field director, realty specialists, attorney, and clerical personnel. The realty specialists, who are thoroughly familiar with residential, commercial, industrial, and nonprofit property categories involved, assure the orderly movement of sales documents. The attorneys are responsible for the correct conveyancing of property with a variety of Government easements and reservations, resolving the platting problems peculiar to each property, and for preparing notes and mortgages accepted from the sale of properties. The decrease in employment will occur in the Los Alamos staff.

ADMINISTRATIVE EXPENSES, COMMUNITY DISPOSITION PROGRAM

	1967 actual	1968 estimate	1969 estimate
Positions	17.0	13.0	7
June 30 employment	17.0	13.0	7
Average full-time employment	20.8	15.0	10
Full-time equivalent of other positions	6.7	8.7	3
Overtime		.3	
Subtotal	27.5	24.0	13.0
Terminal leave	.1	1.0	1
Total, average employment	27.6	25.0	14
Personnel compensation and benefits:			
11 Personnel compensation			
Full time	$184,041	$161,000	$125,000
Full-time equivalent of other positions	34,100	49,000	18,000
Overtime		3,000	
Subtotal	218,141	213,000	143,000
Terminal leave	515	6,000	8,000
Total, personnel compensation	218,656	219,000	151,000
12 Personnel benefits	16,462	16,000	12,000
Contractual services and supplies:			
21 Travel and transportation of persons	6,044	5,200	4,000
22 Transportation of things	702	1,000	1,000
23 Rents and communications, and utilities	4,356	3,000	3,000
24 Printing and reproduction	710	1,000	1,000
25 Other services	59,672	63,800	60,000
ZIA contract	(23,045)	(28,050)	(20,200)
All other	(36,627)	(35,750)	(39,800)
26 Supplies and materials	279	1,000	1,000
Total, community disposition	306,881	310,000	233,000

Mr. EVINS. We thank you, Mr. Commissioner.

TUESDAY, MARCH 19, 1968.

RENEWAL AND HOUSING ASSISTANCE

WITNESSES

DON HUMMEL, ASSISTANT SECRETARY FOR RENEWAL AND HOUSING ASSISTANCE

OFFICE OF ASSISTANT SECRETARY

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NAT A. WHITMIRE, ACTING CHIEF, BUDGET BRANCH
JOHN R. BUTLER, BUDGET ANALYST

RENEWAL ASSISTANCE ADMINISTRATION

ROBERT E. McCABE, DEPUTY ASSISTANT SECRETARY, RAA
MISS DOROTHY BOYCE, ACTING DIRECTOR, NEIGHBORHOOD PROGRAMS DIVISION
RALPH L. HEROD, CHIEF, REHABILITATION AND CODES DIVISION

HOUSING ASSISTANCE ADMINISTRATION

ELDER GUNTER, DEPUTY ASSISTANT SECRETARY, HAA
ABNER D. SILVERMAN, GENERAL DEPUTY
CHARLES B. ALTMAN, DIRECTOR, TECHNICAL SERVICES DIVISION
WILLIAM D. HUGHES, CHIEF, ELDERLY HOUSING LOANS STAFF
TREVOR J. THOMAS, CHIEF, COLLEGE HOUSING LOANS STAFF

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JOHN M. FRANTZ, DEPARTMENTAL BUDGET OFFICER
NATHANIEL J. EISEMAN, DEPUTY DEPARTMENTAL BUDGET OFFICER
ALBERT J. KLIMAN, BUDGET ANALYST

APPROPRIATIONS REQUESTED

Mr. EVINS. We will now look at renewal and housing assistance programs. Please have the table of appropriations from the justifications inserted at this point in the record.

(The table follows:)

[In thousands of dollars

	Actual, 1967	Estimate, 1968	Estimate, 1969
Appropriations:			
Urban renewal grants (enacted)	$725,000	$750,000	$750,000
Appropriations for next year's program	(750,000)	(750,000)	(1,400,000)
Assistance for model cities areas:			
Under existing authorization		100,000	150,000
Under proposed authorization			350,000
Administrative expenses	15,395		
Rehabilitation loans: Administrative expenses	1,396		
Neighborhood facilities grants	17,000	30,000	40,000
Low rent public housing:			
Annual contributions	255,000	275,000	358,000
Supplementals for 1966 and 1967 (enacted and proposed)	21,597	6,042	
Proposed supplemental for 1968		24,000	
Administrative expenses	13,725		
Alaska housing			1,000
Housing for the elderly	80,000	25,000	
Salaries and expenses		31,950	36,360
Proposed RHA supplemental Pay Act		880	
Total, appropriations	1,129,113	1,242,872	1,685,360
Limitations on administrative expenses:			
Housing for the elderly	1,232	1,232	1,282
Proposed Pay Act supplemental		40	
College housing loans	2,089	2,200	2,285
Proposed Pay Act supplemental		75	
Total, renewal and housing	1,132,434	1,246,419	1,688,927

Mr. EVINS. Gentlemen, we have with us the able and genial Assistant Secretary for Renewal and Housing Assistance, Mr. Don Hummel.

Mr. Hummel, do you have a statement for the committee?

GENERAL STATEMENT OF THE ASSISTANT SECRETARY

Mr. HUMMEL. Yes, Mr. Chairman.

Mr. Chairman and members of the committee, accompanying me here are a number of my staff, all of whom have appeared before you except Mr. Elder Gunter, who is the Deputy Assistant Secretary for Housing Assistance and Administration. Mr. Gunter has a distinguished record in city management. He came to us most recently from Saudi Arabia where he was the project director for the Ford Foundation.

BIOGRAPHY OF MR. GUNTER

Mr. EVINS. Mr. Gunter, insert a little biography into the record about your experience and background.

Mr. GUNTER. Yes, sir.

(The biography follows:)

BIOGRAPHICAL SKETCH OF ELDER GUNTER, DEPUTY ASSISTANT SECRETARY FOR HOUSING ASSISTANCE

Mr. Gunter, 51, was born in Douglass, Kans. He graduated from East High School in Wichita, Kans., and Wichita University, earning a bachelor of arts degree in political science in 1938.

Before completing his university studies, Mr. Gunter went to work for the city of Wichita, serving in various departments from 1937 to 1945, including the positions of director of personnel and research, and assistant to the city manager.

From 1945 to 1966, Mr. Gunter served as city manager of Newton and Junction City, Kans., University City, Mo., Des Moines, Iowa, and Pasadena, Calif.

In 1966, Mr. Gunter joined the Ford Foundation, serving as project director in Riyadh, Saudi Arabia. He worked with the Council of Ministers to bring about

national governmental reform in the fields of finance, personnel, agriculture, economic planning, and training. Mr. Gunter also spearheaded a program of English language instruction for government employees.

The outbreak of hostilities in the Middle East led to an interruption in this assignment, with Mr. Gunter returning to this country to make his home in Alhambra, Calif., and to serve as a consultant for the foundation.

Active in the affairs of the International City Managers Association, Mr. Gunter served as vice president in 1954–56 and president of the organization in 1961–62. He was a delegate to the International Union of Local Authorities meetings in Brussels, 1962, and Bangkok, 1967.

Mr. Gunter has taught government at Washington University, St. Louis, and conducted many classes in government operations.

He is married to the former Martha Ann Daniels of Independence, Kans. The Gunters have four children.

Mr. HUMMEL. Mr. Chairman and members of the committee, it has been almost a year since I first appeared here to review our programs of renewal and housing assistance with you. I welcome this opportunity to again meet with you and report on our activities this year and to discuss our goals and budget proposals for 1969. Many changes have taken place since our last meeting. I would like to briefly outline them for you.

NEED FOR RENEWAL AND HOUSING ASSISTANCE PROGRAMS

The needs of our cities are great—greater than we can respond to in any given year. This requires us to make maximum use of the resources allocated. Almost every city or municipality of significant size has areas or neighborhoods that are dilapidated and deteriorating, overcrowded and lacking in adequate facilities to respond to the basic needs of its citizens. Every day we delay, the deterioration accelerates and the cost of solution rises.

The problems are local ones and must be solved at the local level. Our cities and communities have demonstrated the desire and the will to eradicate them, but it is necessary to give them assistance if they are to meet their most urgent needs. They cannot do it alone. They need the Federal assistance provided by these programs.

President Johnson in his message on crisis in our cities emphasized the need to provide more and better housing for our low- and moderate-income families. We have been striving this last year to do just that.

RENEWAL ASSISTANCE PROGRAMS

Let me first discuss the renewal assistance programs.

We are requesting additional urban renewal appropriations for fiscal year 1969 of $500 million because of the impact of the model cities program. However, only $150 million of that amount is available for appropriation under existing authority, while the balance requires new authorization.

Our budget also proposes the continuation of advance renewal funding for 1970. This is essential to local communities to assure the availability of funds for ongoing renewal programs beyond projects already begun. It is essential to maintain continuity and coordination with other programs of the locality.

Thus, with regular program growth and with the accelerated effort which the model cities program is producing, funds for the urban

renewal program are expected to increase from $850 million in 1968 to $1.25 billion in 1969, and $1.4 billion in 1970. In the forward appropriation we do not propose to continue to make a distinction between urban renewal funds in general and those for model cities, since this distinction only came about because urban renewal authorizations had already been enacted through 1969, before model cities came into the picture in 1966. The estimate of $1.4 billion, therefore, includes all urban renewal activity in 1970, including that in model cities.

DEMAND FOR URBAN RENEWAL

As this committee knows, the demand from the cities for urban renewal assistance has been steadily growing, and we have worked diligently to keep backlogs within bounds. On May 19, 1967, we issued LPA letter No. 419 which announced that we would cancel all reservations for projects in planning at the expiration of 36 months. Since issuance of LPA letter 419, we have recaptured about $104 million for reallocation to other pending projects through this procedure.

We do not believe that the Federal Government can encourage cities to undertake the difficult process of planning for specific renewal action and then impose an indefinite delay for lack of Federal grant funds approved by the Congress. The reservation system is designed to protect the interests of both the cities in their individual projects and the Congress in the total Federal commitment.

URBAN RENEWAL PRIORITY SYSTEM

As the backlog continued to increase, we also established a priority system for approval of new renewal projects. This system provided that projects would receive priority for funding if they advance the national goals.

Projects are given priority that—

(1) Preserve or expand the inventory of housing for low and moderate income families.

(2) Provide job opportunities for the unemployed or underemployed.

(3) Are directed to areas that have the most critical and urgent needs.

Communities that are entering the program for the first time we exempt from the application of these national goals.

OTHER RENEWAL PROGRAMS

Other programs administered by Renewal Assistance Administration which materially contribute to the effectiveness of renewal are the code enforcement, community renewal, rehabilitation grants and loans, and neighborhood facilities. The budget reflects renewed emphasis on these programs as essential to the effective implementation of renewal projects. Together, they constitute the most effective means yet developed to meet the cities' problems. It is the catalyst for effective results. These programs are essential if model cities is to be successful.

Our budget proposes the increase of renewal activity if we are to manage the burgeoning pipeline that now stands at $1.9 billion with additions of $170 million a month.

PROPOSED LEGISLATION FOR URBAN RENEWAL

In addition, we are proposing a selective new approach in the Housing and Urban Development Act of 1968, which will permit some cities to undertake programs on a stage funding basis. This will enable us to respond to more cities more quickly without a large initial impact on the budget. It will save both Federal and local costs by earlier commencement of project activities and earlier completion.

NEIGHBORHOOD FACILITIES PROGRAM

We are also proposing to increase our neighborhood facilities program. This program is designed to bring into neglected low-income areas facilities which will house a wide variety of servies to their people. The need is great for this activity, and our budget provides for only the most urgent of the needs.

HOUSING ASSISTANCE PROGRAMS

Now, let us turn to the housing assistance programs. The changes and emphasis here have also been substantial.

The production of 680,000 dwelling units of public housing in a 30-year period cannot be considered an effective response to the need for public housing. As of November 1967, housing authorities had waiting lists of 400,000 applications.

Two things were apparent. Production had to be increased and services had to be provided that were directed to ascertaining the cause that put the family in a Government-assisted housing and to provide services which would help to interrupt this cycle poverty.

REORGANIZATION OF HOUSING ASSISTANCE ADMINISTRATION

With these two objectives, we reorganized the Housing Assistance Administration to put emphasis on two aspects: (1) A Production Division to increase volume of housing; and (2) set up a Tenant Services Division to provide better services for the tenants to assist them to better their economic condition and to raise the quality of their environment while they are occupying public housing.

CONTROL OVER SUBSTANDARD HOUSING

Mr. EVINS. Can I interrupt right here? We see a lot of the news reports here in the District of Columbia that the tenants who rent properties are not being adequately serviced. The plumbing is inadequate, the wiring and the electricity is improper, and in some cases the roof is not proper. What authority do you have and what authority is exercised in this area over tenant housing?

Mr. HUMMEL. We have the right and exercise the authority to demand that the units that are leased from private owners for occupancy by low-income tenants, are standard units. We have a right to inspect those units to see they are maintained in a standard condition if we are to pay a part of the rent.

Mr. EVINS. Are these FHA guaranteed, or are any of them ones in which you are involved with the payment of rent?

Mr. HUMMEL. I cannot speak for the FHA-guaranteed program. If there is an FHA guarantee on a structure which comes under that part of the low-rent housing program in which we lease facilities in private ownership, we have that authority and exercise it.

Mr. EVINS. Very good. Proceed.

ACCELERATING LOW-RENT HOUSING PRODUCTION

Mr. HUMMEL. Reorganization has been completed in the central and the regional offices, although we have not yet been able to fully staff the new organization.

It would be impossible without infringing on your time to tell you all that has been done to implement these objectives. I will give you only a few of the highlights.

First, we streamlined our procedures which will drastically reduce the time between application and availability for occupancy.

I might add that we delegated greater authority to the regional offices to help accomplish this.

We emphasized the turnkey process on the assumption that we can save both time and money and enlist greater participation by the private builder or developer in providing housing for this program.

We gave priority to those projects that could be available for occupancy at the earliest practical date. We urged greater use of the leasing program and the acquisition of existing facilities with or without rehabilitation. We set as a goal 70,000 dwelling units available for occupancy by September 30, 1968, and we propose to accomplish this. This will double previous production accomplishments.

We are also experimenting with the enlistment of the private sectors in providing management services to avoid the necessity of a huge expansion of Government-employed personnel. We have much to do, but we have laid the groundwork for an organization geared to production which is so necessary if we are to meet our goals of 775,000 units of public housing in the next 5 years. We estimate that there will be 75,000 construction starts for the next fiscal year.

IMPROVING LIVING CONDITIONS IN PUBLIC HOUSING

In support of the goal to improve the living conditions of those who reside in public housing, we made several significant changes. In addition to providing a division to emphasize tenant services, we adopted a modernization program. Ten million dollars was set aside for debt service which would provide $125 million of modernization annually. We allocated this for the older and more dilapidated housing units. The allocation is conditioned on the housing authority adopting and supplementing advance methods of management which involved the tenants in the management decisions and provided additional services such as counseling, job training, and placement, and the increase of amenities which will lead to a better environment at the housing project.

We must improve communication between management and tenants and develop with tenants a broader range of activities, opportunities, and services that will enable families to achieve economic independence and a sense of personal and family dignity and neighborhood pride.

To help accomplish this, we have prescribed social goals which are designed—

(1) To strengthen the communication between management and tenants in the administration of the project to achieve responsible citizenship.

(2) To improve the physical facilities and change the management approach to improve the living environment of the tenants during their residency in public housing.

(3) To place emphasis on incorporating activities and resources in the program which will enable families to achieve economic independence and a sense of personal and family dignity.

COLLEGE HOUSING AND HOUSING FOR THE ELDERLY

In addition to the low-rent housing program, Housing Assistance administers the college housing and the housing for the elderly programs. College housing authorizes 3-percent loans to provide housing for college students, nurses, and interns. It is a very popular program and much in demand. In view of the overwhelming demand, we have had to put stringent limitation on its use, by limiting loans to a maximum of $2 million per institution, those that are capable of using the funds immediately, and are not able to get loans from other sources at reasonable rates. We have not had a default in this program.

The housing for the elderly and handicapped program provides housing for those persons who do not qualify for the low-rent housing program, but do not have incomes sufficient to afford market rents. This program, while small, has demand far in excess of our ability to respond. It has been administered carefully, and no project has failed or been foreclosed, though a few have experienced temporary difficulty.

These two programs require no appropriation and will be financed in 1969 with funds provided through existing balances and participation sales.

ALASKA HOUSING PROGRAM

And we are also asking that you provide funds so that a start can be made in meeting the housing needs of the Alaska natives. Inadequate housing in the remote areas is considered one of the major reasons for the much higher rates of respiratory disease and infant mortality as compared with the "lower 48." Better housing is essential if these conditions are to be improved.

GOALS AND BUDGET FOR 1969

These are the goals and directions of the programs we will review with you today. Our programs can only respond in part to the large and complex problems in our urban areas. But the response we are making is an extremely important one. And we shall continue our efforts to make it a more immediate and more effective one.

Our budget includes appropriations of $1,649 million for direct program activities. This includes an appropriation of $500 million for urban renewal assistance in model cities areas—$150 million under the existing authorization of the Demonstration Cities and Metropoli-

tan Development Act of 1966 and $350 million under proposed authorization. It includes $358 million to pay annual contributions that have been committed under existing contracts for low-rent public housing. It includes $1 million to begin the Alaska housing program authorized by the same act.

We are requesting an appropriation of $36,360,000 for salaries and expenses—or 2.2 percent of the program appropriations. We are requesting limitations of $3,567,000 for administrative expenses of the elderly and college housing programs. These amounts are needed to provide the necessary new positions and needed skills to enable us to carry out the greatly expanded and important programs that are directly concerned with national goals and objectives.

My associates and I will be glad to answer whatever questions you may have concerning our programs and our proposals for the coming fiscal year.

HOUSING GOALS

Mr. EVINS. That is a very nice statement, Secretary Hummel, very much to the point.

You spoke in your testimony about the goals for the next 5 years and I believe the President in his speech referred to 10-year goals.

You are proposing 775,000 additional housing units to be added for the low-income and middle-income families in the next 5 years.

Mr. HUMMEL. Yes, sir. That is 775,000 units of low-rent housing.

URBAN RENEWAL BACKLOG

Mr. EVINS. You testified about a backlog. What is the backlog of applications for your urban renewal activity?

Mr. HUMMEL. We have $1.9 billion in the backlog for renewal as of the end of February.

Mr. EVINS. You talk about a $1.9 billion backlog. What does this include?

Mr. HUMMEL. That includes all the applications that have been submitted to the Renewal Assistance Administration for new projects and for increases in existing projects.

Mr. EVINS. This is urban renewal backlog for both existing projects and new projects?

Mr. HUMMEL. Yes.

Mr. EVINS. The total would come to $1.9 billion. If you received $1.9 billion you would be able to take care of all you have in the pipeline?

Mr. HUMMEL. Yes—all that we have right now. Of course, more applications are coming in all the time.

APPROPRIATIONS REQUESTED FOR URBAN RENEWAL

Mr. EVINS. You are asking for $1.4 billion. So your funding request is about $500 million from being able to take care of all that is in the pipeline?

Mr. HUMMEL. $1.4 billion is what we have asked for, for the forward funding in 1970. The $1.9 billion is immediate backlog which will be substantially higher in 1970.

Mr. EVINS. You said your budget was $1.649 billion. What does this include?

Mr. HUMMEL. That is the total 1969 budget for all RHA programs, including such things, as code enforcement, CRP's, demolition projects, and housing assistance programs as well. It does not include the administrative expense appropriation. I might also mention that the $1.4 billion for 1970 includes the urban renewal funds necessary for the model cities program. The backlog for urban renewal in the model cities program is not in the $1.9 billion backlog that I referred to a moment ago.

ADVANCE FUNDING FOR URBAN RENEWAL

Mr. EVINS. Heretofore your urban renewal has been funded for 2-year periods and you have had separate funding for urban renewal projects within model cities. Am I correct that for 1970 and future years you propose to fund your regular urban renewal and your urban renewal activities in model cities all in one appropriation?

Mr. HUMMEL. That is true of 1970. In 1969 we have the forward appropriation, that has already been made, of $750 million for the regular program. We are asking for $500 million additional for urban renewal assistance in model cities areas, this would make $1.25 billion for 1969. The $1.4 billion for 1970 would include funds for both.

Mr. EVINS. Then it will be 1970 when you are going to have the forward funding and the merging of the two programs?

Mr. HUMMEL. That is true.

Mr. EVINS. You are asking for additional appropriations for this year—for 1969—as well as forward funding for 1970?

Mr. HUMMEL. Yes, sir. That has been consistent, I believe, with past action of this committee.

RECAPTURE OF URBAN RENEWAL FUNDS

Mr. JONAS. Would you yield?

Mr. EVINS. Yes. Mr. Jonas.

Mr. JONAS. You said on page 3 of your statement that you have recaptured $104 million for failure on the part of communities that had reservations to move forward; is that right?

Mr. HUMMEL. Yes, sir.

Mr. JONAS. Now, how much additional money do you expect? What dates are involved there? You recaptured $104 million when?

Mr. HUMMEL. We recaptured $104 million up to the present time from the time we gave notice to the communities in May of 1967 that we expected to recapture those funds for projects pending before us.

Mr. JONAS. When were they canceled, the $104 million?

Mr. HUMMEL. Over that interim period of time as we reexamined the program.

RECAPTURE OF FUNDS IN FISCAL 1968

Mr. JONAS. I am trying to find out whether all of this $104 million was recaptured in fiscal 1968.

Mr. HUMMEL. Yes.

Mr. JONAS. You didn't recapture any in 1967?

Mr. HUMMEL. There was some recaptured in 1967. There are always some terminations and some fallouts from the program; but they are not included in this figure.

Mr. JONAS. On your projections, what do you think you will recapture during the remainder of 1968?

Mr. HUMMEL. Probably not too much. How many are potential?

Mr. MCCABE. We still have——

Mr. JONAS. How many more projects in dollars do you have that are over 36 months old still subject to recapture?

Mr. MCCABE. We still have six projects that we have not made a final decision on at the current time because they have been asked for additional information.

Mr. JONAS. That would involve how much money?

Mr. MCCABE. About $52 million.

Mr. JONAS. And as the months passed you have additional projects that come into this 36-month period?

Mr. HUMMEL. True. But the remarkable action has been that communities have moved much more rapidly. They value these funds. They have moved to complete the planning period.

Mr. JONAS. Do you have any projection for 1969 as to how many projects you think you will cancel under this year?

Mr. HUMMEL. No, sir.

Mr. JONAS. No way to estimate that?

Mr. HUMMEL. No, sir; I don't believe so.

USE OF RECAPTURED FUNDS

Mr. JONAS. If we are talking about $152 million, that is additional money that is available for application to new projects?

Mr. HUMMEL. Not entirely. Part of it may go to new projects and part of it may be used for increases in existing projects. Every year a project goes by you have a normal cost escalation and there are changes within the projects. In projects where it is proposed to rehabilitate some facilities, when you get into it you may find out they have to be demolished. This increases your cost.

Mr. JONAS. What I am getting at is this: We could eliminate $150 million from your program because this is money you did not know you were going to have in it.

Mr. HUMMEL. I don't see how you can come to that conclusion.

Mr. JONAS. That is the logical conclusion, from what you said.

NONRECURRING NATURE OF RECAPTURES

Secretary WEAVER. I think I might be able to explain this. The first thing is that this is not a recurring item. Two things happen when we recapture project funds. You get those projects which are the most sluggish—you get them out once and for all. Secondly, you get the potential sluggishness out of the other projects, once they know this policy exists. In addition, when the budget was made, we had already instituted this procedure; and we certainly expected to recover this money.

Mr. JONAS. You couldn't expect it. You didn't know how many would qualify.

Secretary WEAVER. We certainly knew how many were sluggish and we knew the universe from which we would probably recover funds. In fact, we were recovering funds at the same time we were working on this budget.

Mr. JONAS. Mr. Hummel says he can't do it for 1969. How could you do it for 1968?

Secretary WEAVER. Because, as I say, this is to some extent a one-shot operation. We knew some of the projects had been limping along, and we had a pretty good estimate of what we would recover. Now, we estimate that we have recovered almost all of those that are recoverable. And it is not going to be duplicated again because the policy is now in effect.

Mr. JONAS. I know, but the money appropriated is not going to be duplicated unless we appropriate a duplicate amount next year. It doesn't answer the question to say this is a nonrecurring program.

Secretary WEAVER. Yes, but it answers your first question in which you asked how much would be recovered in 1969. I am saying that the amounts to be recovered in 1969 will be a much smaller magnitude than in 1968; and the year after that they will be even smaller and I think ultimately it will be zero.

RELATIONSHIP OF RECAPTURED FUNDS TO BUDGET REQUEST

Mr. JONAS. I think we may have in this committee encouraged you to take this action. I know it has been discussed back and forth. Maybe we weren't responsible, but we encouraged you to do it. I think it was wise to do it and this proves it was wise because you got $150 million that you wouldn't have had. You would have kept it tied up in reservations, and would have been asking us for that much in new appropriations. So I don't see why you can't continue your regular program with $150 million less in appropriations without reducing the program any.

Secretary WEAVER. I think you have to recognize the fact that the budget is predicated upon what the demands are and what the backlog is. All I am saying is that the budget figures which we developed and the figures which we are now presenting to you took into account the approximately $150 million that will be recovered.

Mr. JONAS. Your program, then, if that is true, would be $150 million greater than your budget program.

LARGER ACTIVE PROGRAM

Secretary WEAVER. No; the program would not be any larger. The active program would be larger. All of this money would be transferred from an inactive to an active project. The total program doesn't get any larger.

Mr. JONAS. Well, you canceled $150 million in reservations.

Secretary WEAVER. Yes, sir.

Mr. JONAS. You have to do something with that money.

Secretary WEAVER. We substitute one project for the project which was canceled out. So the program is no larger. It is more active but not larger projectwise or moneywise.

Mr. JONAS. It is larger because you are asking for more money in the regular program and this is superimposed on that.

Secretary WEAVER. No.

IMPACT OF RECAPTURES ON TOTAL PROGRAM

Mr. JONAS. You are asking for $1,250 million for urban renewal.

Secretary WEAVER. That is right. That would be the total amount for 1969.

Mr. JONAS. In addition to that money, you have $150 million that you have recaptured by canceling reservations.

Secretary WEAVER. Yes—in 1968.

Mr. JONAS. So you have a program of $1,400 million in 1969.

Secretary WEAVER. No, sir.

Mr. JONAS. I don't understand.

Secretary WEAVER. We had a program of x amount before we recaptured that $150 million. After we recaptured that $150 million the program is the same size it was before. The total amount of money that is being used is exactly the same as it was before. The particular projects that will be developed within that total have been changed, but the program has not been augmented.

Mr. JONAS. We are not getting anywhere by arguing. I haven't made the point that I wanted to make clear. I am sure you would respond to it if I had. Let me try again.

You had a certain amount of money in unobligated funds, $150 million of that was reserved because it was not obligated. It is back in what you call a reservation. Now, you take that money out of the reservation category, it does not disappear, it is still available for obligation. Now, if we give you $1,250 million in new obligational authority for 1969 you have that $1,250 million plus the $150 million that you canceled in reservations.

Secretary WEAVER. But we already had that money. That was already in the program.

Mr. JONAS. But it wasn't obligated.

Secretary WEAVER. Yes, sir. There were reservations against it.

SUBSTITUTION OF ACTIVE FOR INACTIVE PROJECTS

Mr. HUMMEL. When we recaptured the funds, we immediately substituted other projects which were ready to move. That does not carry into 1969. These actions are part of our 1968 program. We are not carrying forward $104 million plus the potential into 1969. The funds are immediately reallocated to other projects, either to increase the projects in the communities where they needed additional funds or to new projects. The size of the program has not been changed one bit. The only change is you have different projects than you had before. That is the only change that has been made. That is all that has been done.

Mr. JONAS. This is the first time I heard that you could pick up $150 million and not increase the program.

Secretary WEAVER. You did not pick it up, you reallocated it.

Mr. HUMMEL. It was just changed to a different project.

Mr. JONAS. We are talking about two different things. We discussed this yesterday. I read to you out of our investigator's report in which he criticized your method of reserving. You are talking about reservations and I am talking about obligational authority. I cannot understand how, if we give you $1,250 million in new obligational authority and you have canceled $152 million of reservations that you previously had on your books, why you won't have $1,400 million in new obligational authority.

Secretary WEAVER. The reason for it, I think, is rather simple. We have taken two actions in fiscal 1968. We are recapturing from reservations this $150 million-some. We are reallocating this to other reservations so that the size of the 1968 program is exactly the same as it was before. The only difference is that the makeup of the program is different. The total authority we have in 1968 is unchanged; and that money for 1968 also makes no impact on the amount of money that will be available in 1969.

Mr. JONAS. You have not obligated this $152 million, you have merely reserved.

Mr. HUMMEL. $140 million of it was taken from this reservation on this project and transferred to this reservation on this project [indicating.]

Mr. JONAS. But it hasn't been obligated, it has merely been reserved.

Mr. HUMMEL. In the legal sense I guess you would say that when we sign the loan and grant contract, that is the spot at which it becomes a legally binding obligation. As far as the community is concerned, however it is no less binding when we initially approve that project because they have worked for the past two, or two and a half years to get to this point, they want to know that the money is available to execute the project.

Mr. JONAS. Let me go at this through the back door.

Mr. FRANTZ. Why, Mr. Jonas!

Mr. TALCOTT. This is backdoor saving.

Mr. JONAS. That is right. I don't mind going in the back door if we are going to save some money.

Secretary WEAVER. I thought we had solved that.

Mr. EVINS. It is another approach.

IMPACT OF RECAPTURES ON URBAN RENEWAL BACKLOG

Mr. JONAS. What would the situation have been if you had not canceled the $150 million in reservations? That money would still have been tied down to those projects against which it was reserved.

Mr. HUMMEL. Some of it might have.

Mr. JONAS. What would you have done, then, for money for the new reservations you have made?

Mr. HUMMEL. Instead of having $1,900 million, as the backlog as of February 29 I would have had $2 billion-plus as the backlog.

Mr. JONAS. That is right. It would have been in the backlog but in order to get it out you would have had to take the money out of your new obligational authority, wouldn't you?

Mr. HUMMEL. If I added more projects, certainly, but I didn't add any more projects; all I did was substitute projects.

Mr. JONAS. But you added new projects and canceled old ones that dropped out of the program.

Secretary WEAVER. That was done in 1968.

Mr. JONAS. You are talking about numbers. You did not add 150 new numbers but you had $150 million to go forward with your program that you wouldn't have had. That $154 million was frozen on projects that the money was reserved against.

Secretary WEAVER. As a result of our actions we cut back the backlog against which we applied money which was available in 1968—not to the money which is to be available in 1969.

Mr. JONAS. You are saying that this doesn't make a real serious impact on your backlog because you have so much more demand for money than you have money available.

Secretary WEAVER. No, sir, I am not.

Mr. JONAS. You ought to. Mr. Hummel is saying that.

Secretary WEAVER. I am saying that this action reduced the backlog at the time when it was reallocated to other projects, and the backlog we are talking about is the backlog which now exists and against which we will apply the 1969 money, not the 1968 money.

USE OF RECAPTURED FUNDS FOR NEW PROJECTS

Mr. JONAS. But you contend that when you use this $154 million which you recaptured, you assign it to new projects, you are not then bringing new projects into the program?

Secretary WEAVER. No, I have not said that.

Mr. JONAS. That is in effect what you are saying.

Secretary WEAVER. No, sir. I am making two points—first the distinction of the fiscal year in which we are operating; secondly, I am making the point that the amount of money that is available to the program is not increased by this action. The number of projects that can be utilized and financed by that money for the fiscal 1968 year is not increased because of this action. The backlog still remains very high, it remains at the figure we have for 1969. It is against that backlog that we are asking for the 1969 appropriation.

Mr. HUMMEL. The program level has not been changed one bit by the action.

DELAYS IN PROJECTS

Mr. TALCOTT. You people deal in how many dollars you can possibly spend, not how many projects you can complete. It is difficult to talk in projects as opposed to dollars.

Mr. HUMMEL. The very basis of the issuance of this letter is to get those projects that are going to be completed. To those projects which were not advancing we said "You cannot hold up money if you are not going to proceed." We substituted other projects that were ready to proceed. So we had just exactly the opposite effect from what you said.

Mr. TALCOTT. You can see that you have culled some bad projects, but we are still speaking two different languages.

Mr. HUMMEL. Of course, there are many things that happen in a local community that can delay a project. A community initiates a

program, and starts prosecuting it, then you may have changes of administration, problems of acquiring land, have increases in costs, and other adjustments within the program. There are many delays in a community that you cannot say are the fault of the community. It is the fact that operating in a political system, you cannot just do as you do in a business, say "Today I am going to do this, tomorrow I am going to do the next thing and the day after that, so forth." You have to bring your community people along with you. You have to go through the process of telling the people. If you are to convince a dissident group that says "We don't want this project," you have to have a chance to sit down with them and talk over what you propose to do. If you have a change in administration, the next administration may put higher priorities on other things and does not move with this program. There are hundreds, literally hundreds of things that interrupt the orderly development of a program at the local community level. So when you say that these took this long, in many instances it was not the fault of the particular community, it was the development of the activities in that community.

USE OF RECOVERED FUNDS

Mr. BOLAND. Can you indicate how much of the $104 million was allocated to ongoing projects for cost increases?

Mr. HUMMEL. It goes back into the pot, so to speak, and those programs that are waiting, for example, for increases, some of that money would be allocated to them.

Mr. BOLAND. Can you give us an idea of how much?

Mr. MCCABE. We do not keep that kind of record.

Mr. BOLAND. Why wouldn't you? If you have a project in a particular locality and there was a reservation for $2 million and suddenly it escalated to $10 million——

Mr. HUMMEL. The total figure?

Mr. BOLAND. Yes.

Secretary WEAVER. The recaptured funds are put back into a pot with existing funds.

Mr. FRANTZ. Those particular dollars would not be tracked through the pipeline and identified as to which project they may go to.

Mr. BOLAND. I see.

EFFECT OF RECAPTURES ON RESERVATIONS

Secretary WEAVER. I think I can make my point this way: Whenever we take a project and recapture the money from it, that project is not only not carried on but that project is eliminated from the pipeline. It is dead, unless and until it can qualify again for a reservation at some time in the future.

Mr. JONAS. I understand; it just starts over.

Secretary WEAVER. So that your pipeline is not increased by this. The pipelines may be decreased somewhat by it but it is not increased by it.

Mr. HUMMEL. And this doesn't happen at one time. This happens over a period of time.

Mr. JONAS. I understand that. I cannot see why it doesn't have to follow that you had $150 million tied up, unavailable, or in reserve and suddenly, for one reason or another, that $150 million becomes available for new reservations, why that isn't increasing your program, why it doesn't give you an opportunity to reserve another $150 million that you wouldn't have been able to reserve if you hadn't canceled those projects?

Secretary WEAVER. I think I can try to explain this.

If we had not recovered this—what was it?

Mr. HUMMEL. $104 million, and $52 million potential.

Secretary WEAVER. Let's say $100 million. We would then have had a program during fiscal 1968, when this action took place, of the same size as we had. We would have had some projects, *x* number of projects, which would have been inactive; but we still would have had a program of a certain size because we would have had against that money projects for which that was allocated.

When we withdrew this money, recaptured it, we then picked out other projects and substituted them for the recaptured one. The net result, in 1968, was to reduce the pipeline in 1968 by the number of projects that were substituted, not in any way changing the size of the program.

IMPACT ON 1968 PROGRAM

Mr. JONAS. You won't—when you come in here with your 1968 requests for new obligational authority it was to begin work on *x* number of projects.

Secretary WEAVER. That is right.

Mr. JONAS. At that time you knew this $150 million had already been earmarked and would not be available for your 1968 program. Suddenly it becomes available for your 1968 program. Why doesn't that increase your 1968 program by $150 million? That is the point I am making. I can't see how it can be contended that it doesn't do that because it enables you to use $150 million over again which previously had been frozen and which was not contemplated in your budget program for 1968.

Secretary WEAVER. In the first place, we were talking before about the impact of this on the 1969 program. Now we are in agreement that its impact is on the 1968 program.

Mr. JONAS. If you get it reserved, it is either 1968 or 1969.

Secretary WEAVER. It is 1968. I understand we agree on that.

Secondly, when we came in in 1968 we knew that there were *x* number of projects which had not moved. We had to take the position in order to be fair to the localities that if they were able to move these projects within a reasonable period, which was within that year, then the money would not be taken back. So there was no way we could contemplate at that point how many of these projects would be taken back. We knew some of them would. We knew some of them would not. But we found out that we got this money back; this money then did not increase our 1968 program. It increased the effectiveness of the 1968 program. It was still at the level of the money we had because we did not get any increased money. We simply substituted one project for another within the program level which is the amount of money that is appropriated for the program.

Mr. EVINS. The program level remains the same by reason of appropriation, but you are able to substitute different projects as others were slowed down?

Secretary WEAVER. Right. The other point is that it cut back the backlog because if it hadn't been for that, instead of having a backlog of $1.9 billion we would have had a backlog of over $2 billion.

FINANCING CONSTRUCTION OF MILITARY HOUSING

Mr. TALCOTT. May I take just a minute on this, because I don't understand it and I think I should.

In the Military Construction Subcommittee, for instance, the military services request, say 20,000 homes, or come in and request an appropriation for 3,000 homes at a certain price at certain locations. Now, we would appropriate enough money for those particular homes. Let us say it was 3,000 homes at $20,000, we would appropriate $60 million for that particular program. Now, if they built only one-half of those homes during 1 year, they would have only obligated one-half of their appropriation. If the military needs 3,000 homes again the next year, they would have half of the money, left over from the previous year, and would need only a partial new obligational authority.

Mr. HUMMEL. But let us assume the Navy came in and said we want to build half of them. So the Navy built half and the Army built half, so the size of the program between them is the same.

Mr. TALCOTT. That isn't what happens.

Mr. HUMMEL. In our case it is all the same program.

USE OF URBAN RENEWAL FUNDS

Mr. TALCOTT. We give you $1.5 billion to spend in any way you want. We don't know how you are going to spend it, whether you are going to spend it in Brooklyn or Chicago or Salinas, or wherever. You could spend it any place. If one of your projects is slowed down you can spend your appropriation in another place. You can go wherever you want. The military can spend only for particular projects.

Secretary WEAVER. It doesn't work out that way.

Mr. TALCOTT. The program could. Now, I don't know where these projects were that were canceled.

Secretary WEAVER. We canceled these on the basis of certain criteria which we share with you and we share with the cities. We don't say——

Mr. TALCOTT. I would like to make one more statement. I think all they are doing is spending money, spending $1.5 billion per year. If they can't spend it one way they spend it in another. You believe that you can change from one place to another, one project to another, and that these reservations don't mean anything.

Secretary WEAVER. No, sir. This is not the way it operates

WALL STREET JOURNAL ARTICLE

Mr. EVINS. Let me get this article in, it is from the Wall Street Journal of June 13, 1967. It is entitled "A Not-So-Benevolent Uncle." It says that some efficiencies are being brought into these programs.

With somewhat less cash to hand out than expected, Federal urban-aid men are developing a new interest in efficiency.

Washington's interest in better management, if it somehow survives, could actually benefit everybody.

Cleveland has started 6,000 acres of urban renewal projects in the last decade, nearly twice as much as any other city in the Nation. Only one of a dozen projects has ever been finished. The Federal Government went right ahead helping to finance the fiasco.

Change came to Cleveland in January. Secretary Weaver withdrew $10.4 million that had been earmarked for the city's Erieview II renewal project.

When San Francisco refused to get moving on a $20 million urban renewal project, the Government retrieved the money.

With the Government turning somewhat less openhanded, local governments may try harder to mobilize their own resources.

This was making the cities more efficient in their programs. That is sort of a factual statement. We are somewhat familiar with the Cleveland project. You recaptured $10 million there and $20 million in California. It was not just a matter of shuffling, it was trying to bring efficiency into the program by getting the cities to move on the projects. Is that a fair summarization of it?

Secretary WEAVER. Yes, sir. I would only add one thing. They were advised ahead of time that the criteria were such-and-such would be used and they were also given a reasonable period in which to perform.

They were put on notice. This was done across the board. They knew what was going to happen. They knew what the criteria were. And we lowered the boom when no action was forthcoming.

1969 RHA BUDGET REQUEST

Mr. EVINS. You have a pipeline of $1.9 billion in urban renewal and $1.649 billion is recommended for direct program activity in 1969, including $750 million in urban renewal which was funded last year.

Mr. HUMMEL. Yes. The $1.9 billion is the urban renewal backlog that we have not been able to fund. We have $750 million from the forward appropriation available for the regular program in 1969.

Mr. EVINS. You are asking for $1.649 billion?

Mr. HUMMEL. Of the $1.250 billion for urban renewal in 1969, we are asking for a $500 million additional appropriation for urban renewal assistance in model cities areas. Together with the $750 million already appropriated for 1969, this will make the $1.250 billion.

Mr. EVINS. I understand that.

Mr. HUMMEL. Then we are asking for a forward appropriation of $1.4 billion which includes funds for model cities assistance.

RECAPTURED URBAN RENEWAL FUNDS

Mr. EVINS. How much did you recapture from urban renewal reservations?

Mr. HUMMEL. $104 million and there is another $52 million potential estimated.

That recapture happened in 1968. That has already been allocated to projects in 1968 and it would not add to 1969 appropriations.

Mr. GIAIMO. Mr. Chairman.

Mr. EVINS. Mr. Giaimo.

URBAN RENEWAL PIPELINE

Mr. GIAIMO. Are we getting confused because we are not recognizing the fact that you have a backlog of more programs than you have money for?

When you recaptured money from some of these programs, which made up that $104 million, what you did in fiscal year 1968 was go into your pipeline and get some other programs which were qualified and ready to go, and you reallocated the money to them; isn't that what happened?

Secretary WEAVER. Yes, and cut down on the 1969 pipeline.

Mr. GIAIMO. And you cut down on your 1969 pipeline?

Secretary WEAVER. Right; that is exactly it.

Mr. GIAIMO. So it is not the situation that Mr. Talcott mentioned where you have just 3,000 housing units as a demand and you come in and ask for the money for all of them. You have not asked for all of the money for your pipeline?

Mr. WEAVER. No.

Mr. HUMMEL. That is correct.

Mr. BOLAND. You would have asked for more in 1969.

Mr. GIAIMO. You would have asked for much more.

Secretary WEAVER. Yes.

Mr. TALCOTT. Isn't it true that this is a total money program without allocation to particular projects?

Mr. GIAIMO. Yes.

Mr. TALCOTT. Whereas the military construction program is an allocation for a particular project. There is a different concept here.

Secretary WEAVER. Yes.

Mr. TALCOTT. I think that is what makes it difficult for us, for Mr. Jonas and I to understand.

Mr. GIAIMO. But it isn't that they are wasting the money when they recapture it.

Mr. TALCOTT. No.

USE OF RECAPTURES TO INCREASE PROGRAM EFFECTIVENESS

Mr. GIAIMO. What you do—and you correct me if I am wrong—you go into your pipeline and find other meritorious projects.

Secretary WEAVER. Right; and next year your pipeline is less because you have been more efficient this year or last year.

Mr. TALCOTT. As a matter of fact, they culled out the bad projects and promptly got better projects.

Secretary WEAVER. That is right, we get a better performance.

Mr. MCCABE. It is particularly important to remember that, as we have promulgated this policy the cities faced up to the fact that, knowing they have a 36-month deadline, they are improving in terms of their production.

Mr. BOLAND. Is 36 months a reasonable deadline?

Mr. HUMMEL. The average time in planning, with what a community faces in the present type of program, is about 31 months planning time. The time that they are able to get the specific facts necessary for us to approve or disapprove a project is about 31 months.

CLARIFICATION OF RENEWAL AND HOUSING ASSISTANCE APPROPRIATION REQUEST

Mr. FRANTZ. Mr. Chairman, can I just clarify one figure that I think is not clear in the record?

Mr. EVINS. Yes.

Mr. FRANTZ. The $1.649 billion that is referred to in Mr. Hummel's testimony at the end is not just urban renewal. That is the total appropriated funds for renewal and housing assistance programs, including public housing.

Mr. EVINS. I understand that. It includes, for instance, Alaska housing.

Mr. FRANTZ. Yes.

Mr. EVINS. All you have is $750 million for urban renewal which was the forward funding for the 1969 projects in urban renewal.

Mr. FRANTZ. Which has already been appropriated.

Mr. BOLAND. Already appropriated, plus the $500 million which you are now requesting.

Mr. FRANTZ. For the model cities, yes.

Mr. BOLAND. Model cities in fiscal 1969?

Mr. FRANTZ. Right.

URBAN RENEWAL APPROPRIATIONS AND EXPENDITURES

Mr. EVINS. Let's look at the expenditure level of this. The new obligational authority requested for 1969 is $1,250 million. Your expenditure estimates are $700 million; is that right?

Mr. FRANTZ. $700 million; yes.

Mr. EVINS. We are pinpointing the new obligational authority, $1,250 million and expenditures of $700 million?

Mr. HUMMEL. Right.

SUMMARY OF RHA APPROPRIATIONS

Mr. EVINS. Gentlemen, on page A–1 of your justifications is a summary of all the programs in renewal and housing assistance. Urban renewal has $750 million in 1969, plus your request for forward funding of $1.4 billion in 1970 which is carried in parentheses. You are requesting $500 million for urban renewal assistance in model cities areas, of which $150 million is under existing authorization and you are looking for a new authorization of $350 million more. Neighborhood facilities grants are up from $30 million to $40 million. That has increased substantially from $17 million in the prior year.

Mr. HUMMEL. It was $30 million this year. It is a $10 million increase.

Mr. EVINS. For low-rent housing annual contributions, $275 million in 1968 as against $358 million for 1969. You are adding a new program for Alaska housing of $1 million. This has not previously been funded, but it is authorized. The salaries and expenses appropriation goes up from $31,950,000 to $36,360,000.

You estimate your total appropriations in 1969 will be $1,685,360,000, which is an increase of $442,488,000.

Mr. HUMMEL. Yes. The total in 1968 is $1,242,872,000 and increases are requested to bring it to $1,685,360,000.

Mr. EVINS. I think it was this committee that worked out the advance funding because of the timelag. Do you think, Mr. Secretary, we might fund this on annual basis in the future?

Secretary WEAVER. No, sir.

Off the record.

(Discussion off the record.)

MIGRATION FROM RURAL TO URBAN AREAS

Mr. EVINS. You bring out in your justifications that 20 percent of the population now live on 1.3 percent of the land; and that migration from the rural areas to the cities continues at a rate between 500,000 to 600,000 per year. You are supposed to have a Small Town, American Division in your Department. Are you very active in holding down some of this migration?

Secretary WEAVER. We are trying to make the areas from which the people come, from which they are moving more attractive.

Mr. EVINS. If they can have more attractive living conditions, industry, and jobs it might help solve the problems of the big cities.

Mr. WYMAN. Have you thought of that, Mr. Secretary?

ASSISTANCE TO SMALLER CITIES AND TOWNS

Secretary WEAVER. Yes. We have a Small Towns Office under the Assistant Secretary for Metropolitan Development which is working very closely with the smaller communities.

Mr. WYMAN. I have always felt that if people got a lot of fresh air and exercise they might not be quite as restless and upset.

Mr. EVINS. There is a lot of sentiment in this committee, Mr. Secretary, for you to emphasize this Small Town, America Division as an approach to the solution of the problems of the cities. We know you have problems in the cities and we want to help you. One of the approaches is to make life attractive in these other areas.

Douglas Aircraft ran full-page ads in the paper for labor in California. They finally recruited a few and when they did, they had traffic problems, parking problems, absenteeism, and they said that it doesn't work. They said that they are going to have to establish a satellite program, that is, build out in areas where there is a surplus of labor, and then fly the parts out. Now, this is working. They are highly pleased with it. This is an effort to solve the problems of the cities by going where labor is available.

Mr. HUMMEL. To show that we are consistent, Mr. Chairman, 734 out of the 847 cities involved with our programs have populations under 100,000 people. This is urban renewal programs.

WORKABLE PROGRAM FOR COMMUNITY IMPROVEMENT

Mr. EVINS. Very good. Now, I see you have some discussion of planning activities.

In your planning programs you identify the need, you assess the resources, and you establish priorities to provide a basis for rational decision making. Among your activities is "Workable Program For Community Improvement." You say that a locally prepared and en-

dorsed workable program for community improvement, certified by HUD, is prerequisite to urban renewal assistance, special FHA mortgage insurance, and annual contribution contracts for low-rent public housing. This is the community's official plan of action for using local public and private resources to eliminate slums and blight and to guide its orderly growth and development. Do you have to have this in every program?

Mr. HUMMEL. In most of our programs it is required. It is not required in every Federal program, but we require it in all the urban renewal programs.

Mr. EVINS. Before you approve an application for most renewal and housing assistance, the community must adopt a workable program?

Mr. HUMMEL. That is correct.

Mr. EVINS. You say that there are seven elements in the workable program—adoption of adequate codes, development of comprehensive community plans, neighborhood analyses, administrative organization, financing, housing for displaced families and citizen participation.

REHABILITATION GRANT PROGRAM

On page 5 of your justifications you summarize the various programs—urban renewal projects, grants for code enforcement, aids to private rehabilitation, low-rent housing. Under the aid to private rehabilitation you say that the maximum grant of $1,500 is generally limited to residents whose annual income does not exceed $3,000. Is this for private rehabilitation?

Secretary WEAVER. This involves homeowners—primarily, small homeowners—low-income people.

Mr. EVINS. How many of those are made on an annual basis, Mr. Secretary, on an average?

Secretary WEAVER. While we are getting that figure, it operates this way: The man lives in an urban renewal area or a code enforcement area. He has a low income, has no reserve, and the city comes, because of these programs which we finance, and says "Look, you have to bring your house up to code or up to rehabilitation standard." Now, he hasn't any money to pay for it. So we give him a grant to help him because he doesn't have the resources. It is restricted to low-income people.

Mr. EVINS. I think that is an excellent program. It develops initiative.

Mr. HUMMEL. Both loans and grants are involved here.

The $1,500 that the chairman referred to is for the grant program. This year—up through February 29th—we have allocated $24.8 million for such grants in 130 projects. At the same time we make rehabilitation loans which have to be repaid. These are 3 percent loans. As of February 29th of this year we have made 1,884 residential loans for $10,211,000 in the year.

SUMMARY OF RENEWAL AND HOUSING ASSISTANCE PROGRAMS

Mr. EVINS. Very good. Mr. Reporter, please place in the record at this point pages A–2 through A–13 of the justifications.

(The pages follow:)

Need for renewal and housing assistance programs

Twenty percent of the population now live on 1.3 percent of the land. Migration from the rural areas to the cities continues at a rate between 500,000 to 600,000 per year.

Almost every city or municipality of significant size has some areas or neighborhoods that are dilapidated, overcrowded, and lacking in adequate facilities for living and other functional uses. A major problem in most cities—large and small—is the lack of sufficient, decent housing for those with low and middle incomes and for the elderly.

President Johnson set the goal when he said that "we should do our best to try to get every American in every family living his life not with the haunted memory of a dilapidated and degraded hovel that he must call home—but with happy memory of a decent and dignified home worthy of a free and just society . . ." The renewal and housing assistance programs are designed to respond to this goal and involve a number of efforts to ameliorate these urban problems. These programs are evidence of Federal, State and local concern and determination to improve both the physical and social conditions affecting the people.

Without Federal financial assistance to turn the tide, there is little likelihood that communities could recover their economic balance and continue to function as centers of commerce, industry, culture, and education for the areas which include and surround them. In cities, as well as in other communities with similar problems, Federal financial assistance from the Department's renewal and housing assistance programs is being used to achieve local objectives and schedules for solving these problems.

The programs involved include renewal—through redevelopment, rehabilitation or both—of areas which physical deterioration, neglect, and obsolescence have rendered unsuitable for decent living or constructive and profitable business; the provision of public improvements and such neighborhood facilities as parks and centers for recreation and services; the provision of standard housing for those not able to afford accommodations at competitive economic prices—low- and middle-income families and individuals, those handicapped by advanced age or infirmity and housing on college campuses.

PLANNING FOR DEVELOPMENT AND BLIGHT ELIMINATION

Except for small communities, physical activities usually are not started—and should not be—until the locality has formulated long-range plans which take stock of resources, identify needs which must be supplied from these resources, and establish priorities for the undertakings.

Most communities today, confronting problems generated by the urbanization of our society, are responding by attempting some form of comprehensive urban planning to provide guidelines for development. Many of these communities are receiving financial aid in this process from funds supplied by the Federal Government, either directly or through States or other governmental jurisdictions of which they are a part.

Planning is a systematic and continuing process designed to identify and provide solutions for long-range problems and meet future needs. Its purpose is to provide a basis for rational decision making and coordinated action for the social, economic, and physical development of States, regions, metropolitan areas, and local communities. It includes the assessment of problems and needs; identification and continuous refinement of objective criteria; collection and analysis of pertinent data; development and testing of alternative courses of action; policy decisions on selected courses of action; and the preparation and maintenance of a comprehensive development plan, functional plans, and short-range development programs, including administrative and financial arrangements. All renewal and housing assistance programs require some degree of comprehensive planning as a prerequisite for Federal assistance.

Workable program for community improvement

A locally prepared and endorsed workable program for community improvement, reviewed and certified as adequate by HUD, is prerequisite to the various forms of urban renewal assistance, special FHA mortgage insurance aids, and annual contributions contracts for federally aided low rent public housing. This is the community's own official plan of action for using local public and private resources to eliminate and prevent slums and blight and to guide its orderly growth and development.

These programs are composed of seven elements of activity which the community has accomplished or is working toward—adoption of adequate codes and ordinances and their enforcement, development of a comprehensive community plan, neighborhood analyses, administrative organization, financing, housing for displaced families and citizens participation. Performance under the workable program is measured by the progress made by the community in implementing these plans as a large part of a broad-based program of community action. To provide assurance of a sustained local effort toward attaining stated objectives within reasonable time limits, the Department's certification of adequacy remains in effect for only 1 year, except for small communities of 10,000 population or less, where the certifications or recertifications will be 2 years.

Progress requirements have been raised gradually over the years, both by administrative action and by the Congress. Workable programs under current policies are not certified unless there has been in effect for at least 6 months an adequate minimum standards housing code for which the locality has an effective program of enforcement. Systematic housing code compliance and planned neighborhood improvement can contribute significantly to the elimination of unsafe and unsound structures and to other aspects of upgrading older neighborhoods.

Where urban renewal projects are involved, an acceptable workable programs for community improvement must be of sufficient scope and content to furnish a basis for evaluating the need for the project and for determining that it is in accord with the workable program. Another workable program objective which is receiving increasing emphasis is the assumption of local responsibility for seeing that those displaced in the process of any Federal or locally sponsored improvement activity get the opportunity to secure decent housing.

Section 701 urban planning assistance grants are available to smaller communities to aid them with their comprehensive community planning, including neighborhood analyses and other planning aspects of the workable program. A community renewal program may be similarly utilized, particularly for neighborhood analyses. Technical assistance to communities, upon request, is specifically authorized in connection with the development of the workable program for community improvement.

ACTIVITIES OF RENEWAL AND HOUSING ASSISTANCE

These programs supplement one another in the attack on urban blight, inadequate housing and the related social problems. They have been brought together under the Assistant Secretary for Renewal and Housing Assistance to provide a strong national-level direction and coordination.

Urban renewal projects.—This program provides an effective means of reversing the trends of deterioration and blight through rehabilitation, clearance, and redevelopment of slum areas. The national goals in urban renewal are to conserve and expand housing for low- and moderate-income families, develop new employment opportunities for the unemployed and the underemployed, and the renewal of urban areas that have the most critical needs.

Grants for code enforcement.—The existence of modern effective housing and building codes and adequate enforcement facilities is one of the basic necessities for effective renewal and blight prevention programs. For predominantly residential built-up areas which are deteriorating, but have not reached slum levels, municipalities may obtain direct grants for programs of concentrated code enforcement to require the upgrading of private properties and to make necessary improvements in public facilities serving the area.

Aids to private rehabilitation.—Rehabilitation grants from urban renewal funds may be made to low-income owner-occupants in urban renewal and code enforcement areas. To help assure full compliance with neighborhood rehabilitation plans, these grants are available for hardship cases to avoid displacement of home-owners who cannot finance repairs and improvements which must be made to their homes. Maximum grants are $1,500 and are generally limited to residents whose annual income does not exceed $3,000.

Section 312 rehabilitation loans to be repaid at 3 percent interest rates, may be made to owners or tenants of property in urban renewal or code enforcements

areas to finance necessary rehabilitation. In support of the objectives of full neighborhood participation, nonresidential private properties and businesses may be rehabilitated with section 312 rehabilitation loans if they are not otherwise eligible for assistance from the Small Business Administration.

Low-rent public housing.—Loans and annual contributions are made to local housing authorities to assist them in providing housing for low-income families and persons at rents they can afford. This program is being restructured to accelerate the production of housing for low-income Americans, to involve private enterprise in the development and management of such housing and to upgrade the quality of management with greater concern for tenant involvement, employment opportunities, and upgrading of existing housing.

Housing for the elderly or handicapped.—Programs for housing for the elderly vary, primarily, on the basis of the type of financing, sponsorship, and the income group for whom they are designed. But all of them serve the same end—to give full opportunity to senior citizens and handicapped to share in the national goal of a "decent home in a suitable living environment for every American family."

The low rent housing program provides housing for persons in the very low income group (below $2,000 for single persons and $2,600 for families). The housing for the elderly or handicapped program, section 202 direct loan housing, is intended to help meet the housing needs of the lower-middle income group ($2,000 to $4,999) for persons who are 62 years old or over or handicapped. The FHA section 231 program provides housing for persons in age 62 or over without regard to income.

College housing loans.—This program provides direct loans to institutions of higher learning to provide for housing students and faculty members and for related facilities. Also, hospitals may obtain such loans to provide housing for student nurses, interns, and residents. The budget for 1969 provides that the program will be carried out under proposed legislation to provide an interest rate that will help assure that the loans are made to colleges which are unable to borrow on the private market at reasonable interest rates.

Alaska housing.—A new program of grants and loans to Alaska or any official agency of the State to assist in financing housing and related facilities for Alaska natives and other low-income residents was authorized by the Demonstration Cities and Metropolitan Development Act of 1966. It is proposed that this program be financed at a level of $1 million in fiscal 1969.

OTHER ASSISTANCE FOR NEIGHBORHOOD UPGRADING

Areas in the cities, not requiring treatment as urban renewal projects or code enforcement programs, have elements of blight which will expand without remedial action. The 1965 housing legislation contained authority to use Federal assistance in these areas for several specific types of remedial treatment, in keeping with the objective to arrest blight and to minimize the need for full-scale urban renewal treatment in the future.

Demolition grants are available to remove vacant condemned buildings. Beyond physical appearance, they may be a safety hazard and such structures provide ready targets for vandals. Localities with legal authority to clear such structures may obtain grants for two-thirds of the cost involved, once the governing body has exhausted other legal procedures to secure remedial action by the owners.

Grants for structures to house neighborhood facilities may be obtained by local public bodies to assist in financing the cost of constructing, rehabilitating, or expanding neighborhood centers to house health, recreation, social, or similar services in low- and moderate-income neighborhoods.

Creation of urban parks[1] are possible under the open-space land programs authorization where grants are available for 50 percent of the cost of acquiring and clearing developed lands in built-up areas of towns and cities.

Urban beautification grants[1] are available to enable cities, at moderate cost, to plan and execute programs of public beautification. The program provides grants,

[1] Justifications for the creation of urban parks and for urban beautification grants are included in the metropolitan development portion of the justification volumes (pt. 3) under "Open Space Land Programs."

equaling amounts provided locally to supplement usual expenditures for this purpose, which can be used for park renovation and other landscaping, replacement of obsolete or unsightly fixtures and facilities, tree planting programs for streets, the development of public malls and plazas, and provisions of facilities for outdoor seating and lighting.

RELOCATION ASSISTANCE

Federal assistance programs, as a side effect of their primary objectives were causing displacement of people from their homes and places of business long before the enactment of title I of the Housing Act of 1949. The problems associated with displacement, however, did not come into public focus to any marked degree until land acquisition and clearance activities of the urban renewal program attained momentum, simultaneously, in many cities.

The urban renewal program was the first Federal assistance program to assume responsibility for the displacement from homes and businesses caused by the activities it sponsors; the first to discharge that responsibility by assuming the expense of relocation and requiring participating localities to make suitable relocation arrangements for those displaced.

The positive results of relocation experience in urban renewal have influenced the extension of relocation payments and assistance to other Federal programs and, more gradually, to programs sponsored by State and local governments. Each new program in 1965 and 1966 legislation affecting the Department provides for relocation payments at Federal expense, if the activity could cause displacement. In addition to urban renewal, many other programs within the Department now provide for relocation payments to those displaced, and some of these require the local bodies participating in the program to provide counseling and other services to ease displacement hardships. The programs are:

Low rent public housing	Open-space land programs
Code enforcement program	Urban mass transportation
Demolition grants	Public facility loans
Neighborhood facilities grants	Water and sewer grants
Model cities programs	Advance acquisition of land

Since the urban renewal relocation assistance program is more fully and effectively developed than any other, it is described below as a model of what is being done to ease the hardships caused by displacement and, wherever possible, to assure that accommodations taken by relocatees are standard and acceptable for their needs.

Services to families and individuals.—There must be a feasible method for the relocation of families and individuals displaced to decent, safe, and sanitary housing in existence, or being provided to meet their needs. The relocation assistance program is established at an early stage before project execution activities begin. Before a project may be approved for execution, the locality must submit evidence of the adequacy of the housing supply to meet anticipated relocation needs and the local body must find that the proposed relocation program is feasible.

The relocation service is established, preferably, at or near the project site. Each family and individual living in the area is interviewed to explain the services available. As a minimum, each relocation assistance program must be developed, staffed, and carried out in such a way as to give maximum assurance that families and individualss will obtain decent, safe, and sanitary housing at costs which are within their means.

Although standards for relocation housing are locally determined, they are subject to Federal approval. The acceptable local standard may not be set below the level of the local housing code. By regulation, five types of standards must be met including physical condition of the dwelling; size of the dwelling relative to the family size and composition; health and safety standards; ability-to-pay standards expressed in terms of gross rent as a percentage of income, and criteria for determining a family's ability to purchase a house; and location standards.

including accessibility to places of employment and desirability of the new location in terms of public utilities and commercial facilities.

Families and elderly individuals who were eligible for low-rent or rent supplement housing but are unable to secure a suitable unit, may be entitled to an additional payment to cover the extra cost incidental to displacement. The relocation adjustment payment is available to families or individuals who move into standard housing in the private market, and for whom the cost of the unit of suitable size exceeds 20 percent of their income.

Business relocation.—Increasing attention is being given to the impact of dislocation on business establishments, particularly small businesses. In many instances, highly specialized help has been available in local renewal agencies to analyze the needs of the businesses being displaced and find appropriate new quarters.

The uprooting and relocation of a business, particularly a small business, is fraught with economic and emotional frustrations. The small business being displaced usually has the adverse characteristics of less capital, difficulty in securing outside financing and dependence upon the immediate neighborhood as its trading area. These businesses are faced with a change from the low overhead associated with long establishment and small-scale operations in a deteriorated neighborhood to higher overheads and the development of clientele in a new environment.

Business concerns may be paid for actual moving expenses and direct property loss up to $3,000. If no claim is made for property loss, a relocation payment up to $25,000 can be made for moving expense. Small business concerns with average annual net earnings of less than $10,000 may also be eligible for a $2,5000 small business displacement payment.

In addition, the Small Business Administration is authorized to provide technical and managerial assistance and loans to displaced business concerns. SBA's dispplaced business loans are available to former tenants as well as owners for purchase or construction of new premises. A new program is also available which guarantees small business concerns leases of commercial and industrial property.

ORGANIZATION FOR RENEWAL AND HOUSING ASSISTANCE

Office of the Assistant Secretary.—Organizational units reporting to the Assistant Secretary perform functions and services for both the Renewal Assistance Administration and the Housing Assistance Administration in those areas where policy consistency, better services, and more economical operation will result through consolidation. In addition to the unified management of programs administered by Renewal Assistance Administration and Housing Assistance Administration, responsibility for relocation and social planning functions and for the workable programs for community improvement for the entire Department have been placed in organizational units under this Assistant Secretary.

The Office of Community Development performs functions concerned with communitywide development and services. These functions include the relocation and rehousing of persons and businesses diplaced by any Department program, social planning for all Department programs, the community design aspects of renewal and housing asistance programs, and workable programs for community improvement.

The Operational Services Division performs specialized staff functions and services common to both renewal and housing assistance programs to permit uniform policy direction and more services in connection with related functions. Consolidated staff functions and services performed by the Division include those relating to project financing, acquisition of land by local agencies, appraisal and other technical services for land acquisition and disposition, and administrative practices of local agencies.

The plans, programs, and evaluation staff develops for all renewal and housing assitsance programs, long-range plans and forecasts of program requirements, and program data and reporting systems, and evaluates and reports on them.

The Administration Division performs staff functions and services in connection with budget, organization and management, and files and maintains liaison with the organization of the Assistant Secretary for Administration in connection with personnel and training, audit activities, and general services. These functions and services are provided renewal and housing assistance on a consolidated basis to provide more uniform, economical, and efficient services to all renewal and housing assistance organization units.

Renewal Assistance Administration.—A Deputy Assistant Secretary under the direction of the Assistant Secretary develops policies, standards, and procedures for and administers the following programs:

The program of slum clearance and urban renewal under title I of the Housing Act of 1949, as amended, including urban renewal projects, community renewal programs, general neighborhood renewal plans, rehabilitation grants, code enforcement program, and demolition projects.

Loans for property rehabilitation under section 312 of the Housing Act of 1964, as amended.

Grants for the creation of urban parks in built-up urban areas under section 705 of the Housing Act of 1961, as amended. Grants for urban beautification and improvement under section 706 of the Housing Act of 1961, as amended. Grants for neighborhood facilities under section 703 of the Housing and Urban Development Act of 1965.

Grants for Urban Parks and Urban Beautification Demonstration under section 708(c) of the Housing Act of 1961, as amended.

The Administration presently consists of the following major units:

Program Management Division
Program development staff
Assistant for Intergroup Relations
Program Control and Statistics Branch
Neighborhood Programs Division
Community Renewal Program Division
Redevelopment Division
Rehabilitation and Codes Division

Housing Assistance Administration.—A Deputy Assistant Secretary under the direction of the Assistant Secretary develops policies, standards, and procedures for and administers the following programs:

Low rent public housing under the U.S. Housing Act of 1937, as amended.

College housing loans under title IV of the Housing Act of 1950, as amended.

Loans for housing for the elderly and handicapped under section 202 of the Housing Act of 1959, as amended.

Loans and grants for housing and related facilities in Alaska under section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966.

The Administration presently consists of the following major units:

Assistant for Intergroup Relations
College housing loans staff
Elderly housing loans staff
Production Division
Program Development Division
Technical Services Division
Tenant Services Division
Statistics Branch

The Housing Assistance Administration has recently been reorganized and geared to large volume production of housing and increased and improved services to tenants of low-rent housing. The new organization is designed to accelerate the availability of low-rent dwellings and to insure the application of advanced management techniques which make maximum contribution to the goal of responsible citizenship and which gives full support to the economic and social advance of tenants.

Regional offices

Regional organization for renewal and housing assistance program operations is based on organizational principles similar to those governing the Assistant Secretary's organization, but directed more specifically to the objective of serving local community needs in the most effective manner.

Within each of the Department's seven regional offices, there are two organizations—a Renewal Assistance Office and a Housing Assistance Office—that are re-

sponsible for the field operations of most renewal and housing assistance programs. Functions which the regional program managers need under their immediate control for sound renewal and housing program administration are placed in these Renewal and Housing Assistance Offices.

Program levels

The following table shows the actual and estimated program levels for renewal and housing assistance programs.

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Workable programs:			
In effect, end of year:			
Initial certifications	400	385	385
Recertifications	774	800	850
Total in effect	1,174	1,185	1,235
Recertifications in process, end of year	416	450	475
Total, participating localities	1,590	1,635	1,710
Urban renewal—Title I, net reservations:			
Projects	$735,174	$835,164	$1,128,500
Code enforcement	51,578	59,500	108,000
Community renewal programs	5,735	9,700	10,000
Demolition grants	4,239	2,000	2,000
Sec. 314, demonstration grants	649	1,500	1,500
Subtotal	797,375	907,864	1,250,000
Assistance for model cities areas included in above		(100,000)	(500,000)
Rehabilitation loans—Loan approvals (net):			
Residential	6,240	18,000	18,000
Nonresidential		2,000	2,000
Subtotal	6,240	20,000	20,000
Grants for neighborhood facilities: Grant approvals (net)	26,697	30,034	40,000
Low rent public housing:			
Annual contributions contracts executed (units)	63,309	65,000	85,000
Construction starts (units)	29,564	55,000	75,000
Completed for occupancy (units)	35,243	58,000	75,000
Units in modernization programs		62,500	62,500
Total units in management (end of year)	654,118	712,118	787,118
Alaska housing: Grants and loans			$1,000
Housing for the elderly or handicapped: Loan reservations (net)	$84,203	$85,000	85,000
College housing loans: Loan reservations (net)	229,807	200,000	300,000

Mr. EVINS. Gentlemen, let us take a break until 1:15.

AFTERNOON SESSION

Mr. EVINS. The committee will come to order.

URBAN RENEWAL PROGRAMS

Gentlemen, let us take a look at the several programs of renewal and housing assistance this afternoon.

Let us place in the record at this point pages B–1 through B–10 of the justifications.

(The pages follow:)

CAPITAL GRANTS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		Administrative reservations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Program by activities:						
	Capital outlay (grants):						
	1. Projects	729,953	829,300	1,125,000	354,168	418,000	620,000
	2. Code enforcement	51,578	59,500	108,000	7,771	51,000	60,000
	3. Community renewal	5,735	9,700	10,000	3,126	5,000	10,000
	4. Demolition	4,239	2,000	2,000	746	4,000	5,000
	5. All other	5,870	7,364	5,000	9,444	22,000	5,000
	Subtotal	797,375	907,864	1,250,000	375,255	500,000	700,000
	Administrative reservations, start of year	1,548,906	1,590,117	1,697,981			
	Administrative reservations, end of year	−1,590,117	−1,697,981	−2,147,981			
	Change in selected resources [1]				380,909	300,000	100,000
10	Total obligations (object class 41.0)	756,164	800,000	800,000	756,164	800,000	800,000
	Financing:						
21.49	Unobligated balance available, start of year:						
	Contract authorization (reserved)				−1,548,906	−1,590,117	−1,697,981
	Contract authorization (unreserved)				−130,239	−57,864	
24.49	Unobligated balance available, end of year:						
	Contract authorization (reserved)				1,590,117	1,697,981	2,147,981
	Contract authorization (unreserved)				57,864		
	New obligational authority				725,000	850,000	1,250,000

	New obligational authority:			
	Current authorization:			
49	Contract authorization		100,000	500,000
	Permanent authorization:			
69	Contract authorization	725,000	750,000	750,000
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	756,164	800,000	800,000
	Obligated balance, start of year:			
72.49	Contract authority	1,325,855	1,357,519	1,307,519
72.98	Fund balance	780,117	1,129,362	1,479,362
	Obligated balance, end of year:			
74.49	Contract authority	−1,357,519	−1,307,519	−857,519
74.98	Fund balance	−1,129,362	−1,479,362	−2,029,362
90	Expenditures	375,255	500,000	700,000
	Expenditures are distributed as follows:			
02	Out of prior authorizations	375,255	500,000	700,000
	Cash transactions:			
93	Gross expenditures	375,255	500,000	700,000
94	Applicable receipts			

[1] Balances of selected resources are identified on the statement of financial condition.

STATUS OF UNFUNDED CONTRACT AUTHORITY

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Unfunded balance, start of year	3,005,000	3,005,500	3,005,500
Transfer of prior year appropriation to "Fellowships for city planning and urban studies" (Public Law 89-555)	500		
Contract authorization	725,000	850,000	1,250,000
Appropriation to liquidate contract authority (transfer from "Model Cities programs")		−100,000	−500,000
Unfunded balance, end of year	−3,005,500	−3,005,500	−3,005,500
Appropriation to liquidate contract authorization	725,000	750,000	750,000

LOANS AND PLANNING ADVANCES
PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		Administrative reservations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Program by activities:						
	Capital outlay:						
	1. Planning advances	32,777	40,000	55,000	29,335	33,000	35,000
	2. Temporary loans	899,327	1,000,000	1,000,000	571,773	420,000	420,000
	3. Definitive loans	15,745	20,000	25,000	161	200	200
	Subtotal	947,849	1,060,000	1,080,000	610,269	453,200	455,200
	Cancellation of commitments resulting from utilization of project repayment account	−468,092	−573,130	−701,050			
	Adjustment to estimated effect on Treasury borrowing requirements (73 Stat. 654, 671)	152,003	57,061	143,971			
	Change in selected resources [1]				30,490	90,731	67,721
	Total capital outlay obligations	631,759	543,931	522,921	631,759	543,931	522,921
	Operating costs, funded:						
	1. Interest on borrowings				16,172	14,300	14,300
	2. Site representation and audit expenses				5,288	5,015	6,500
	Total operating costs, funded—obligations				21,460	19,315	20,800
10	Total obligations				653,219	563,246	543,721
	Financing:						
14	Receipts and reimbursements from:						
	Non-Federal sources:						
	Planning advance repayments				−28,430	−33,000	−34,000
	Temporary loan repayments				−514,572	−419,300	−409,300
	Definitive loan repayments				−4	−5	−10
	Revenue				−15,535	−15,195	−15,190
	Site representation and audit fees				−5,288	−5,015	−6,500
16	Comparative transfer to other accounts				15,395		
21.47	Unobligated balance available, start of year: Authorization to spend public debt receipts				−352,441	−263,051	−172,320
24.47	Unobligated balance available, end of year: Authorization to spend public debt receipts				263,051	172,320	93,599
40	New obligational authority (appropriation)				15,395		
	Relation of obligations to expenditures:						
10	Total obligations				653,219	563,246	543,721
70	Receipts and other offsets (items 11-17)				−548,434	−472,515	−465,000
71	Obligations affecting expenditures				104,785	90,731	78,721
	Obligated balance, start of year:						
72.47	Authorization to spend public debt receipts				72,324	336,949	427,680
72.98	Fund balance				370,357	140,368	140,368
	Obligated balance, end of year:						
74.47	Authorization to spend public debt receipts				−336,949	−427,680	−506,401
74.98	Fund balance				−140,368	−140,368	−129,368
90	Expenditures				70,149		11,000
	Expenditures are distributed as follows:						
01	Out of current authorizations				15,395		
02	Out of prior authorizations				54,754		11,000
	Cash transactions:						
93	Gross expenditures				615,709	472,515	476,000
94	Applicable receipts				−545,560	−472,515	−465,000

[1] Balances of selected resources are indicated on the statement of financial condition.

REVENUE, EXPENSE, AND RETAINED EARNINGS (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Loans and planning advances:			
Revenue	15,535	15,195	15,190
Expense	31,567	14,300	14,300
Net income or loss (—) for the year	−16,032	894	890
Analysis of deficit:			
Deficit, start of year	−10,394	−26,426	−25,532
Deficit, end of year	−26,426	−25,532	−24,642

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)

	1966 actual	1967 actual	1968 estimate	1969 estimate
Assets:				
Treasury balance	1,150,474	1,269,730	1,619,730	2,158,730
Accounts receivable	9,240	12,114	12,114	12,114
Loans receivable	222,254	280,516	281,411	293,301
Total assets	1,381,968	1,562,360	1,913,255	2,464,145
Liabilities:				
Accounts payable and accrued liabilities	23,265	30,285	30,285	30,285
Government equity:				
Interest-bearing capital:				
Start of year	575,240	575,235	400,000	400,000
Borrowings from Treasury, net	−5	−175,235		
End of year	575,235	400,000	400,000	400,000
Non-interest-bearing capital:				
Start of year	1	793,862	1,158,502	1,508,502
Appropriations	1,114,245	740,395	750,000	750,000
Transfer of prior year appropriation to liquidate contract authorization to "Fellowships for City Planning and Urban Studies" (Public Law 89-555)		−500		
Appropriation to liquidate contract authority (transfer from "Model Cities programs")			100,000	500,000
Appropriations expended for grants	−320,384	−375,255	−500,000	−700,000
End of year	793,862	1,158,502	1,508,502	2,058,502
Deficit	−10,394	−26,426	−25,532	−24,642
Total Government equity	1,358,703	1,532,076	1,882,970	2,433,860

ANALYSIS OF GOVERNMENT EQUITY AND UNDRAWN AUTHORIZATIONS (IN THOUSANDS OF DOLLARS)

	1966 actual	1967 actual	1968 estimate	1969 estimate
Undisbursed capital grant obligations [1]	2,105,972	2,486,881	2,786,881	2,886,881
Undisbursed loan obligations [1]	428,656	459,146	549,877	617,598
Unobligated balance:				
Grants	1,679,145	1,647,981	1,697,981	2,147,981
Loans and planning advances	352,441	263,051	172,320	93,599
Invested capital and earnings	222,254	280,516	281,411	293,301
Subtotal	4,788,468	5,137,575	5,488,470	6,039,360
Less undrawn authorizations	−3,429,765	−3,605,500	−3,605,500	−3,605,500
Total Government equity	1,358,703	1,532,076	1,882,970	2,433,860

[1] The changes in these items are reflected on the program and financing schedule.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
25.3	Payment to "Administrative operations fund"	5,288	5,015	6,500
33.0	Investments and loans	631,759	543,931	522,921
43.0	Interest and dividends	16,172	14,300	14,300
99.0	Total obligations	653,219	563,246	543,721

URBAN RENEWAL PROGRAMS (TITLE I)

PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Urban renewal projects:			
Number of localities	847	880	910
Net approvals	117	120	172
Cumulative, end of year	1,849	1,969	2,141
Other renewal activities approved in year:			
Code enforcement programs	39	46	78
Demolition grants	32	13	15
Community renewal programs	15	24	28
Program levels, net grant reservations	$797,375	$907,864	$1,250,000
Appropriations:			
Against enacted authorization:			
Regular program	725,000	750,000	750,000
Model cities areas		100,000	150,000
Against proposed authorization: Model cities areas			350,000
Total appropriation	725,000	850,000	1,250,000
Advance appropriation for 1970			(1,400,000)
Grant disbursements:			
Annual	375,255	500,000	700,000
Cumulative	1,990,138	2,490,138	3,190,138

Budget request

1. An appropriation of $500 million for urban renewal assistance in model cities areas for fiscal year 1969. Of this, $350 million will require additional authorization to be proposed.
2. An advance appropriation of $1,400 million for fiscal year 1970.

INTRODUCTION

The following section is a brief summary justification of the request for funds to be used in fiscal year 1969 and advance appropriation in 1969 for funds to be used in 1970. More extensive explanation of need and demand is furnished in section II, beginning on page B–4. Sections III and IV, beginning on pages B–9 and B–27, present further support relating to the benefits accruing to communities that can be demonstrated through narrative statements and statistical tables with description of urban renewal activities.

I. Summary of the budget request

A. *Appropriation for 1969 of $500 million for assistance in model cities areas.*—The $500 million request for renewal assistance in model cities is composed of the $150 million balance from the $250 million authorized in fiscal year 1968 for use in model neighborhoods plus an additional $350 million authorization being proposed.

These funds will be required to meet the estimated effective demand for urban renewal activities related to the neighborhood areas in model cities designated during fiscal year 1968, and those which are expected to be designated in the near future. Model cities applications for planning funds reflect a strong indication that urban renewal activities will be a major element of model cities plans.

In providing funds as model cities add-on, the Congress intended that approval of urban renewal activities in model cities areas would not decrease the assistance which might otherwise be available to other areas in model cities as well as other cities. Grants from the $500 million add-on will be provided only with respect to projects which are identified and scheduled to be carried out as a part of an approved model cities program.

A recent survey of model cities needs indicated a probable effective demand of approximately $850 million. This is composed of existing applications for assistance currently pending before the Department as well as proposals under consideration by localities for submission within fiscal years 1968 and 1969. This is, however, only a preliminary indication of demand since it is too early to project the total demand for assistance in model cities areas. Cities are just getting started in their planning processes and it is not yet possible to develop comprehensive estimates on a city-by-city basis. Based on current surveys, however, as well as prior operating experience with on-going urban renewal activities

in the designated cities, it appears clear that total need will develop in excess of the $850 million already identified. The $500 million requested for 1969 will provide for that portion of the total need which, it is estimated, the cities will be able to move forward within the year.

While all urban renewal activities may be used in these areas, urban renewal projects and code enforcement programs are expected to make the major contribution toward changing the physical characteristics of the model neighborhoods. The description and benefits of these and other urban renewal activities are furnished later in this justification. The accomplishments since inception of urban renewal activities demonstrate that such activities are among the most effective tools available to deal with the physical, economic, and social problems in model neighborhood areas. These activities will provide a major impact in restructuring the urban sectors represented by model neighborhoods.

B. *Appropriation of $1,400 million for fiscal year 1970.*—An appropriation of $1,400 million in title I funds is requested for enactment in the 1969 Appropriation Act for availability in fiscal year 1970. Beginning in fiscal year 1966, the level of grant approvals in this program has been limited to amounts provided in appropriation acts. The policy of providing advance appropriations for this program was established in the course of shifting control of program levels from contract authorization to the appropriation process.

Advance knowledge of program levels is of great importance in the administration of urban renewal activities. The success of these activities depend on momentum and continuity of local actions and support. Assurance that Federal funds and technical services will be available to supplement efforts of private enterprise and local governments is essential to attract large sums of private capital for investment in slum areas.

The carryover of demand from 1969 is expected to exceed $2 billion. The rate of receipts is anticipated at about $170 million per month making a total demand of nearly $4 billion in 1970. The proposed appropriation would meet only about 35 percent of the requests for grant assistance estimated to be on hand or received in fiscal year 1970. The $1.4 billion will be needed to permit approval of additional urban renewal activities in some new communities and in many of the participating cities which have the local resources and readiness to proceed. Included in the request are funds for the regular title I program as well as for assistance in model cities areas. Provision of these funds for renewal activities will be critical for support of the model cities program since most of the physical treatment of model neighborhood areas will be through the renewal process.

II. What urban renewal can do

A. *Purpose of urban renewal programs.*—Urban renewal was the first action program for cities which provided complete area-wide treatment for an entire neighborhood. It combines and integrates such diverse elements as planning, land acquisition and disposition, property management, relocation, site improvements, rehabilitation, community facilities, code enforcement, community organization, and the coordination of resources for treatment of social problems. It has proven to be a successful method of achieving extensive land use changes within reasonable periods of time, through assembly of land at reasonable costs. It has been one of the major factors in uncovering to public view the underlying ills and needs of the city's slums; and it has been a major stimulant of new ideas and innovations in the treatment and betterment of these areas.

This brief description of urban renewal reflects the direct force or influence this process has in changing the structure of the urban environment receiving treatment. While full recognition is given to that point it also should be recognized that many of the benefits to localities are the results of the catalytic effect of urban renewal programs in areas outside urban renewal project boundaries.

B. *Benefits of urban renewal activities.*—Urban renewal programs can give new hope to cities and counties faced with the apparent unsurmountable problems of slums and blighted areas consisting of physical decay, economic depression, and social ills common to such areas. These programs are a primary means by which the urban environment can be restructured to serve the present and foreseeable future needs of the urban population. Through the direct influence and catalytic effect of urban renewal programs healthy, socially sound, and economically viable urban environments are created. A few of the wide variety of benefits to localities receiving technical and financial assistance through these programs are listed below.

1. Direct benefits to communities

(*a*) Preserves and increases the supply of low- and moderate-income housing within urban renewal and code enforcement areas.

(*b*) Preserves and renews neighborhoods through rehabilitation and conservation prior to the need for more drastic actions.

(*c*) Creates new neighborhoods through the demolition and removal of substandard, dilapidated structures, substandard and obsolete streets and utilities, and obsolete land patterns with subsequent redevelopment with proper land uses.

(*d*) Provides new and improved essential community facilities and services in such areas as education, health, employment, and recreation.

(*e*) Creates and stimulates economic growth within areas receiving urban renewal treatment.

(*f*) Meets emergenies resulting from natural disasters. For example, renewal programs were key factors in the rapid return of Alaskan communities to a viable status following the earthquake in 1966.

(*g*) Localities experience substantial savings in providing municipal services in neighborhoods that have been preserved or redeveloped; standard neighborhoods are more easily served and greater results are obtained from expenditures for municipal services. Not the least of these benefits is the increased effectiveness of welfare programs and other social and economic programs provided project residents.

(*h*) Landlocked institutions such as colleges, universities, and hospitals are provided an opportunity to increase their physical facilities through expansion of campuses and expansion of facilities.

(*i*) Assistance is also provided in the preservation of historical structures and areas of historical significance.

2. Indirect or multiplier benefits to communities

Benefits other than direct may be classified as multiplier benefits, some of which are:

(*a*) Increases the supply of standard housing for low- and moderate-income families outside of urban renewal projects because standard housing is required to be available and within financial ability of displaced persons.

(*b*) Values of property adjacent to project areas are enhanced, thereby increasing revenues to local governments and retarding the trend of blight and deterioration in adjacent areas.

(*c*) Residential and nonresidential redevelopment in urban renewal areas increases employment, raising demand for goods and services outside project areas.

(*d*) Interest in planning community-wide improvement programs is increased and accelerated. As communities seek Federal assistance in renewal activities, they become more aware of the value and benefits from communitywide self-improvement programs and citizens participation embodied in the workable program for community improvement.

C. *Need for urban renewal.*—A strong indication of the urgent and critical need for assistance required by most communities can be established through the use of the latest census data.

1. Conditions evidencing need

a. *Inadequate housing.*—The 1960 census reported nearly 53 million housing units occupied of which 2.3 million were reported as dilapidated and nearly 8.5 million were reported as substandard. Over 64 percent of the units were inside Standard Metropolitan Statistical Areas (SMSA's) of which 54 percent are in central city. Over 55 percent of dilapidated units and approximately 60 percent of substandard units in SMSA's are located in central city. Total dilapidated units and substandard units in SMSA's were reported as 590,000 and 3,231,000 respectively. The Bureau of Census in evaluating the 1960 census in a report identified as "Measuring the Quality of Housing, An Appraisal of Census Statistics and Methods, Working Paper No. 25" issued in 1967 stated the 1960 census evaluation program indicates that dilapidated housing in the United States is understated by at least one-third. Adjustment on this basis would increase the dilapidated units to over 785,000.

b. *Unsafe nonresidential structures.*—The haphazard development of nonresidential areas, often through poorly controlled transitions from residential to nonresidential uses, has resulted in mixed uses creating areas that are not only unattractive and a blighting influence on adjacent standard areas but are

inefficient in providing goods and services and are expensive to service by local governments.

The physical condition of nonresidential structures is not stated nationally in the census as in the case of residential structures. Some initial efforts have been made to establish uniform standards for such structures and some progress has been made toward classifying them. Local studies in urban areas of all sizes, especially in inner cities, have revealed large inventories of deteriorated structures lacking in or without adequate sanitary facilities, safe electrical wiring, heating, and fire escapes. This is an indication that a large percentage of the Nation's nonresidential structures in which goods and services are produced and distributed are health and safety hazards for substantial portions of the population.

c. *Lack of employment opportunities.*—The lack of employment opportunities in the slum ghettos is measured through official Labor Department Statistics. In 1966, the Bureau of Labor Statistics undertook a survey in selected ghetto areas of seven cities (Houston, San Francisco, New York, Phoenix, San Antonio, Philadelphia, and Boston). The results of the slum surveys were summarized in a publication entitled the "Sharper Look at Unemployment." This showed that the unemployment rates for cities are frequently reported as 2 to 3 percent of the labor force which the foregoing survey results indicate are very misleading when applied to slum and ghetto areas. "Subemployment" became the new measure and went beyond the present "able and willing to work" to include the potential labor force with its many workers who were underemployed or just too discouraged by low wages to be seeking work.

d. *Lack of community facilities and services.*—Slumdwellers, in most instances, do not have access to adequate community facilities and amenities within the neighborhood considered to be essential to the health and welfare of the urban population. The list of such facilities is long but the most significant ones that are inadequate or missing include: schools, hospitals, health clinics, parks, playgrounds, meeting places, municipal buildings, fire stations, libraries, streets, sanitary sewers, storm sewers, electricity, water, and other services necessary to keep such areas clean and attractive. The lack of such facilities and the services provided through them contribute to tension and acts of violence as well as health problems.

e. *Insufficient local, technical, and financial resources.*—Under present taxation systems in local, State, and Federal Governments, localities can not meet the cost of renewal treatment of slums and ghetto areas without technical and financial assistance from State and Federal governments. A few State governments are increasing both technical and financial assistance to localities, however, these resources are still very limited and leave the major burden on the Federal Government.

Slum areas require a disproportionate amount of local, State, and Federal funds for health, welfare, fire, police, and other services which are often ineffective because the conditions which create the need for extra expenditures continue to exist without corrective measures being taken. Through urban renewal, the residents are relocated to decent, safe, and sanitary housing, the slums are cleared and redevelopment of the areas makes it possible to provide the needed municipal services on a more economical basis. A substantial increase in revenue after redevelopment accrues to the local governments enabling them to provide better services to citizens.

D. *Goals and objectives.*—The need and demand far exceed funds currently available or expected to be available within the next few years. Use of funds, therefore, is being directed toward the areas of the most critical urban needs. The Department is responding to the mounting crisis in localities by directing financial assistance to new projects which are specifically directed to furnishing relief most needed; and has established the following national goals for approval of new projects:

(1) The conservation and expansion of the housing supply for low- and moderate-income families;

(2) The development of new employment opportunities, particularly for the jobless, underemployed, and other low-income persons; and

(3) The renewal of areas with critical and urgent needs.

In view of the extensive backlog of applications, this means that proposals for projects which do not meet these criteria must wait indefinitely. The only exceptions are applications for first projects in localities previously without urban renewal—generally smaller communities—and applications for projects which

will achieve balanced programs in communities whose present programs are already directed to meeting all the national goals.

The establishment of these goals and priorities assures that the resources of urban renewal—Federal, State, and local—will be mobilized to deal with the most critical urban problems. At the outset there may be some reduction of demand for urban renewal capital grant funds, but this is expected to be only temporary while localities adjust their programs to the new criteria. The effective demand for Federal capital grant funds will be limited by the same factors as it has in the past—the resources of the communities in terms of financing, rehousing resources, markets and administrative capacity.

The third goal—the renewal of areas with critical and urgent needs is applied to areas where localities will, through close coordination of local actions, arrange for the provision of public facilities and community improvements; make maximum use of legislative tools to provide low- and moderate-income housing, neighborhood facilities, open space land and urban beautification, loan and grant assistance for rehabilitation, and other aids; and plan with other community agencies for concerted social services for families affected by the projects.

III. What urban renewal has done

A. *Growth of urban renewal activities.*—At the end of fiscal year 1967, 847 different localities had urban renewal projects active in planning or execution stages, and about 60 additional localities were participating in the renewal program through other forms of assistance—programs of concentrated code enforcement, community renewal programs, or demolition grants. Since the passage of the Housing Act of 1961, in the 6 years ending June 30, 1967, there has been a net increase of 443 in participating communities and the number of approved projects and other urban renewal activities has been increased by more than 1,100.

The following table shows the net number of projects and amounts of grants approved in fiscal 1967 and the projections for fiscal years 1968 and 1969, by type of activity, and provides cumulative data on program status for those years. In the 6 years since the passage of the Housing Act of 1961, net new approvals totaled 990 compared to 859 net approvals in the 13 years from inception of the program in 1949 through fiscal year 1961. Through the end of fiscal year 1967, 1,849 urban renewal projects were in progress or had completed activities assisted with grants and it is expected the numbers will reach over 2,100 by the end of fiscal year 1969.

URBAN RENEWAL ACTIVITIES APPROVED

NET GRANT APPROVALS IN YEAR

[Dollar amounts in millions]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
Urban renewal activities:						
Urban renewal projects	117	$735.2	120	$835.2	172	$1,128.5
Code enforcement programs	39	51.6	46	59.5	78	108.0
Community renewal programs	15	5.7	24	9.7	28	10.0
Demolition grants	32	4.2	13	2.0	15	2.0
Total, urban renewal activities	203	796.7	203	906.4	293	1,248.5
Sec. 314 demonstrations		.6		1.5		1.5
Total, title I		797.4		907.9		1,250.0

CUMULATIVE GRANTS APPROVED (NET)

Urban renewal activities:						
Urban renewal projects	1,849	$5,961.7	1,969	$6,796.8	2,141	$7,925.3
Code enforcement programs	51	59.3	97	118.8	175	226.8
Community renewal programs	172	30.3	196	40.0	224	50.0
Demolition grants	52	9.0	65	11.0	80	13.0
Total, urban renewal activities	2,124	6,060.3	2,327	6,966.6	2,620	8,215.1
Sec. 314 demonstrations		6.9		8.4		9.9
Total, title I		6,067.1		6,975.0		8,225.0

Cumulative grant reservations shown for urban renewal projects and code enforcement include funds for relocation and rehabilitation grant payments estimated to be needed in the execution stages.

BUDGET REQUEST FOR URBAN RENEWAL

Mr. EVINS. Urban renewal is one of the main, longstanding popular programs of the Department of Housing and Urban Development. For 1969 you are asking $500 million for assistance in model cities and $150 million of this, I believe, is already authorized.

Secretary WEAVER. Yes.

Mr. HUMMEL. Yes.

Mr. EVINS. And $350 million is awaiting authorization?

Mr. HUMMEL. That is correct.

Mr. EVINS. Does the committee understand this to be the situation: In 1969, $500 million is requested for urban renewal in the model cities program; of this, $150 million is authorized and $350 million is awaiting authorization; but in addition for 1970 you are asking for $1.4 billion in urban renewal, including the model cities projects, and this is not yet authorized?

Mr. HUMMEL. That is correct.

Secretary WEAVER. Yes, sir.

STATUS OF MODEL CITIES PROGRAM

Mr. EVINS. This is well summarized. Tell us the status of the model cities program.

Secretary WEAVER. We have 75 cities now in planning, and we have some 100 which are indicating that they will come in for the second round of planning. We don't know the exact number. The closing date is April 15.

Mr. EVINS. You state in your justifications that a recent survey of model city needs indicated a probable effective demand of approximately $850 million, in model cities alone. Is this confined to urban renewal?

Secretary WEAVER. That is the urban renewal component.

ADVANCE APPROPRIATION FOR 1970

Mr. EVINS. You also state that you are requesting an appropriation of $1.4 billion in 1969 to be available for 1970. Beginning with 1966 the level of grant appropriations has been limited to the amount provided in appropriation acts. We shifted the program from contract authorization to the appropriation process. This is settled and the Secretary doesn't want to disturb it now.

You further state that the carryover of demand from 1969 is expected to exceed $2 billion. You expect receipts of applications at about $170 million per month, making a total demand of $4 billion in 1970. What is the highest level of funding for urban renewal in any one year?

Mr. HUMMEL. $750 million, plus the $100 million add-on for model cities for this year, or $850 million.

Mr. EVINS. Do all the cities vote on these programs? There have been some press releases which indicate that some cities have rejected urban renewal. That is a minority, isn't it?

Mr. HUMMEL. Yes, sir; very much so.

Secretary WEAVER. In a few cities they have referendums which are

required by either State or local law, but other than that I don't think this has happened, except in the breach.

Mr. EVINS. $750 million is about the level for several years.

Mr. HUMMEL. That has been the program level for approximately the last 4 years.

URBAN RENEWAL BACKLOG

Mr. EVINS. Are you catching up on your backlog, Mr. Secretary?

Secretary WEAVER. No, sir. We are keeping it from getting unwieldy but we are not catching up on it. We hope we will begin to catch up on it with the appropriations we are asking for these 2 years.

URBAN RENEWAL GOALS

Mr. EVINS. You point out in your justifications what urban renewal can do. We know generally what the purpose of the program is. It combines such diverse elements as planning land acquisition and disposition, property management, relocation, site improvement, rehabilitation, community facilities, and code enforcement. Urban renewal includes everything leading to a model city including community organization and coordination of resources for development of a treatment for social problems. You say that it has proven to be a successful method of achieving extensive land use changes within reasonable periods of time, that it has been one of the major factors in uncovering to public view the underlying ills and needs of the cities' slums, and that it has been a major stimulant of new ideas and innovations in the treatment and betterment of these areas.

Were all of these goals proposed before the President's Riot Commission report?

Secretary WEAVER. Yes. I think that we have been moving toward the direction which one of the recommendations made in that report articulates; namely, the concern for housing for low- and moderate-income familites which is one of the priorities we now have in the urban renewal program. That priority preceded the report but I think it is responsive to the same forces which produced our urban renewal goals.

Mr. EVINS. But urban renewal is not in reality replacing housing; it is disposing of housing, cleaning up and improving.

CHANGE IN PRIORITIES

Mr. TALCOTT. Were the priorities changed since the Southwest urban renewal project here?

Secretary WEAVER. Yes. We set up our new system of priorities last year, in fiscal year 1967.

Mr. HUMMEL. Last May.

Mr. TALCOTT. This project couldn't under any conception be considered as alleviating the civil disorder situation?

Secretary WEAVER. No. Let me say that we feel the emphasis in urban renewal should be primarily on residential and on housing for low- and moderate-income families. However, we recognize two facts: that some sites because of their very location should be developed for higher income occupancy because of their tax potential, and

so forth, and, secondly, that many cities must have central city downtown development. So what we are talking about is a balanced program, not one that simply has residential units for higher income families. This balanced approach is what we are pursuing now.

WASHINGTON'S SOUTHWEST PROJECT

Mr. TALCOTT. The Southwest project probably contributed to the civil disorder problem because it forced people out of one slum into a more highly concentrated slum someplace else.

Secretary WEAVER. That was really planned and started before 1961. So that goes way back to an earlier administration.

Mr. TALCOTT. Yes. It provided a house, for the Vice President of this administration, however.

Secretary WEAVER. Yes. I lived there at one time, too.

Mr. WYMAN. I live there now.

Secretary WEAVER. So do two of our Assistant Secretaries; and the new departmental building is in Southwest.

Mr. TALCOTT. A great slum clearance project but it did not help the slum people.

Secretary WEAVER. I must point out two things. We are now doing the first moderate income housing in that area. We have already completed a rehabilitation project which is a cooperative and we have broken ground for a 221(d)(3) moderate income project which has the first moderate income housing units there. It is not quite as bad as it sounds because there are about a thousand public housing units contiguous to it. So there have been high and low incomes there, and now we are trying to put in some moderate income units.

Mr. EVINS. This is a showcase of progress.

URBAN RENEWAL PRIORITY SYSTEM

Mr. BOLAND. You indicated that you established a priority system last year with respect to the approval of urban renewal projects in May of 1967?

Mr. HUMMEL. Yes, sir.

Mr. MCCABE. Yes.

Mr. BOLAND. You detailed this in your opening statement and I would like to have the priorities established again. You have already said it, but I would like to have in the record at this point.

Mr. HUMMEL. We give priority to those projects which preserve or advance the supply of housing for low- and moderate-income families, also those programs which provide job opportunities for the unemployed and the underemployed, and those programs that deal with the areas of particularly urgent and critical need.

Mr. BOLAND. I certainly agree with the priority system, and I congratulate the Department for establishing it. I can understand that years ago when urban renewal was first started there was a crying need to rehabilitate the core city. After all, this is the area on which the city depends for its taxation to pay for all city programs. So I think at that time there was a real need for that kind of activity. I am delighted now that you have criteria which take care of some of the real difficult problems that now afflict the core cities.

PROPOSED NEIGHBORHOOD DEVELOPMENT PROGRAM

Mr. EVINS. You state in your testimony:

> We are proposing a selective new approach to housing in 1968 which will permit some cities to undertake programs on a stage funding basis. This will enable us to respond to more cities quickly without a large initial impact on the budget. It will save both Federal and local costs by earlier commencement of projects and earlier completion.

What effect will this change in the method of funding and proceeding have on the operation of your program?

Mr. HUMMEL. It might be well, Mr. Chairman, for me to outline what the approach is.

This is included too in the Housing and Urban Development Act of 1968, now before the Congress, which would authorize those communities that wanted to proceed by this method to select and delineate a much larger area than is now normally selected as an individual project. The areas selected under this method could involve all degrees of blight. Treatment would be generally outlined in the first year by submission of a plan and a budget to us. We would approve that plan and budget with tentative approval for a second year's budget. This would permit the community to begin execution activites immediately while they are doing the more detailed planning necessary for other parts of the area designated as the neighborhood development area.

Mr. EVINS. Aren't you doing this under existing authority? You do not need the new legislation if you already have the authority.

Mr. HUMMEL. At the present time, before we authorize an urban renewal project, the community most go through the complete planning process. It must submit detailed plans which we testified take an average of 31 months to complete. During that period a part 1 is submitted. Part 1 is proposed after we have provided planning funds. We are talking about the present system now.

Mr. EVINS. After about 30 months of planning, they submit part 1?

Mr. HUMMEL. They submit part 1. If we approve part 1, the community has a public hearing and adopts the plan, and then submits a part 2. Following approval of a part 2, the community is ready to go into execution.

EMPHASIS ON REHABILITATION

Mr. SHIPLEY. Why haven't you come before the Congress with the necessary legislation to do this before?

Mr. HUMMEL. I think there are two answers. At the beginning of this program one of the objectives was to change the use of land.

Secretary WEAVER. Such as in the Southwest.

Mr. HUMMEL. Yes. Areas were cleared of structure and the land was sold for redevelopment. It was felt they could not get developers to buy the land until they knew exactly what was available for them to redevelop. So you had a clearance and redevelopment program.

We have shifted our emphasis, partially because Congress has given us additional legislation and additional authority over the years, such as the code enforcement programs and the rehabilitation loan and grant programs which have enabled us to place more emphasis on rehabilitation of larger areas. You did not require this same kind of approach that was originally required under the old clearance and redevelopment program.

As we put emphasis on rehabilitation, it becomes more and more important that larger areas be selected for treatment provided they can be funded on an incremental basis within the community's ability to proceed.

Mr. SHIPLEY. There is no doubt about this program.

Mr. HUMMEL. So what we are proposing to do, in effect, is telescope the planning phase with the execution phase, by the community saying "I expect to do this toward this plan next year," and if we approve that budget then they start execution immediately.

Secretary WEAVER. The reason we didn't do it before is because as long as we had the concept of total clearance and a new user group, you had to treat the project as a whole. In other words, you couldn't start it at one edge of Southwest Washington, demolish a little bit and put up a new apartment. You had to do the whole thing. Then we changed the direction of program. The old method is no longer appropriate. So we have to change the program before we can change the method to meet the new requirements and new possibilities.

Mr. SHIPLEY. This is a great step in the right direction. I am just sorry it hasn't been done before.

Mr. EVINS. This is consolidating your plans, and moving at a faster rate. You used the words "telescoping the plans with construction?"

COST SAVINGS UNDER PROPOSED PROGRAM

Mr. HUMMEL. Yes, sir.

Secretary WEAVER. Also, it saves a lot of money. When you plan for a project that is supposed to be executed over 10 or 15 years, by the time you get to the fifth year you have to start the planning all over again; and by the time you get to the 15th year you have to do it three times. So this saves considerable time and money.

Mr. SHIPLEY. This is bound to save money.

Mr. EVINS. Originally, didn't the law require at least 50 percent residential area to be redeveloped?

Mr. HUMMEL. That goes back before my time.

Mr. CURRY. Originally, it had to be over 50 percent residential, we had to either clear residential slums or provide new residential uses.

Mr. EVINS. You get back to what we had originally. Originally, you had to have 50 percent developed. Then you set up a system of phase 1, phase 2, and now you are going to the overall plan.

INCREASED LOCAL FLEXIBILITY

Mr. HUMMEL. This would give the community a great deal more flexibility and develop their program in accordance with opportunities that arise during the process of development. At the present time when an area is designated as a renewal area activities to improve property in the area are very limited until the plan is completed and the project enters the execution stage. A man who wants to maintain his building doesn't go forward; and a man who loses a tenant has difficulty getting a new tenant. This way, as you are moving forward, if a man comes in and says "I would rather sell my building and get out now," his property is scheduled for acquisition. In other words, it gives the community the flexibility to move as the opportunities offer themselves within

the area, provided it is within the budget that has been approved at the beginning of the year.

Mr. EVINS. There are many benefits to the community listed in your justifications. There are nine listed here. We will highlight a few of them. One is to preserve and increase the supply of low- and moderate-income housing within urban renewal and code enforcement areas. Another is to preserve and renew neighborhoods through rehabilitation and conservation prior to the need for more drastic action. It also creates and stimulates economic growth. This is probably one of the generating ideas for urban renewal, that it stimulates the private sector into making other improvements. You also say it meets emergencies resulting from natural disasters and increases the effectiveness of the welfare program. Now, how does it do that?

Mr. HUMMEL. If you have a deteriorated area and all you are doing is giving welfare checks without giving an opportunity to improve the facilities and the living conditions.

Mr. EVINS. Well, you are still going to give the welfare checks after you make the improvement. This says "increases the effectiveness."

Mr. HUMMEL. If you have redeveloped property it is much cheaper to maintain some sort of a standard for those people than it is to just give out welfare checks and let them live under the same conditions.

CUMULATIVE AND PROJECTED GRANT APPROVALS

Mr. EVINS. You also say that landlocked institutions such as colleges, universities, and hospitals are provided an opportunity to increase their physical facilities through expansion of campuses and facilities.

On page B–10 you show how much we have used for renewal over the years. You show 2,124 grant approvals through 1967, and you have used $6,060,300,000 through fiscal 1967. Through fiscal 1968, it was $6,966,600,000—almost $7 billion—and through 1969 the estimate is $8,215,100,000. So if anybody tells you we are not doing anything for the cities, cite these figures.

Now, those are broken down into nearly $800 million used in 1967, $900 million in 1968 and $1,250 million proposed for 1969.

The projected cumulative grants through 1969, for community renewal programs are $50 million, which includes a little of everything. Then we have a cumulative total of $13 million for demolition grants. By the end of 1969 you will have used a total of $8,215 million in urban renewal alone.

LAND ACQUISITION AND REDEVELOPMENT

You have prepared a cumulative summary of land acquisitions and redevelopment as of June 30, 1967. The number of localities, cumulative, is 847. Is that where you have urban renewal projects under way?

Mr. HUMMEL. Yes, sir.

Mr. EVINS. You show 677 projects in which some or all of the activity has occurred. I have never seen one where there was not an improvement. There is talk and dissent, but lots of progress.

Now, tell me about these figures in your table, it says "Redeveloper selected" 24,658. What is that, Mr. Hummel?

Mr. HUMMEL. We are talking about the number of acres of land involved.

Mr. EVINS. The status of land redeveloped?

Mr. HUMMEL. Yes.

Mr. EVINS. 24,658 acres where redevelopers were selected?

Mr. HUMMEL. By private and public developers.

Mr. EVINS. These have been selected?

Mr. HUMMEL. Yes, sir; out of a total area of 97,523 acres, private and public developers have been selected for redevelopment of 24,658 acres.

Mr. EVINS. Now, the category, "not committed," tell us about that figure.

Mr. HUMMEL. Those acres have not yet been committed for redevelopment.

Mr. EVINS. "Committed for redevelopment" is 22,435 acres?

Mr. HUMMEL. Yes.

Mr. EVINS. Are those both private developers and municipalities?

Mr. HUMMEL. Yes.

Mr. EVINS. Redevelopment completed, 12,048 acres. This is a very impressive table. We will place it in the record.

(The table follows:)

CUMULATIVE SUMMARY OF LAND ACQUISITION AND REDEVELOPMENT AS OF JUNE 30, 1967

[Dollar amounts in millions]

	Cumulative	Number of projects [1]
Number of localities	847	[2] 677
Number of urban renewal projects in execution and completed	([3])	1,340
Total area (acres)	97,523	
Streets and public R.O.W.'s (not to be acquired)	19,424	1,100
Area not to be acquired (excluding streets)	27,826	1,195
Area to be acquired and disposed (including streets)	50,273	1,340
Status of land acquisition (acres):		
Area not yet acquired	12,050	698
Total land acquired	38,223	1,278
Status of land disposition and redevelopment (acres):		
Not ready for disposition	10,291	
Ready for disposition, but developer not selected	3,274	323
Redeveloper selected	24,658	
Not committed	2,223	229
Committed	22,435	
Redevelopment not started	6,652	622
Redevelopment underway	3,735	516
Redevelopment completed	12,048	751
Redevelopers values, excluding cost of land total	8,611	968
Redevelopment not started	2,907	606
Redevelopment started/completed	5,704	
Private, total	3,923	
Residential	1,830	
Nonresidential	2,093	
Public	1,781	
Streets, etc.	273	
Other	1,508	

[1] Number of projects reported are those in which some or all of the activity has occurred.
[2] Number of localities projects approved for execution.
[3] Not available.

This table shows nearly 100,000 acres of land in 1,340 projects in execution or completed subject to renewal treatment. Slightly over 50,000 acres will be aquired and sold for redevelopment. Redevelopers have been selected for nearly 50 percent of the land to be acquired. $5.7 billion of redevelopment has been started or completed with $2.9 billion scheduled but not started making a total of over $8.6 billion directly invested or to be invested in redevelopment reported to date in 1968 projects.

ESTIMATE OF REDEVELOPERS' VALUES

Mr. WYMAN. The redevelopers' values shown on this table, excluding cost of land, total is $8,611 billion. What does that figure mean?

Mr. MCCABE. This is construction on the land, basically buildings, the amount of money they have committed for redevelopment purposes on this land that they have bought. It could be housing, it could be commercial, it could be industrial. This is their commitment.

Mr. WYMAN. In other words, when you get all through based on the commitments that you have to date you will have a value on this land of nearly $9 billion?

Mr. MCCABE. So far on 968 projects where redevelopers have been selected.

Mr. WYMAN. So far. That compares with the cost to the Government to acquire the land and raze the buildings of approximately what? Do you have that overall figure in round numbers?

Mr. MCCABE. So far, in terms of the reservations, it will be close to $6 billion in reservations on urban renewal activities through 1967.

Secretary WEAVER. That would not be the pertinent figure, however. The pertinent figure would be the expenditures.

Mr. HUMMEL. About $2 billion actually have been disbursed thus far in the program, which have made available this many acres of land with the redevelopers' value, excluding the cost of the land for redevelopment of $8.611 billion.

Mr. WYMAN. Is that redevelopers' value a projected item or is it an actual value in existence at this time?

Secretary WEAVER. There are two elements. Redevelopment started or completed, and redevelopment not started. The redevelopment started and completed, which represent firm figures, would be $5.7 billion. The redevelopment not started, with pretty good estimates because they have to put in their figures, to get this, is $2.9 billion.

PROPERTY VALUES AND TAX BASE

Mr. WYMAN. So that from all of this, it is fair to say that when you do have urban renewal you end up with a net increase in the asset value of what you improve?

Mr. HUMMEL. Very definitely.

Secretary WEAVER. Almost four times the Federal involvement.

Mr. WYMAN. That is a tax base for these communities?

Mr. HUMMEL. The experience thus far is that local taxes have gone up about 400 percent in the areas over what they were before.

Mr. WYMAN. Have you had expressions of approval of this from the major areas affected around the country?

Secretary WEAVER. Oh, yes.

Mr. WYMAN. They like it, they want more of it?

Secretary WEAVER. Yes.

Mr. HUMMEL. That is why you have $1.9 billion worth of applications.

Mr. WYMAN. Thank you.

NONRESIDENTIAL REDEVELOPMENT ON URBAN RENEWAL PROJECTS

Mr. BOLAND. On page 14, table C, completed as of June 30, 1967, nonresidential facilities with construction, you break this down into retail services and related facilities. Let us put this table on page B–14 in the record.

(The page follows:)

NONRESIDENTIAL FACILITIES WITH CONSTRUCTION STARTED AND COMPLETED, CUMULATIVE AS OF JUNE 30, 1967

	Number of structures		Number of projects [1]
	Cumulative	1967 change	
Retail services and related facilities	1,152	254	329
Wholesale and distribution facilities	271	45	90
Private office buildings	426	83	170
Other commercial facilities	475	99	204
Industrial facilities	822	117	163
Public buildings and institutional facilities:			
Total	692	103	274
Schools	(217)	(52)	119
Hospitals	(26)	(2)	11
All other	(449)	(49)	
Private institutional facilities:			
Total	354	58	154
Schools	(97)	(17)	33
Hospitals	(26)	(7)	12
All other	(231)	(34)	124

[1] Number of projects reported are those in which some or all of the activity has occurred.

This table C shows the variety of redevelopment in urban renewal projects including the construction of public facilities. Public and private institutions have made substantial contributions to the redevelopment of urban renewal land to provide community facilities such as schools, hospitals, and other facilities making former slums and blighted neighborhoods more livable.

The commercial and industrial redevelopment has contributed to increased employment opportunities and increased revenues for local governments. The number of urban renewal projects involving nonresidential redevelopment is 658.

RESIDENTIAL REDEVELOPMENT

Mr. BOLAND. Table D on page B–15 is a cumulative summary of dwelling units planned and completed in urban renewal projects with land committed or conveyed as of June 30, 1967. This table shows a total of 195,999 dwellings planned, of which 106,961 have been completed. Let us put in the record the narrative at the bottom of page B–14 and the table on page B–15.

(The pages follow:)

CUMULATIVE SUMMARY OF DWELLING UNITS PLANNED AND COMPLETED IN URBAN RENEWAL PROJECTS WITH LAND COMMITTED OR CONVEYED AS OF JUNE 30, 1967

	Number of projects [1]	Number of dwelling units	
		1967 change	Cumulative
Planned units: [2]			
Private	430	17,124	177,233
Public	152	4,951	18,766
Total	[3] 511	22,075	195,999
Completed units:			
Private	330	14,877	96,201
Sec. 221(d)(3)		(2,285)	(11,960)
Public	98	2,293	10,760
Total	[4] 380	17,170	106,961

[1] Number of projects in which some or all of the activity has occurred.
[2] Includes all units planned, started, and completed.
[3] Total projects (nonadd) unduplicated project count.
[4] Includes units financed by FHA-insured loans.

Table D is a cumulative summary of dwelling units planned and completed in projects with land committed or conveyed as of June 30, 1967. The table shows a total of 195,999 dwelling units planned of which 106,961 have been completed. A total of 11,960 units subject to 221(d)(3) insured FHA mortgages for low- and moderate-income families and 10,760 public housing units have been completed to date. Future emphasis in selecting new projects and completing existing projects will be directed toward increasing the number of units planned and accelerating the completion of units for low- and moderate-income families.

The participation of private enterprise in the redevelopment of renewal areas is demonstrated by over 90 percent of the dwelling units shown as being developed by private capital and privately owned corporations.

Mr. BOLAND. Now, with the change in priority which you established in May of 1967 you would expect the number of dwelling units to increase substantially in the urban renewal areas, would you not?

Mr. HUMMEL. That is right.

Secretary WEAVER. And the number of low- and moderate-income units.

Mr. BOLAND. Yes.

Mr. HUMMEL. Yes.

REHABILITATION IN URBAN RENEWAL PROJECTS

Mr. BOLAND. Table E is a cumulative summary of rehabilitation workload in 363 projects and accomplishments as of June 30, 1967. Let us insert the narrative at the bottom of page 15 and the table on page B–16.

(P. B–16 follows:)

CUMULATIVE SUMMARY OF REHABILITATION WORKLOAD IN 363 PROJECTS AND ACCOMPLISHMENTS, AS OF JUNE 30, 1967

	1967 change	Cumulative
Total structures:		
Workload	13,522	96,298
Completed or in process	7,296	50,859
Completed	6,242	37,350
Residential structures:		
Workload	11,297	83,684
Completed or in process	6,443	46,265
Completed	5,625	34,251
Other structures:		
Workload	2,225	12,614
Completed or in process	853	4,592
Completed	617	3,099
Dwelling units:		
Workload	26,032	211,299
In process	2,449	28,845
Completed	14,755	75,074
Not started	8,828	107,380

Note: Dwelling units rehabilitated include those financed by FHA insured loans.

Table E, "Summary of rehabilitation workload and accomplishments as of June 30, 1967," indicates substantial progress in the preservation and rehabilitation of structures in urban renewal projects. Of the 96,298 structures to be retained and brought up to public standards, 83,684 are residential containing 211,299 dwelling units; 75,074 units have been completed with 28,845 additional units in process of rehabilitation.

Nearly 36,000 dwelling units have been rehabilitated during the past 3 years and it is expected the number of dwelling units rehabilitated will be substantially increased during fiscal years 1968 and 1969.

Mr. BOLAND. On the rehabilitation—off the record.

(Discussion off the record.)

ASSISTANCE TO NONPROFIT ORGANIZATIONS

Mr. BOLAND. In the narrative on page B–17 you state that nonprofit organizations, including churches, are also provided with assistance in finding new locations. Many churches have found that the sale of an older structure provides an opportunity to move into an area in which more of their parishioners are located as well as the development of new or improved facilities. As with many business concerns and families, the churches which are able to remain in the project area usually benefit from improved facilities as well as upgraded physical plants. This has happened a number of times.

RELOCATION PAYMENTS

On page B–18, relocation payments: Displaced site occupants receive financial assistance in meeting the cost of moving. For families and individuals the maximum payments which they may receive for moving expenses and loss of personal property is $200. How long have we had this particular figure? It seems to me it has been a long time; as long as I have been sitting here. Is that really a fair figure?

Mr. MCCABE. The cumulative average is $77.77 for families. Last year the average went up to $95. So we are still well under the $200 maximum for families.

Secretary WEAVER. These are poor people, for the most part.

Mr. BOLAND. Then you continue: Families and individuals unable to secure low-rent housing or housing developed under the Federal rent supplement program may be eligible for relocation adjustment payment in an amount not to exceed $500.

Business concerns—and this has always been a problem with us—including nonprofit organizations may be reimbursed for moving expenses and direct property losses up to a maximum of $3,000. This is the moving expense; the direct property loss also. If no property loss is claimed, eligible costs for moving expenses may be reimbursed up to $25,000. The local public body is authorized to pay moving expenses in excess of $25,000 provided the locality agrees to share the excess with local funds on the same basis as other project costs are shared. Let's say that the moving expenses are $50,000. You pay up to $25,000. What about the additional amount over $25,000, what happens?

Mr. HUMMEL. If the locality agrees to assume their portion of it we would bear our two-thirds cost.

Mr. BOLAND. Two-thirds of the amount over $25,000?

Mr. HUMMELL. Yes, sir; two-thirds, unless it was in those communities that are entitled to a three-fourths one-fourth formula.

Mr. BOLAND. Have you found that there are many localities that have done this or are localities reluctant to do it?

Mr. HUMMEL. There have been only 16 of such payments.

Mr. MCCABE. Relocation payments above $25,000?

Mr. BOLAND. That is right. I understand only about 16 have done it.

Mr. MCCABE. Yes.

Mr. BOLAND. Out of how many?

Mr. HUMMEL. Sixteen such payments out of a total of 46,967.

RELOCATION PAYMENTS OVER $25,000

Mr. BOLAND. Well, supply for the record the number of local agencies making business relocation payments over $25,000.

(The information follows:)

There have been a total of 46,967 relocation payments to businesses since the inception of the authority to make such payments. The following is a list of communities where relocation payments over $25,000 have been made:

	Number of payments
Laconia, N.H.: R–12, Dwinnpesaukee River	2
Washington, D.C.: R–8, Northwest No. 1	1
Decatur, Ga.: R–56, Beacon Hill	1
Memphis, Tenn.:	
R–37 Court Avenue No. 1	1
R–49 Court Avenue No. 3	5
Evansville, Ind.: R–48, Riverside	1
Highland, Mich.: R–110 Industrial No. 1	1
Cincinnati, Ohio: R–60 Central riverfront	4
Number of localities	7
Number of payments	16

Mr. BOLAND. You have made 16 relocation payments?

Mr. MCCABE. Yes, sir; out of the 46,967. This involved only seven localities.

Mr. BOLAND. So there is reluctance on the part of local bodies to pay the additional cost above $25,000?

Mr. MCCABE. Yes.

PAYMENT FOR DIRECT PROPERTY LOSSES

Mr. WYMAN. What are some illustrations of the direct property losses in this paragraph where you say that business concerns may be reimbursed for moving expenses and direct property losses up to a maximum of $3,000? What kind of direct property losses are involved here?

Mr. CURRY. That would be any kind of personal property or property which the concern has a right to move but which is unusable at the new location. If it has no value where it is, therefore it has to be sold off and to the extent it is sold at a loss, that difference is allowable as a property loss.

Mr. WYMAN. Then you say if no property loss is claimed, eligible costs for moving expenses may be reimbursed up to $25,000. Now, suppose they do have a little property loss, that doesn't mean they are ineligible for the moving cost?

Mr. CURRY. As the statute is written, yes, sir; it does. If there is any property loss, then there is a $3,000 limit. It can go above $3,000 only for moving expenses.

Mr. WYMAN. Is this a situation where perhaps a little revised draftsmanship by way of an amendment is advisable? This struck me as being inconsistent on its face.

Mr. CURRY. It would take a change in the statute.

Mr. WYMAN. Could you supply a possible text for such a change at this point in the record?

Mr. CURRY. Yes, sir.

Mr. WYMAN. This affects all the people in a couple of billion dollars' worth of urban renewal projects, or a great many of them. Perhaps it would be useful to see what should be changed. Constituents are always writing in about this.

Mr. EVINS. Different people have different ideas as to the amount of loans and grants that should be made for relocation. They have a program under the Small Business Administration, I believe, to make loans and grants also. Your ideas would vary as much as there are numbers of individuals.

Mr. WYMAN. I want to see if there is a language change, that is all, which would be constructive in clarifying this for the people who are affected by it. I thought it would be useful to see what it is at this point in the record.

Mr. EVINS. If you have any suggestions, you might supply them for the record.

Mr. CURRY. Very well.

(The information follows:)

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C. April 12, 1968.

HON. JOE L. EVINS,
Chairman, Subcommittee on Independent Offices and HUD, Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR MR. EVINS: In the course of our hearing before your Committee a question was raised concerning relocation payments to businesses displaced from urban renewal areas. In the discussion which followed, it was developed that under existing law any payment to a displaced business concern which includes an amount for direct losses of property may not exceed $3,000, although reimbursements covering only actual moving expenses are not so limited. In other words, in order for businesses to be reimbursed for moving expenses of $3,000 or more, they must be denied any compensation for property losses. At Mr.

Wyman's suggestion, you requested that the Department supply amendatory language which would avoid inequities such as can arise under the current statute.

The simplest form of amendment would be to strike out the proviso now contained in section 114b (1) which reads as follows:

": *Provided*, That such payment shall not exceed $3,000 (or, if greater, the total certified actual moving expenses)"

This would have the effect of eliminating a statutory dollar ceiling, but would permit the Department to continue its present practice of placing an administrative limit on the relocation payments which may be made by local public agencies to an individual business concern for reimbursement entirely from Federal grant funds.

There is some reason to believe that it would be desirable to retain a statutory limit on the amount that may be claimed by a business concern for property losses. This could be accomplished by amending section 114b by striking out all after the colon in paragraph (1) and inserting in lieu thereof the following:

"*Provided*, That any payment for such losses of property shall not exceed $____; and"

You will recall that in connection with such amendatory language I mentioned the need for further analysis of the problems involved. What I had in mind was the fact that both the executive branch and the Congress have been and are studying the desirability of legislation providing uniform standards for relocation payments in connection not only with urban renewal but with other Federal or federally-assisted programs. It would probably be useful for this specific matter relating to payments to displaced businesses to be taken up in that context rather than as an isolated problem.

Please feel free to include this letter in the record of your hearings if you think it would be useful in connection with the discussion which was held on this subject. I am sending a copy of this letter to Mr. Wyman, since it is responsive to the question which he raised.

Sincerely yours,

ROBERT C. WEAVER.

SMALL BUSINESS DISPLACEMENT PAYMENTS

Mr. EVINS. Your table shows that more than 227,000 families and more than 101,000 individuals have been relocated since the program's inception. How do your small business concerns displacement programs work?

Mr. HUMMEL. Eligible small business concerns may receive business displacement payments up to $2,500. Through fiscal year 1967, 10,688 concerns had received payments totaling $22,464,000.

Mr. EVINS. You say that eligible small business concerns may be paid up to $2,500 provided their annual earnings are less than $10,000. Those seem to be the criteria in the justification. Gentlemen, here is the table on page B–20 which shows you the total of all payments for moving.

RELOCATION, PROPERTY LOSSES, AND ADJUSTMENT PAYMENTS

Mr. HUMMEL. These are moving expenses, property losses, and adjustment payments.

Mr. EVINS. I am now at the bottom of page B–20. What do the figures, 36.137 and 134.830 represent?

Secretary WEAVER. Those are millions of dollars.

Mr. EVINS. That is the total of all payments for moving, property loss, and adjustments.

Mr. HUMMEL. $36,137,000 is the total of all payments that have been made during the year 1967, with a cumulative total of $134,830,000.

Mr. EVINS. Over the years?

Mr. HUMMEL. Yes.

Mr. EVINS. Please place this material on relocation payments into the record.

(The pages follow:)

Relocation payments.—Displaced site occupants receive financial assistance in meeting the cost of moving. For families and individuals, the maximum payment which they may receive for moving expenses and loss of personal property is $200. Families and individuals, unable to secure low-rent housing or housing developed under the Federal rent supplement program, may be eligible for a relocation adjustment payment in an amount not to exceed $500. If their relocation housing is standard, and if the cost of a unit of suitable size would exceed 20 percent of their income, they may be eligible for this payment. This payment is intended to assist in meeting the extra costs incidental to displacement.

Business concerns, including nonprofit organizations may be reimbursed for moving expenses and direct property losses up to a maximum of $3,000. If no property loss is claimed, eligible costs for moving expenses may be reimbursed up to $25,000. The local public body is authorized to pay moving expenses in excess of $25,000, provided the locality agrees to share the excess with local funds on the same basis as other project costs are shared.

Eligible small business concerns may be paid small business displacement payments of $2,500. These payments are generally available to business concerns which, in addition to having average annual net earnings of less than $10,000, do not have two or more establishments outside of the project or code enforcement area.

The following table shows that almost 227,000 families and more than 101,000 individuals have been relocated, since the program's inception. Of those relocating, who received relocation assistance, and whose housing condition is known, 93.4 percent have relocated into standard housing. During fiscal year 1967, 96.3 percent of these families relocated into standard housing. This reflects substantial improvement in local efforts to assist persons to relocate into standard housing.

While this table shows relocation condition of nearly 12 percent of those taken into workload as unknown, Department policy requires local public officials to use all reasonable means to trace those who disappear. Assistance in finding satisfactory new quarters is also offered those who were self-relocated to substandard housing.

SUMMARY OF RELOCATION OF FAMILIES AND INDIVIDUALS IN URBAN RENEWAL PROJECTS, CUMULATIVE AS OF JUNE 30, 1967

	1967		Cumulative	
	Number	Percent	Number	Percent
Number of localities			847	
Number of projects (in execution or completed)			1,340	
Number of projects with relocation underway or completed			1,240	
Number of projects with relocation completed			544	
Total families in acquired properties	19,047		245,069	100.0
Total relocated	16,658		226,857	92.6
Condition known	15,015	100.0	197,598	100.0
Relocated to standard housing	14,458	96.3	184,648	93.4
Private rental	6,829	45.5	91,212	46.2
Private sales	4,684	31.2	47,698	24.1
Federally aided public	2,771	18.4	41,961	21.2
Other public	174	1.2	3,777	1.9
Self relocated to substandard	557	3.7	12,950	6.6
Condition unknown	1,643	100.0	29,259	100.0
Self relocated outside city	1,051	64.0	15,037	51.4
Whereabouts unknown	379	23.0	10,432	35.6
Evicted	80	4.9	2,195	7.5
Others	133	8.1	1,595	5.5
Estimated families remaining in project areas	4,455		31,810	
Total individuals in acquired properties	17,012	100.0	110,282	100.0
Relocated	13,566	79.7	101,074	91.7

The following table summarizes financial assistance provided those displaced through urban renewal activities subsequent to 1954, the time at which 100 percent Federal grant funds were authorized for relocation payments for moving expenses and property losses.

Relocation adjustment payments, first authorized by the Housing Act of 1964, were not made until fiscal year 1965. The Housing and Urban Development Act of 1965 increased the small business displacement payment from $1,500 to $2,500.

CUMULATIVE SUMMARY OF MOVING EXPENSES AND PROPERTY LOSS PAYMENTS AS OF JUNE 30, 1967

[Dollar amounts in thousands, except average payments]

Type of displacee	Fiscal year 1967			Cumulative		
	Number	Average	Amount	Number	Average	Amount
Families	19,443	$95.32	$1,853	158,548	$77.77	$12,330
Individuals	9,519	65.58	624	64,114	51.05	3,273
Business	8,189	2,443.82	20,012	46,967	1,911.26	89,766
Total			22,490			105,370

RELOCATION ADJUSTMENT PAYMENTS

Families	5,397	$375.23	$2,025	13,246	$363.89	$4,820
Individuals	2,475	411.76	1,019	5,316	409.39	2,176
Small businesses	4,253	2,492.95	10,603	10,668	2,105.74	22,464
Total			13,647			29,460

TOTAL, ALL PAYMENTS (MOVING PROPERTY LOSS AND ADJUSTMENTS)

	Fiscal year 1967	Cumulative
Families	$3,878	$17,150
Individuals	1,643	5,450
Businesses	30,615	112,230
Total	36,137	134,830

The payments shown in the preceding table are the amounts paid by local public bodies, from Federal relocation grant funds. Each grant contract contains an amount which is reserved for relocation payments which are to be made over the entire active life of the project or code enforcement program. At the end of any period, the cumulative grant reservations for this purpose will cover payments made by the public bodies through that period, plus payments expected to be made during the remainder of the execution period.

At the end of fiscal year 1967, relocation grants in Federal contracts totaled $256 million for the 1,391 projects and code enforcement programs in execution or completed. The following table shows relocation grants included in urban renewal and code enforcement contracts in execution or completed at the end of each of the fiscal years 1967, 1968, and 1969.

RELOCATION GRANTS AT YEAR END

[Dollar amounts in millions]

Stage	Actual, 1967	Estimate, 1968	Estimate, 1969
Projects in execution or completed:			
Urban renewal projects	1,340	1,489	1,666
Code enforcement	51	97	175
Total projects	1,391	1,586	1,841
Relocation grants in title I contracts (cumulative)	$256	$310.0	$373.0

REHABILITATION LOANS

Mr. EVINS. We will move on, gentlemen.

You have section 312 rehabilitation loans, loans which are available on liberal terms to encourage families and individuals to rehabilitate their residential structures to project standards. The loans are up to $10,000 per dwelling and up to 45 percent more in high-cost areas at 3 percent interest over a period of 20 years. Place this discussion and the related table in the record.

(The material follows:)

Rehabilitation loans.—Section 312 direct loans are available to owners of residential properties and to owners or lessees of nonresidential properties in urban renewal and code enforcement areas. These loans are available on liberal terms to encourage families and individuals to rehabilitate their residential structures to project standards. Business men, private corporations, and nonprofit corporations are assisted through these loans to upgrade their properties to project standards. Residential loans of up to $10,000 per dwelling unit (up to 45 percent more in high cost areas) at 3 percent interest may be made for a period of 20 years. Nonresidential loans up to $50,000 also bear interest at 3 percent for periods not to exceed 20 years. The rehabilitation loan activity is reported in section C of this justification volume.

The following table reflects rehabilitation workload status in 1967 and accomplishments expected in 1968 and 1969. Under the combined urban renewal projects and code enforcement programs, approximately 97,000 dwelling units have been rehabilitated through June 30, 1967. It is anticipated that the cumulative total completed units will reach about 143,000 and 214,000 units in fiscal years 1968 and 1969, respectively.

STATUS OF REHABILITATION ACTIVITY AT YEAR END

	Dwelling units		
	Actual, 1967	Estimate, 1968	Estimate, 1969
Urban renewal projects:			
Total units (cumulative)	211,299	221,000	260,000
Completions in year	14,755	21,500	31,000
Completions (cumulative)	75,074	96,574	127,574
Code enforcement projects: [1]			
Total units (cumulative)	148,000	185,000	260,000
Completions in year	22,000	25,000	40,000
Completions (cumulative)	22,000	47,000	87,000
Total:			
Dwelling units (cumulative)	395,299	406,000	520,000
Completed (cumulative)	97,074	143,574	214,574

[1] Data for 1967 code enforcement projects are estimates based on a partial submission of reports since all reports are not yet available.

SEC. 312 REHABILITATION LOAN APPROVALS AT YEAREND

[Amount in thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Number of loans (cumulative)	1,306	4,866	8,426
Amount (cumulative)	7,024	27,024	47,024

REHABILITATION GRANTS

Mr. EVINS. Also, put in the record the material you have prepared on rehabilitation grants.

(The material follows:)

Rehabilitation grants.—Successful neighborhood rehabilitation depends largely on the extent to which area residents and property owners voluntarily support the objectives and believe that necessary public actions to improve the area are occurring or scheduled on a timely basis. There must be adequate reason to assume that their individual efforts and investment, combined with these public actions, will result in increased or restored economic value and in enhanced human convenience and comfort.

Many property owners in areas receiving assistance for rehabilitation need step-by-step guidance through the rehabilitation process because lack of experience makes the requirements seem more complex than they are. The activities of the local bodies administering program involving neighborhood rehabilitation are designed to demonstrate the good faith of the community in doing its part by providing services which acquire the confidence of area residents. These include technical guidance, financial assistance where the need is indicated, and examples in selected properties of what can be done. In these efforts it is important that means be found to accomplish rehabilitation objectives in all of the properties in the area so that occasional evidences of deterioration are not left to start a new spread of blight.

Many owner-residents have incomes insufficient to permit the additional monthly payments if the money for necessary rehabilitation were borrowed. In most cases, rehabilitation grants can be made to these homeowners which either will cover the cost of rehabilitation or reduce the amount which must be borrowed so that the resulting debt service will be within their means. Without such assistance, the homeowners in these hardship cases would be displaced in the interest of full neighborhood compliance with rehabilitation objectives.

Grant payments to eligible homeowners are made by local agencies administering urban renewal projects or code enforcement programs within amounts authorized in their contracts with HUD. At the end of fiscal year 1967 grant contracts had been made in 136 projects. By the end of the budget year, it is expected that 430 grant contracts for projects and code enforcement programs will contain authorizations totaling $45 million for the rehabilitation grants which will be made to area residents in the course of completing these activities.

The following table I shows the number of contracts in which rehabilitation grants are authorized at the end of each of the fiscal years 1967, 1968, and 1969, and the number and total amounts of such grants.

SEC. 115 REHABILITATION GRANTS IN URBAN RENEWAL AND CODE ENFORCEMENT PROJECTS

[Dollars in thousands]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
Individual grants approved and funds used in year	1,815	$2,579	8,000	$11,600	11,370	$16,477
Urban renewal projects	1,493	2,145	4,100	5,945	4,900	7,105
Code enforcement projects	322	434	3,900	5,655	6,470	9,372
Cumulative grants approved and funds used	2,856	3,997	10,856	15,597	22,226	32,074
Urban renewal projects	2,539	3,570	6,634	9,508	11,534	16,613
Code enforcement projects	317	427	4,222	6,089	10,692	15,461
Cumulative number of contracts		136		310		430
Urban renewal projects		119		260		345
Code enforcement projects		17		50		85
Cumulative number of grant reservations [1]		9,000		20,000		33,000
Urban renewal projects		7,900		16,400		25,400
Code enforcement projects		1,100		3,600		7,600
Cumulative grant reservations in contract [1]		12,000		27,000		45,000
Urban renewal projects		10,600		22,100		34,600
Code enforcement projects		1,400		4,900		10,400

[1] Estimated for fiscal year 1967 as well as 1968 and 1969.

Mr. EVINS. You give some example of planning and carrying out the program. Tell us about this on page B–28, Mr. Hummel?

Mr. HUMMEL. This description of urban renewal activities, projects and programs, gives the projects in planning and projects in execution by actual experience in 1967, and estimated for 1968 and 1969 on each of the categories.

Mr. EVINS. You have a total of 1,666 projects in execution and completed; is that correct?

Mr. HUMMEL. Yes, sir.

Mr. EVINS. I think we generally understand the procedure which is detailed on 29 through 32. Please place these pages into the record.

(The pages follow:)

DESCRIPTION OF URBAN RENEWAL ACTIVITIES—PROJECTS AND PROGRAMS

A. URBAN RENEWAL ACTIVITIES

1. *Local Administration.*—Urban renewal activities are administered by local public agencies (LPAs) designated by the government of the community. An LPA can be a State, county, municipality, or other governmental entity or public body, or two or more such entities or bodies, authorized to undertake the project or program for which assistance is sought. Most LPA's are public bodies specifically created by cities to administer urban renewal programs, though many, especially in the southern States, also are officially designated to administer local public housing programs and were already active as local housing authorities when the local urban renewal program was begun. In a number of cities, the city government acts as the LPA.

2. *Urban Renewal Projects*

a. *General.*—Urban renewal projects are an effective means of reversing the trends of deterioration and blight through rehabilitation. Structures and whole neighborhoods are revitalized and made livable through rehabilitation and installation of necessary public improvements and facilities. This type of assistance to localities is receiving greater emphasis and support, resulting in acceleration in the rate of accomplishment. In clearance and redevelopment the renewal process removes dilapidated and slum buildings, corrects diverse and conflicting land uses, and improves and replaces obsolete and inadequate facilities. It has been the unique device for the assemblage of undersized parcels of land where new uses or other development is needed, and for maximum use of advanced technologies and skills for the redevelopment of these areas for new uses to better serve the city and its citizens.

In residential development it removes unsafe, unsanitary, and otherwise inadequate structures, making way for new buildings with modern facilities, open areas, and long-lasting improvement of living conditions. In nonresidential redevelopment urban renewal provides modern business centers with adequate quarters and parking facilities, convenient to the public, pleasant to shop in, and economically sound for its operators.

Redevelopment also permits and encourages the provision of public facilities—schools, parks, libraries, neighborhood facilities, and many others to serve the people in urban renewal areas and the community.

b. *Project activity.*—The following table K reflects project activity during fiscal years 1967–69. In fiscal year 1967 the number of projects active in execution (1,070) was nearly 2¼ times the number active in the execution stage at the end of fiscal year 1961: 1,257 projects will be active in the execution stage during 1969. The total of all projects for urban renewal activities should reach 2,620 in 1969 compared to 2,124 at the end of fiscal year 1967 with cumulative amount of grants of $8,225 million.

URBAN RENEWAL PROJECT ACTIVITY

	Planning			Execution		
	Actual, 1967	Estimate, 1968	Estimate, 1969	Actual, 1967	Estimate, 1968	Estimate, 1969
Active, start of year	533	509	480	929	1,011	1,080
New approvals	151	176	205	141	149	177
Total active in year	684	685	685	1,070	1,160	1,257
Less:						
Stage complete	141	149	177	59	80	100
Project terminated	34	56	33			
Active, end of year	509	480	475	1,011	1,080	1,157
Closed out projects				329	409	509
Total in program (net)	509	480	475	1,340	1,489	1,666

c. *Planning and execution processes.*—Since inception of the urban renewal programs, project proposals have developed to the project execution stage through a planning stage extending generally over a period of approximately 18 to 36 months and in some cases even less. These stages are summarized below.

(1) *Planning.*—Title I authorizes advances to assist localities to make detailed plans for carrying out proposed projects. Advances may finance: (a) feasibility surveys to determine whether urban renewal treatment is appropriate and feasible in a particular section; (b) surveys and plans for a specific urban renewal project; (c) preparation of a general neighborhood renewal plan (GNRP) for an area of such size or complexity that the urban renewal activities may have to be initiated in stages. The GNRP advance is made in comtemplation of at least one urban renewal project embracing at least 10 percent of the area. Subsequent projects from the GNRP are undertaken as the capacity of the community permits, but all such projects must be initiated within an 8-year period after completion of the GNRP.

(2) *Execution.*—Upon completion of the survey and planning activities, the local public agency files an application for Federal loan and grant assistance to carry out execution activities pursuant to the completed plan. Before approval, the governing body of the locality must hold a public hearing on the proposal and endorse the project and financing plan. The execution phase of an urban renewal project includes rehabilitation activities, acquisition and clearance of land, relocation of displaced project residents and business establishments, provision of public improvements and facilities, and land disposition for redevelopment.

In practice, several of these separate stages take place at the same time in different areas of the project. Thus, rehabilitation, relocation, or demolition may be taking place for some properties; negotiations for acquisition will be in progress in others; and some redevelopment usually is well under way in parts of the project before the final parcel is sold to a redeveloper.

(3) *Planning and execution continuous process.*—While the foregoing paragraphs define the separate planning and execution processes, experience since inception of the urban renewal programs reveals that planning is a complex and continuous process. The application for planning advance includes estimates for a wide variety of complex and expensive renewal activities on which a capital grant reservation is based. The locality receives no financial Federal assistance in preparing the data for the survey and planning application. Information assembled for the application is based on general estimates of costs and receipts and decisions on proposed objectives are of necessity tentative. These circumstances combined with other reasons listed below frequently result in revisions in project objectives and estimates of costs. The most significant reasons for revisions during the planning stage are to:

(*a*) Establish new estimates on gross and net project costs based on current and more definitive data on project objectives, the extent or rehabilitation that is feasible and the need for clearance and redevelopment.

(*b*) Delineate the area to receive treatment to be more consistent with solutions dictated by in-depth analysis of physical, social and economic problems by professional planners, other technicians and appropriate locally appointed and elected policymaking officials.

(*c*) Respond to the needs of public and quasi-public agencies involved in the redevelopment of urban renewal projects—the degree of participation of

such entities often cannot be determined until the planning process is underway or until financial capability of such entities is determined.

Some of the common reasons for revisions during the execution stage are to revise project budgets to:

(*a*) meet increased costs resulting from increases in construction costs and real estate values—(these costs have been increasing at an annual rate of 3 to 5 percent);

(*b*) include funds permitted by new policies and legislative authorities such as relocation and rehabilitation grants, credits for local expenditures for project improvements and supporting facilities, construction of public housing in urban renewal projects under section 107, expenditures by colleges, universities and hospitals under section 112, expenditures for community-wide facilities under section 701 of 1966 act; and

(*c*) meet increased costs due to extension of the execution period.

Project budgets have generally been based on the assumption that execution activities would be completed in 5 to 7 years. A substantial number, however, have required 10 or more years for completion because of unanticipated delays in execution activities caused by litigation, limited relocation resources, lack of project improvements or supporting facilities, changes in local political leadership, etc. In many instances LPA's administering the projects have little or no direct control on factors which may delay or adversely affect execution activities.

In addition, project areas may be redelineated and project objectives revised to be more consistent with current needs and valid demands and capacity of the locality to bring projects to a feasible conclusion and to increase contributions of the projects toward meeting national goals.

Proposed revisions are reviewed by this department and approved when appropriate in the same manner as original applications. Proposed revisions, even though they may be desirable from a local standpoint and meet legal requirements of State and Federal laws may not be approved because they are not essential to project feasibility or to accomplish project objectives. As a means of improving program management and making maximum use of available funds consistent with national goals, strong administrative policy guides have been issued to local public agencies. These involve:

(a) *Restrictions on increasing existing grant reservations.*—Rigorous controls on the acceptability of requests for increasing the amount of existing reservations have been established. Except for stipulated circumstances in which objectives could not be met and projects could not otherwise be continued to completion on a timely basis, LPA's have been advised that they are expected to manage within current grant reservations or propose feasible decreases in other activities which would offset the requested increase. Results of the restriction have been encouraging.

By the start of calendar year 1967, the new regulations began to have an effect on the number and amounts of applications for which upward revisions were submitted. It is not possible to document the total dollar effect on demand, since no reliable mechanism exists for estimating what would have been submitted if the guidance had not been issued. However, it is estimated that a substantial decline has occurred, probably on the order of $50 million in the last half of the fiscal year 1967. There is every reason to believe these revised guidelines have caused the decline.

When the restrictions are in force for a full year, the effect on application receipts should be at least double the 1967 experience. In addition to the reduction in application receipts as a result of the instructions to LPA's, processing reductions in applications for grant increases were higher in 1967. This trend will continue in fiscal year 1968 until all applications submitted prior to the issuance of these restrictions have been processed.

Urban renewal programs (title I)

(b) *Recapture of reservations for projects too long in planning.*—Instructions have been issued which provide that projects still in planning after 3 years will be terminated or have their grant reservations canceled depending on the prospects for early completion of planning. This procedure tightens the more general guidelines formerly in effect for identification of planning delinquencies and corrective action to be taken. Recapture of reservations because of excessive planning periods probably will continue on a declining scale throughout fiscal year 1968. It is believed that this period of adjustment will eliminate some localities incapable of satisfactory progress, and more significantly, will result in

the development of greater capability and effectiveness in the majority of localities. Although there are no plans to relax these standards after fiscal year 1968, no significant amounts of recaptured funds are anticipated after that time. Projects canceled or terminated result in uncollectible planning advances. LPA's, however, are liable for such advances in the event Federal financial assistance is subsequently provided for an urban renewal project in the area covered by the original planning advance. The number of projects failing to reach the execution stage is relatively small and represent only a small percent of all projects since inception. Even though such advances generally are not collected when projects are terminated the amount is subject to collection in the event an urban renewal project is subsequently planned and reaches the execution stage in the same area.

(4) *Completion of urban renewal projects.*—The preceding table showed that 329 projects were closed out at the end of fiscal year 1967 and that 180 additional projects are estimated to be closed in 1968 and 1969. This classification is applied to those projects where all execution activities have been completed including disposition of acquired land for redevelopment and all project accounts closed with appropriate settlement of shared costs between local and Federal Governments. The closing of books and settlement of shared costs usually occurs immediately following sale of all land which generally results in substantial redevelopment not being started or completed before close out. The Department requires localities to submit progress reports on redevelopments until completed. The Department continues to monitor redevelopment after close out for compliance with project objectives and Departmental policies. The rate of project completions will be substantially increased during 1968 and 1969.

CODE ENFORCEMENT PROGRAMS

Mr. EVINS. Your code enforcement activity jumps from $51 million to $108 million. That is a pretty substantial increase, Mr. Hummel. The grant reservations were $51 million in 1967, $59 million in 1968, and jump up to $108 million in 1969.

Mr. HUMMEL. With our emphasis on rehabilitation of residential property the demand has increased for code enforcement grants. This is the effective instrument to make code enforcement practical.

Mr. EVINS. What is the average amount of your grants?

Mr. HUMMEL. $1.3 million per project.

Mr. EVINS. Do the local communities share in the cost of code enforcement?

Mr. HUMMEL. Yes, sir. They take the same share of the cost, one-third, in the areas where it is two-thirds; one-third of the net project cost.

Mr. EVINS. The average grant is $1.2 million, and expected to increase to $1.3 million. We will place the details of the code enforcement program in the record.

(The pages follow:)

CODE ENFORCEMENT PROGRAMS—SUMMARY OF ACTIVITIES

[Dollar amounts in millions]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Programs active, start of year	12	51	97
Net new approvals in year	39	46	78
Total active in year	51	97	175
Completed during year			12
Programs active, end of year			163
Grant reservations:			
New grants in year (net)	$51.6	$59.5	$108.0
Cumulative	59.3	118.8	228.8

a. *Code enforcement.*—Dollar figures shown above include amounts necessary for relocation grants and rehabilitation grants in code enforcement programs in addition to specific amounts for code enforcement grants.

Built up, predominantly residential areas are eligible for grant assistance if code violations are distributed throughout the area in at least 20 percent of the buildings. Deterioration must be due principally to noncompliance with existing codes, so that it is reasonable to expect that the concentrated code enforcement and public improvement program will restore the stability of the area and that continuing stability can be maintained locally through normal code enforcement activities and an adequate level of public services.

There must be a systematic program for intensive code enforcement that provides a definite plan and schedule for bringing all properties into code compliance; and adequate number of trained inspectors; an effective notice, permit and records systems; close coordination among all local governmental units and officials responsible for inspections and other compliance actions; and administrative and legal procedures for the prompt and equitable handling of noncompliance and appeal cases. The municipality must have a satisfactory program and other resources for providing all necessary public improvements within the area assisted by a code enforcement grant. The legislation recognizes the importance of adequate public facilities and services to the stability of neighborhoods and the prevention of blight, both by providing direct assistance and through providing incentive for maintenance of private properties in the area.

All public improvements necessary to arrest the decline of the area must be provided whether or not the type of improvement is an eligible program cost. Expenses of planning, installing, constructing, reconstruction, or repairing the following and similar improvements may be included in the shared program cost: streets (except expressways, freeways, and other limited access streets); curbs, gutters, and public sidewalks; catch basins as part of the street, service connectors, and laterals to trunk lines, storm sewers, and open channels; traffic lights and signs; street name signs; publicly owned street lighting and stationary fire and police communication systems; and street tree planting.

Generally, a grant will cover one area in the municipality, but this is not mandatory. In any case, it must be feasible to complete the code enforcement program for all areas covered by the grant contract within 3 years. Grants averaged approximately $1.2 million in fiscal year 1967 with a mix of small and large programs. The average grant is expected to increase to approximately $1.3 million in fiscal years 1968 and 1969 as localities expand their activities in code enforcement programs. A substantial proportion of the total cost of code enforcement programs, is for restoration, replacement or expansion of the public improvements referred to above.

COMMUNITY RENEWAL PROGRAMS

Mr. EVINS. How is your community renewal program different from your overall urban renewal program?

Mr. HUMMEL. The community renewal program is a program which allows a community to make a communitywide survey of the areas that they believe need renewal assistance, to determine the resources that are available to meet that need, and operates as a planning document on which they schedule their future urban renewal program and other activities.

Mr. EVINS. A grant may be made to any local public body authorized to perform the necessary work. This is generally through a city ordinance.

You state that through December 31, 1967, there were 172 approved community renewal programs or plans. According to the 1960 census, 60 of the cities or 34 percent had populations under 50,000, 76 were medium sized, and 44 percent between 50,000 and 250,000. Please place these pages in the record.

(The pages follow:)

COMMUNITY RENEWAL PROGRAMS—SUMMARY OF ACTIVITIES

[Dollar amounts in millions]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Annual:			
Net approvals	15	24	28
Grant reservations	$5.7	$9.7	$10.0
Cumulative:			
Number of approvals	172	196	224
Grant reservations	$30.3	$40.0	$50.0

b. *Community renewal programs.*—Beginning in fiscal year 1960, title I grants have been available to localities for two-thirds of the cost of preparing community renewal programs. The CRP outlines a staged program for renewal and community development based on an evaluation of the local needs for such actions and on the resources available for dealing with them. Applications from localities for such assistance must be approved by the local governing body but the CRP is not an established prerequisite to any other urban renewal activity nor does it create any obligation on the part of HUD to reserve grant funds for additional renewal activities for the community.

The continuing utility of a CRP requires that it be kept up to date and current. As conditions change, as program objectives are met, as goals are redefined, or the time-schedule lapses, the program can be revised on a continuing basis to reflect contemporary circumstances and intentions.

The major steps in preparing a community renewal program are:

Data obtained and correlations made.—(1) The need for renewal in terms of the nature and degree of blight within each area of the community; (2) the economic basis for renewal in terms of present and projected market trends; (3) the establishment of community goals for renewal actions; and (4) an appraisal of the resources needed and available for renewal in terms of citizen participation, social welfare programs, relocation requirements, equal opportunity in housing, administrative organization, legal tools, and financing the costs of programed activities.

Determining the program for renewal action.—Based upon the above findings as to needs, economic base, community goals, and resources, a feasible program for renewal action is prepared. It stipulates what actions are proposed, where they will take place, when they will occur, who will do them, and what costs are involved.

Local approval and support.—After the preparation of the proposed CRP is completed, it is reviewed by the local governing body to determine whether the program conforms with the community's general plan. In addition, the completed CRP either must be approved by the local governing body or endorsed by the Chief Executive before it is recognized as an acceptable product for a Federal grant.

A grant may be made to any local public body authorized to perform the work necessary for the preparation of a CRP and to contract with the Federal Government. Through December 31, 1967, there were 175 approved CRP's. By size of a city based on 1960 census data, 60 of the localities (34 percent) had populations under 50,000; 76 were medium-sized cities (44 percent) with populations between 50,000 and 250,000; and the remaining 39 localities (22 percent) had populations above 250,000. The latter group of larger cities represent nearly three-quarters of all cities of that size in the Nation.

USE OF COMMUNITY RENEWAL PROGRAMS

Mr. BOLAND. What is the total of the number of communities that have utilized this program?

Mr. FRANTZ. 172 through 1967, our 1969 estimates would bring it to 224.

Mr. BOLAND. That really isn't very much, is it? That goes back to 1960.

Secretary WEAVER. It is really an instrument which is most effective in the larger communities. The smaller community does not need it because it isn't as complex. But for a complex, large community it is invaluable.

Mr. BOLAND. Even at that, 39 localities had populations above 250,000, 76 were medium-sized cities, between 50,000 and 250,000. That is 125 out of 172.

DEMOLITION GRANTS

Mr. EVINS. Demolition grants are shown on B-37. You estimate 80 cumulative approvals. What do the grants average in this area, Mr. Hummel?

Mr. HUMMEL. About $240,000 per project.

Mr. EVINS. What is the basis of sharing the project costs in this program?

Mr. HUMMEL. In most instances it is two-thirds—one-third. The exceptions are if the area has been declared by the Department of Commerce as an economically depressed area it goes to three-fourths Federal aid and one-fourth local aid.

BASIS FOR REIMBURSING COMMUNITY

Mr. EVINS. If the city wants to demolish a blighted area you will give them two-thirds of the cost and they put up one-third, except if it is a labor surplus area you will go to three-quarters of the cost?

Mr. HUMMEL. Yes. But it is a reimbursement proposition. After the communities have exhausted their other legal methods to demolish buildings, that is.

Mr. EVINS. You mean, they go ahead and make the outlay and then you reimburse them?

Mr. HUMMEL. That is correct.

Secretary WEAVER. But they have to try to collect it through various forms of legal action that they would take locally against the owner. If the owner cannot be located or they don't have adequate legal capacity, then we will reimburse that part of it. Seldom do we reimburse the whole thing. What happens if we don't provide this program is that those houses will not be torn down and they will be standing up there while the community is trying to find out how to get them torn down.

Mr. EVINS. If you have a blighted area and the city decides they want to improve it, they must move on their own. Then after the job is done HUD will reimburse them for two-thirds, provided they have entered into a contractual arrangement or agreement, but you don't advance them any funds?

Mr. HUMMEL. No, sir.

Mr. EVINS. It is a payment after the fact?

Mr. HUMMEL. Yes, sir.

Mr. EVINS. Then you have another formula if it is an economically depressed area?

Mr. HUMMEL. Yes.

Mr. EVINS. That applies to Appalachia, which goes from New York to Mississippi.

Now, in an area such as that, three-quarters of the amount could be reimbursed. But you have only had 80 approvals. You are not using that authority very extensively.

Secretary WEAVER. It is a relatively new program. It was enacted in 1966. It has only been going 2 years.

JUSTIFICATION MATERIAL

Mr. EVINS. Place in the record, Mr. Reporter, the discussion on demolition grants.

(The pages follow:)

DEMOLITION GRANTS—SUMMARY OF ACTIVITIES

[Dollar amounts in millions]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Active programs, start of year	20	52	65
Net approvals	32	13	15
Total active in year	52	65	80
Completions			15
Active programs, end of year	52	65	65
Cumulative approvals	52	65	80
Grant reservations:			
Annual	$4.2	$2	$2
Cumulative	9.0	11	13

Demolition grants.—Grants are available to cities, other municipalities, and counties for demolition of structures which have been determined to be structurally unsound or unfit for human habitation. Localities with legal authority to clear such structures may obtain grants for two-thirds of the cost involved once the governing body has exhausted other legal procedures to secure remedial action by the owners. This aspect of grant assistance is applicable to urban renewal project areas, areas where Federal assistance has been approved for code enforcement activities, and is also available for structures not within such areas which meet eligibility requirements.

The demolition to be assisted must be on a planned neighborhood basis pursuant to an improved workable program for community improvement and the overall renewal objectives of the municipality. Grants are made from the overall title I authorization and are limited to the number of areas and scope of individual areas for which there is a reasonable expectation that the proposed demolition can be completed in 2 years or less.

Many cities contain sizable backlogs of structures which could and should be demolished by public action, but resources available to them for these purposes have been inadequate to keep up with the increasing numbers. Several of the largest cities have backlogs in the range of 2,000 to 3,000. A high percentage of these probably will have to be demolished by public action when all legal procedures to secure remedial action by the owners have been exhausted.

Clearing these spots of blight provides an incentive to other property owners and residents to maintain or rehabilitate their properties. In 1966, the first year of operation, grants averaged $240,000 and included several of the larger cities where grants ranged up to $2 million. In 1967 the average grant was about $131,000 and it is anticipated this average will continue in 1968 and 1969 because of participation by a higher proportion of medium- and small-sized cities.

BASIS OF SHARING COSTS

Mr. EVINS. There is a good breakdown of costs on page B–41. The gross cost is $7,453 million. Explain this table here, if you will.

Mr. HUMMEL. This is the total cost of the urban renewal program,

$7,453 million, which has been laid out. Disposition of land—in other words, the sale of land—brought in about $1,748 million, making the net cost on which we figure the two-thirds—one-third or the three-fourths—one-fourth cost of the project was $5,705,097,000. The Federal contribution to that net project cost was $3,839,723,000. The local government put up either in cash or in credit $1,865,374,000. The breakdown below shows that it was $593 million in cash and $1,271 million in noncash.

Mr. EVINS. What does that represent?

Mr. HUMMEL. Land donations, demolition, improvements, public, or supporting facilities that benefit the program.

Mr. EVINS. In other words, after you make the land sales the net project cost is $5,705 million, that is, deducting the land sales from the gross cost, and then of that figure the local people put up $1,865,300,000, leaving a net cost to the Government of $3,839,700,000.

Mr. HUMMEL. Yes; deducting the $1.8 billion from the $5.7 billion.

Mr. EVINS. Is this for your total urban renewal programs to date?

Mr. HUMMEL. For the 1,252 projects through 1966.

Mr. EVINS. Right. I did not think that represented all of them. It is just through 1966?

Mr. HUMMEL. Yes.

Mr. EVINS. Let us put in the record the discussion of how grants are shared. Let us also include our usual table on appropriations and disbursements from the start of the program.

(The material follows:)

Basis of sharing of net project costs.—Title I authorizes several cost-sharing formulas, described below.

Two-thirds one-third formula.—By far the most common is the two-thirds one-third formula. All CRP's and demolition grants are provided on this basis, as are most code enforcement programs, demonstrations, and urban renewal projects. In urban renewal projects, the local share is met through cash and non-cash contributions to the project. Where these local grants-in-aid exceed the local project share, the excess may be pooled and credited toward the locality's share of other projects.

Three-fourths one-fourth formula.—Grants of 75 percent are available for projects in three types of localities: (1) Where a city elects to pay its own administrative and planning costs; (2) in cities with a population of 50,000 or less, and (3) in redevelopment areas designated under the Economic Development Act.

In addition to these cost-sharing formulas, grants of 100 percent are made to finance the relocation and rehabilitation carried out in title I programs. By regulation, moving costs qualifying for 100-percent reimbursement are limited to $25,000 per business. Amounts in excess of that amount may be included by the LPA as part of project cost. Costs of writing and publishing reports of demonstrations are reimbursed fully, although the demonstration itself is performed under one of the cost-sharing formulas.

Because of other financial burdens which befell the State of Alaska in connection with earthquakes, the special authorization for disaster area projects ($25 million) provided for 90-percent Federal grants.

Shared cost in urban renewal projects.—The total, or gross cost of a project is determined by adding all the eligible expenditures of the local public agency from project funds and all the noncash local grants-in-aid furnished in connection with the project by the city or other non-Federal sources. The net project cost is determined by deducting from the gross cost the proceeds from the disposition of the land and other project income. The net cost is shared by the Federal and local governments, in accordance with the formulas discussed in the preceding paragraphs.

The local share of the net costs may consist of cash or of noncash local grants-in-aid. The noncash items are in three main categories—cash equivalents, supporting facilities, and special credits.

The cash equivalents are items, like land donations or demolition cost, street and utility work which, if the LPA had so elected, could have been financed directly from project funds. Moving and restoration of structures of historic and architectural significance were added by the Demonstration Cities and Metropolitan Development Act of 1966.

Supporting facilities are the most common type of local noncash grants-in-aid. These consist mostly of various public facilities not eligible as project expenditures, but which provide direct benefits to the projects. Among them are schools, district police and fire stations, branch libraries, district parks, public electrical, gas, and water distribution facilities, certain street and sewer work not eligible as project expenditures, and public parking facilities.

From inception the provision of public facilities as noncash local grants-in-aid has been an integral part of urban renewal. An important factor, of course, is that most cities have found it easier to finance at least part of their share of the net cost of projects by providing these facilities than putting up cash. The noncash grants-in-aid system insures that public facilities are provided when they are most needed to serve the area. In some cases, particularly in the earlier stages, cities were dependent on these noncash sources because of constitutional or legislative restrictions on the furnishing of cash directly for projects. This convenience, or necessity in some cases, as a local financing device has been a major contribution to the upgrading of once slum and blighted areas. The quality of schools and other public facilities has traditionally paralleled the deterioration and obsolescence prevalent to these areas. Eligibility of such facilities as credit toward the local share of urban renewal projects has stimulated localities to give priority to the replacement and expansion of these facilities, thus making a major contribution to the revitalization of these areas.

Another special credit was added by section 701 of the Demonstration Cities and Metropolitan Development Act of 1966. This consists of certain facilities not previously eligible because of their communitywide character. They include facilities used for cultural, exhibition, or civic purposes, a city hall or public safety building, or a structure built or rehabilitated by a public university and used for treatment of physical and mental disabilities or medical research. The facility must be in or near an urban renewal project and contribute materially to the objectives of the urban renewal plan. The credit is set arbitrarily by statute at 25 percent of the cost of the facility, or eligible portion thereof, but not to exceed $3.5 million for any facility.

SUMMARY OF GROSS AND NET PROJECT COSTS—FEDERAL PROJECT GRANTS AND LOCAL GRANTS-IN-AID IN 1,252 PROJECTS AS OF DEC. 31,1966

[Dollar amounts in thousands]

	Amount	Percent of gross project cost	Percent of net project cost
Gross cost	$7,453,812	100.0	
Disposition proceeds	1,748,715	23.5	
Net project cost	5,705,097	76.5	100.0
Federal project grant	3,839,723	51.5	67.3
Local grant-in-aid	1,865,374	25.0	32.7
Cash	593,804	7.9	10.4
Noncash	1,271,570	17.1	22.3
Land donations	53,061	.7	.9
Demolition	20,793	.3	.4
Project improvements	372,318	5.0	6.5
Public or supporting facilities	676,949	9.1	11.9
Sec. 107 [1]	42,257	.6	.7
Sec. 112 [2]	106,187	1.4	1.9

[1] Allowance for the communities' share of costs in connection with acquisition, clearance, project improvements, and proration of administrative costs on an area basis over its sales price.

[2] Credits represented by cost of acquiring land, relocating site occupants, and clearance of land by hospitals or educational institutions in upgrading blighted areas in or near urban renewal projects for expansion of their facilities.

Shared cost in other title I activities.—Credits comparable to noncash grants-in-aid in urban renewal projects may not be applied to the local share of cost in other title I activities. The local share for these is contributed in cash or through the provision of services which otherwise would have to be purchased to complete the undertaking.

GRANT AUTHORIZATIONS AND APPROPRIATIONS

In the current year grant authorizations total $7,125 million on a cumulative basis. This amount includes the $25 million provided separately in fiscal year 1965 for renewal after the Alaska disaster and $250 million for urban renewal assistance in model cities; it excludes $25 million for mass transportation demonstrations originally authorized as part of title I and later moved to the urban mass transportation fund. On July 1, 1968, an additional $750 million will become available bringing the cumulative total authorization to $7,875 million. An additional $350 million authorization is being requested for projects in model cities areas to bring the total through 1969 to $8,225 million. The budget also anticipates an additional authorization of $1,400 million for fiscal year 1970.

Urban renewal grants are paid from appropriated funds, which total $3,970 million in 1968 including $100 million for assistance in model cities areas. In 1969, appropriations are expected to total $5,220 million including $600 million for assistance in model cities areas.

Title I authorizes grant progress payments pursuant to an established system. For urban renewal projects, capital grant progress payments may be made up to 75 percent of the grant amount. The project becomes eligible for a progress payment after 25 percent (based on value, not area) of the real estate has been acquired, provided the entire local cash grant has been paid into the project accounts and the community can demonstrate that the noncash grants-in-aid are being provided on schedule according to the financing plan and cooperation agreements. When the project is substantially complete (90 percent of project land has been acquired, 95 percent of the relocation program has been accomplished, all demolition and site clearance has been accomplished, 60 percent of project land has been disposed of, and project improvements and public facilities are proceeding well), a major completition grant payment may be made up to 95 percent of the estimated project grant payment. Final settlement is made after grant stages of the project are complete and final audit has been made.

Progress payments may be made in connection with other urban renewal activities and are generally based on the proportion of the completed work. In all cases, a portion of the grant is withheld for final settlement and progress payments are made on a matching basis with the provision of the local share.

The following table shows appropriations and disbursements from inception of the program.

APPROPRIATIONS AND DISBURSEMENTS FROM START OF THE PROGRAM

[In millions]

Fiscal year	Appropriations		Disbursements		Balance, yearend
	Annual	Cumulative	Annual	Cumulative	
1953	$8.0	$8.0	$7.8	$7.8	$0.2
1954	20.0	28.0	11.6	19.4	8.6
1955	39.0	67.0	33.5	52.9	14.1
1956	50.0	117.0	13.6	66.5	50.5
1957	40.0	157.0	29.6	96.1	60.9
1958		157.0	35.3	131.4	25.6
1959	50.0	207.0	75.5	206.9	.1
1960	107.5	314.5	104.3	311.2	3.3
1961	150.0	464.5	142.4	453.6	10.9
1962	200.0	664.5	163.5	617.1	47.4
1963	300.0	964.5	185.6	802.7	161.8
1964	100.0	1,064.5	209.3	1,012.0	52.5
1965	230.0	1,294.5	282.5	1,294.5	0
1966	1,100.5	2,395.0	320.4	1,614.9	780.1
1967	725.0	3,120.0	375.2	1,990.1	1,129.9
1968 estimate [1]	850.0	3,970.0	500.0	2,490.1	1,479.9
1969 estimate [2]	1,250.0	5,220.0	700.0	3,190.1	2,029.9

[1] Includes $100,000,000 for model cities.
[2] Includes $500,000,000 for model cities.

GAO REPORT ON CLEVELAND URBAN RENEWAL PROJECT

Mr. EVINS. Mr. Minshall, do you have some questions at this point?

Mr. MINSHALL. I would like to question the Secretary about the Cleveland situation, if I may.

Mr. Secretary, I appreciate the cooperation you have given to the new administration of the city of Cleveland. About 3 weeks ago, Mr. Chairman, they released $12 million of these funds that they had frozen for the University Euclid project, so I guess you decided Mayor Stokes complied with the 16 points in the letter. Although I thought it about a year later than it should have, it came through. I specifically remember requesting you to release those funds back in February of 1967 when I made the appointment with you and the then Mayor Locher.

Mr. Secretary, are you familiar with the GAO report—I am sure you are—that was put out by the Comptroller General January 9 of this year?

Mr. HUMMEL. I am generally.

Secretary WEAVER. That is the one on the situation in Cleveland?

Mr. HUMMEL. Yes.

UNIVERSITY EUCLID PROJECT IN CLEVELAND

Mr. MINSHALL. The title of it is "More Effective Federal Action Needed To Meet Urban Renewal Objectives in Cleveland, Ohio." It specifically points to the University Euclid Project No. 1, primarily because it is one of the largest rehabilitation projects in the Country. Since you are not completely familiar with it, I would like to read some of the pertinent portions because they are rather critical and very strongly worded as far as your administration of this program.

> Although the University Euclid project has been in execution in excess of 5 years, the cost of administering the rehabilitation phases of the project have already amounted to more than twice the amount originally budgeted for that purpose. Little has been accomplished in relation to rehabilitation objectives of the program.

They go on to point out:

> University Euclid Project No. 1 as approved provided for the rehabilitation of 2,011 buildings by June 1967. As of December 31, 1967, it was planned to rehabilitate 1,302 buildings, of which only 16 percent had been completed. In addition, most of the buildings which have been rehabilitated do not meet the proper rehabilitation standards established for the project area.

They go on at great length. They say on page 2 of their report:

> We believe, however, that the Department did not exercise on a timely basis sufficient leadership and leverage to encourage and persuade the city to perform in accordance with its commitment under the urban renewal plan.

I appreciate the fact that you have released $12 million of these funds. Have you in any way recouped any of this money that was originally allocated to the Cleveland project?

FUNDS HELD BACK FROM CLEVELAND PROJECT

Secretary WEAVER. No. We kept from having any further funds utilized ineffectively. It seems to me the reasons for withholding the funds—an action which I took prior to that report—was because of

the situation that existed there. I think, however, that it must be recognized that it is very easy after the fact and after action has been taken to criticize the timing on it. You must remember that these programs, both by the nature of the law and the spirit of the legislative language, are supposed to be locally conceived and locally carried out. The Urban Renewal Administration of HUD as it was then called, had constantly been in touch with the Cleveland authorities. I have checked out the record and found they had been in constant communication with both the director of the local urban renewal authority and with the mayor. They had received promise after promise; and they had advised me that things were not satisfactory, but they were hopeful things would become improved. When I took the action I did, I had gone to Cleveland and went through the area and was quite shocked with what I saw; and I thought we could not continue in confidence any longer in support of that program.

Obviously, if I had known then what I know now, I would have taken the action more quickly. But I do not think you can have local control and local initiative and have the Federal Government crack down without giving the locality a chance to try to improve itself.

One of the reasons why I did not reinstate the funds earlier, Mr. Minshall, was because of this serious situation and because I saw no evidence they were improving; and the real problem in Cleveland has been the lack of adequate staff to carry out the program. They are now beginning to staff up. They brought in a competent director. And when I did restore these funds, I did not say all of the 16 points had been met; I said they had been substantially met; and that we were still watching them and that we were encouraging them to go further.

I have a feeling that one of the things that report does not take into account is the relationship which exists between a Federal department and a local community when the local community is responsible for carrying out the administration of the program. I think that although there may be at some times a loss of Federal funds, this is a legitimate expenditure as contrasted to precipitous action on the part of the Federal Government to crack down on the locality before the locality has had a chance to meet its own problems.

Mr. MINSHALL. I agree with the sorry state of particular areas in Cleveland and that is why I called a meeting with Mayor Locher, which you kindly assented to a year ago last February. All you had to do was drive through the area and see what the sad state of conditions were.

GAO CRITICISM OF HUD

But the reason I bring this report up, Mr. Secretary, is I believe you should have an opportunity to answer this report on the public record because they are critical of your administration of this project.

Secretary WEAVER. I think there has been an answer.

Mr. MINSHALL. Let me quote a little more here. Although I appreciate much of what you say, they put the cat on your back as well as the city administration.

On page 58 of their report——

Secretary WEAVER. The only difference was, I did something about the cat.

Mr. MINSHALL. I know; but it was a year late.

The report states:

We believe that HUD did not adequately review the urban renewal plan for the University Euclid project No. 1 in that HUD approved this project even though economic data was available which in our opinion cast doubt on the feasibility of a massive voluntary rehabilitation of structures in the area with the financial tools available at the time of approval.

They went on on page 59:

We believe also that HUD, although aware that the project was not meeting its objective, did not exercise on a timely basis sufficient leadership and leverage to encourage or persuade the city to perform in accordance with its commitments under the urban renewal plan.

Secretary WEAVER. I will only say one thing to that. We certainly did encourage them, we certainly did constantly harass them. We did not pull the rug from under them until the action I took a year or two ago.

CRITICISM OF INITIAL APPLICATION REVIEW

Mr. MINSHALL. Their chief criticism seems to be you did not review the program adequately.

Secretary WEAVER. I would say that is very effective Monday quarterbacking, and if I were to do it over again I would do it differently, at least the timing.

Mr. MINSHALL. The GAO is pretty good at quarterbacking and they have facts to back them up.

Secretary WEAVER. They are not infallible.

Mr. MINSHALL. Is this statement wrong or right I just read?

Secretary WEAVER. I think it is partially right and partially wrong.

Mr. MINSHALL. What part is wrong?

Secretary WEAVER. You will have to read it again.

Mr. MINSHALL. "We believe that HUD did not adequately review the urban renewal plan for the University Euclid Project even though economic data was available which in our opinion cast doubt on the feasibility," and so forth.

Secretary WEAVER. As far as that is concerned, I would like to know when that economic data was available and whether they are talking about the knowledge we had at the time we reviewed that 6 years before or that they had at the time they were reviewing the projects. During that 6 years both we and they learned a great deal about rehabilitation. When that rehabilitation project was approved, the state of the art on rehabilitation was very, very meager. We were all groping. We had no experience and we were trying to learn by doing. Obviously we would not approve of such an application today; but we are not reviewing it today. We were not reviewing it at that time that report of GAO was written. We were reviewing it 6 years earlier. I did not review it personally. All I can do is speak to it generally.

I think perhaps Mr. Hummel can give you a more factual report on it.

Mr. MINSHALL. Before he does, I would like to read a part of the report on page 61:

We believe that HUD could have determined at an earlier date that it should apply stronger measures to persuade the city to improve its operations to meet the urban renewal objectives.

Secretary WEAVER. We believed that too at the end of the time they had not responded. This is like deciding you are not going to discipline your child because he is sensitive after you find out he is sensitive.

Mr. MINSHALL. I am merely quoting from the GAO report.

They seem to be basing their conclusions on information that was available to you at the time your decision was made. I would like to have something from Mr. Hummel, Mr. Chairman.

HUD ACTIONS IN CLEVELAND

Mr. HUMMEL. The General Accounting Office report, in effect, said that the conditions there that they found were not satisfactory, but that the Secretary had taken the appropriate action. They only said it should have been taken at an earlier date. They thought enough of the rebuttal as outlined in my letter of August 28, 1967, that they included it as part of the report showing that the Secretary had taken appropriate action. The only question was, had he taken it as rapidly as they think he should have taken it?

Secretary WEAVER. And as I think in retrospect, I should have taken action faster, but I did not at the time because I did not know as much as I do now.

Mr. HUMMEL. It has to be taken in the context that if you approve a plan, the execution of that plan is the responsibility of and within the capabilities of, the local community. And the worst thing that could happen, if the Federal Government sent people in immediately and they did not like what was being done today, is to summarily stop the program. You have to counsel, which we did.

In fact, the record will show that there were numerous times that the regional office sent in personnel to counsel with them. We begged them on a number of occasions to get additional assistance so they could actively carry out the program in accordance with its plan. The fact that they did not resulted in the Secretary stopping the program to the extent that he pulled back some reservation of funds and advised he would allow no more administrative expenses.

Mr. MINSHALL. I would merely like to point out, Mr. Secretary, if you had to do it all over again you probably would have acted quicker.

Secretary WEAVER. I certainly would have. And if I had been as knowledgeable at the earlier period as I was at the time I acted, I would have done it earlier, too.

DOMESTIC BUDGET CUTS

Mr. MINSHALL. Let me ask you one more question.

The President has recently stated he is going to have some austere cuts in the domestic budget. Have you been given any indication as to how it will affect your Department?

Secretary WEAVER. No. I know this is under consideration and no decisions have been made yet.

Mr. MINSHALL. Do you anticipate any cutback on your program?

Secretary WEAVER. I would imagine there will be some; I do not know.

Mr. MINSHALL. Do you think the cutback will affect the Cleveland program in any way?

Secretary WEAVER. I have not the slightest idea.

Mr. MINSHALL. When do you think you will know?

Secretary WEAVER. As soon as the decisions have been made and general ground rules determined.

Mr. MINSHALL. When will the ground rules be determined and decisions made; have you any idea?

Secretary WEAVER. I do not know.

Mr. MINSHALL. Will it be months or weeks, or days maybe?

Secretary WEAVER. I do not think it will be days because it cannot be done in days. I could not tell you any more than that.

RECENT DEVELOPMENTS IN CLEVELAND

Mr. MINSHALL. Since we had that meeting in your office about 3 or 4 weeks ago with the mayor and other officials and Members of Congress, have there been any changes that would be significant that we should know about or the city should know about?

Secretary WEAVER. Not that I know of.

Mr. MCCABE. The Director reported for duty since that meeting. He is on the job now. He is working with the Regional Administrator and Assistant Regional Administrator for Renewal Assistance. So we know pretty much how they are progressing.

Mr. MINSHALL. We are all, of course, glad to get the program off dead center and I hope it progresses rapidly.

Secretary WEAVER. So do I.

Mr. MINSHALL. Thank you, Mr. Secretary.

REHABILITATION LOAN FUND

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		Administrative reservations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Program by activities:						
	Capital outlay:						
	Housing rehabilitation loans	6,240	18,000	18,000	5,430	16,125	18,000
	Business rehabilitation loans		2,000	2,000		1,000	2,250
	Total capital outlay				5,430	17,125	20,250
	Change in selected resources [1]				810	2,875	−250
	Total capital outlay, obligations	6,240	20,000	20,000	6,240	20,000	20,000
	Operating costs, funded—obligations: Loan servicing and other costs				96	252	454
10	Total obligations				6,336	20,252	20,454
	Financing:						
14	Receipts and reimbursements from: Non-Federal sources:						
	Loan repayments				−122	−538	−1,221
	Revenue				−114	−499	−1,064
16	Comparative transfer to other accounts				1,396		
21.98	Unobligated balance available, start of year				−49,219	−43,119	−23,905
24.98	Unobligated balance available, end of year				43,119	23,905	5,736
40	New obligational authority (appropriation)				1,396		
	Relation of obligations to expenditures:						
10	Total obligations				6,336	20,252	20,454
70	Receipts and other offsets (items 11–17)				1,160	−1,037	−2,285
71	Obligations affecting expenditures				7,496	19,215	18,169
72.98	Obligated balance, start of year				314	1,131	3,845
74.98	Obligated balance, end of year				−1,131	−3,845	−3,514
90	Expenditures				6,678	16,500	18,500
	Expenditures are distributed as follows:						
01	Out of current authorizations				1,396		
02	Out of prior authorizations				5,282	16,500	18,500
	Cash transactions:						
93	Gross expenditures				6,894	17,347	20,685
94	Applicable receipts				−216	−847	−2,185

[1] Balances of selected resources are identified on the statement of financial condition.

REVENUE, EXPENSE, AND RETAINED EARNINGS (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Revenue	114	499	1,034
Expense	2,022	1,910	2,357
Net loss for the year	−1,908	−1,411	−1,293
Deficit, start of year	−1,588	−3,496	−4,907
Deficit, end of year	−3,496	−4,907	−6,200

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)

	1966 actual	1967 actual	1968 estimate	1969 estimate
Assets:				
Treasury balance	49,532	44,250	27,750	9,250
Accounts receivable	1	22	212	312
Loans receivable, net	421	5,198	20,127	37,253
Total assets	49,954	49,470	48,039	46,815
Liabilities: Current		27	57	76
Government equity:				
Non-interest-bearing, start of year	10,180	51,543	52,939	52,939
Appropriations	41,363	1,396		
End of year	51,543	52,939	52,939	52,939
Deficit	−1,589	−3,496	−4,907	−6,200
Total Government equity	49,954	49,443	48,032	46,739

ANALYSIS OF GOVERNMENT EQUITY (IN THOUSANDS OF DOLLARS)

Undisbursed loan obligations [1]	315	1,125	4,000	3,750
Unobligated balance	49,219	43,119	23,905	5,736
Invested capital and earnings	421	5,198	20,127	37,253
Total Government equity	49,955	49,443	48,032	46,739

[1] The change in this item is reflected on the program and financing schedule.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
25.1	Other services	96	252	454
33.0	Investments and loans	5,430	17,125	20,250
	Total costs, funded	5,526	17,377	20,704
94.0	Change in selected resources	810	2,875	−250
99.0	Total obligations	6,336	20,252	20,454

Mr. EVINS. Let us turn to rehabilitation loans which is in the next section of the justifications. A program level of $20 million in loan approvals is proposed, and no new appropriation is required at this time. The 1969 budget proposes a program of $20 million to cover an estimated 3,560 loan approvals. You have $24.1 million in carryover?

Mr. HUMMEL. Yes.

JUSTIFICATION MATERIAL

Mr. EVINS. You have a $24 million carryover. We know what that is. Place this in the record.

(Pp. C–1 through C–6 follow:)

REHABILITATION LOANS

PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Loan applications received:			
Residential	1,648	3,890	5,892
Nonresidential		307	524
Program level, approvals:			
Residential:			
Number	1,103	3,460	3,460
Dwelling units	1,786	5,536	5,536
Amount	$6,240	$18,000	$18,000
Nonresidential:			
Number		100	100
Amount		$2,000	$2,000
Total:			
Number	1,103	3,560	3,560
Amount	$6,240	$20,000	$20,000

BUDGET REQUEST

A program level of $20 million in loan approvals is proposed. No new appropriation is required.

Summary of the budget request

The 1969 budget proposes a program of $20 million to cover an estimated 3,560 loan approvals. No additional appropriation is required since the $24.1 million estimated to be available in the fund at the end of 1968 will be sufficient to finance the program. Under present law appropriations not exceeding $100 million are authorized for the program in each fiscal year through fiscal year 1970.

These low-interest-rate loans provide a method of financing private rehabilitation in urban renewal or code enforcement areas where necessary repairs might not otherwise be feasible because of the economic circumstances of the property owners or the difficulty of obtaining financing from other sources.

Description of the program

Direct Federal loans at low interest rates to finance rehabilitation were first authorized in section 312 of the Housing Act of 1964. Before the program was started or appropriations provided, the Housing and Urban Development Act of 1965 contained several amendments to broaden the original law of which the most significant was liberalization of the types of borrowers to whom these loans could be made available. Loans bear an anual interest rate not exceeding 3 percent of the principal amount outstanding for terms not exceeding 20 years, or three-fourths of the remaining economic life of the structures after rehabilitation, whichever is less.

The program provides financial assistance for rehabilitation of residential and nonresidential property when financing cannot be obtained on comparable terms and conditions from other sources. The rehabilitation work must make the property conform to applicable public standards—to code requirements in a code enforcement program and to the requirements of the urban renewal plan in project areas. The use of rehabilitation loans eliminates the need for acquisition and occupant dislocation and eliminates the expense for relocation payments and moving costs.

Administration of the program requires a highly sensitive balance between concern for the loan funds and concern for the accomplishment of project rehabilitation goals. A major program objective is to bring about rehabilitation in areas where it might otherwise not be feasible because of the limited incomes or economic circumstances of the property owners. Thus, the nature and purposes of these loans require their use in some risk situations that are marginal to current Federal Housing Administration, Small Business Administration, and conventional loan operations. Nevertheless, an applicant must be found to be an acceptable risk. A section 312 loan cannot be approved if the applicant's record shows a disregard for former obligations of this kind or if there is a clear inability to make the payments that will be required.

Loan terms and limits

It is anticipated that at least 50 percent of the loan fund available will be used for owner-occupied single-family homes. The remainder will be utilized

in the following declining order of program emphasis: (1) owner-occupied 2- to 4-unit residential properties; (2) rental housing operated by nonoccupant owners; and (3) nonresidential properties.

Residential properties.—Section 312 loans are subject to the maximum limits for loans insurable by FHA under section 220(h) of the National Housing Act. Generally, the maximum loan is $10,000 per dwelling unit whether or not it includes an amount to refinance all or part of an existing debt secured by the property. In high-cost areas this limit may be increased by regulation up to 45 percent as costs require.

Loans for rehabilitation only may not exceed the estimated cost of rehabilitation; loans which include refinancing may exceed the estimated cost of rehabilitation up to the amount of existing debt secured by the property. Section 312 loans including refinancing are considered only for owner-occupants of structures containing 1 to 4 dwelling units.

Average loans made are estimated at $5,200 or $3,500 per dwelling unit. It is estimated that over 3,400 residential loans will be approved in the budget year.

Business loans.—Maximum loans are $50,000 or the cost of rehabilitation, whichever is less, and may not bring the total outstanding indebtedness related to the property above the level that could be secured by a first mortgage. The budget assumes that loan applications for business rehabilitation approved during the current and budget years will be 100 and 100, respectively, and that they will average $20,000.

Administration of the program

The law provides that the rehabilitation loan program is to be carried out "* * * through the utilization of local public and private agencies where feasible. * * * While program administration and final loan approval authority is vested in officials of the HUD regional offices, full utilization is made of the staffs and services available in the local agencies and governmental bodies and in the field staffs of the Federal Housing Administration and Small Business Administration as needed.

Whether or not section 312 loans are involved, municipal governments with approved code enforcement programs and local public agencies active in rehabilitation stages of urban renewal projects are responsible for counseling and guiding property owners and for assembling detailed information necessary for determining the nature and cost of the rehabilitation work to be done as well as the eligibility of the property, the work and the applicant. They are required to have staff specialists to work with property owners in accomplishing the rehabilitation required.

Such staffs provide extensive advisory services of a technical nature, including assisting in the determination of work needed, estimating the cost of rehabilitation, securing adequate contract services, and in inspecting the work done for conformity with plans or code requirements. In addition, local staff services are required to assist the property owners in obtaining financing for the rehabilitation work. This latter task usually is simpler for property owners eligible for section 312 loans.

After the local staffs have completed preparation of a section 312 loan application, it is sent to the HUD area rehabilitation loan specialist (ARLS) for approval or rejection. Rehabilitation loan specialists from the HUD regional office staffs are stationed in some cities actively engaged in approved undertakings involving large numbers of properties to be rehabilitated. These specialists and staff with other necessary skills provide assistance to local agencies and property owners in developing applications. Their accessibility minimizes delay in processing once the the owner has made the decision to improve his property voluntarily.

While the emphasis in this program will continue to be concentrated on residential rehabilitation, arrangements have been made with the Small Business Administration to process, service, and liquidate business loans. The Small Business Administration will be responsible for loans to: owner(s) and tenant(s) to rehabilitate real property that is to be devoted solely to nonresidential use; tenants to rehabilitate premises that are to be used for nonresidential purposes in a property that is to be devoted in part to residential use; and, owner(s) of a real property used partly for residential and nonresidential purposes where the entire rehabilitation required relates solely to the part to be used for nonresidential use. Applications will be similar to those for assistance under Small Business Administration programs. HUD will review to determine eligibility and conformity to program objectives; Small Business Administration will review for credit and ability to pay and will handle loan closing servicing, and liquidation where necessary.

In addition to rehabilitation loans, the department also administers, as part of the urban renewal program, a program of direct Federal grants to finance the cost of rehabilitating owner-occupied structures of one to four dwelling units. The section 115 grant program provides 100-percent Federal grants of up to $1,500 to assist owner-occupants having incomes generally below $3,000 per year and who could otherwise not afford to cover the costs of repairs and improvements required by local codes or urban renewal plans for the area.

Both programs are aimed at bringing about rehabilitation in areas where it otherwise might not be feasible due to the economic circumstances of the property owners or the difficulty of obtaining financing from other sources. Grants are made to eligible homeowners to cover the cost of rehabilitation or reduce the amount which must be borrowed so that the resulting debt service will be within their means. Without such assistance, the homeowners in these hardship cases would be displaced in the interest of full neighborhood compliance with rehabilitation objectives.

The various alternatives possible under the 312 loan and 115 grant programs are awarding of a loan; awarding of a grant and a loan; awarding of a loan including refinancing; and, awarding of grant and a loan including refinancing.

Status of the loan fund

The following table shows the status of the rehabilitation loan fund.

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Prior year balance available	49,219	43,119	23,905
Repayments and net income	236	1,037	2,285
Loan approvals (net)	−6,240	−20,000	−20,000
Loan servicing	−96	−252	−454
Uncommitted balance	43,119	23,905	5,736

Applications and approvals

In fiscal 1966, the program was in effect 8 months during which 203 loans involving 248 dwelling units were approved. In fiscal 1967, 1,103 loans covering 1,786 dwelling units were approved and 1,401 loans involving 2,241 dwelling units were approved during the first 6 months of 1968. This represents an increase of 120 percent over the previous 6 months. Anticipated activity in the years covered by the budget is shown in the following table:

	Actual, 1967	Estimate, 1968	Estimate, 1969
RESIDENTIAL			
Applications:			
On hand, start of year	26	70	116
Received in year	1,648	3,890	5,892
Total	1,674	3,960	6,008
Processed in year (approved, rejected, or retained)	1,604	3,844	5,779
On hand, end of year	70	116	229
Approvals processed:			
In year	1,103	3,460	3,460
Cumulative:			
Number	1,306	4,766	8,226
Amount	$7,024	$25,024	$43,024
NONRESIDENTIAL			
Applications:			
On hand, start of year			11
Received in year		307	524
Total		307	535
Processed in year (approved, rejected, or retained)		296	504
On hand, end of year		11	31
Approvals processed:			
In year		100	100
Cumulative:			
Number		100	200
Amount		$2,000	$4,000
Total loans approved (cumulative):			
Number	1,306	4,866	8,426
Amount	$7,024	$27,024	$47,024

GRANTS FOR NEIGHBORHOOD FACILITIES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	Administrative reservations			Costs and obligations		
	1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
Program by activities:						
Grants to local public bodies or agencies	26,697	30,034	40,000	834	15,000	32,000
Administrative reservations, start of year	2,270	20,135	18,169			
Administrative reservations, end of year	−20,135	−18,169	−23,169			
Change in selected resources [1]				7,997	17,000	3,000
10 Total obligations (object class 41.0)	8,831	32,000	35,000	8,831	32,000	35,000
Financing:						
21 Unobligated balance available, start of year:						
Reserved				−2,270	−20,135	−18,169
Unreserved				−9,730	−34	
24 Unobligated balance available, end of year:						
Reserved				20,135	18,169	23,169
Unreserved				34		
40 New obligational authority (appropriation)				17,000	30,000	40,000
Relation of obligations to expenditures:						
71 Total obligations (affecting expenditures)				8,831	32,000	35,000
72 Obligated balance, start of year					7,997	24,997
74 Obligated balance, end of year				−7,997	−24,997	−27,997
90 Expenditures				834	15,000	32,000
Expenditures are distributed as follows:						
02 Out of prior authorizations				834	15,000	32,000

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $7,997,000; 1968, $24,997,000; 1969, $27,997,000.

Mr. EVINS. The next program is the neighborhood facilities program. This is a very popular program and you are requesting an appropriation of $40 million for fiscal 1969 to permit expansion of the program. These are community centers to solve community problems. Let us place in the record pages D–1 through D–3, of the justifications.

(The pages follow:)

GRANTS FOR NEIGHBORHOOD FACILTIES

PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Applications:			
Received	291	320	320
On hand, end of year	173	200	280
Grant reservations (net):			
Number	92	102	130
Amount	$26,697	$30,034	$40,000
Construction activity:			
Starts	12	58	80
Completions	1	14	55
Appropriation	$17,000	$30,000	$40,000

BUDGET REQUEST

An appropriation of $40 million is requested for fiscal year 1969 to permit expansion of the neighborhood facilities grant program.

Summary of budget request

One of the greatest problems facing this Nation is the increasing emptiness of urban life. Poverty and its resultant tensions intensify the problem. To meet this challenge requires not only the improvement of the physical environment, but the development of a life fabric which offers satisfaction to most urban residents.

The neighborhood facilities program, in cooperation with other programs, takes actions aimed at upgrading human conditions in urban and other areas. By bringing needed services together where the people live, this program expresses in a practical way the community's concern for these people and their needs.

The need is great. Estimates indicate a need for approximately 3,000 centers: 440 for the largest SMSA's; 130 in medium size cities; and 2,500 in smaller communities. The 1969 budget request of $40 million reflects the minimum necessary to provide some acceleration toward meeting the need by providing for an estimated additional 130 neighborhood centers or a total of 335 centers for the 4-year program authorization.

The status of the authorization is shown on the following table:

STATUS OF THE AUTHORIZATION

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Authorization for appropriation:			
New in year	50,000	50,000	50,000
Cumulative	100,000	150,000	200,000
Appropriations, cumulative	29,000	59,000	99,000
Unappropriated authorizations, end of year	71,000	91,000	101,000

Purpose of the program and need

Section 703 of the Housing and Urban Development Act of 1965 authorizes a program of Federal grants to local public bodies and agencies to assist in financing the cost of constructing, rehabilitating, or expanding neighborhood centers (facilities) designed for multipurpose use for programs of health, recreation, social, or similar community services.

These grants are intended to stimulate a concerted effort by local public bodies to provide needed services on a systematic basis. These facilities must be consistent with comprehensive planning for the development of the locality; they must be located conveniently for the use of a significant portion of low- and moderate-income families in the neighborhoods served; and, they may not be converted to other uses for a period of 20 years without prior consent of the Department.

A neighborhod facility is intended to bring its activities close to those whom it serves. It is conceived as a supermarket of services—a one stop service center. Availability and effective use of these services are of primary importance in efforts of the cities to relieve the problems caused by poverty and cultural deprivation. These grants are intended to encourage communities to devote more of their resources and attention to needs of the poor and low-income people in the neighborhoods where they are concentrated.

If the multiservice neighborhood center, which is a complex and difficult undertaking, is to fulfill its potential, the full range of Federal aid for services and facilities must be coordinated, along with State, local, and private services, so that communities can develop better methods of delivering services to people who need them.

The neighborhood facilities program offers an opportunity to localities to overcome some of the compartmentalization and incoherence in delivery of social, health, manpower, recreation, and educational services. In many cases services have been fragmentary, scattered, and uneven. Families needing services often lack information about the availability of services. In many instances services are located downtown, remote from the poverty community. Because repetitive and complex eligibility procedures often stand in their way, and because these families are not often involved in formation of policies which affect them directly, they are further removed from opportunities for help.

The new multiservice neighborhood centers are seen as the heartbeat of the neighborhood—a place where any kind of individual, family or group problem is understood and dealt with creatively. It is a meeting place for people to air their feelings and to tackle neighborhood and community problems together. Going beyond the limited concept of dispensing palliative services in order to keep people barely functioning, it seeks to deal with the root causes of personal and family dysfunctioning and through supportive and self-help programs to bring about

basic change. Personal identification with the center as being more than a dispensary of services is also created by the activity of the center's board, committees and staff, many members of which may be from the neighborhood.

Physical elements of blight and deterioration exist in most of the neighborhoods where facilities are being provided and rehabilitation programs are scheduled or underway in many of them; thus, the existence of the center and its services can be expected to encourage cooperative neighborhood activity which will result in participation of residents in private property rehabilitation and other neighborhood improvement efforts.

RECREATION PROVIDED IN RHA PROGRAMS

Mr. SHIPLEY. This is an area that I feel maybe we haven't done enough. I would like to know for my benefit just exactly what we have done to provide recreation areas, particularly in the renewal programs. Is the only money that you can really classify as recreation within the neighborhood facilities section?

Secretary WEAVER. No. The open space programs could be in that area.

Mr. MCCABE. Also in the renewal program we are providing parks.

Mr. SHIPLEY. Tell me whether or not you are taking care of this need.

Mr. MCCABE. In many urban renewal project areas we find in opening up of an area, recreational space is provided there. Particularly when there are residential reuses in the area. Extensive park and recreation areas have been developed in urban renewal projects.

Mr. HUMMEL. We also have a program to provide urban parks in developed areas where open space is needed. We make grants to reimburse localities for acquisition of land and improvement.

Mr. EVINS. It is the building of a park or building of a community building where recreational activities can be undertaken?

Mr. HUMMEL. That is right. It is under the open space program.

Mr. SHIPLEY. Do you feel you are meeting the need as far as the whole program is concerned? That is what I want to know.

Mr. HUMMEL. If you mean providing the space and the opportunity, I do not say that we are meeting the total need. There is considerably more demand than money available for this purpose. Recreational services are not provided by the Federal Government, however. That is done entirely by local government, from other sources.

Mr. SHIPLEY. This I am aware of, but the thought occurs to me are we providing the assistance? It is a very important part of the whole program to give these children in these areas a place to go and get rid of their energies. I just want to know if you feel you are doing all you can in that area. Where do we stand?

SUFFICIENCY OF RECREATION IN URBAN RENEWAL PROJECTS

Secretary WEAVER. I would like to ask a question because I am not sure we are talking about the same thing. As I understand your question, you are asking whether in an urban renewal project, not an open space project, but where there is an urban renewal project, and where it provides for recreational reuse, is there a sufficient amount of space provided for adequate recreation for the people who will be living in that area after the redevelopment.

Mr. SHIPLEY. That is right.

Secretary WEAVER. And you are asking if there are sufficient facilities to provide adequate recreation for the residents of the area when it is developed?

Mr. SHIPLEY. That is what I would like to know.

Secretary WEAVER. I think we had misunderstood the question.

Mr. SHIPLEY. I am aware of the programs that are available to the communities and to the areas for recreation under open space and other programs, but I want to know what you are doing. Are you doing what you should?

Mr. HUMMEL. Well, the estimates that have been made indicate there is a need for approximately 3,000 centers——

Secretary WEAVER. We are not talking about neighborhood centers now. As I understand it, we are talking about urban renewal projects such as in the Southwest relocation area or in the Hough area in Cleveland, or in area in Washington Park in Boston, Roxbury. You are asking if there is in that relocation plan and development an adequate amount of space, adequate facilities to take care of the recreational needs?

Mr. MCCABE. I think one of the best ways to answer it would be when the community plans the new uses in that area the community standards for parks and recreation are considered in terms of the land use needs in that area. So that you are using the planning standards that they have—so many acres for people in need of these facilities. When these plans are reviewed by our regional offices we oversee, if you will, that they are making adequate provision for recreational needs in that area.

ASSURING RECREATION FACILITIES IN URBAN RENEWAL

Mr. SHIPLEY. Do you really go into this and look to see if they are making this place available?

Mr. MCCABE. Yes, sir.

Mr. SHIPLEY. If they are not, what do you do?

Mr. MCCABE. Our planning review suggests to them we do not think the standards they plan to use in that area are sufficient for the people in that area. Then it may become a slum area again.

Mr. TALCOTT. No funds are appropriated.

Secretary WEAVER. We do not provide funds for recreation under title. I. There is a land writedown based on the reuse plan. If that reuse planning includes recreational facilities, that is a legitimate part of the writedown. This is for building, residential or church or what have you.

Mr. MINSHALL. You used a polite word there. You said you "suggest" to the municipalities they provide adequate recreational area.

Secretary WEAVER. This is a local control program.

Mr. MINSHALL. I just wanted to be clear.

APPLICATIONS FOR NEIGHBORHOOD FACILITIES

Mr. EVINS. Your table shows that in 1967 you had 173 applications on hand at the end of the year. You estimated 200 at the end of 1968 and 280 at the end of 1969. Are these facilities within urban renewal areas?

Mr. HUMMEL. No, sir; these do not have to be in urban renewal areas. They may be.

Mr. MINSHALL. This does not relate solely to acquisition of open space?

NATURE OF NEIGHBORHOOD FACILITIES

Mr. HUMMEL. No, sir. This is an entirely different program. It's for the neighborhood centers which provide the multiple services needed in a community.

Mr. EVINS. It is generally a community building built in an area that is lacking in services needed by the neighborhood.

Secretary WEAVER. It goes in an area that is a neglected area. One of the criteria we use for approval is a high incidence of low-income families. Everyone would not be in an urban renewal area. In your city there is one, Mr. Minshall. But by and large these would not necessarily have to be in an urban renewal area.

Mr. EVINS. What is the average amount of the grant reservation?

Secretary WEAVER. $284,000 is the average grant.

Mr. EVINS. About $284,000 is the average amount of grant and $40 million is requested for 1969.

Mr. HUMMEL. That is the amount requested for the program for next year.

Mr. BOLAND. How many do you have in the city of New York? This program is a couple of years old now, is it not?

Secretary WEAVER. Yes.

Mr. BOLAND. How many do you have in the city of New York?

Secretary WEAVER. Not too many have been completed, you know. There have not been any completed in New York. However, there are two facilities there for which reservations have been approved.

Mr. BOLAND. Are most of these neighborhood facilities new brick and mortar?

Mr. MCCABE. There is a lot of rehabilitation.

Mr. MINSHALL. You say not too many. How many?

Mr. MCCABE. Four have been completed.

COMPLETED FACILITIES

Mr. MINSHALL. What is your projection of how many will be completed in the next year?

Mr. MCCABE. Thirty were under construction as of November of last year. We will have a substantial increase of completions this fiscal year.

Mr. BOLAND. Where are the four that are completed?

Mr. MCCABE. Usk, Wash.; Phoenix, Ariz.; Chattanooga, Tenn.; and Douglas, Ga.

Mr. BOLAND. How many are under construction?

Mr. MCCABE. Thirty are under construction as of November.

Mr. BOLAND. Could we have a table indicating the localities?

Mr. MCCABE. Right.

Secretary WEAVER. You want those approved and under construction?

Mr. BOLAND. Yes.

(The information follows:)

Neighborhood facilities grant reservations through Feb. 29, 1968

State and city:	
Alabama:	
Hamilton	$327,382
Sylacauga [1]	79,956
Arizona:	
Ak-Chin	57,445
Flagstaff	49,879
Gila River	215,478
Pheonix	185,226
Salt River	159,889
St. Johns	70,000
Supai	20,662
Whiteriver	187,665
Arkansas:	
Danville	127,839
Deer	111,493
Madison County	115,798
North Little Rock	556,795
Paragould	299,907
Russellville [1]	223,388
Van Buren [1]	109,007
California:	
Bakersfield [1]	107,499
Brawley	278,165
Chico	249,376
Dinuba	98,565
Fresno	94,253
Los Angeles	180,000
Marin City [1]	252,967
Modesto	159,755
Oakland [1]	239,030
Oakland (pilot)	835,000
Redding	79,119
Riverbank	228,847
San Bernadino	142,266
San Jose [1]	177,362
San Mateo	307,721
Santa Fe Springs	147,434
Stockton	196,498
Visalia [1]	79,712
Colorado:	
Pagosa	$40,425
Trinidad	225,261
Walsenburg	168,043
Connecticut:	
Hartford	214,369
New Haven	406,816
District of Columbia (pilot)	1,300,000
Florida:	
Hollywood	118,262
Jacksonville (pilot)	495,339
Jacksonville (pilot)	794,203
Miami	173,147
Palatka	315,306
Tampa	468,552
Georgia:	
Atlanta	1,300,000
Douglas [1]	132,723
Savannah [1]	244,568
Hawaii: Hilo	45,675
Illinois:	
Chicago	1,291,393
Chicago (pilot)	1,870,000
East St. Louis	235,207

See footnote at end of table.

Neighborhood facilities grant reservations through Feb. 29, 1968—Continued

State and city	
Indiana:	
East Chicago	$593,654
Gary	28,007
Iowa: Boone	10,583
Kansas:	
Hutchinson	104,301
Topeka [1]	112,226
Kentucky:	
Ary	28,421
Hopkinsville [1]	95,527
Logan County	194,853
Louisville [1]	395,711
Louisville (pilot)	443,000
Louisiana:	
Baton Rouge	140,155
Grambling [1]	56,631
Natchitoches	66,587
New Orleans	226,177
Maine: Parsonsfield	14,000
Maryland: Baltimore	262,255
Massachusetts:	
Boston (pilot)	867,113
New Bedford	123,260
Taunton	357,409
Michigan:	
Detroit (pilot)	1,593,000
Escanaba	341,816
Monroe [1]	182,781
Minnesota:	
Fosston [1]	267,115
Inger	19,567
Minneapolis	543,372
Minneapolis (pilot)	500,000
Onamia [1]	124,897
St. Paul	562,207
Mississippi:	
Amory	81,088
Biloxi	275,333
Greenville	55,024
Greenville [1]	105,297
Missouri:	
Hornersville	84,853
St. Louis	500,000
St. Louis	500,000
St. Louis (pilot)	300,000
Montana:	
Browning	346,111
Crow Agency	238,296
Lame Deer	300,000
New Jersey:	
Middle Township	56,683
Trenton	19,416
New Mexico:	
Sante Fe	28,831
Taos	63,747
New York:	
Kingston	193,512
New York	237,776
New York (pilot)	1,094,195
New York	1,094,194
Rochester	458,509
Schenectady	208,770
White Plains	27,576

See footnote at end of table.

Neighborhood facilities grant reservations through Feb. 29, 1968—Continued

State and city	
North Carolina:	
Cherokee	$287,064
Greensboro [1]	300,322
High Point [1]	56,961
Kings Mountain	302,680
Winston-Salem [1]	213,324
North Dakota: Mandaree	76,511
Ohio:	
Bellaire	124,605
Cincinnati	790,380
Cincinnati (pilot)	1,000,000
Cleveland	833,050
Columbus	587,722
Columbus	591,361
Dayton [1]	390,859
Hamilton	42,128
Montgomery County	144,573
Oklahoma:	
Ada [1]	75,755
Poteau	289,526
Pennsylvania:	
Bethlehem [1]	401,418
Philadelphia	911,393
Philadelphia (pilot)	974,246
Philadelphia	176,021
Pittsburgh	1,109,103
Puerto Rico: San Juan	247,910
South Dakota: Rosebud	41,649
Tennessee:	
Chattanooga [1]	359,162
Chattanooga (pilot)	657,703
Cookeville [1]	363,204
Lake City	88,374
Murfreesboro	204,712
Overton County	260,807
Tazewell	375,000
Texas:	
Carrizo Springs	138,448
Corpus Christi	246,666
Crystal City	111,210
Dallas (pilot)	1,182,932
Edinburg	150,012
El Paso [1]	433,000
Laredo	148,024
San Benito	71,197
Uvalde [1]	285,602
Waco	89,646
Utah:	
Ogden [1]	421,253
Salt Lake City	461,223
Virginia: Hampton	145,069
Washington:	
La Push [1]	59,059
Usk	44,624
West Virginia: Parkersburg	599,644
Wisconsin: Washington Island	78,007
Wyoming: Arapahoe	184,056

[1] Under construction.

USE OF NEIGHBORHOOD FACILITIES FUNDS

Mr. EVINS. Of the $40 million new obligational authority requested, how much will be expended in 1969?

Mr. HUMMEL. All $40 million would be used.

Mr. EVINS. How much will be expended of the $40 million you requested?

Secretary WEAVER. We expect to use all of it.

Miss BOYCE. It will not all be expended, but that money would be used for reservations and allocations.

Mr. EVINS. How much carryover do you have in the program, Mr. Hummel?

Mr. HUMMEL. You mean in money?

Mr. EVINS. We appropriated $30 million last year. How much do you have in the pot, as you call it?

Miss BOYCE. We only carried over last year into fiscal 1968 about $33,000, for which we had not made reservations or allocations.

Mr. EVINS. You expect to have about $33,000 unexpended at the end of the year?

Miss BOYCE. No carryover at the end of 1968; $33,000 was available at the end of 1967.

JUSTIFICATION MATERIAL

Mr. EVINS. You show here on page D–5 reservations have been made for 117 projects involving 126 centers. You say that some 1,851,000 people are estimated to be served by the centers and service population ranges from 151 to 82,000 persons and varies greatly according to the local facilities.

The table you have shows the centers and the population areas.

Let us place in the record your discussion of program demand and your data on service areas.

(The pages follow:)

Program demand

The interest of our cities in providing such facilities is widespread and growing as evidenced by the flow of applications for grants. It takes a considerable amount of time for the local organizing and planning which must take place before cities are ready to submit specific applications; yet as of November 30, 1967, 117 applications for nearly that many cities had been approved for grants totaling $33.6 million; and 173 applications totaling approximately $45 million were pending.

Because demand is greatly in excess of funds available, program criteria have been tightened. All proposals must meet the statutory priority standards and minimum levels of poverty. In addition, there is a qualitative evaluation of the service program in relation to the neighborhood residents' needs. At present, one half of the families that will be served by recently approved centers earn less than $3,000. Even with these stricter criteria the 1969 proposed appropriation will enable the funding of only one-fourth of anticipated receipts; and 290 applications which would have provided well conceived service programs in areas of great poverty will have to be returned during the year.

The growth of this demand over the first 3 years of the program and its projected continuation is reflected in the figures below:

Applications	Actual, 1966	Actual, 1967	Estimate, 1968	Estimate, 1969
On hand, start of year		51	173	200
Received in year	72	291	320	320
Total on hand and received	72	342	493	520
Processed in year:				
Rejected and returned	10	77	321	310
Approved	11	92	102	130
Total processed	21	169	423	440
Resubmitted			130	200
Total on hand, end of year	51	173	200	280

The applications for the first 2 years requested grants totaling well over $100 million. The total amount of funds requested is expected to rise at an even faster rate than the number of applications due to the growing interest of the larger cities, whose facilities tend to be larger, and the general rise in construction costs.

It is estimated that 130 net grant reservations will be made in fiscal 1969. Cumulative appropriations and net grant resrevations for the program are shown in the following table:

[In thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Cumulative appropriations	$29,000	$59,000	$99,000
Cumulative net grant reservations:			
Amount	28,966	59,000	99,000
Number	103	205	335
By size of city:			
Over 100,000	37	73	119
25,000 to 100,000	26	59	102
Under 25,000	40	73	114

People served

As of November 30, 1967, reservations for 117 projects involving 126 neighborhood centers had been approved. Some 1,851,078 people are estimated to be served by these centers. The service population ranges from 151 to 82,246 persons and varies greatly according to the local concept of a facility. The average service population is 14,691. The following table shows the percentage of projects by the population to be served.

Population of area to be served:	*Percent of centers*
Less than 5,000	27
5,000 to 9,999	26
10,000 to 24,999	30
25,000 to 49,999	10
50,000 to 99,999	7

Description of the program

Grants under this program are normally two-thirds of project development cost; however, in areas of high unemployment, designated under section 401 of the Public Works and Economic Development Act of 1965, grants may cover 75 percent of the development cost.

Priority consideration is given to those projects that substantially further the objectives of a local community action program approved under title II of the Economic Opportunity Act of 1964, or that primarily benefit low-income families. Projects in communities having community action programs must have the endorsement of the local community action authority.

Facilities developed must be used for activities and services which directly benefit neighborhood residents and which increase total community services, either providing wholly new services or extending current services so that they offer new opportunities. They may be provided through new construction or through the expansion, acquisition, or rehabilitation of an existing structure.

Except in communities with a population of less than 25,000, projects must serve a particular neighborhood or area of the community. They may be additions to, or built in conjunction with, such facilities as schools, public housing projects, and housing for the elderly. A profile of a typical neighborhood center and examples of centers approved to date are included on pages D–10 to D–13.

The Department of Housing and Urban Development, in cooperation with four other Federal agencies, serves as the convening agency for a pilot program aimed at developing outstanding examples of neighborhood center systems. Fourteen cities are participating in this program in an effort to develop projects that emphasize effective planning and the provision of concerted services. The pilot program is discussed on pages D–13 and D–14.

Priority system

A priority system has been established for the program. Applications are rated on the degree of poverty in the service area and the extent to which the project provides needed services to low-income families in an effective manner.

The applicant selects a service area for the project for which an income breakdown is prepared, in order to determine the number of low-income families—those earning $3,000 or less annually. No attempts are made to adjust this for family size since this type of data is not consistently available. To determine the working figure for the percent of low-income families in a facility service area, the percent of families earning less than $3,000 annually is multiplied by a "cost of living" factor. The "cost of living" factor is based on expenditures for food, shelter, and clothing in the four geographical areas of the United States and within each of these areas on whether a community is urban or rural, and inside or outside a standard metropolitan statistical area.

Such qualitative factors as the scope, responsiveness and relevance of the service program to the needs of the neighborhood residents are also evaluated. The evaluation is based on a community's efforts to coordinate the components of the service program and to examine in depth, through the use of statistical data and by consultation with professionals and neighborhood residents, the problem characteristics of the neighborhood and its residents. Also taken into consideration is the degree to which services will be provided on the basis of what is required to meet the needs identified in the analysis of problems.

The top-rated applications with grant requests equaling 150 percent of the total funds available to the program are held by the Department for consideration during the fiscal year. All others are returned to the applicants. After April 1, 1968, returned applications may be resubmitted for consideration in fiscal year 1969. It is estimated that 581 applications will be returned during fiscal years 1968 and 1969, of which 330 will be resubmitted.

RELATIONSHIP TO OEO PROGRAMS

Mr. TALCOTT. If there are only four completed and a few under construction, you must have competition with OEO because I think there are a number of neighborhood facility buildings in many cities throughout the United States used for community centers, for dancing, recreation, this sort of thing. They must be sponsored by the OEO.

Secretary WEAVER. The two programs are quite different. OEO has been an emergency program. They have been attempting to provide for small centers, very quickly and do it through providing funds for rental rather than construction. They are very often in improvised buildings—storefront buildings and so forth. They do no new construction, although they may provide funds for some minor rehabilitation. The OEO program, then, provides for just a temporary, adaptation of a building, rather than long-term capital investment. We expect to be in operation for generations.

Mr. TALCOTT. Some of yours are a continuation or rehabilitation of OEO?

Mr. MCCABE. Not of OEO, no. All of our neighborhood facilities are related to the CAP programs of OEO. Our neighborhood facilities must further the objective of the community action program.

Mr. TALCOTT. Would it be possible you have a neighborhood facility in the same neighborhood that OEO has one of their neighborhood facilities?

Secretary WEAVER. Not generally. They might have a small compact one in the area, however. Ours usually provide a wider variety of service than theirs. We would not be duplicating services, however, in that situation.

Mr. TALCOTT. There is some coordination?

Secretary WEAVER. Oh yes—and they are involved very often in the operations of things going on in ours—and usually depend on our program to provide the facility out of which they will operate.

Mr. TALCOTT. You provide the brick and mortar?

Secretary WEAVER. Yes, that is right.

CRITERIA FOR PROJECTS

Mr. BOLAND. The applicants for one of the grants of the neighborhood facilities program must be a public body?

Secretary WEAVER. Yes, sir.

Mr. BOLAND. And it is a cost-sharing program where the Federal Government contributes two-thirds and the local government one-third, except in the area as designated under section 401 of the Public Works and Economic Development Act of 1965 in which case grants may cover 75 percent of project cost. Is that right?

Mr. HUMMEL. Yes.

Mr. EVINS. You say that attention is given to the cost of projects submitted. Do you have any general standards, or is it whatever they recommend?

Mr. HUMMEL. No, sir; it depends upon the locality to be served and the amount and diversity of the services to be provided in the area. Of course, in the larger centers it would be a more complex one, made available for greater number of services.

SERVICES PROVIDED

Mr. EVINS. You list what is included in the facilities on page D–8. Some are for recreation and others for health services, 114 of them have recreation, 111 include health services, 98 for welfare, remedial and noncurricular education.

Mr. HUMMEL. This is the frequency of service.

Mr. EVINS. The number of facilities and the percent of the total?

Mr. HUMMEL. That is right. In other words, the number of facilities that have remedial and noncurricular education are 114; 114 also have recreation services. Welfare service is provided only in 98.

Mr. EVINS. Legal aid is provided in 57.

Mr. HUMMEL. That is right.

Secretary WEAVER. I think the important thing that this table reflects is the fact these are multipurpose centers.

Mr. EVINS. I think this is a good discussion you have here on the

types of services provided in these centers. Let us put it in the record at this point.

(The material follows:)

Types of services

While grant assistance applies only to provision of the physical structure, local communities will schedule and provide services designed to meet the needs of the particular neighborhood. All projects must be multiservice in character, although they may have components designed to serve the needs of a particular group such as the elderly or youth. A large number of the facilities will house service programs (but not community headquarters) supported by other Federal agencies, thus, providing a better opportunity for coordinating services of these different programs. Among these are: Children's Bureau and Welfare Administration of HEW; employment service, manpower training and Neighborhood outh Corps of the Labor Department; and community action programs and VISTA of the OEO.

Examples of services and activities for which the facilities may be used are listed below:

Social services.—Family counseling, legal advice, consumer education, day-care centers.

Employment and training services.—Job training, vocational rehabilitation, vocational counseling.

Educational activities.—Project Headstart, basic adult literacy.

Housing services.—Information on relocation and rehabilitation assistance.

Assistance to the aged.—Special health services, advice, social activities.

Civic participation.—Neighborhood civic action, community action program participation.

Health services.—Medical and dental screening clinics, health referral services.

Cultural enrichment activities.—Library services, film programs, music appreciation.

Of the applications approved through the end of November 1967, the following service frequency is indicated:

NEIGHBORHOOD FACILITIES PROGRAM, NOV. 30, 1967

Type of service	Number of facilities	Percent of 126 total
1. Remedial and noncurricular education	114	90.5
2. Recreation	114	90.5
3. Health services	111	88.1
4. Welfare services	98	77.8
5. Employment, job training, and counseling, vocational rehabilitation services	95	75.4
6. Day care	67	53.2
7. Voluntary community service program	67	53.2
8. Housing and home management services	62	49.2
9. Legal aid	57	45.2
10. Senior citizens activities	51	40.5
11. Library	26	20.6
12. Consumer education, information, and mutual aid	15	11.9
13. Rehabilitation and relocation counseling service, and similar site office functions in connection with local urban renewal, code enforcement, and demolition projects	16	12.7
Average number of different services per facility	7	

NEIGHBORHOOD CENTERS PILOT PROGRAM

Mr. EVINS. Then you list some examples here and I see you have a pilot program. What is the difference between a pilot program and your neighborhood facility grants program?

Mr. HUMMEL. The pilot program was established in 14 cities to bring together all of the services, a coordinating function to see what

could be done to determine what was the best type of neighborhood facility to serve a particular purpose.

Mr. EVINS. How many cities?

Mr. HUMMEL. Fourteen.

Mr. EVINS. Scattered throughout the country?

Mr. HUMMEL. Yes.

Mr. EVINS. These were announced as cities with pilot neighborhood facility programs. There are about 14 of them.

Secreary WEAVER. It is a very interesting thing because in this instance HUD took the leadership under the convener order, which is part of our legislation, and got OEO, the Department of Labor, and HEW in particular, and some of the other agencies, but these were the lead ones. We developed this concept jointly and we went into the field and jointly worked with the local people and had them develop their local applications and we jointly reviewed their applications and we are jointly funding the program.

So this is not only an approach but it is an interesting administrative approach of cooperation between major departments.

Mr. EVINS. This is supposed to be a model; is it not?

Secretary WEAVER. Yes; to indicate the optimum of what could come out under these programs.

Mr. EVINS. What is the cost-sharing formula?

CONDUCT OF PILOT PROGRAM

Secretary WEAVER. First, the locality is told what is available to it. Usually we work through the mayor's office directly rather than working through any one department. He brings in his specialists and then they come up with a plan, and that plan includes first, those facilities they give high priority to.

Secondly, they then develop the mixture—how much they want to do in health, what they want to do in employment, et cetera. Then they sit down with us and figure out how it would be costed out, what part would be Federal, what part local, and what part private.

Then the other departments as well as ours commit ourselves to putting up sufficient funds so as to make sure when the project is completed these funds will be there to actually carry out what we plan.

Mr. EVINS. The pilot program is more comprehensive and more expensive than your neighborhood facilities and other agencies of Government are participating in sharing in the cost?

Secretary WEAVER. And in the administration and in the planning.

Mr. EVINS. And the cost is not limited or confined to HUD grants alone?

Secretary WEAVER. No, sir.

Mr. EVINS. What are the average projected costs, No. 1, of construction of the facility; and No. 2, of the annual operating costs?

Secretary WEAVER. I would have to supply that for the record.

Mr. EVINS. If you will. Since it is a pilot program, we would like to know what the average costs are and what the average annual operating costs are. I would also like your discussion of this program from your justifications in the record.

Secretary WEAVER. Yes, sir.

(The information follows:)

NEIGHBORHOOD CENTERS PILOT PROGRAM

TOTAL PROJECT COSTS AND GRANT RESERVATIONS, THROUGH FEB. 29, 1968

Location	Total project cost	Federal grant
Oakland, Calif.	$1,000,000	$835,000
Washington, D.C.	1,950,000	1,300,000
Jacksonville, Fla. (2 projects)	1,886,312	1,289,542
Chicago, Ill.	2,579,900	1,870,000
Louisville, Ky.	664,500	443,000
Boston, Mass.	1,300,670	867,113
Detroit, Mich.	2,338,613	1,593,000
Minneapolis, Minn.	750,000	500,000
St. Louis, Mo.	450,000	300,000
New York, N.Y.	1,641,293	1,094,195
Cincinnati, Ohio	1,374,357	1,000,000
Philadelphia, Pa.	1,423,869	974,246
Chattanooga, Tenn.	972,155	657,703
Dallas, Tex.	1,757,599	1,182,932
Total	20,089,268	13,906,731
Average cost and grant per city	(1,434,948)	(993,338)

It is assumed that the question about operating costs refers to the continuing cost of service programs provided in the facilities when completed. This cannot be firmly established at this time, since the pilot program is in its early stages and no facility is expected to reach physical completion in the near future. After completion, the service budgets will have to be developed by appropriate local authorities, and Federal support funds, where available, obtained.

For the coming year, cooperating Federal agencies have already planned to provide funds totaling some $27 million for programs in 13 of these 14 locations, mostly to be carried out in temporary quarters. The service program for the 14th city is still under preparation. In addition, some local funds could be involved. When the new facilities are completed, it is anticipated that the service programs involved will be strengthened in administration and effectiveness as well as being expanded.

Pilot program

Under the neighborhood centers pilot program, 14 cities are participating in a demonstration effort to develop exemplary multiservice neighborhood center programs to help meet the needs of residents in low-income areas. The main thrust of the pilot program is on the development of improved, responsive neighborhood service systems by local communities. The projects emphasize effective planning and provision of concerted services. Among the specific objectives of the pilot program are the development of: more effective and better coordinated programs for assisting and enabling underprivileged individuals and families to become socially effective and to achieve self-sufficiency; exemplary projects that will indicate how to improve the responsiveness and delivery of services on a concerted basis in ghetto areas; and an understanding and an awareness of the possibilities and potentialities of a coordinated interagency and intergovernmental undertaking.

Significant progress has been made in developing close working relationships with the participating agencies, agreeing on program objectives and criteria,

establishing operating procedures, acting on the submitted proposals, and making initial funding available.

The primary means of coordination is through the Washington Interagency Review Committee, a policymaking group which meets on a regular basis assisted by subcommittees assigned specific work responsibilities. A HUD official serves as chairman under the President's convener order.

In the field, Federal regional teams composed of representatives of each of the Federal agencies have been established for each of the participating cities and have met frequently with key State and local agencies to assist in the development of the neighborhood center program. In addition, several general meetings and conferences of the participating Federal personnel have been held to encourage coordination through discussion and common understanding of program purposes and procedures.

It is expected that the pilot program will indicate effective techniques to improve the coordination of services and the coordination of facilities and services with respect to neighborhood centers.

The following table lists the 14 cities participating in the pilot program.

NEIGHBORHOOD FACILITIES PILOT PROGRAM

Boston, Mass.	Louisville, Ky.
Chattanooga, Tenn.	Minneapolis, Minn.
Chicago, Ill.	New York, N.Y.
Cincinnati, Ohio	Oakland, Calif.
Dallas, Tex.	Philadelphia, Pa.
Detroit, Mich.	St. Louis, Mo.
Jacksonville, Fla.	Washington, D.C.

Secretary WEAVER. I might say this pilot program has been administered directly out of my office and, also, there has been a tremendous amount of participation from the other Secretaries to get this off the ground.

OWNING AND OPERATING FACILITIES

Mr. BOLAND. I note the description of the New Haven grant on page D–13 says that two buildings will be built.

One structure is to be known as the Neighborhood Facility Building, to be operated by the city. The other will be called the Dixwell Community House and will be owned and operated by Dixwell Community House, Inc., a nonprofit settlement house.

A corporation may own them.

Mr. MCCABE. They may own and operate them.

Secretary WEAVER. The city makes the arrangement.

Mr. MCCABE. Under the law, a nonprofit corporation may own and operate a center.

Mr. BOLAND. But must the city be the applicant?

Mr. MCCABE. Yes. We want, obviously, to get city participation in this activity.

Mr. BOLAND. But an incorporated nonprofit corporation can be the owner?

Secretary WEAVER. The city, after it gets the application, can spin it off to nonprofit as owner and operator, but we do not deal with them; we deal only with the city.

Low-Rent Public Housing

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	Operating costs, funded:			
	Annual contributions to locally owned projects (grants)	256,986	272,060	355,000
	Technical services	909	1,054	1,200
	Interest on Treasury borrowings		200	150
	Other	250	489	456
	Total operating costs, funded	258,145	273,803	356,806
	Capital outlay, funded: Loans to local housing authorities	154,077	220,009	220,009
	Total program costs, funded	412,222	493,812	576,815
	Change in selected resources [1 2]	40,009	−988,003	3,000
	Adjustment in selected resources:			
	Undisbursed loan obligations [2]	275,439	990,943	
	Other	455		
10	Total obligations	728,125	496,752	579,815
	Financing:			
	Receipts and reimbursements from:			
11	Federal funds: Gain from purchase of U.S. securities	−870	−500	−150
14	Non-Federal sources:			
	Repayment of loans (refinancing of direct with guaranteed loans)	−105,270	−148,000	−183,000
	Repayment of loans (from permanent financing)	−36,573	−50,000	−50,000
	Other loan repayments	−1,719	−2,065	−2,062
	Proceeds from sale of property	−76		
	Revenue and other receipts	−4,572	−4,063	−4,247
16	Comparative transfers to other accounts	13,687		
17	Recovery of prior year obligations [2]	−275,762	−990,943	
21.47	Unobligated balance available, start of year: Authorization to spend public debt receipts	−365,399	−322,741	−1,296,105
24.47	Unobligated balance available, end of year: Authorization to spend public debt receipts	322,741	1,296,105	1,313,499
	Unobligated balance lapsing:			
25.98	Annual contributions	134		
	Administrative expenses	78		
27	Capital transfer to general fund	243	455	250
30	Unappropriated annual contributios due	−6,042		
	New obligational authority	268,725	275,000	358,000
	New obligational authority:			
40	Annual contributions	255,000	275,000	358,000
	Administrative expenses	18,950		
41	Transferred to other accounts	−5,225		
43	Appropriation (adjusted)	268,725	275,000	358,000
	Relation of obligations to expenditures:			
10	Total obligations	728,125	496,752	579,815
70	Receipts and other offsets (items 11–17)	−411,155	−1,195,571	−239,459
71	Obligations affecting expenditures	316,970	−698,819	340,356
	Obligated balance, start of year:			
72.47	Authorization to spend public debt receipts	1,134,601	1,177,259	190,895
72.98	Fund balance	111,170	117,781	120,081
	Obligated balance, end of year:			
74.47	Authorization to spend public debt receipts	−1,177,259	−190,895	−186,501
74.98	Fund balance	−117,781	−120,081	−153,576
83	Unappropriated annual contributions due for prior years	−21,597	−6,042	
85	Appropriation for annual contributions for prior years	21,597	6,042	
90	Expenditures	267,701	285,245	311,255
	Expenditures are distributed as follows:			
01	Out of current authorizations	170,784	164,640	209,406
02	Out of prior authorizations	96,917	120,605	101,849
	Cash transactions:			
93	Gross expenditures	415,817	489,923	550,848
94	Applicable receipts	−148,116	−204,678	−239,593

[1] Balances of selected resources are identified on the statement of financial condition.
[2] Reflects the effect in 1968 and 1969 of proposed legislation which would redefine loan obligations.

REVENUE, EXPENSES, AND RETAINED EARNINGS (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Revenue	4,610	4,098	4,282
Expense [1]	−272,011	−297,856	−356,859
Net operating loss	−267,401	−293,758	−352,577
Nonoperating income or loss:			
Proceeds from sale of property	76	----------	----------
Net book value of assets sold	−15	----------	----------
Net loss from sale of property	61	----------	----------
Gain from purchase of U.S. securities	870	500	150
Net nonoperating income or loss	931	500	150
Net loss for the year	−266,470	−293,258	−352,427
Analysis of deficit:			
Deficit, start of year:			
Reserved	868	1,347	1,339
Unreserved	−192,104	−169,186	−157,849
Appropriation:			
Annual contributions	255,000	275,000	358,000
Annual contributions for prior years	21,597	6,042	----------
Annual contributions—proposed supplemental	----------	24,000	----------
Administrative expenses	18,950	----------	----------
Transfer to other accounts	−5,225	----------	----------
Unobligated balance lapsing	−212	----------	----------
Capital transfers to general fund	−243	−455	−250
Deficit, end of year	−167,839	−156,510	−151,187
Analysis of deficit, end of year:			
Reserved	1,347	1,339	1,269
Unreserved	−169,186	−157,849	−152,456

[1] Includes administrative expenses not included on program and financing schedule, as follows: 1967, $13,687,000.

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)[1]

	1966 actual	1967 actual	1968 estimate	1969 estimate
Assets:				
Treasury balance	90,170	98,739	120,081	146,576
U.S. securities (par)	21,000	13,000		7,000
Accounts receivable, net	1,526	2,186	2,190	2,126
Selected assets:[1]				
Advances	149	7	7	7
Supplies, deferred charges, etc	67	5	5	5
Loans receivable, net	56,602	67,130	87,065	72,003
Land, structures, and equipment, net	703	660	651	642
Total assets	170,217	181,727	209,999	228,359
Liabilities:				
Accounts payable and accrued liabilities	91,468	101,487	114,376	131,343
Deferred credits	1,031	727	781	851
Total liabilities	92,499	102,214	115,157	132,194
Government equity:				
Interest-bearing capital:				
Start of year				4,000
Borrowings from Treasury, net			4,000	−4,000
End of year			4,000	
Non-interest-bearing capital:				
Start of year	247,542	247,357	247,352	247,352
Donated assets, net	−185	−5		
End of year	247,357	247,352	247,352	247,352
Deficit	−169,639	−167,839	−156,510	−151,187
Total Government equity	77,718	79,513	94,842	96,165

ANALYSIS OF GOVERNMENT EQUITY AND UNDRAWN AUTHORIZATIONS (IN THOUSANDS OF DOLLARS)

Undisbursed loan obligations:[1]				
Guaranteed loan obligations	933,729	930,158	200,000	200,000
Undisbursed loan obligations	220,641	260,785		
Unpaid undelivered orders[1]	428	4,069	7,009	10,009
Unobligated balance	365,399	322,741	1,296,105	1,313,499
Unappropriated annual contributions due		−6,042		
Invested capital and earnings	57,521	67,802	87,728	72,657
Subtotal	1,577,718	1,579,513	1,590,842	1,596,165
Less undrawn authorizations	−1,500,000	−1,500,000	−1,496,000	−1,500,000
Total Government equity	77,718	79,513	94,842	96,165

[1] The changes in these items are reflected on the program and financing schedule.

Note.—The above statements do not reflect contingent unfunded liability for commitments under annual contributions contracts and notes held by private investors as follows: 1966, $5,417,000,000; 1967, $5,772,000,000; 1968, $6,394,000,000; 1969, $7,299,000,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
11.8	Special personal service payments:			
	Excess of annual leave earned over leave taken	−175	30	30
25.3	Payment to "Administrative operations fund"	950	1,123	1,241
33.0	Investments and loans	465,947	220,009	220,009
41.0	Grants, subsidies, and contributions	261,042	275,000	358,000
43.0	Interest and dividends	361	590	535
99.0	Total obligations	728,125	496,752	579,815

Mr. EVINS. We will look at the low rent public housing program of HUD. This has been underway for about 30 years now. Let us insert at this point the pertinent discussion of program from the justification.

(The material follows:)

LOW RENT PUBLIC HOUSING—PROGRAM HIGHLIGHTS

[Number of dwellings]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Applications received	140,780	140,000	140,000
Annual contributions contracts executed	63,309	65,000	85,000
Conventional construction	35,820	28,000	15,000
Turnkey (new construction)	7,189	12,000	40,000
Acquired	4,826	5,000	10,000
Leased	15,474	20,000	20,000
Construction started	29,564	55,000	75,000
Conventional construction	26,841	41,000	30,000
Turnkey (new construction)	914	12,000	35,000
Acquired and rehabilitated	1,809	2,000	10,000
Made Available for occupancy	35,243	58,000	75,000
Conventional construction	27,942	31,000	30,000
Turnkey (new construction)	371	4,000	15,000
Acquired	2,108	3,000	10,000
Leased	4,822	20,000	20,000
Units in modernization program		62,500	62,500
In management	654,118	712,118	787,118
Dwellings eligible for ACC's	643,245	689,235	758,735

APPROPRIATIONS ENACTED AND PROPOSED

[In thousands]

Annual Appropriation Act	$250,000	$275,000	$358,000
Supplementals:			
For 1968 requirements		24,000	
For 1967 requirements	5,000	6,042	
For 1966 requirements	21,597		
Total	276,597	305,042	358,000

Note: Budget request: A 1969 appropriation of $358,000,000 for payment of annual contributions.

Summary of budget request

The budget for fiscal year 1969 for low-rent public housing proposes an appropriation of $358 million for the payment of annual contributions to public housing agencies under existing annual contribution contracts and authorization for special payments for the elderly and displacees.

This budget reflects several measures designed to accelerate low-rent public housing activity. Program levels are based on the assumption that the availability of the last $47 million increment of the annual contribution authorization as contained in the Housing and Urban Development Act of 1965 will be advanced to fiscal year 1968 and that additional authorization would be provided for carrying out the 1969 program. Although the forward program is dependent on this assumption, the amount of annual contributions appropriation requested is not, since it is for the payment on contracts previously executed.

The President announced in September 1967 that 70,000 additional public housing units will be made available for occupancy by September 1968. This goal will require doubling the number made available in fiscal year 1967. To meet this objective, a policy has been established which gives priority to those programs which can assure occupancy by the earliest possible date.

This budget also reflects the initiation in 1968 of a modernization program re-

quiring $10 million in annual contribution commitments and shows its continuation in 1969 at the same level. This would provide for the modernization of about 62,500 older low-rent units in each of the 2 years.

Purpose and need for program

The United States Housing Act of 1937, as amended, provides for a low-rent public housing program which makes decent, safe, and sanitary dwellings available to low-income families within their financial means. Loans and annual contributions are made to local housing authorities to finance the program. Examinations of local housing authority operations are conducted to insure efficiency and economy and to protect the Federal interest. The low-rent program is a key element in the objective of improving urban environment.

The 1960 Census of Housing reported that occupied substandard housing units in the United States totaled 8.5 million. Of these, 7 million were urban or rural nonfarm and 4.3 million of these nonfarm units (61 percent) were occupied by families whose incomes were below $3,000 a year. Almost two-thirds (2.7 million) of these 4.3 million families in substandard housing with incomes below $3,000 were renters. The 4.3 million statistic provides a baseline to mark the most immediate and pressing housing needs of the low-income nonfarm poor—that segment of the population to which the low-rent public housing programs are directed.

The Census also showed that 85 percent of the families and individuals reporting incomes of less than $2,000 paid 35 percent or more of their incomes for housing. For those with incomes from $2,000 to $2,999, 37 percent paid 35 percent or more of their income for rent, while another 32 percent in this income group paid between 25 and 34 percent of their income for rent. Of those with incomes between $3,000 and $3,999, 45 percent paid at least 25 percent of their income for rent.

The number of existing dwellings available to low-income families is reduced by high rents relative to income and also by overcrowding of dwelling units caused in part by demolition resulting from slum removal activities, highway construction, and economic growth. In terms of rising rent levels, more than 1 million low-rent units were not replaced by new construction between 1950–60.

Another approach which may be used to measure the need for low-rent housing equates this need in terms of the actual number of poor families and individuals. In a recent study, the Welfare Administration in the Department of Health, Education, and Welfare found 10.9 million households with incomes in 1966 below the poverty level. If the farm population and those single persons who cannot presently be served by the low-rent program are excluded, 8 million consumer unit remain with a potential need for low-rent housing.

As of November 30, 1967, local housing authorities had waiting lists of over 400,000 applications for low-rent housing.

Summary of program objectives

Plans are being developed for a more adequate response to the large and demonstrable needs. This effort being launched in fiscal year 1968 will be accelerated in 1969. The goal is to make available for occupancy 70,000 units between September 1967 and September 1968. It will involve significant changes in program direction and activities, including reorganization of Central and Regional Offices. Production will be increased through new procedures that are being put into effect. Dwellings made available for occupancy in 1968 will increase to 58,000 which is a 65-percent gain over the number made available in 1967.

Production will be stepped up again in 1969 when 75,000 dwellings will be made available for occupancy. This will be an increase of 112 percent over the level of production in 1967 and 29 percent over 1968.

The following new techniques are being employed to accomplish these objectives:

The turnkey method of construction is being emphasized and the number of units developed under this method will substantially increase. Some local housing authorities with dwellings which are currently under program reservations or annual contributions contracts for conventional construction, but cannot proceed to construction expeditiously, will desire to change to the turnkey method of construction.

The leasing program will continue to grow with a sharp increase in dwellings placed under annual contributions contracts, and added emphasis will be placed upon moving the dwellings to occupancy. As of June 30, 1967, there were about

5,000 leased dwellings available for occupancy. The goal is to add 20,000 more in each of fiscal years 1968 and 1969.

A modernization program is planned for 1968 and 1969, requiring $10 million in annual contribution commitments in each of those years. This program in the 2-year period is expected to modernize some 125,000 of the older dwellings to meet current acceptable standards.

Private management of low-rent housing.—At the direction of the President a pilot program of management of low-rent public housing by private management has been instituted by the Department.

Under this program the local housing authority may negotiate a management contract with private management which may be either a private developer or some other party.

New management approach.—A program is being initiated to have local housing authorities reorient management of their housing to expand activities in tenant service areas to meet national policy objectives. This would include such matters as expanded tenant involvement in project operations and participation in activities which will result in the improvement of the economic status of the tenants.

Status of program

As of June 30, 1967, there were 654,118 dwellings available for occupancy. These dwellings housed 2.4 million people, including 1.4 million minors. Since its beginning, the program has housed more than 9.5 million people. An additional 275,553 dwellings were in various stages of development. When completed these dwellings will house about an additional million persons.

The median annual income of all families housed was $2,700. Among elderly residents, who occupied 33 percent of all dwellings, it was $1,500. The median rent for all families was $48 a month. For the elderly, it was $35.

Over 2,100 local housing authorities were participating in the program in nearly 2,900 localities.

There has been a large increase in the number of new local housing authorities, localities, and small projects in recent years. Since the passage of the 1965 act, 454 new local housing authorities and 589 localities have entered the program. Three hundred and thirty-one of these new local authorities have programs of less than 200 units. The following table shows actual and estimated growth:

NUMBER OF LOCAL HOUSING AUTHORITIES, LOCALITIES, AND LOCAL HOUSING AUTHORITIES WITH LESS THAN 200 UNITS, AT END OF FISCAL YEARS 1965-69

	Actual, 1965	Actual, 1966	Actual, 1967	Estimate, 1968	Estimate, 1969
Number of LHA's with program reservations or further	1,677	1,883	2,131	2,246	2,336
Number of localities with program reservations or further	2,288	2,538	2,877	3,017	3,127
Number of LHA's with programs under 200 dwellings, program reservation or further	1,177	1,332	1,508	1,593	1,658

Housing for Senior Citizens.—In the conventional and turnkey approaches new construction, 47 percent of the dwellings under development are being designed specifically for the elderly. The following table shows the status of dwellings for the elderly at June 30, 1967:

	1967	
	Dwellings	Projects
In applications	22,534	----
Under reservations	44,274	----
Under ACC approved	810	----
Under ACC executed	58,161	727
Under construction	26,652	333
Completed	60,374	1,197
Total	212,805	2,257

Housing for Indians.—As of September 30, 1967, local housing authorities existed on 85 Indian reservations in 23 States. The table below shows the status of their programs as of September 1967.

Stage of program	Number of dwelling units		
	Conventional	Mutual help	Total
Under application	717	1,251	1,968
Under program reservations	459	906	1,365
Under annual contributions contracts	217	1,258	1,475
Under construction	720	633	1,353
Under management	1,285	263	1,548
Total	3,398	4,311	7,709

The Department's Housing Assistance Administration, the Bureau of Indian Affairs, the Public Health Service and the Office of Economic Opportunity have cooperated in the development of the Indian housing programs. The Public Health Service provides water and sanitation facilities for all housing units on the reservations.

Almost 60 percent of the dwellings were being developed under the mutual-help plan. Participation by the Bureau of Indian Affairs has been especially important in the mutual-help program in which participants construct their own homes. This program provides a method of achieving homeownership for those families with the lowest incomes.

Over 500 dwellings are being developed on 13 reservations throughout the country under a turnkey mutual-help program. The combined efforts of the Housing Assistance Administration, Office of Economic Opportunity, Bureau of Indian Affairs, and Public Health Service is providing training in home construction as well as achieving housing at costs of less than $10,000 per unit. The tribes themselves are the turnkey developers in this unique program.

Program levels

At June 30, 1967, there were 275,553 dwellings under development—51,567 were in program reservations, 5,293 under preliminary loan contracts, 131,901 under annual contributions contracts but not yet under construction, and 46,792 under construction. This was an increase of more than 30 percent over the number of dwellings in development at June 30, 1966.

Program reservations and lease approvals in fiscal years 1968 and 1969 are expected to be made for 45,000 dwellings and 35,000 dwellings for those years, respectively. It is estimated that these inputs together with the dwellings now in the program will be sufficient to carry out the authorized program. However, very substantial increases are planned in the more signficant workload indicators of annual contributions contracts executed, construction started, and dwellings completed for occupancy.

During fiscal 1967, annual contributions contracts were executed for 63,000 dwellings. This will be increased to 85,000 dwellings in 1969 or 34 percent over the level of activity in 1967 and almost 31 percent over the activity planned for 1968.

Construction starts will increase from 29,500 dwellings in 1967 to 75,000 in 1969 or 154 percent. The activity in 1969 will be 36 percent greater than planned for 1968.

It is planned that 75,000 dwellings will be made available for occupancy in 1969. This is an increase of 113 percent over 1967 and almost 29 percent over 1968.

The increase in the number of projects is another significant indication of program activity. In fiscal year 1967, 529 projects were put under annual contributions contracts, 341 under construction, and 457 completed. In 1969, these totals will increase to 750 placed under annual contributions contracts (up 42 percent), 860 under construction (up 153 percent) and 900 completed (up 97 percent) respectively.

At June 30, 1967, there were 1,321 local housing authorities with programs in development. By the end of 1969, this number will increase to 1,500 or 14 percent. Of these, 300 will be entering the program for the first time.

In the acquisition program, 4,826 dwellings were placed under annual contributions contracts in fiscal year 1967. This activity will continue at about the same level in 1968 but will double in 1969.

In the leasing program, 15,474 dwellings were placed under annual contributions contracts in fiscal year 1967. This activity will increase to 20,000 in each of fiscal years 1968 and 1969. Whereas only 5,060 dwellings were actually leased from owners in 1967, 20,000 are expected to be leased in each of fiscal years 1968 and 1969.

NUMBERS OF PUBLIC HOUSING UNITS

Mr. EVINS. Tell us the number of public housing units in operation.

Mr. HUMMEL. The units in operation under management were 654,118 at the end of fiscal year 1967. There are 682,141 units under management at the present time.

Mr. EVINS. The President said something in one of his housing messages about the need for 6 million units in the next 10 years. This is overall, all types of houses?

Secretary WEAVER. That is both low- and moderate-income housing.

TREND IN PUBLIC HOUSING

Mr. EVINS. Tell us about the trends in public housing. We thought when the rent supplement program came on, public housing might be lessened somewhat.

Mr. HUMMEL. On the contrary, the need is rising.

As I pointed out this morning, we are attempting to increase production and as one of the main thrusts of the program, have set a goal to double the number of units made available for occupancy in a year, from 35,000 units to 70,000 units, to be accomplished by September 30 of this year.

As of November 1967, local housing authorities had 400,000 applicants for dwelling units on their waiting lists.

Mr. EVINS. Give us for the record the number of public housing authorities. They were all created by local governmental units.

Mr. HUMMEL. 2,131 authorities at the end of 1967.

Mr. EVINS. And they manage 654,000 units?

Mr. HUMMEL. Yes, sir. Those are the number of dwelling units.

ANNUAL CONTRIBUTIONS REQUIREMENTS

Mr. EVINS. And the annual contribution has been running about $275 million; is that correct?

Secretary WEAVER. About $300 million this year.

Mr. EVINS. It says here, $255 million in 1967, and $275 million in 1968.

Secretary WEAVER. Plus a supplemental. We are going to need a supplemental appropriation in 1968. It will then come to about $300 million.

Mr. EVINS. Here it is. It says: $300 million for 1968. It is estimated to be $358 million for 1969. The 2,131 authorities all have contracts with the Government. This is an annual cost under contract for which funds must be provided.

Mr. HUMMEL. Yes, this is the estimated amount needed for the annual debt service of those units eligible to receive contributions in 1969.

Mr. EVINS. Let us put in the record at this point, your discussion of annual contribution requirements.

(The material follows:)

Annual Contributions Payments

Decription of annual contributions

The United States Housing Act of 1937, as amended, authorizes the payment of annual contributions to local housing authorities to assist them in achieving and maintaining the low-rent character of housing eligible for Federal financial assistance under the act. These payments are made out of appropriated funds.

The basic annual contributions formula establishes a maximum contribution in terms of a specified percentage of the development cost. Under this formula, use can only be made of housing with an economic life extending over a sufficient period to allow the amortization of the capital cost at the statutory rate. This rate was designed to permit amortization over a long period, generally 40 years.

The Housing and Urban Development Act of 1965, provided a more flexible formula to permit local housing authorities to make greater use of the existing housing supply through acquisition, with or without rehabilitation, and leasing of existing dwellings that are available on the local market and suitable for low-rent housing use.

Under the flexible formula, the annual contribution payable with respect to properties to be used for a shorter term can be fixed, as a maximum, at the same dollar amount as the annual contributions under the basic formula for newly constructed dwellings designed for the comparable numbers, types, and sizes of families. Because it is not stated in terms of a specific percentage of capital cost, the flexible formula permits acquisition, with or without rehabilitation, and leasing of structures over whatever period may be appropriate, considering the condition and nature of the property.

Annual contributions, other than for special payments for the elderly and displacees, are identified as "fixed annual contributions." These fixed annual contributions, except for leased housing, are limited to amounts needed to liquidate capital indebtedness. The amounts actually appropriated and paid are normally lower than the fixed amounts since certain funds of the local housing authorities are available to reduce the obligations of the Federal Government.

Summary of current estimates.—The following table details the items which comprise the annual contributions requirements for the budget period.

ANNUAL CONTRIBUTIONS REQUIREMENTS

	1967 actual	1968 estimate	1969 estimate
Dwellings receiving annual contributions:			
New construction	632,325	661,750	698,250
Acquisition and rehabilitation		1,676	8,676
Turnkey		749	6,749
Subtotal	632,325	664,175	713,675
Leasing	10,920	25,060	45,060
Total number of dwellings	643,245	689,235	758,735
Dwellings receiving additional contributions for elderly including the disabled and handicapped	76,331	89,750	99,700
Dwellings receiving additional contributions for displacees	1,682	1,983	2,379
Projects:			
New construction	4,410	4,717	5,118
Acquisition and rehabilitation		13	71
Turnkey		6	59
Subtotal	4,410	4,736	5,248
Fixed annual contributions:			
New construction	$275,678,247	$298,615,234	$329,165,734
Acquisition and rehabilitation		802,736	5,100,736
Turnkey		479,360	5,471,360
Leasing	6,481,265	19,492,322	35,505,018
Modernization		1,000,000	9,000,000
Total fixed annual contributions	282,159,512	320,389,652	384,242,848
Less amounts available to reduce fixed annual contributions	28,756,853	30,149,610	36,027,111
Annual contribution requirement	253,402,659	290,240,042	348,215,737
Additional contributions:			
Contributions for elderly, disabled, and handicapped	7,614,525	8,975,000	9,970,000
Contributions for displacees	24,346	25,000	30,000
Total requirements	261,041,530	299,240,042	358,215,737
Appropriation	255,000,000	275,000,000	358,000,000
Supplemental appropriation (rounded) [1]	6,042,000	24,000,000	

[1] To be included in a proposed supplemental request proposed for later submission.

A table detailing the requirements for projects eligible for annual contributions for the first time follows:

	Actual, 1967	Estimate, 1968	Estimate, 1969
Eligible for 1st time:			
In 1967 or prior years	$253,402,659	$260,395,965	$263,089,230
In 1968		29,844,077	39,255,350
In 1969			45,871,157
Total	253,402,659	290,240,042	348,215,737

ESTIMATES FOR ANNUAL CONTRIBUTIONS REQUIREMENTS

The methods used in estimating annual contributions requirements are described below.

General.—Projects which were eligible to receive contributions in 1967 were identified and the estimated requirements for 1968 are based on statements of operating incomes and expenses and operating budgets; the estimates for 1969 are based on requested budgets with certain adjustments in both years being made in keeping with the trend of actual income and expenses for the 2 previous years. Estimates for projects becoming eligible for the first time in 1968 and 1969 are based on a schedule of accomplished and estimated permanent financing for each of these years, the actual or estimated fixed annual contributions, and on estimates of the amounts which will be available to reduce the fixed annual contributions.

Conventional program of new construction.—Almost 93 percent of total annual contribution requirements for 1968, excluding special subsidies, apply to the conventional program of new construction. The 1969 estimates for this program will decrease to 88 percent of the total requirements, excluding the special subsidies, because of increased emphasis on the use of turnkey, acquisition of existing housing, and leasing programs.

Estimates for new conventional units which will receive the first contribution in 1968 or in 1969 are based on actual and estimated permanent financing. The estimated fixed contribution for dwelling units receiving a first contribution in 1969 averages $837 per unit.

Reflecting the pipeline situation and the new Department policy regarding priorities, the construction starts and completions in 1969 under the conventional program of new construction will be up significantly above 1967. While a decrease is estimated from the 35,820 conventional units for which annual contributions contracts were executed in 1967 to 15,000 units in 1969, this decrease will be more than compensated for by the increase in turnkey units placed under annual contributions contracts from 7,189 to 40,000.

Turnkey.—The estimates include $0.5 million in fixed contributions for the turnkey program in 1968 and $5.5 million in 1969. The estimated fixed contribution for dwelling units receiving a first contribution in 1969 averages $832 per unit.

Limited turnkey experience does not provide enough data from which to derive conclusions on cost and time savings. As of December 1967, contracts of sale had been executed for 81 turnkey projects comprising approximately 13,000 units. Thirty-four projects are for the elderly and 47 are for families.

Acquisition program.—The estimates include $800 thousand in fixed contributions for the acquisition program in 1968 and $5.1 million in 1969. The estimated fixed contribution for 1969 averages $614 per unit.

Production in fiscal 1967 resulted in 4,826 dwelling units being placed under annual contributions contracts. The 1969 goal is placed at 10,000 dwellings under annual contributions contracts. The program goals for 1969 place emphasis on completions.

The Department will continue to make every effort to utilize Government-acquired properties, particularly those of the Federal Housing Administration and Veterans' Administration where such use might be more economical or in the public interest. Procedures are in effect which inform regional offices and local housing authorities of the availability and character of such properties. At

June 30, 1967, local housing authorities had 16 projects with a total of 1,758 dwellings acquired or to be acquired from the Federal Housing Administration and the Veterans' Administration. Some 12,639 additional dwellings in existing housing had been approved for acquisition or had been acquired from sources other than the Federal Housing Administration and the Veterans' Administration.

Leasing.—Annual contributions payments are made monthly in advance on the basis of quarterly requests and adjusted at the end of the fiscal year. The estimates include $19.5 million in fixed contributions in 1968 and $35.5 million in 1969. The estimated annual fixed contribution for all leased units receiving a contribution in 1969 averages $927 per unit, excluding the additional subsidies for the elderly and displaced.

Additional contributions for elderly.—Additional payments not to exceed $120 per year are authorized to be paid for each dwelling occupied by an elderly, disabled, or handicapped family or person on the last day of the project fiscal year where it is determined that such amount is necessary to enable the local housing authority to lease the dwelling to the family at a rental it can afford and to operate the project on a solvent basis.

These additional payments are made after determination (1) of the number of eligible families in occupancy at the end of the project fiscal year; (2) of the amount of deficit incurred in housing such families at rents within their means; and (3) that the payment is necessary to operate the project on a solvent basis. These payments are made from the same appropriation as the fixed annual contributions payments with the fixed payments being given priority as to any such funds available at any given time.

Of the total actual annual contributions requirements for 1967, 2.9 percent was for additional contributions for the elderly. Estimated requirements for the elderly in 1968 are 2.9 percent of the total. The requirements for 1969 include approximately 2.8 percent for this additional subsidy.

Additional contributions for displaced persons.—Additional payments not to exceed $120 per year are authorized for each dwelling occupied on the last day of the project fiscal year by a family displaced from an urban renewal or public housing site on or after January 27, 1964. These payments are subject to the same limitations as dwellings occupied by the elderly. Additionally, the per dwelling payment is limited to the amount, if any, by which the average rent charged displaced families is less than the average rent charged other families.

Relocation costs.—The costs of relocating families, individuals, business concerns, and nonprofit organizations displaced on or after January 27, 1964, by low rent projects are included in the development costs of such projects. Included in these benefits are (1) payments for moving expenses and actual direct property losses; (2) special $2,500 payments in the case of those qualifying under the act as small businesses; and (3) relocation adjustment payments up to $500 to ease the burdens of relocation for low- and moderate-income families and individuals 62 years of age and older who are unable to secure housing in low rent or Federal rent supplement projects.

Because these relocation benefits are included in the development costs, they are reflected in the estimated annual contribution requirements. The relocation costs for projects with annual contribution contracts executed in 1967 were approximately $1.8 million; $2 million is the cost estimated for 1968; and $3 million is the cost estimated for 1969.

AMOUNTS AVAILABLE TO REDUCE CONTRIBUTIONS

An itemization of amounts available to reduce fixed annual contributions follows:

	Actual, 1967	Estimate, 1968	Estimate, 1969
Accured interest	$3,144,117	$4,412,524	$6,503,259
Capitalized interest	5,308,713	5,508,252	8,124,404
Residual receipts, end of initial operating period	909,945	857,942	827,624
Residual receipts after end of initial operating period	19,087,637	19,370,892	20,566,823
Other	306,441		
Total	28,756,853	30,149,610	36,027,111

Accrued interest is interest accruing on local housing authority bonds from the date of the bonds to the date of delivery thereof. Such interest is paid by the purchaser of the security and is available to reduce the first annual contribution.

Capitalized interest is interest which accrues on all moneys borrowed by the local housing authority for construction from inception to the time the project is fully available for occupancy. Such interest is treated as an addition to the development cost of the project. Capitalized interest accruing from the time a project is permanently financed to the time such project is fully available for occupancy is available to reduce annual contributions.

Residual receipts are the excess of income over expense, including provision for operating reserves. They are the principal amount available each year to reduce fixed annual contributions. Residual receipts, during the initial operating period, are shown separately since the projects are not in full operation during the period and combining the figures would tend to distort the picture of normal operations.

ANALYSIS OF PROJECT INCOME, EXPENSE, AND RESIDUAL RECEIPTS

Since the income, expense, and residual receipts for the individual projects are a factor in determining amounts of annual contributions payments, an analysis is included in this presentation. It shows the actual residual receipts after the initial operation period for fiscal years 1966 and 1967, together with estimated residual receipts for fiscal years 1968 and 1969.

The statement of project income, expense, and residual receipts on the next page, includes the conventional, the acquired (both with and without rehabilitation) the mutual-help, and the turnkey programs. It does not include the leased housing program.

STATEMENT OF PROJECT INCOME, EXPENSE, AND RESIDUAL RECEIPTS

	1966 actual		1967 actual		1968 estimate		1969 estimate	
	Per unit-month	Amount	Per unit-month	Amount	Per unit-month	Amount	Per unit-month	Amount
Operating receipts:								
Rental income	$43.93	$287,778,669	$45.27	$319,041,851	$46.17	$348,473,800	$46.63	$376,834,889
Other income	1.52	9,934,586	1.73	12,213,686	1.59	11,979,801	1.55	12,504,113
Con. for elderly and displaced	.80	5,218,824	.76	5,316,407	.96	7,253,497	.99	8,036,993
Total, operating receipts	46.25	302,932,079	47.76	336,571,944	48.72	367,707,098	49.17	397,375,995
Operating expenditures, routine:								
Administration	7.13	46,696,101	7.37	51,941,597	7.62	57,519,340	7.83	63,253,982
Utilities	10.64	69,686,018	11.06	77,928,523	11.35	85,666,354	11.49	92,846,592
Ordinary maintenance and operation	13.99	91,636,302	14.99	105,665,720	15.45	116,587,333	15.79	127,593,881
Payment in lieu of taxes	3.22	21,080,214	3.29	23,169,983	3.26	24,622,070	3.30	26,708,416
Collection losses	.20	1,315,443	.18	1,307,133	.22	1,622,567	.21	1,731,062
Other general expenses	2.61	17,121,084	2.80	19,720,916	3.00	22,649,110	3.04	24,563,503
Total, routine expenses	37.79	247,535,162	39.69	279,733,872	40.90	308,666,774	41.66	336,697,436
Nonroutine:								
Extraordinary maintenance	2.39	15,642,581	2.38	16,755,734	2.46	18,571,033	2.41	19,488,815
Replacement of equipment	.53	3,461,057	.65	4,546,897	.69	5,234,653	.69	5,559,884
Betterments and additions	1.43	9,374,532	1.32	9,311,620	1.92	14,509,189	1.71	13,784,319
Other nonroutine expenses	(.01)	(59,686)	(.03)	(221,454)	.02	115,900	.01	102,745
Adjustments	(.19)	(1,218,052)	.04	290,853				
Total, nonroutine expenses	4.15	27,200,432	4.36	30,683,650	5.09	38,430,775	4.82	38,935,763
Provision for operating reserve	1.39	9,068,920	1.00	7,066,785	.18	1,395,308	.18	1,454,650
Total, expenditures	43.33	283,804,514	45.05	317,484,307	46.17	348,492,857	46.66	377,087,849
Residual receipts	2.92	19,127,565	2.71	19,087,637	2.55	19,214,241	2.51	20,288,146
Number of units		607,473		632,325		664,175		713,675
Number of unit-months		6,550,360		7,047,591		7,547,624		8,081,383

Financial trends.—The data in the above tabulation presents a national summary reflecting overall operating trends for the low-rent housing program. However, local housing authorities operate under one or more annual contributions contracts, each of which must be administered on an individual basis and its solvency maintained. As a result of the operations of various local housing authorities, wide differences exist between the many annual contributions contracts as to operating receipts, expenses, and reserves depending on such factors as the economic conditions prevailing in the particular locality being served, the classification of tenants being served, and the age and condition of the projects.

From 1951 until 1963, operating receipts and operating expenditures both followed a generally increasing trend with the expenditures increasing at a greater rate than receipts. Consequently, until 1963, residual receipts followed a generally declining trend.

Beginning in 1963, this trend was reversed and in that year and each year through fiscal 1966, the amount of residual receipts available to reduce fixed annual contributions was increased. This reversal was due partly to an extensive program of financial management workshops.

In fiscal 1967, the effect of increasing costs due to aging of the projects as well as the rising economy overcame the increases in receipts. Thus in 1967, residual receipts were $2.71 per unit-month compared to $2.92 for 1966, or a 7.2 percent decrease.

Estimates for fiscal 1968 and 1969 are based on local housing authority budgetary plans. Based on prior experience, dwelling rental income estimates were increased in fiscal 1968 and 1969 by factors of 2 and 1 percent, respectively, over the prior year.

Further decreases in residual receipts are projected in fiscal year 1968 due to a continuation of costs increasing more than income, and to the aging of the projects. Fiscal 1969 anticipates a continuation of this trend. However, the fiscal 1969 cost estimates may prove to be considerably understated because the estimates do not include consideration of the recently initiated program to rehabilitate and modernize older projects and to provide additional social services, employment opportunities, and community facilities for low-income families. The effect of this program on fiscal 1969 estimates has not yet been evaluated.

Operating income.—One of the basic reasons for the problems of financial solvency is reflected in a comparison of the characteristics of families residing in public housing in calendar 1954 with calendar 1966. Among those reexamined, the proportion of nonwhite families with very low income increased from 43 to 56 percent, families receiving relief from 19 to 29 percent, and the proportion of elderly tenants increased from less than 10 to 30 percent.

In 1950 the median gross rent in public housing was 79 percent of the national median gross rent for 1950; in 1960 it was 61 percent of the national median for 1960; and in 1966 it was 46 percent of the national median for 1966. Had the 1960 relationship prevailed in 1966, the monthly gross median rent in public housing would have been $64, or $16 more than the actual median of $48.

The actual figures are shown in the table below:

MEDIAN GROSS RENTS

Year	Nationwide (non-farm)	Low rent	Low rent as percentage of nationwide
1950	41.00	32.50	79
1960	71.00	43.00	61
1966	[1] 105.00	48.00	46

[1] This figure is the BLS standard for city worker's average gross rental costs as of autumn 1966.

This trend toward serving progressively lower income families in public housing is further established by the comparison of median family incomes of urban families and public housing tenants from calendar 1944 to 1966. In 1944, the median incomes of families in public housing was 54 percent of the national urban median. By 1966 it had declined to 33 percent of the national figure.

A substantial part of the financial problem is directly attributable to the effect of increased elderly occupancy on the program. Of the families reexamined and

found eligible in calendar 1960, 17 percent were elderly. In 1966, this had increased to 30 percent.

Local housing authorities may receive an additional subsidy of up to $10 per month to bridge a part of the gap between rents paid by the elderly and displaced and those paid by other tenants. However, this additional subsidy is payable only if the local housing authority has operated at a deficit, that is, has produced no residual receipts for the fiscal year involved. Hence this contribution cannot contribute to residual receipts.

Routine operating expenses.—The principal elements of routine operating expenses incurred by local housing authorities are for administrative expense, utilities expense, and ordinary maintenance and operations expense.

With respect to administrative expense, the actual increase was $0.24 PUM or 3.4 percent from 1966 to 1967. The estimated increase is $0.25 PUM or 3.4 percent from 1967 to 1968 and $0.21 PUM or 2.8 percent from 1968 to 1969. For the 3-year period, the actual and estimated increase totals $0.70 PUM which is an annual average of $0.23 PUM or 3.3 percent over the 1966 amount.

The principal component of administrative expense is the cost of salaries for the administrative and supervisory staff of local housing authorities. In 1967, these salaries were $6.31 PUM and represented approximately 86 percent of the total administrative expense.

Under the annual contributions contract, salaries of local housing authority administrative and supervisory personnel are limited to levels comparable to those prevailing in local public service.

The cost of utility expense, including the cost of wages for operating personnel, increased $0.42 PUM, or 3.9 percent from 1966 to 1967. It is estimated the increase from 1967 to 1968 will be $0.29 PUM or 2.6 percent, and from 1968 to 1969 an increase of $0,14 PUM or 1.2 percent. For the 3-year period from 1966 to 1969, the actual and estimated increase totals $0.85 PUM, an annual average of $0.28 PUM or 2.6 percent.

Cost of ordinary maintenance and operation.—This is the major expense element of operating expenditures. Wages paid the maintenance staff comprise the larger portion of this expense element. Maintenance wage rates applied by local housing authorities are required by the act to be established on the basis of local prevailing levels. During the 3-year period 1964 to 1967, total salaries paid maintenance personnel increased an average of 3 percent annually. This is substantially less than the rising trend in union building trades wage scales which according to figures published by the Department of Commerce in Construction Review in March 1967 were on January 3, 1967, 33.3 percent above the 1957–59 average. This represents an average anual increase of 4.4 percent. In addition, the costs have increased for replacement of equipment and for materials and supplies used in the maintenance and repair of the properties.

The actual increase in total ordinary maintenance and operations expense from 1966 to 1967 was $1 PUM or 7.1 percent. The estimated increase for 1968 over 1967 is $0.46 PUM or 3.1 percent and 1969 over 1968 is $0.34 PUM or 2.2 percent.

MODERNIZATION OF OLDER UNITS

Mr. EVINS. Some of these houses are getting old. They are 25 years and older now. What are you doing to rehabilitate them?

Mr. HUMMEL. We have allocated $10 million of the funds for debt service. This will finance about $125 million worth of modernization in 1968.

Mr. EVINS. Are you going to take $10 million of the appropriation for modernization?

Mr. HUMMEL. $10 million of the funds that are available annually will go into modernization of the existing facilities.

Mr. EVINS. You mean the funds that are available annually?

Mr. HUMMEL. That will finance about $125 million of improvement, modernization of existing projects.

Mr. EVINS. You mean the use of $10 million will translate into $125 million in improvement?

Mr. HUMMEL. Yes. The $10 million represents the annual debt service on $125 million worth of improvement.

Mr. EVINS. We appropriate $358 million and this is paid under contract to your 2,131 local housing authorities based upon the number of units?

Mr. HUMMEL. Yes.

Mr. EVINS. Where does your $10 million come from for the grants to them for rehabilitating their houses?

Mr. HUMMEL. The $10 million will come out of the annual appropriation. It will go to modernize the older housing.

Mr. EVINS. Are you adding on $10 million for rehabilitation of old housing units now?

Secretary WEAVER. Instead of building new housing, we are taking $10 million of our authorization and using it to rehabilitate existing houses.

Mr. EVINS. It is not all for contract payment, then, unless the contract contains a provision for so much money for rehabilitation? In other words, the payment for the contracts for public housing is increasing and, as a matter of fact, $10 million of it is to be used, as I understand your testimony, for rehabilitation.

Mr. HUMMEL. The contracts will increase by that amount—by $10 million.

AMENDING EXISTING CONTRACTS FOR MODERNIZATION

Mr. EVINS. Are you revising or updating these contracts?

Secretary WEAVER. This is an amended contract.

Mr. HUMMEL. We are revising existing contracts on those units that will be modernized.

Mr. EVINS. How long are the contracts made for originally?

Mr. HUMMEL. Forty years in most instances.

Mr. EVINS. It has not been 40 years, so the contract period has not expired.

Mr. HUMMEL. That is right.

Mr. EVINS. But you are revising them before the end of the 40 years?

Mr. HUMMEL. Yes—to pay off the cost of modernization within the remainder of the 40 years.

PUBLIC HOUSING MODERNIZATION PROGRAM

Mr. BOLAND. You are actually paying to the local housing authorities the annual contributions, and in the $358 million that you are requesting, is $10 million going to be used for the purpose of modernizing some of the old units?

Mr. FRANTZ. No, sir. Not $10 million of the $358 million.

(The following statement subsequently was furnished by the Department:)

PUBLIC HOUSING MODERNIZATION PROGRAM

Purpose and nature.—In order that deteriorating public housing units and related facilities be made serviceable for occupancy for at least the balance of the term of the contracts outstanding with local housing authorities (LHA's), such authorities are being allowed to request limited additional funds for needed and substantial betterments and improvements. If approved, the development costs of the units in the original contracts will be revised upward, and an amendment to the annual contributions contract processed.

Thus, it should be understood that the $10 million referred to in the testimony to be used for modernization of low-rent housing projects is not a part of the $358 million appropriation requested for annual contributions payments; it is, instead, an amount to be used for this purpose from the authorization to enter into annual contributions contracts. Annual contributions will become payable against these contract increases from year to year.

The background and operation of the modernization program is briefly summarized below:

Limitations.—Modernization funds will be allowed only under the following circumstances:

1. Departmental review must show that the repairs and improvements are necessary for current standards of living conditions;
2. LHA's must use operating receipts and reserves to the extent possible before utilizing any increased development funds; and
3. The LHA must submit and abide by a program of improved management practices.

Benefits.—In addition to making older public housing projects come up to current standards of acceptability in terms of both structural soundness and deceny of living conditions, it is expected that the basic improvements in structureand equipment—such as in roofing, heating plants, and the like will result in lower operating costs for the projects.

Financing.—If a modernization program is approved for a particular LHA, the existing contract will be amended to increase the development costs of the units involved by the appropriate amount. There will be no extension of the contract, however. The amended development cost will run only for the balance of the term of the existing contract. Such increases in development costs are authorized under current legislation.

It is expected that, in the first year of the program, contracts will be amended to add $125 million to development costs of the units which need and are approved for modernization, subject to the previous limitations. Increasing development costs will result in some utilization of the contracting authority provided in section 10(e) of the U.S. Housing Act of 1937, as amended. It is estimated that, based on the assumption that the average remaining term of contract in projects approved for modernization would be about 17 years, about $10 million of the authority would be utilized to guarantee debt service on the $125 million of development costs.

This will result in increased annual contributions payments after the increased development costs have been permanently financed by the issuance of bonds. The exact amount of increased annual contributions involved is impossible to determine since any costs involved would be reduced by residual receipts as is the case with any public housing contract. The estimates for the 1969 budget, however, include a projection that about $9 million (before the application of residual receipts) will be needed in 1969 to meet the payments required because of these increased development costs.

EFFECT OF MODERNIZATION PROGRAM ON APPROPRIATION

Mr. EVINS. In the $358 million appropriation, you are asking for annual contributions payments. Our impression is that you are going to use $10 million of this to rehabilitate some old public housing.

Mr. HUMMEL. I will ask Mr. Silverman to answer.

Mr. SILVERMAN. Thus far, Mr. Chairman, no actual increase in development costs of any of the old projects have taken place. However, the $358 million would provide for necessary debt service on any contracts amended for modernization.

Mr. EVINS. It is all for payments then, including the additional payments because of the amended contracts?

Mr. SILVERMAN. That is correct. Whenever we provide money for modernization, it will be by increasing the development costs of the projects involved and by amending the annual contribution contract by increasing the payments sufficiently to pay off that increased sum within the balance of the contract period.

Mr. EVINS. You are revising the contract, you are increasing the amount of your annual contribution, part of which can be used and directed to be used for modernization?

Mr. SILVERMAN. Yes, sir.

Mr. EVINS. This is the way you get the improvement built in?

Mr. SILVERMAN. Right.

Mr. EVINS. How many of these 2,131 authorities have had their contracts revised? The 40 years has not expired on any of them.

Mr. HUMMEL. Not one so far—although one is ready for action—but our estimates are that we will initiate action this year to modernize about 62,500 units. That is less than 10 percent of the total units in the program.

REVIEW OF MODERNIZATION PROPOSALS

Mr. EVINS. How are you going to modernize until you revise the contracts?

Mr. HUMMEL. We have to revise the contract after we receive and approve the modernization program. We receive proposed modernization programs from local authorities which tell us what they propose to do just as though they were submitting to us a plan for building new units. They layout what they propose to do to modernize their existing units.

Mr. EVINS. Let's say the housing authority *x* has a 40-year contract and it has run 30 years so far. In the meantime some modernization is needed. Does the authority come in with a supplemental contract proposal and say please revise this to give us a larger payment so we can use this money to modernize; and do you automatically revise that contract upon their request?

Mr. HUMMEL. No, after they have submitted their proposals we go over the program to see whether it is reasonable and if the work has to be done. And if it is reasonable——

Mr. EVINS. Why do you not hold them to the 40-year contract?

Mr. HUMMEL. We are holding them to the 40-year contract but the rental receipts they get are not sufficient to keep the projects up to reasonable standards, particularly since quite a number of these units were built before or during World War II and were not substantially built.

Mr. EVINS. It seems that they want to revise upward the amount of Federal contribution. That is just as natural as it is for ducks to want to go to water.

Secretary WEAVER. There are some other things involved here. The first is that for them to come in just because they want to revise the contract is not sufficient. They must come in with a detailed program outlining what needs to be done and costing it out. Our people would then inspect it to see whether or not these are legitimate and necessary and required improvements. They would then check out the estimate and then we would revise the contract sufficiently to permit only those things which need to be done and have to be done.

BASIS FOR INCREASED APPROPRIATION

Mr. EVINS. How many public housing authorities did we have last year? You testified earlier you had 2,131 authorities.

Mr. HUMMEL. As of the end of 1967. We had 1,883 when we went into fiscal year 1967.

Mr. EVINS. Does this mean you have had 248 more housing authorities added in the last year?

Mr. HUMMEL. Yes, sir.

Mr. EVINS. I think the committee can understand if you had 248 more housing authorities you would have to have more contract payments. We are trying to find out whether it is for new authorities or for increased payments for old authorities.

Mr. HUMMEL. And we expect to have 75,000 new construction starts next year.

Secretary WEAVER. The appropriation will be for both existing authorities and new authorities and many of the existing authorities will come under the moderization program.

Mr. EVINS. I understand. This is where the increased payment comes in. Construction costs have gone up.

Mr. HUMMEL. To the extent that we add additional dwelling units by new construction rising construction costs do affect our appropriation requirements; but in addition to that, there is the necessity to modernize those facilities that are now aging. And that is what the $10 million was allocated to, to bring those units up to standard. We do not think we can complain about people living in substandard units and mantaiin substandard units in the public housing program.

Mr. EVINS. We endorse it and agree with you. Why do you not tell the authorities that we have launched you, subsidized you, and assisted you. Make some of your tenants beautify the lawn, do some landscaping, and plant some shrubbery. Why can they not make some local contributions?

Mr. BOLAND. That is what they are going to do under this program as I read it.

Secretary WEAVER. The major things they would do could include heating plants, new roofs, and new wiring.

NUMBER OF UNITS TO BE MODERNIZED

Mr. BOLAND. Are you going to modernize 125,000 units with this $10 million over a 2-year period?

Mr. HUMMEL. It is about 62,500 units we would modernize this year.

Mr. BOLAND. In 1 year. But it is a 2-year period. I thought I caught a figure of 125,000 over 2 years.

Mr. HUMMEL. Yes, that is what we hope to do in this program over a 2-year period.

Mr. BOLAND. What is it going to cost to modernize 125,000 units?

Mr. HUMMEL. It would be $20 million of annual contributions authorization after the programs get started and that $20 million of annual contribution, used as a debt service payment, would finance $250,000,000 worth of modernization.

USE OF RESERVE FUNDS

Mr. EVINS. To what extent are the reserves of the local housing authorities being used to upgrade the units?

Mr. HUMMEL. They are used to the extent that the funds are available but, unfortunately, those areas that need the funds most are the ones that have practically no reserves.

Mr. EVINS. They dissipated the reserves. You set up the reserves. When you made the contracts, you set aside a certain amount.

Mr. HUMMEL. That is right.

Mr. EVINS. What happened to them. Is "dissipated" the correct word?

Mr. HUMMEL. A number of tenants are on welfare payments. The amount of project income available from rent is not adequate to maintain facilities at the older projects and accumulate sufficient reserves for extensive modernization.

Mr. EVINS. Does the welfare payment to tenants in public housing have anything to do with your reserves?

Secretary WEAVER. Yes, sir; it does.

Mr. EVINS. Welfare is another program. The reserves are funds you set up within your program for rehabilitation.

Mr. HUMMEL. The reserves have to come out of the rents and if the rents come out of the welfare payments and the welfare payments are small, you do not have much reserves.

Mr. FRANTZ. There is another piece of history to that. It is a good many years ago now, when the Congress took the view that those reserves were too large, required them to be reduced. The reduction in reserves was applied to a reduction in annual contributions appropriations for the next several years.

Mr. EVINS. How many authorities have no funds in reserve for making some of these renovations?

Secretary WEAVER. None of them have an adequate amount of reserves to take care of the types of major rehabilitation we are talking about here. We are not talking about landscaping or a little fix-up, cleanup. We are talking about structural modifications and improvements. We are talking about new roofs, new heating systems and similar large capital expenditures. Any building that was built 20 or 30 years ago needs at least one or two replacements of this type. It is just old age.

Mr. EVINS. The housing is good and the accommodations are improved, but I am a little bit disappointed in the management of them. We thought after they were launched they could manage themselves better.

Mr. BOLAND. I think HUD is disappointed, too.

Secretary WEAVER. One other thing I think is pertinent.

When you get a large number of tenants, as we have in one project in great difficulty now, who are dependent upon welfare, they have a certain assigned amount of money for rent. In the meantime the cost of maintenance and upkeep and running the project goes up with the normal rise in the costs of labor and materials. This increase in operating cost has to come out of the rent. That rent payment is frozen. If they are not on welfare or are not elderly tenants with fixed incomes, we might increase the rent. But where the incomes are fixed we cannot increase the rent because they do not have any source to pay it. Therefore, you are running almost at a deficit to begin with and if you had any reserves you would eat them up. If you did not have any reserves you would be in the position of this project—almost bankrupt.

Mr. SHIPLEY. And that would affect your reserves directly?

Secretary WEAVER. Absolutely.

FUNDS FOR SWIMMING POOLS

Mr. BOLAND. Would this program include swimming pools for particular areas?

Mr. HUMMEL. It may as a modernization program. As part of the program of acquisition of facilities we have acquired one or two, FHA-defaulted projects where there was a swimming pool in existence.

Mr. BOLAND. Would you consider a swimming pool under the modernization program for existing low-income housing?

Mr. HUMMEL. I personally would if it is a necessary part of upgrading the environment of the local community, particularly if it served not just a few units but if it served a large number of units and provided a facility for the very large number of children that dwell in these areas, I think it would be a proper expenditure.

Mr. BOLAND. I think it would be too.

Mr. EVINS. You made a good statement, Mr. Hummel.

PRIVATE MANAGEMENT OF PROJECTS

Mr. TALCOTT. There is one new program, private management of low-rent housing. Could you tell me, does the management have to make a profit?

Secretary WEAVER. We have two or three experiments now going with a private management firm on a fee which is negotiated with us and is related to what our management costs are when we do it directly through the local authority. We sign a contract with them. We have other instances where you will get non-profit corporations which are going into this field. They are very highly oriented on the social side and the community involvement side and are coming in with proposals.

There is one thing in particular that you may find interesting. Here in Washington, D.C., we have a developer for a 221 D–3 project and he is going to develop contiguous to that a turnkey project for public housing. He will manage both and they will be blended in together so you will not have this economic separation by symbolism. The projects will look alike and you will get a type of melding there together.

We also have the Lavenburg Foundation doing a similar type of thing under the Mitchel-Lama Act in New York City where they are doing a contiguous public housing project. It is not turnkey, it is conventional. Here, by combining the management between the public housing and the moderate income housing, I think there is some very decided social benefit. There would be those three types. That is an experiment.

Mr. TALCOTT. Would there not be another step, to just turn over the housing to private management and just pay them the necessary difference?

Secretary WEAVER. That is the first one I mentioned. We have negotiated with a firm in Washington to do just that.

Mr. TALCOTT. How much money of your total program is going into this model project or experimental project?

Secretary WEAVER. There will be no specific amount of money. For the next year I imagine it will be in the terms of 10, 15, or 20 localities where we would expect to do it.

Mr. TALCOTT. Some of them will be operating entirely new units and some of them will be just changing management on operating, old low-cost units?

Secretary WEAVER. Mostly new units.

PRESIDENT'S HOUSING GOALS

Mr. EVINS. Mr. Secretary, give us an overall picture of the President's request of 6 million low- and moderate-income housing units in the next 10 years. How many of these do you estimate will be public housing, how many rent supplements, and how many under 221 D–3? Do you have a breakdown of your estimates?

Mr. HUMMEL. 775,000 of them would be provided in the proposed legislation for the low-rent public housing program.

Mr. EVINS. 775,000?

Mr. HUMMEL. Yes; in a 5-year period.

Mr. EVINS. Would that be double in 10? We started out talking about a 10-year program.

Mr. HUMMEL. This is the number of units to be developed during the first 5 years of the 10-year program.

Mr. EVINS. What about the rent supplement category? How many are estimated in that category?

HOUSING STARTS FOR 1969

Secretary WEAVER. I can give you the figures for the first year, which gives you some idea of the distribution. I do not have the table for projections with me. Let me preface this by saying under the new proposal that we have made, we are going to take what is now the 221 D–3 below the market interest program and make that a new rental program, which will involve an interest subsidy from 1 percent to the market rate. Our first year target would be 300,000 unit starts. These are housing starts for low- and moderate-income families under the recommended legislation.

Low-rent public housing would provide 75,000 of these. The existing 221 D–3 below the market interest rate program would provide 38,000 units. The private rental for 202 senior citizens 3-percent direct loan program, would provide 12,000 units. The private rent supplement would provide 35,000. The proposed new private rental—which ultimately would take over the 221 D–3 program—would provide 40,000 units. The proposed new section for home sales, which is again an interest subsidy program, would provide 85,000.

For rehabilitated units under section 312 loans and section 115 grants, 15,000 units would be provided. All these together make a total of 300,000.

Mr. EVINS. That is for 1 year?

Secretary WEAVER. Yes, 1969.

FEDERALLY ASSISTED HOUSING PROGRAMS, FISCAL YEARS 1969–78

Mr. EVINS. Would you project this for the record?

Secretary WEAVER. We can do that.

(The information follows:)

FEDERALLY ASSISTED HOUSING PROGRAMS, FISCAL YEAR 1969–78 (DWELLING UNITS)

Fiscal year	Total housing units	Low-rent public housing	Rent supplement housing	Private rental housing [1]	Low- and moderate-income homeownership	
					Home sales [2]	Rehabilitation [3]
1969	300,000	75,000	35,000	90,000	85,000	15,000
1970	400,000	130,000	40,000	100,000	110,000	20,000
1971	500,000	190,000	50,000	110,000	125,000	25,000
1972	550,000	200,000	60,000	140,000	125,000	25,000
1973	600,000	200,000	75,000	175,000	125,000	25,000
1974	700,000	200,000	100,000	250,000	125,000	25,000
1975	700,000	150,000	100,000	300,000	125,000	25,000
1976	800,000	150,000	100,000	350,000	160,000	40,000
1977	750,000	100,000	100,000	350,000	160,000	40,000
1978	700,000	100,000	100,000	300,000	160,000	40,000
Total	6,000,000	1,495,000	760,000	2,165,000	1,300,000	280,000

[1] Includes sec. 221(d)(3) below-market interest rate, sec. 202 housing for the elderly or handicapped, and proposed sec. 236 moderate-income housing.
[2] Proposed sec. 235 homes sales.
[3] Includes sec. 312 rehabilitation loans and sec. 115 rehabilitation grants. Figures assume enactment of proposed legislation to increase the allowable grant from $1,500 to $2,500.

Note: Projections through 1973 are based on legislation proposed for enactment in the Housing and Urban Development Act of 1968.

TREND TO TURNKEY

Mr. EVINS. I see you are moving more into the turnkey approach in low-rent public housing, Mr. Secretary. Are you going to do more rehabilitation or more new construction?

Mr. HUMMEL. On page E–1 we give you the breakdown of our projection as to the mix of the program between conventional construction and turnkey.

Mr. EVINS. You show that conventional completions are down from 31,000 to 30,000, and turnkey up from 4,000 to 15,000; and this goes up from 371 in 1967, which is a substantial increase in your turnkey program.

Mr. HUMMEL. Yes, sir. If the private sector is to get involved in this program—and all indications point to their interest—then there would be a shift from the conventional approach, which has been the preponderant program in the past, to the turnkey approach.

If you recall my opening statement, that we feel that both cost and time can be saved by using the turnkey process, so of course we expect to emphasize that program.

Mr. FRANTZ. The figures were completions.

Mr. EVINS. Estimated for 1969?

Mr. FRANTZ. Yes.

Mr. EVINS. Your figures also show that properties to be acquired, would increase from 3,000 units in 1968 to 10,000 units in 1969.

Secretary WEAVER. The leasing program is also involved.

NEED FOR PUBLIC HOUSING

Mr. EVINS. That is the next one. You expect to lease 20,000 units in 1968 and the same in 1969.

You show in your justifications that 85 percent of the families and individuals reporting incomes of less than $2,000 paid 35 percent or more of their incomes for housing. For those with incomes from $2,000

to $2,999, 37 percent paid 35 percent or more, and another 32 percent paid between 25 and 34 percent of income for rent.

Program objectives are set out. The Secretary has testified to this.

DEVELOPMENT PROCESS

We think we know the development process.

I see you have a good discussion of the leasing program and turnkey programs. We will place this material in the record.

(The pages follow:)

DEVELOPMENT PROCESS

Development process.—Federal law provides for a locally operated low-rent public housing program. Local governing bodies, pursuant to State enabling legislation, establish local housing authorities to develop and operate public housing. On the basis of existing local need a local housing authority, after approval by the local governing body, submits an application to HUD for a specific number of low-rent dwellings. If the Department determines that a need exists it will, with the exception of applications for leased programs, issue a program reservation earmarking a stated number of low-rent units and approve a preliminary loan which enables the local housing authority to proceed with the preliminary planning. The use of preliminary loans is more limited in the case of turnkey projects.

The preliminary loan provides a local housing authority with funds to prepare a development program which is a prerequisite, with the exception of leased programs, for an annual contributions contract. The development program is a detailed account of a local housing authority's plans and schedule for the development of dwellings. The annual contributions contract is the document wherein Federal financial assistance is guaranteed to cover the annual debt service on the total capital cost of construction or acquisition of a low-rent project, or in a leased program the difference between what a low-income family can pay and the market rental for units leased from private owners.

It is the responsibility of the local housing authority to select the method it will utilize to develop low-rent public housing in its locality. As a result of recent legislative and administrative improvements in the program, local housing authorities now have a variety of basic methods from which to choose.

Conventional construction method.—Under this method of providing low-rent public housing a local housing authority, after execution of a preliminary loan contract, engages an architect, selects a site(s), and prepares its development program. The department approves the development program and the annual contributions contract is executed. The local housing authority then acquires its site(s) and authorizes its architect to prepare the detailed project working drawings and specifications, in conformity with local codes and ordinances. At several stages the Department reviews the plans and specifications to assure compliance with all minimal standards. The Department must also ascertain that the dwelling construction costs will be within the statutory limitations and that the total development costs will be within the approved budget upon which the annual contributions contract was based.

Following final HUD approval of its working drawings and specifications, the local housing authority advertises for competitive bids from private contractors. The local housing authority awards a construction contract to the lowest responsible bidder, subject to approval by HUD, and construction commences.

Turnkey method of construction.—This is a new approach that was administratively developed and initiated in late 1965 to stimulate increased participation of residential builders and developers in the low-rent housing program. Under the turnkey procedure the local housing authority uses various publicity methods to invite builders, contractors, realtors, and their organizations to submit proposals for a project of a stated number and type of units.

In response to such an invitation, any private developer or builder who has a site or an option or can obtain one, can approach the local authority with a proposal to build in accordance with what the housing authority requires. When a local housing authority accepts a turnkey proposal, with HUD approval, the

developer's architect prepares interim plans. On the basis of the interim plans the local housing authority obtains land appraisals and cost estimates and submits a development program to HUD. If HUD accepts the development program it will enter into an annual contributions contract with the local housing authority which in turn will execute a letter of intent with the developer. If the working drawings and specifications submitted by the developer's arhitect are acceptable to the local housing authority, and approved by HUD, a contract of sale will be executed between the local housing authority and the developer. With Federal financial assistance guaranteeing this arrangement, the developer can secure commercial financing in his usual manner.

It is anticipated that the turnkey method will offer important savings in both time and cost. Developers, stimulated by the profit incentive, should be able to complete the planning and construction in a period of time considerably less than that required for conventionally constructed projects. Local housing authority administration, planning, and inspection costs and interest over an extended period will be reduced, thereby leading to a reduced total development cost. Since the Federal Government is obligated to pay annual contributions up to the amount needed to finance the development cost, any economy in this cost will result in Federal savings.

Acquisition program.—In many situations the use of existing dwellings for low-rent housing can be more advantageous than constructing new units. It provides low-rent housing more speedily and at a lower capital cost than new construction. It also makes possible the scattering of public housing sites. Moreover, through the acquisition and rehabilitation of substandard dwellings, residential neighborhods can be improved while maintaining and enhancing the heterogeneous social and economic character of a neighborhood.

The rehabilitation method is particularly appropriate when communities combine it with urban renewal rehabilitation programs or other actions leading to full-scale social and physical neighborhood improvement. In addition, this approach is in keeping with the concept of the Model Cities program authorized in the 1966 legislation.

The annual contributions contract covers the cost of acquisition and the cost of any rehabilitation in the same manner as it covers the cost of constructing new low-rent public housing.

The turnkey method can also be used for the acquisition of rehabilitated dwellings for low-rent housing. A rehabilitator can contract with a local housing authority to acquire substandard property and bring it up to a standard for an agreed upon price.

The Department will continue to make every effort to utilize Government acquired properties, particularly those of the Federal Housing Administration and Veterans' Administration where such use might be more economical or in the public interest. Procedures are in effect which inform regional offices and local housing authorities of the availability and character of such properties.

Leasing program.—Section 23 of the United States Housing Act of 1937, as amended in 1965, authorizes HUD to make annual contributions available to local housing authorities so that privately owned dwellings may be leased for periods of 1 to 5 years (renewable) for occupancy by low-income families at rentals within their means. The basic advantage of leasing privately owned dwellings is speed in meeting the housing needs of low-income families. There are, however, certain additional important advantages. One such advantage is the upgrading of privately owned, deteriorating residential properties. A lease for a definite term with an assured rental income may prompt private owners to bring up to and maintain their properties in standard condition. This would have the effect of both adding to the effective supply of decent housing and upgrading neighborhoods. Another advantage of the leasing program is the provision of temporary placement of low-income families in decent housing while the community proceeds with the construction of permanent public housing units. Still another important feature of the leasing program is the ability to scatter public housing units throughout the community and thereby make indistinguishable from their neighbors the low-income families being helped by Government subsidy. Moreover, when a family's income increases sufficiently, the family can continue to occupy the dwelling as an unsubsidized tenant, if approved by the property owner.

The maximum annual contribution that can be paid for leased dwellings is the fixed annual contribution which would be established under the United States

Housing Act for newly constructed housing in the community designed to accommodate comparable numbers, sizes, and kinds of families.

Combined public—private developments.—Another innovative approach undertaken by the Department is the financing and development of a variety of combinations of federally financed and subsidized dwellings in privately owned and operated housing developments serving a variety of income ranges.

The New York City Housing Authority is participating with the Lavanburg Foundation in such a development. After several years of effort to work out the details of the prototype Lavanburg project in New York City which will be the first project supported by joint financing of two separate HUD housing assistance programs (FHA mortgage insurance under section 221(d)3 at below-market interest rate and low-rent public housing) the project is scheduled for a construction start before the summer of 1968. This project was announced by the President as one of three in the country which will test new principles of public housing development and management.

ANNUAL CONTRIBUTIONS FROM START OF PROGRAM

Mr. EVINS. This is a good operating table, the summary on page 32. Summary comparison of annual contributions from inception. Number of units in 1941 originally was 23,783; next year, 68,459; 101,951 in 1944; 144,095 in 1946; 145,785 in 1949; 204,815 in 1953; and now in 1967, 643,245 units.

I want some time, Mr. Secretary, for you to compile for the record and for the press the growth in public housing, the growth in other Government-supported housing, and the amount of appropriation for urban renewal and these other programs to show a total picture of what we are doing in the cities.

Certain editorials indicate that we are not doing anything. I think it is incumbent upon the Secretary to let the world know what we have done. We have not accomplished it all. We still have a lot to do and we recognize this, but the Federal Government's contribution has not been minimal. The accomplishments are seldom shown. It is the same way with the space program. They tried to frighten us with the Russians and we have come from behind and done much. But they never point with pride to the things we have accomplished; they point with alarm to the things unaccomplished.

Off the record.

(Discussion off the record.)

Mr. EVINS. We will put the table on page E–32 in the record.

(The page follows:)

SUMMARY COMPARISON OF ANNUAL CONTRIBUTIONS FROM INCEPTION THROUGH JUNE 30, 1969

Fiscal year	Number of units	Fixed annual contributions	Amount available to reduce annual contributions	Accrued annual contributions	Percent of fixed annual contributions	Total for elderly and displacees	Grand total of accrued contributions	Average annual contributions per unit
1941	23,783	$4,747,176	----------	$4,747,176	100.0	----------	$4,747,176	$199.60
1942	68,459	11,258,951	$1,333,060	9,925,891	88.2	----------	9,925,891	144.99
1943	89,240	13,049,252	3,166,370	9,882,882	75.7	----------	9,882,882	110.74
1944	101,951	14,436,885	4,306,888	10,129,997	70.2	----------	10,129,997	99.35
1945	141,596	21,132,572	12,410,272	8,722,300	41.3	----------	8,722,300	61.60
1946	144,095	21,115,314	13,978,579	7,136,735	33.8	----------	7,136,735	49.53
1947	144,095	21,044,261	15,377,631	5,666,630	26.9	----------	5,666,630	39.33
1948	144,603	21,044,002	17,103,597	3,940,405	18.7	----------	3,940,405	27.25
1949	145,785	21,325,747	17,082,754	4,242,993	19.9	----------	4,242,993	29.10
1950	146,549	21,321,123	15,105,911	6,215,212	29.2	----------	6,215,212	42.41
1951	145,703	21,407,822	14,221,701	7,186,121	33.6	----------	7,186,121	49.32
1952	156,084	26,215,103	13,649,116	12,565,987	47.9	----------	12,565,987	80.51
1953	204,815	45,091,505	19,212,357	25,879,148	57.4	----------	25,879,148	126.35
1954	259,116	67,844,328	23,376,836	44,467,492	65.5	----------	44,467,492	171.61
1955	304,383	91,133,962	24,548,099	66,585,863	73.1	----------	66,585,863	218.76
1956	343,907	107,933,030	26,202,984	81,730,046	75.7	----------	81,730,046	237.65
1957	365,896	116,685,509	26,050,696	90,634,813	77.7	----------	90,634,813	247.71
1958	374,172	121,213,830	22,429,416	98,784,414	81.4	----------	98,784,414	264.01
1959	401,467	133,106,635	17,739,971	115,366,664	86.7	----------	115,366,664	287.36
1960	425,850	147,523,103	16,338,787	131,184,316	88.9	----------	131,184,316	308.05
1961	465,481	166,360,866	21,038,913	145,321,953	87.4	----------	145,321,953	312.20
1962	482,714	177,688,594	20,710,651	156,977,943	88.3	$2,329,640	159,307,583	330.02
1963	511,047	192,858,982	20,925,771	171,933,211	89.1	4,548,949	176,482,160	345.33
1964	539,841	211,479,468	25,024,891	186,454,577	88.2	4,441,532	190,896,109	353.62
1965	577,347	238,260,239	25,586,405	212,673,834	89.3	5,242,325	217,916,159	377.44
1966	608,554	256,672,714	29,589,402	227,083,312	88.5	4,917,522	232,000,834	381.23
1967	643,245	282,159,512	28,756,853	253,402,659	89.8	7,638,871	261,041,530	405.82
Subtotal		2,574,110,485	475,267,911	2,098,842,574	----------	29,118,839	2,127,961,413	----------
1968-69 estimates:								
1968	689,235	319,389,652	30,149,610	289,240,042	90.6	9,000,000	299,240,042	434.16
Modernization		1,000,000		1,000,000				
1969	758,735	375,242,848	36,027,111	339,215,737	90.6	10,000,000	358,215,737	472.12
Modernization		9,000,000		9,000,000				
Total		3,278,742,985	541,444,632	2,737,298,353	----------	48,118,839	2,785,417,192	----------

Alaska Housing Program

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
10 Assistance for housing in Alaska (costs—obligations) (object class 41.0)			1,000
Financing:			
40 New obligational authority (appropriation)			1,000
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures)			1,000
90 Expenditures			1,000
Expenditures are distributed as follows:			
01 Out of current authorizations			1,000

Mr. Evins. Gentlemen, if there are no further questions on the public housing program, we will turn to the next one. It is a little bit different from public housing. You are asking for $1 million for the Alaska housing program.

This is a new program; it was not funded last year.

Place in the record pages F–1 through F–4.

(The pages follow:)

Department of Housing and Urban Development Renewal and Housing Assistance

ALASKA HOUSING

Program highlights

[Dollars in thousands]

Appropriations:	
Actual, 1967	------
Estimate, 1968	------
Estimate, 1969	$1,000

BUDGET REQUEST

The budget for fiscal year 1969 proposes an appropriation of $1 million to initiate the Alaska housing program.

Purpose and need for program

Section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966 authorized appropriations of $10 million to assist the State of Alaska and its localities in financing housing and related facilities for Alaska natives—Eskimos, Indians, and Aleuts—and other low-income residents otherwise unable to finance such housing on terms they can afford.

There are about 160 native villages and communities in remote areas in Alaska with some 40,000 residents (nearly 18 percent of the population) in which there is a lack of housing meeting minimum standards. Average family income in certain villages surveyed is less than $1,800 annually of which 45 percent is derived from welfare, unemployment insurance, and other payments from local governments.

The $1 million program proposed for fiscal year 1969 will permit a start to be made in meeting the housing needs of this significant segment of the population in the State of Alaska. Inadequate housing in these remote areas is considered one of the major reasons for the much higher rates of respiratory disease and infant mortality and the shorter life expectancy as compared with the "lower 48." Better housing is an essential ingredient of efforts to improve these conditions.

This program is proposed because existing programs cannot fully respond to the needs of the native population in remote areas. The mortgage insurance programs of the Federal Housing Administration are designed for the general

urban environment prevailing in the other States and cannot meet this special need. Since the average income of the Alaska natives is extremely low, the low-rent public housing program cannot generally assist them either. The type and cost of housing proposed for this population group cannot meet the customary standards of construction, operation, maintenance or financing associated with the low-rent public housing or the rent supplement programs. The low-rent mutual help program operated on Indian reservations in cooperation with the Bureau of Indian Affairs is not generally available for the same reasons. Otherwise, the Bureau of Indian Affairs housing activities in Alaska involve primarily the repair and insulating of existing houses and providing equipment such as heating and cooking stoves.

A rural home-loan program under the Farmers Home Administration, Department of Agriculture, has operated in the remote areas but only to a limited extent. It does not provide for grants. It requires that the borrower have merchantable title to his land. For the most part, people in the remote areas do not hold their land in fee.

Nature of the program

The 1966 act provides that the Alaska housing program be carried out in accordance with a statewide program prepared by the State or its designated agency, subject to approval of the Secretary of Housing and Urban Development. The act contemplates that the statewide program could specify standards for the housing; encourage, to the extent feasible, the use of mutual and self-help in the construction of the housing; and provide experience and encourage participation in local self-government, and individual home ownership.

Cost of dwellings and related facilities, including land, may not exceed an average of $7,500 per dwelling unit. The act authorizes the Secretary to make grants not exceeding 75 percent of the aggregate cost of the housing and related facilities (including land) and also authorizes him to make loans.

The Alaska Legislature, during the 1967 session, passed an act authorizing State action to implement the housing program authorized by the Demonstration Cities and Metropolitan Development Act of 1966. Thereafter, the Governor submitted to the Secretary of Housing and Urban Development a statewide program which is under review in the Department.

A bill was introduced in the State Legislature in January 1968, at the request of the Governor to appropriate funds to cover the State costs of administering the program.

Selection of locations.—Selection of villages where the housing is to be developed would take into consideration the economic viability of the area, impact of the housing on economic viability and the ability of participants to repay loans that may be advanced. Consideration would be given to the location of the village in relation to present and future transportation, education, and health facilities. It is intended that the criteria include the ability of the community to demonstrate a degree of self-sufficiency and ability and desire to develop. Provisions would be made for broad-based involvement of the several State and local agencies in the selection of areas.

Participation of local councils.—Local village councils are expected to share in planning the projects and would be responsible for local supervision of construction, maintenance, collection on loans and other details.

Mutual and self-help.—Use of mutual and self-help for construction would be encouraged. Most residents in the remote areas have considerable skill which could be supplemented by training programs financed and conducted by the State. Mutual-help is believed to be practicable because with a simplified house design and with adequate organization in advance of the building season the basic structures can be constructed within one building season and interior finishing work can be done after cold weather arrives.

Selection of participants.—Consideration would be given to family structure and income and the families' need for housing. No restrictions would be imposed on the proportions of grants and loans to participants except that grants may not exceed in the aggregate 75 percent of the total.

Housing design.—The proposed house designs have been used in various remote areas and found suitable for severe weather conditions. In lieu of building codes, reliance would be placed on the building and site standards recommended by the Arctic Health Research Center of the Public Health Service.

The houses to be constructed would contain either 480 square feet or 560

square feet. Electricity and sanitary facilities would not be provided. Depending upon availability, the fuel for heat and cookstoves may be wood, coal, or oil. Where feasible, maximum use would be made of local material such as logs and locally sawed lumber for framing lumber and siding. Experiment may indicate the feasibility of using local soils and sod for banking exposed areas. Because of perma frost conditions, foundations would generally be piles to allow for mobility and adjustment. Alternate construction methods may include complete job fabrication and local prefabrication of panelized units.

The proposed housing would be below the standard housing concept for the "lower 48," but it would mean vastly improved living conditions for the families participating in this program.

Cost of housing.—The cost of a typical 20 by 28 feet frame house is estimated as follows where (a) no local materials are available and (b) locally milled materials for framing and siding are used:

	No local materials	Some local materials
Materials, f.o.b. Seattle	$3,236	$2,562
Freight	1,678	1,191
Materials (local)		525
Labor	2,250	2,250
Contingency (including land)	300	300
Total	7,464	6,828

At a maximum cost of $7,500 per dwelling, the program proposed for 1969 would finance at least 133 dwellings.

Housing for the Elderly or Handicapped Fund

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		Administrative reservation			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Program by activities:						
	Capital outlay, funded:						
	Housing for the elderly or handicapped loans	84,203	85,000	85,000	78,063	90,000	100,000
	Administrativ reservations, start of year	79,243	86,625	81,625			
	Administrative reservations, end of year	−86,625	−81,625	−76,625			
	Change in selected resources [1]				−1,242		−10,000
	Total capital outlay, obligations	76,821	90,000	90,000	76,821	90,000	90,000
	Operating costs, funded:						
	Administrative expenses				1,232	1,272	1,282
	Interest accrued on participation certificates					1,900	6,000
	Commission on sales of participation certificates					210	228
	Other expenses						10
	Total operating costs, funded—obligations				1,232	3,382	7,520
	Total obligations				78,053	93,382	97,520
	Financing:						
	Receipts and reimbursements from:						
11	Federal funds: Net revenue from "Participation sales fund"					−20	
14	Non-Federal sources:						
	Loan repayments				−594	−950	−1,575
	Revenue				−6,412	−9,290	−12,961
21.48	Unobligated balance available, start of year: Authorization to spend agency debt receipts						−40,000
21.98	Unobligated balance available, start of year:						
	Reserved				−79,243	−86,625	−81,625
	Unreserved				−989	−2,560	−10,374
23.98	Unobligated balance transferred to other accounts					220	650
24.48	Unobligated balance available, end of year: Authorization to spend agency debt receipts					40,000	
24.98	Unobligated balance available, end of year:						
	Reserved				86,625	81,625	76,625
	Unreserved				2,560	10,374	
	New obligational authority				80,000	126,156	28,260

		Administrative reservations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	New obligational authority:						
40	Appropriation (current, definite)				80,000	25,000	
	Appropriation (current, indefinite)						3,260
42	Transferred from other accounts (current, definite)					1,156	
43	Appropriation (adjusted)				80,000	26,156	3,260
48	Authorization to spend agency debt receipts					100,000	25,000
	Relation of obligations to expenditures:						
10	Total obligations				78,053	93,382	97,520
70	Receipts and other offsets (items 11 to 17)				−7,006	−10,260	−14,536
71	Obligations affecting expenditures				71,047	83,122	82,984
72.98	Obligated balance, start of year				99,951	97,976	97,529
74.98	Obligated balance, end of year				−97,976	−97,529	−87,476
90	Expenditures				73,023	83,569	93,037
	Expenditures are distributed as follows:						
02	Out of prior authorizations				73,023	83,569	93,037
	Cash transactions:						
93	Gross expenditures				79,325	93,047	106,527
94	Applicable receipts				−6,302	−9,478	−13,490

[1] Balances of selected resources are identified on the statement of financial condition.

REVENUE, EXPENSE, AND RETAINED EARNINGS (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Revenue	6,412	9,310	12,961
Expense, current	−2,007	−4,272	−8,504
Net operating income for the year	4,405	5,038	4,457
Analysis of retained earnings:			
Retained earnings, start of year	2,575	6,980	13,174
Appropriation to restore insufficiency on participation certificate interest		1,156	3,260
Retained earnings, end of year	6,980	13,174	20,891

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)

	1966 actual	1967 actual	1968 estimate	1969 estimate
Assets:				
Treasury balance	180,183	187,160	189,528	164,101
Accounts receivable	1,651	2,355	3,137	4,183
Loans receivable, net	145,983	222,677	310,837	408,278
Total assets	327,817	412,192	503,502	576,562
Liabilities:				
Current:				
Accounts payable and accrued liabilities	243	213	266	323
Interest liability to trustee for participation certificates			282	1,218
Total, current liabilities	243	213	548	1,541
Long term:				
Participation certificate outstanding			60,000	125,000
Deposit with trustee for redemption of participation certificates			−220	−870
Total, liabilities	243	213	60,328	125,671
Government equity:				
Non-interest-bearing capital:				
Start of year	725,000	325,000	405,000	430,000
Appropriation	50,000	80,000	25,000	
End of year	325,000	405,000	430,000	430,000
Retained earnings	2,575	6,980	13,174	20,891
Total, Government equity	327,575	411,980	443,174	450,891

ANALYSIS OF GOVERNMENT EQUITY (IN THOUSANDS OF DOLLARS)

Undisbursed loan obligations[1]	101,360	100,118	100,118	90,118
Unobligated balance	80,232	89,185	131,999	76,625
Invested capital and earnings	145,983	222,677	251,057	284,148
Subtotal	327,575	411,980	483,174	450,891
Less undrawn authorization to spend agency debt receipts			−40,000	
Total, Government equity	327,575	411,980	443,174	450,891

[1] The change in these items are reflected on the program and financing schedule.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
25.1	Other services		210	238
33.0	Investments and loans	78,063	90,000	100,000
43.0	Interest		1,900	6,000
93.0	Administrative expenses (see separate schedule)	1,232	1,272	1,282
	Total costs, funded	79,295	93,382	107,520
94.0	Change in selected resources	−1,242		−10,000
99.0	Total obligations	78,053	93,382	97,520

Mr. EVINS. We will look at the housing for the elderly direct loan program. A limitation on administrative expense of $1,282,000 is requested to carry out a program of $85 million in net loan reservations. This is to be financed primarily from the sale of participation certificates. This program level will provide for 45 net loan reservations

and 6,900 units. Please place pages G–1 through G–5 of the justifications in the record.

(The pages follow:)

HOUSING FOR THE ELDERLY OR HANDICAPPED

PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Applications received:			
Projects	56	80	105
Dwelling units	7,747	12,000	12,700
Amount	$98,340	$150,000	$164,000
Loan reservations (net):			
Projects	39	45	45
Dwelling units	6,112	6,900	6,900
Amount	$84,203	$85,000	$85,000
Construction activity (projects):			
Under construction, start of year	33	57	64
Starts	51	65	79
Completions	27	58	65
Under construction, end of year	57	64	78
Number of dwelling units:			
Completed, start of year	9,290	13,937	22,637
Completions in year	4,647	8,700	9,750
Completed, end of year	13,937	22,637	32,387

BUDGET REQUEST

A limitation on administrative expenses of $1,282,000 to carry out a proposed program of $85 million in net loan reservations to be financed primarily from the sale of participation certificates. This program level will provide for 45 net loan reservations and 6,900 units.

Summary of budget request

The budget for fiscal year 1969 for the housing for the elderly or handicapped program proposes a program level of $85 million to provide net loan reservations for 45 projects, containing an estimated 6,900 dwellings which will house approximately 8,670 elderly or handicapped persons. This is to be financed by participation sales of $65 million, combined with unused balances of 1968 funds plus repayments and interest income.

Sales of certificates of participations in pools of mortgages from this program as authorized by the Participation Sales Act of 1966 are estimated at $60 million in 1968 and $65 million in 1969. The 1969 sales will be made from a new sales authorization of $25 million being requested plus the unused balance of the $100 million sales authorization provided in the fiscal year 1968 Appropriation Act. A discussion of participation sales is found in book 2 of part 5 of the justifications (Federal National Mortgage Association).

The requested limitation on administrative expenses of $1,282,000 is explained in section J of this part, after "Salaries and expenses."

Purpose of the program

Section 202 of the Housing Act of 1959, as amended, authorizes a program of direct loans for rental housing for the lower middle income elderly and the handicapped.

The program provides financial assistance to private nonprofit corporations, consumer cooperatives, and certain public bodies for new construction, or rehabilitation and conversion of existing structures for occupancy by those elderly or handicapped persons whose incomes are above the level established for admittance to public housing, but below that needed to pay rental for adequate private housing.

Section 202 loans may extend for a period of 50 years and bear interest rates based on a statutory formula limited to the lower of either 3 percent or 0.25 percent above the average rate on all interest-bearing obligations forming part of the Federal debt. The current interest rate is 3 percent.

Projects may include essential service facilities such as dining facilities, community rooms, and small treatment centers. The inclusion of related facilities is restricted to essential services, in order to keep rents within the range of the lower middle income group. Engineering standards of the Department establish minimum requirements for housing the elderly, while at the same time seeking to keep resulting construction costs as low as possible. No life-lease contracts or founders' fees are permitted.

People served by program

The 1960 census showed that large numbers of elderly persons were living in substandard housing or under conditions that did not contribute to their living satisfying and productive lives. At that time, there were 2.8 million "deficient" housing units occupied by households headed by persons 65 years of age or over which the Census Bureau classified as dilapidated, deteriorating, or sound, but lacking some or all facilities. These deficient units housed 30 percent of all households headed by persons 65 or over. Although old people constitute only about 10 percent of the population in the United States, they occupied 22 percent of all deficient housing. The vast majority, equal to a total of 2,240,000, or 80 percent of these 2.8 million elderly households had household incomes of less than $3,000 and half had incomes of under $1,000. In the income brackets between $2,000 to $4,999—essentially those served by the direct loan program—there were 626,000 such households, equal to almost 23 percent of the total.

Included among the 2.8 million "deficient" units were 489,000 classified by the Census Bureau as dilapidated. This is housing, which according to the Census Bureau, "does not provide safe and adequate shelter and in its present condition, endangers the health, safety, or well-being of the occupants. The defects are either so critical or so widespread that the structure should be extensively repaired, rebuilt, or torn down." The bulk of these units—375,000 or over 75 percent—were occupied by households with incomes of less than $2,000. However, 86,000, or over 17 percent, were in the $2,000 to $4,999 range served by the direct loan program.

In addition, there were over 2 million households occupied by persons 65 or over living with their children or relatives where the head of the household was under 60. Most of these elderly had incomes so low they had no choice but to live with their families and were not free to exercise their preference for independence. Over half a million, or about 25 percent, had no income. Nearly another million, or about 50 percent, had incomes of less than $1,000, and over 300,000 (16 percent) had incomes between $1,000 and $1,999. The remainder, or about 200,000, had incomes of $2,000 or more, about evenly divided between the $2,000 to $2,999 bracket (47 percent) and incomes of $3,000 and above (53 percent).

Among the 6.5 million households in which the elderly live in standard homes—owner or renter occupied—many may no longer be suitable for continued occupancy by older people because they may be unsafe, inefficient, expensive to maintain, or lack convenient access to services which older people need in everyday living. Two and a half million (38 percent) of these households had incomes of less than $2,000, including 1.2 million with incomes of less than $1,000. In the $2,000 to $4,999 bracket, were 1.6 million homeowner households and nearly 540,000 renter households, totaling almost 35 percent of the 6.5 million.

Sponsors

Applicants are screened to assure that they are eligible nonprofit borrowers supported by sponsoring groups or organizations with adequate resources to insure that effective services are provided for the project occupants. An applicant must be backed by a strong sponsoring organization which includes among its purposes the promotion of the welfare of older persons, including the provision of housing. Sponsors are encouraged to participate in the cost of the proposed project to the fullest extent possible. Project sponsors must provide all movable equipment necessary for the proper operation and maintenance of the project, and operating capital equal to 25 percent of the operating budget for the first year.

If 75 percent or more of the dwelling units have been prerented, no deposit is required, providing the sponsor agrees to underwrite any operating deficits during the first 5 years.

Sponsors must have the support of the community in which they are located and be willing and in a position to maintain continuing interest in the project and to participate in its affairs during the life of the loan. Such sponsors include fraternal, civic, religious, and charitable organizations.

The following table shows the cumulative breakdown by type of sponsor since inception of the program through December 31, 1967:

SPONSOR BY TYPE

	Net loan reservations	
	Number	Percent
Church group	141	53.0
Local private nonprofit corporations	68	25.6
Fraternal or service groups	31	11.7
Labor unions	19	7.1
Public agencies	4	1.5
Consumer cooperatives	3	1.1
Total	266	100.0

Budget program

The 1969 budget anticipates $85 million in net loan reservations to finance housing for the elderly or handicapped. It is estimated that this level will provide for 45 projects including 6,900 dwelling units.

Accomplishments

Approximately 16,500 elderly persons occupied 13,937 dwelling units as of June 30, 1967. Other accomplishments of this program from its inception through June 30, 1967, and the estimated accomplishments for the current and budget years are shown in the following table.

	Net loan reservations		Construction starts		Completed for occupancy	
	Projects	Dwellings	Projects	Dwellings	Projects	Dwellings
1961	28	1,604	2	80		
1962	40	4,223	16	1,224	4	168
1963	57	7,336	22	2,098	11	623
1964	26	4,348	30	3,059	22	2,291
1965	27	3,611	35	4,476	30	2,737
1966	43	6,945	25	4,104	30	3,471
1967	39	6,112	51	8,007	27	4,647
Total at June 30, 1967	260	34,182	181	23,048	124	13,937
1968 estimate	45	6,900	65	9,750	58	8,700
1969 estimate	45	6,900	79	11,850	65	9,750
Total at June 30, 1969	350	47,982	325	44,648	247	32,387

Some results of the program from its inception through December 31, 1967, are summarized in the following table (thousands in dollars):

	Projects	Dwelling units	Federal loan amount
Loan reservations (net)	266	35,336	$427,751
Loan agreements executed (net)	235	30,815	369,188
Construction starts	204	26,570	319,306
Completed	150	17,555	206,590

PROGRESS OF THE LOAN PROGRAM

Mr. EVINS. It says you propose to build about 7,000 units for housing for the elderly or handicapped. The administrative cost limitation is all that is required.

Section 202 of the act authorizes the program of direct loans for rental housing for the low-middle-income elderly and the handicapped. Are these sponsored by church organizations?

Secretary WEAVER. Most of them are, sir.

Mr. HUMMEL. About 53 percent.

Mr. EVINS. Tell us how this program is progressing.

STATUS OF ELDERLY HOUSING PROGRAM

Mr. HUMMEL. Very well, sir. It is a comparatively small program, and as you know, designed to reach that group of individuals that are not eligible for public housing but still cannot pay the market rent—people that are 62 years of age or older, or people that are handicapped.

Actual applications as of February 29, 1968, would provide for 332 projects, representing 44,370 units. Since the start of the program, we had approved loans for 268 projects with 35,655 units. We have had construction starts on 26,882 units and completions on 157 projects containing 18,323 units.

Mr. EVINS. What is the interest on the loans?

Mr. HUMMEL. Three percent.

Mr. EVINS. How long are the loans for?

Mr. HUMMEL. Fifty years.

Mr. EVINS. That is the maximum?

Mr. HUMMEL. Yes.

Mr. EVINS. Fifty-year loans at 3 percent for building housing for the elderly and handicapped.

Mr. TALCOTT. Do you have to be 62 before you can get one of these 50-year loans?

Mr. HUMMEL. The loans are made to nonprofit groups. However, an individual must be 62 or handicapped to be eligible to reside in a project.

STATUS OF THE LOAN FUND

Mr. EVINS. What is the unobligated balance in this fund now?

Mr. HUMMEL. There will be no balance at the end of fiscal year 1969.

Mr. EVINS. What is the balance as of this date?

Mr. HUMMEL. About $40 million.

Mr. EVINS. You have $40 million in the loan fund currently?

Mr. HUMMEL. Yes.

Mr. EVINS. You have enough left over for this year?

Mr. HUMMEL. Yes, sir. We expect to have about $10 million left at the end of this year which, together with the participation sales proposed for 1969, and other income, will finance our $85 million program.

Mr. EVINS. Gentlemen, you see where these loans have been made on page G–6, the various States.

We will place this in the record along with your description of the status of the fund. It is a good program. We are all getting older.

(Page G–6 follows:)

APPROVED SEC. 202 LOANS, BY STATE, CUMULATIVE AS OF DEC. 31, 1967

[Dollar amounts in thousands]

State	Number of projects	Number of units	Amount of loan
Alabama			
Alaska			
Arizona	2	273	$3,281
Arkansas	1	136	1,640
California	31	3,768	46,220
Colorado	9	796	8,979
Connecticut	5	547	6,638
Delaware			
District of Columbia			
Florida	21	4,015	47,069
Georgia	5	882	10,390
Hawaii			
Idaho			
Illinois	7	499	6,258
Indiana	3	142	1,770
Iowa	9	657	7,407
Kansas	2	151	2,205
Kentucky	1	143	1,969
Louisiana	2	263	3,261
Maine	2	75	875
Maryland	10	1,880	24,299
Massachusetts	7	1,098	13,256
Michigan	10	1,383	16,511
Minnesota	14	1,169	14,086
Mississippi	1	101	967
Missouri	6	1,027	12,425
Montana	6	484	5,675
Nebraska	1	56	636
Nevada			
New Hampshire			
New Jersey	9	1,746	$20,863
New Mexico	2	153	1,778
New York	6	948	11,412
North Carolina	1	142	1,314
North Dakota	3	158	1,630
Ohio	17	2,433	29,447
Oklahoma	4	402	4,316
Oregon	3	610	7,462
Pennsylvania	16	2,983	38,427
Rhode Island			
South Carolina			
South Dakota	4	154	1,602
Tennessee	4	619	7,140
Texas	6	843	8,001
Utah	2	334	4,358
Vermont			
Virginia			
Washington	7	959	11,645
West Virginia	2	105	1,500
Wisconsin	2	145	2,096
Wyoming	4	276	3,332
Puerto Rico	4	361	4,679
Virgin Islands			
Guam			
Total	251	32,916	396,819

FUNDING THE PROGRAM

The program is funded through a revolving fund which is replenished by appropriations and from the sale of participation certificates. Appropriations totaling $500 million have been authorized of which $430 million have been appropriated. No appropriation is proposed for fiscal 1969. Authorization to spend receipts from participation sales is $100 million in 1968 and $25 million in 1969. Against this authorization, sales are estimated at $60 million in 1968 and $65 million in 1969.

The following table shows the status of the housing for the elderly or handicapped fund for the past, current and budget years:

STATUS OF FUND

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Balance, start of year	989	2,560	10,374
Appropriation	80,000	25,000	
Appropriation for participation certificate insufficiencies		1,156	3,260
Sales of participation certificates		60,000	65,000
Repayments	594	730	925
Net operating revenue	5,180	5,928	5,441
Total fund available	86,763	95,374	85,000
Net loan reservations	−84,203	−85,000	−85,000
Unreserved balance, end of year	2,560	10,374	

RELATIONSHIP TO RENT SUPPLEMENT PROGRAM

Mr. EVINS. Experimental program for rent supplement payment. Tell us about this on G–10, Mr. Hummel.

(The material referred to follows:)

EXPERIMENTAL PROGRAM FOR RENT SUPPLEMENT PAYMENTS

Under the rent supplement program, authorized by section 101 of the Housing and Urban Development Act of 1965, provision was made for using 5 percent of the rent supplement authorization for both the section 202 direct loan program and the FHA 231 insurance program for housing of the elderly. However, in any of the section 202 direct loan projects financed prior to August 10, 1965, the rent supplement payments may not be made to more than 20 percent of dwelling units in any project. Under the rent supplement program, payments are made to project owners on behalf of qualified low-income occupants in amounts generally equal to the difference between 25 percent of their income and the fair market rental of the units occupied.

As of December 31, 1967, there were 115 direct loan elderly housing projects under reservation for rent supplement funds. Of these 77 projects had units under payment. A total of 2,390 units have been allocated to receive rent supplement assistance in the amount of $1.5 million.

Mr. EVINS. Your 202 program is a loan program, but under the rent supplement you can take 5 percent of the funds out of the rent supplement for an experimental program.

Mr. HUMMEL. As I understand it, 5 percent of the total rent supplement funds can be used for housing in these programs on an experimental basis.

Secretary WEAVER. We talked about the 5-percent experimental. This is one-half of it. The other is FHA 231, which is also an elderly program.

Mr. EVINS. Five percent is the maximum that can be used for both of these programs?

Secretary WEAVER. Yes.

COLLEGE HOUSING LOAN PROGRAM

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	Administrative reservations			Costs and obligations		
	1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
Program by activities:						
Capital outlay:						
1. College housing loans	273,738	163,200				
2. College service facilities	23,847	23,400		390,846	350,000	295,000
3. Loans for housing of student nurses and interns	2,222	13,400				
Subtotal	299,807	200,000		390,846	350,000	295,000
Administrative reservations, start of year	228,090	290,999	240,999			
Administrative reservations, end of year	−290,999	−240,999				
Changes in selected resources [1]				−153,948	−100,000	−54,001
Total capital outlay, obligations	236,898	250,000	240,999	236,898	250,000	240,999
Operating costs, funded:						
1. Interest on borrowings				68,147	46,700	22,500
2. Administrative expenses				2,089	2,275	2,285
3. Inspection expense				369	285	170
4. Interest accrued on participation certificates				6,213	59,700	135,500
5. Commissions on sales of participation certificates				1,207	4,845	1,750
6. Other expenses				79	100	100
Total operating costs, funded—obligations				78,103	113,905	162,305
10 Total obligations				315,001	363,905	403,304

See footnote at end of table

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)—Continued

		Administrative reservations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Financing:						
	Receipts and reimbursements from:						
11	Federal funds: Net revenue from "Participation sales fund"				−8	−799	−829
14	Non-Federal sources:						
	Loan repayments				−28,783	−33,870	−37,900
	Revenue				−78,855	−88,515	−98,697
	Inspection fees				−369	−285	−170
	Unobligated balance available, start of year:						
21.47	Authorization to spend public debt receipts (reserved)				−228,090	−290,999	−240,999
	Authorization to spend public debt receipts (unreserved)				−203,225	−528,751	−2,033,247
21.48	Authorization to spend agency debt receipts						−215,000
23.98	Unobligated balance transferred to other accounts: Fund balance				6,120	13,855	29,590
	Unobligated balance available, end of year:						
24.47	Authorization to spend public debt receipts (reserved)				290,999	240,999	----------
	Authorization to spend public debt receipts (unreserved)				528,751	2,033,247	2,842,230
24.48	Authorization to spend agency debt receipts					215,000	----------
	New obligational authority				601,541	1,923,787	648,291
	New obligational authority:						
	Current authorization:						
40	Appropriation (current, indefinite)				1,541	----------	51,230
42	Transferred from other accounts (current, definite)					13,048	----------
43	Appropriation (adjusted)				1,541	13,048	51,230
48	Authorization to spend agency debt receipts				600,000	1,600,000	285,000
	Permanent authorization:						
60	Appropriation (permanent, indefinite)					10,739	12,061
67	Authorization to spend public debt receipts (permanent, definite)					300,000	300,000
	Relation of obligations to expenditures:						
10	Total obligations				315,001	363,905	403,304
70	Receipts and other offsets (items 11 to 17)				−108,015	−123,469	−137,587
71	Obligations affecting expenditures				206,986	240,436	265,717
	Obligated balance, start of year:						
72.47	Authorization to spend public debt receipts				439,104	289,038	195,754
72.98	Fund balance				88,334	87,117	87,891
	Obligated balance, end of year:						
74.47	Authorization to spend public debt receipts				−289,038	−195,754	−135,770
74.98	Fund balance				−87,117	−87,891	−87,378
90	Expenditures				358,269	332,946	326,214
	Expenditures are distributed as follows:						
02	Out of prior authorizations				358,269	332,946	326,214
	Cash transactions:						
93	Gross expenditures				459,661	453,984	460,662
94	Applicable receipts				−101,392	−121,038	−134,448

[1]Balances of selected resources are identified on the statement of financial condition.

REVENUE, EXPENSE, AND RETAINED EARNINGS (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Revenue	79,232	89,599	99,687
Expense, current	−78,556	−114,300	−162,627
Net operating income or loss (−) for the year	676	−24,701	−62,940
Analysis of retained earnings:			
Retained earnings, start of year	5,960	8,177	7,263
Appropriation to restore insufficiency on participation certificate interest	1,541	23,787	63,291
Retained earnings, end of year	8,177	7,263	7,614

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)

	1966 actual	1967 actual	1968 estimate	1969 estimate
Assets:				
Treasury balance	88,334	87,117	87,891	87,378
Accounts receivable, net	18,427	25,050	27,481	30,620
Loans receivable, net	2,241,625	2,603,236	2,918,971	3,175,749
Total assets	2,348,386	2,715,403	3,034,343	3,293,747
Liabilities:				
Current:				
Interest liability to trustee for participation certificates		6,213	25,298	33,566
Other	37,845	40,921	31,757	20,132
Total current liabilities	37,845	47,134	57,055	53,698
Other:				
Participation certificates outstanding		600,000	1,985,000	2,472,000
Deposit with trustee for redemption of participation certificates		−6,120	−19,975	−36,565
Total liabilities	37,845	641,014	2,022,080	2,489,133
Government equity:				
Interest-bearing capital:				
Start of year	1,982,768	2,304,581	2,066,212	1,005,000
Borrowings from Treasury, net	321,813	−238,369	−1,061,212	−208,000
End of year	2,304,581	2,066,212	1,005,000	797,000
Retained earnings	5,960	8,177	7,263	7,614
Total Government equity	2,310,541	2,074,389	1,012,263	804,614

ANALYSIS OF GOVERNMENT EQUITY AND UNDRAWN AUTHORIZATIONS (IN THOUSANDS OF DOLLARS)

	1966 actual	1967 actual	1968 hstimate	1969 estimate
Undisbursed loan obligations [1]	508,020	354,071	254,071	209,071
Unobligated balance	431,315	819,750	2,489,246	2,833,229
Invested capital and earnings	2,241,625	2,009,356	953,946	740,314
Subtotal	3,180,960	3,183,177	3,697,263	3,782,614
Less:				
Undrawn authorization to spend agency debt receipts			−215,000	
Undrawn authorization to spend public debt receipts	−870,419	−1,108,788	−2,470,000	−2,978,000
Total Government equity	2,310,541	2,074,389	1,012,263	804,614

[1] The changes in these items are reflected on the program and financing schedule.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
25.1	Other services	1,286	4,945	1,850
25.3	Payment to "Administrative operations fund"	369	285	170
33.0	Investments and loans	390,846	350,000	295,000
43.0	Interest and dividends	74,360	106,400	158,000
93.0	Administrative expenses (see separate schedule)	2,089	2,275	2,285
	Total costs, funded	468,949	463,905	457,305
94.0	Change in selected resources	−153,948	−100,000	−54,001
99.0	Total obligations	315,001	363,905	403,304

Mr. EVINS. We will take a look at the college housing program. This has been a very popular one. They put a freeze on a few years ago and then lifted the freeze. All the colleges like it. Let us place the justifications for this program in the record.

(The material follows:)

COLLEGE HOUSING LOAN PROGRAM—PROGRAM HIGHLIGHTS

[Dollars in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Applications received:			
Number	179	240	360
Amount	$232,200	$400,000	$600,000
Loan reservations (gross):			
Number	260	130	190
Amount	$340,996	$217,000	$315,000
Loan reservations (net):			
Number	242	120	180
Amount	$299,807	$200,000	$300,000
Construction activity:			
Starts	146	173	160
Completions	253	212	185

BUDGET REQUEST

A limitation on administrative expenses of $2,285,000, based on an assumed program of $300 million in net loan reservations, to be carried out under proposed legislation to provide an interest rate for college housing loans that will help assure that the loans are made to colleges which are unable to borrow on the private market at a reasonable interest rate. The current program is operating under a statutory formula which has resulted in a 3-percent interest rate.

Summary of budget request

The budget for fiscal year 1969 for the college housing loan program proposes loan reservations at the new interest rate at a level of $300 million to be financed from available balances of Treasury borrowing authority and the sale of participation certificates. This level will provide for 180 net loan reservations and 50,000 accommodations.

Because of the volume of applications in relation to available funds, a moratorium on the receipt of college housing applications was declared on January 31, 1966. The moratorium has been continued in effect since that date except for a brief period from April 15, to May 15, 1967, when 179 applications valued at $232 million were accepted. All unfunded applications on hand as of June 30, 1967, have been returned to the applicants without action. The Department has no backlog of applications on file.

Guidelines are being prepared under which the fiscal 1968 program will be administered to achieve the optimum utilization of the available funds and to provide the maximum of urgently needed housing where it is most needed throughout the country. It is expected that applications will be received for the fiscal 1969 program after the new legislation is enacted.

Sales of certificates of participation from this program as authorized by the Participation Sales Act of 1966 are estimated at $1,385 million in 1968 and $500 million in 1969. The 1969 sales will be made from a new sales authorization of $285 million being requested plus the unused balance of the $1,600 million sales authorization provided in the fiscal year 1968 appropriation act. A discussion of participation sales is found in book 2 of part 5 of the justifications (Federal National Mortgage Association).

The requested limitation of administrative expenses of $2,285,000 is explained in section "J" of this part, after "Salaries and Expenses."

Purpose of the program

Title IV of the Housing Act of 1950, as amended, authorized a program of direct loans to institutions of higher eduction and to hospitals at a low rate of interest and for long periods where equally favorable terms are otherwise not available.

This program is designed to provide decent housing which students can afford and which offer them an alternative to either being denied admittance or being forced into substandard quarters. The loans provide housing for students and faculty members and for related facilities such as dining halls and infirmaries. Classrooms and facilities such as laboratories, libraries, stadiums, gymnasiums, theaters, or chapels are not eligible for such loans.

Loans to educational institutions and hospitals may be made for periods up to 50 years. The Housing and Urban Development Act of 1965 established a maximum interest rate of 3 percent on such loans replacing a formula under which the interest rate was related to the cost of Federal borrowing.

Proposed legislation

Proposed legislation would provide an interest rate that would continue to assure that the loans are made to colleges which are unable to borrow on the private market at reasonable rates. The proposed rate would be based on the current average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the average maturities of college housing loans, adjusted to the next one-eighth of 1 per centum, less not to exceed a rate of 1 per centum per annum as determined by the Secretary of the Department of Housing and Urban Development.

Eligibility

Any educational institution is eligible for a direct loan providing it can offer at least a 2-year program acceptable for full credit toward a bachelor's degree. This includes colleges, universities, and some junior colleges. The Housing Act of 1957 extended eligibility to public and private nonprofit hospitals for the construction of housing for student nurses, interns, and residents.

Applicant hospitals must have been approved by the appropriate State authority to operate a school of nursing beyond the level of high school and be operating such a school, or have the approval of the American Medical Association or the American Osteopathic Association for internships and residencies.

Starting July 1, 1967, applications for student nurse or intern housing must be submitted to the appropriate areawide or regional planning agency for comments and recommendations, pursuant to the provisions of section 204(a) of the Demonstration Cities and Metropolitan Development Act of 1966.

In addition to institutions of higher learning and hospitals, there are three types of special organizations eligible to apply for loans:

1. Any nonprofit corporation established for the sole purpose of providing housing or related facilities for students and faculty of educational institutions.
2. Any State agency, public authority, or other instrumentality of a State established for the purpose of providing or financing housing or related facilities for students or faculty of any public or private educational institution.
3. Any nonprofit student housing cooperative corporation established for the purpose of providing housing for students and faculty of an educational institution.

Need for the program

The college housing loan program is necessary to assist in the provision of housing to accommodate future enrollment increases, to alleviate overcrowding resulting from past enrollments, and to make a dent on the deferred rehabilitation and replacement of inadequate existing housing. Because of the pressures of enrollment increases, overcrowded and inadequate facilities are common. The availability of housing convenient to the campus which has been found usually in older buildings has been reduced by area redevelopment or by the pressures for more profitable land usage.

The principal factor contributing to the enrollment increase is the high birth rate in the late 1940's and early 1950's. Moreover, an increasingly higher percentage of high school enrollees are graduating and going to colleges. Extension of the veterans' educational program has made higher education a realizable goal for many thousands of students who otherwise would not have been able to attend colleges. While no estimates of veteran impact on enrollments have been found, it is known that 76 percent of all veterans in training under the GI bill are now entering college as compared to 50 percent under the Korean bill. Finally,

increased student financial aids are contributing to the increased enrollments.

The table on the following page shows degree-credit enrollment increase that have been experienced by institutions since 1950 and estimates of increases to 1975.

Period	Total increase	Average increase per year
1950–55, actual	382,031	76,406
1955–60, actual	1,031,384	206,277
1960–65, actual	1,960,265	392,053
1965–75, estimate	5,000,000	500,000

Concurrent with the increase in enrollments and largely as a result of it, there has been a trend towards providing an increasingly larger percentage of the needed housing spaces by the institutions themselves. A 1960 study by the Office of Education showed that public institutions provided single student housing spaces equal to 33.4 percent of their full-time students. The ratio was 46.7 percent for private schools and 39 percent overall. A more recent unpublished survey indicates that the percentage of full-time students housed in 1962–63 was larger—37.5 percent at public institutions, 52.8 percent at private institutions, and 42 percent overall. The most recent survey published in the September 1967 issue of "College and University Business" reported these percentages as 40.8 percent for public institutions and 66.9 percent for private institutions for the 1966–67 school year. There are indications that these percentages will continue to increase. This change results largely from the requirements of increasing enrollments, but also because a growing number of undergraduate students come from beyond the immediate community and because of the loss of off-campus housing referred to above.

Loan demand

The 3 percent maximum interest rate authorized in the 1965 act, increased the demand for Federal funds. It made the college housing loan program more attractive to colleges and has made the bonds issued for projects built under the program less attractive to private investors.

Because of the volume of applications in relation to available funds, a moratorium on the receipt of college housing applications was declared on January 31, 1966. The moratorium has been continued in effect since that date except for a brief period from April 15 to May 15, 1967, when 179 applications valued at $232 million were accepted. All unfunded applications on hand as of June 30, 1967 were returned to the applicants without action. The Department has no backlog of applications on file.

Guidelines are being prepared to provide for the most effective utilization of funds available for the fiscal year 1968 program.

Private and public institutions

There has been little change in the distribution of loan reservations between public and private institutions during the last 6 years as shown in the table on the following page.

DISTRIBUTION OF NET LOAN RESERVATIONS

[Dollars in thousands]

Year	Net loan reservations	Percentage of loan amounts by type of institution		
		Colleges		
		Public	Private	Hospital
1962	$299,868	50.8	46.2	3.0
1963	288,464	52.4	44.6	3.0
1964	298,452	52.7	42.9	4.4
1965	293,179	52.6	46.0	1.4
1966	299,905	53.9	45.0	1.1
1967	299,807	55.0	44.1	0.9

Budget program

The budget anticipates $300 million in net loan reservations during fiscal year 1969 under the new legislation, to finance college dormitories, service facilities, and hospital housing for student nurses and interns.

Accomplishments

Since the program was enacted in 1950 through December 31, 1967, it has assisted over 75 percent of the eligible colleges and universities by providing over 2,900 loans for construction of housing and related facilities covering approximately 757,000 accommodations. It is estimated that this number is equal to 30 percent of all students living in institutionally owned housing.

The number of projects and accommodations in various stages of development cumulatively from the inception of the program to December 31, 1967, follows:

PROJECTS AND ACCOMMODATIONS BY STAGES OF DEVELOPMENT (CUMULATIVE AS OF DEC. 31, 1967)

	Projects	Accommodations
Loan approvals (net)	2,910	757,418
Project completion	2,636	686,236
Under construction	216	56,160
Approved, awaiting construction	58	15,022
Under construction, not approved	34	8,806

The following table shows a distribution of accommodations provided in projects with approved loans.

DISTRIBUTION OF ACCOMMODATIONS BY INSTITUTION AND FACILITY TYPE (CUMULATIVE AS OF DEC. 31, 1967)

	Number of projects	Number of accommodations			
		Men	Women	Student families	Faculty
Colleges	2,787	389,903	324,892	25,173	4,176
Hospitals	123	875	11,328	978	93
Total	2,910	390,778	336,220	26,151	4,269

The following table shows the number and dollar value of loans by State, approved since the inception of the college housing loan program through December 31, 1967.

APPROVED COLLEGE HOUSING LOANS BY STATE, CUMULATIVE AS OF DEC. 31, 1967

[Dollar amounts in thousands]

State	Colleges		Hospitals	
	Number	Amount	Number	Amount
Alabama	59	$60,279	2	$597
Alaska	6	12,337		
Arizona	27	34,591	1	790
Arkansas	63	57,870	1	500
California	142	229,976	4	1,944
Colorado	58	81,571		
Connecticut	24	33,947	1	365
Delaware	9	11,251	1	247
District of Columbia	20	38,480		
Florida	66	86,855	1	200
Georgia	52	37,175	4	2,730
Hawaii	5	2,050		
Idaho	23	16,339		
Illinois	124	140,578	7	4,275
Indiana	76	115,901		
Iowa	69	48,475	1	259
Kansas	81	53,782	5	1,437
Kentucky	71	91,021		
Louisiana	49	70,880		
Maine	5	6,120	1	338
Maryland	29	25,726	4	1,757
Massachusetts	80	125,876	3	1,830
Michigan	57	92,834	3	3,041
Minnesota	46	51,688	3	1,508
Mississippi	43	35,938		
Missouri	94	131,850	8	5,034
Montana	30	26,543	1	965
Nebraska	23	15,035	3	1,188
Nevada	4	5,527		
New Hampshire	10	8,894		
New Jersey	40	51,307	8	4,640
New Mexico	22	17,817		
New York	148	217,961	19	20,256
North Carolina	106	97,125	1	691
North Dakota	19	18,717		
Ohio	133	160,206	10	4,179
Oklahoma	47	53,739	2	725
Oregon	37	26,336	4	3,189
Pennsylvania	159	163,769	13	9,547
Rhode Island	20	25,408		
South Carolina	42	35,063		
South Dakota	47	31,550	1	480
Tennessee	76	59,392		
Texas	156	178,897	1	356
Utah	26	20,678		
Vermont	26	19,301	1	428
Virginia	36	26,207	4	1,431
Washington	71	108,887	1	498
West Virginia	55	37,975	1	599
Wisconsin	66	129,083	3	1,085
Wyoming				
Puerto Rico	8	9,578		
Virgin Islands	1	1,661		
Guam	1	2,040		
Total	2,787	3,242,068	123	77,109

Funding the program

The program is funded from a Treasury borrowing authorization that totals $3,475 million in the current year and will increase to $3,775 million in 1969. Within this authorization, there are two specific sublimitations; for service facilities and for student nurses and interns housing.

1. *Service facilities.*—The sublimitation on service facilities increases by $30 million each year and will be $415 million in fiscal year 1969. In addition, the Demonstration Cities and Metropolitan Development Act of 1966 included a provision to allow this sublimitation to be increased in any year by the amount of unused authority in that year from the sublimation on student nurse and intern housing.

2. *Student nurse and intern housing.*—This sublimitation also increases by $30 million each year. In fiscal year 1969, it will amount to $340 million, less any unused authority transferred to the sublimitation on service facilities.

In addition to the funding available from Treasury borrowing, funding is provided from the balance of receipts obtained from the sale of participation certificates. These sales are estimated at $1,385 million in 1968 and $500 million in 1969.

The following table shows the status of the College Housing Loan Fund for the past, current, and budget years:

STATUS OF FUND

[In thousands]

	1967 actual	1968 estimate	1969 estimate
Unreserved balance, start of year	$203,225	$528,751	$2,033,247
New authorization (enacted)		300,000	300,000
Appropriations for participation sales insufficiencies	1,541	23,787	63,291
Sales of participation certificates	600,000	1,385,000	500,000
Repayments (net of transfer)	22,663	20,015	8,310
Net operating receipts or deficit (−)	1,128	−24,306	−62,618
Total available	828,558	2,233,247	2,842,230
Net loan reservations	−299,807	−200,000	−300,000
Unreserved balance, end of year	528,751	2,033,247	2,542,230

Mr. EVINS. You are requesting a limitation on administrative expense of $2,285,000 based upon an assumed program of $300 million in net loan reservations.

How much money is in the college housing loan fund?

Mr. HUMMEL. With participation sales, there will be about $2 billion in the fund at the end of 1968. At the present time we just again opened for applications with $200 million to be allocated in 1968. The application period closes at the end of April. At that time we will allocate the $200 million to projects.

CRITERIA FOR MAKING LOANS

Mr. EVINS. You have a $300 million program. How does HUD choose among the applicants?

Mr. HUMMEL. The principal criteria is a limitation of $2 million per institution and we require——

Mr. EVINS. If it is a college that is affluent or not affluent, the limitation is still $2 million?

Mr. HUMMEL. Yes, but that is a maximum within which loans would be approved. They have to establish their inability to get loans through the private sector at reasonable rates.

Mr. EVINS. Their inability?

Mr. HUMMEL. Yes. If they can get loans at reasonable rates from the private sector, we would not fund them.

Mr. BOLAND. Are they able to get loans at reasonable rates?

Mr. HUMMEL. Some of them can.

Mr. EVINS. Not at 3 percent?

Mr. HUMMEL. No, sir.

Mr. SHIPLEY. What is the reasonable rate today?

Mr. HUMMEL. The public institutions I think are about 5 percent.

Mr. EVINS. You have a $300 million program for 3 percent loans. What is the duration of the loans?

Mr. HUMMEL. Fifty years.

Mr. EVINS. And the maximum that any one college can be loaned in 1 year is $2 million?

Mr. HUMMEL. That is an administration limitation to make the funds go further in view of the great demand for the program.

STATUS OF COLLEGE HOUSING PROGRAM

Mr. EVINS. You have figures on applications. Applications received in 1967 were 179; 1968 is estimated at 240; and 1969 is estimated at 360 colleges or universities. You say the amount they would like is $600 million, but your program is $300 million, or one-half the value of the application.

You expect to make 180 loan reservations for $300 million.

Mr. HUMMEL. We would make $200 million in 1968 and $300 million in 1969.

Mr. EVINS. On your construction activity, you project construction starts on 160 new dormitories. This is very worthwhile since the schools are overcrowded.

Mr. TALCOTT. Is this for graduate student housing?

Mr. HUMMEL. It could be, but as a practical matter, in view of the demand, loans will be made primarily for the undergraduate housing, except at institutions where they mix them. Loans could even be made for faculty housing; but we do not have those funds available. It is very unlikely that we would have sufficient funds for such facilities.

Mr. EVINS. You have adequate funds available for your program?

Mr. HUMMEL. Yes, sir.

SALARIES AND EXPENSES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	1. Renewal assistance programs	11,672	12,022	13,462
	2. Housing assistance programs	15,876	17,871	19,998
	3. Executive supervision and services	2,395	2,600	2,900
10	Total cost—obligations (object class 25.3) (payment to "Administrative operations fund")	29,943	32,493	36,360
	Financing:			
16	Comparative transfers from other accounts	−29,943		
	New obligational authority		32,493	36,360
	New obligational authority:			
40	Appropriation		31,950	36,360
41	Transferred to other accounts		−337	
43	Appropriation (adjusted)		31,613	36,360
44	Proposed supplemental for civilian pay act increases		880	
	Relation of obligations to expenditures:			
10	Total obligations	29,943	32,493	36,360
70	Receipts and other offsets (items 11–17)	−29,943		
71	Obligations affecting expenditures		32,493	36,360
90	Expenditures excluding pay increase supplemental		31,613	36,360
91	Expenditures from civilian pay act supplemental		880	
	Expenditures are distributed as follows:			
01	Out of current authorizations		32,493	36,360

Mr. EVINS. There are two other items, salaries and expenses. You are asking for $36,360,000. This is for renewal and housing assistance. Please place the first three pages of the justifications in the record.

(The pages follow:)

SALARIES AND EXPENSES—APPROPRIATION HIGHLIGHTS

[Dollars in thousands]

	Estimate, 1968	Estimate, 1969	Increase or decrease
Appropriation enacted or proposed	$31,950	$36,360	+$4,410
Proposed supplemental for civilian pay act increases (Public Law 90-206)	880	----------	−880
Funds transferred to GSA for space rental	−337	----------	+337
Total appropriation or estimate	32,493	36,360	+3,867

BUDGET REQUEST

An appropriation of $36,360,000 for salaries and expenses of renewal and housing assistance programs.

Summary of the budget request

The appropriation of $36,360,000 requested for 1969 represents an increase of $3,867,000 over funds estimated to be available for obligation in fiscal year 1968. The increase is distributed as follows:

1. An increase of $472,000 for increased civilian pay act costs pursuant to public law 90-206. Including the supplemental appropriation of $880,000 requested for fiscal year 1968, the total for these mandatory pay act costs is $1,352,000.

2. An increase of $1,380,000 for increased expenses of renewal assistance programs. The increase is necessary to meet sharp increases in workload. The magnitude and growth of renewal assistance programs are reflected in projects increasing from 2,380 in 1967 to about 3,446 in 1969 with anticipated cumulative grant funds increasing from $6,110 million in 1967 to $8,390 million in 1969. Increased staff is also necessary to aid in increasing the rate of rehabilitation of residential structures and accelerating the disposition of land for residential redevelopment.

3. An increase of $1,961,000 increased expense of housing assistance programs. Primarily, this increase is to provide the additional staff necessary to carry out an accelerated low-rent public housing program designed to provide more housing, faster, to meet the urgent needs of low-income Americans and responding effectively to these needs in the operation of such housing. This involves making 75,000 dwelling units available for occupancy and contracting for 85,000 units.

4. An increase of $54,000 for the activity "Executive supervision and services" for increased expenses of staff responsible for servicing both renewal assistance and housing assistance programs as well as certain departmentwide functions such as relocation and workable program responsibilities.

Budget program

This appropriation funds the administrative and suporting expenses for carrying out renewal and housing assistance programs under the Assistant Secretary for Renewal and Housing Assistance. The estimate does not include the immediate staff of the Office of the Assistant Secretary for Renewal and Housing Assistance which is funded by the appropriation "General administration," described in part 6 of the justification volumes.

In addition to this apropriation, the budget proposes limitations on administrative expenses for the housing for the elderly program and the college housing program. These are explained in section J of this volume.

Funds available through reimbursements—primarily for project inspection and audit—are also used in the administration of these programs and are shown in the explanation of the administrative operative fund in part 6 of the justification volumes.

The activities funded by the appropraition "Salaries and expenses, renewal and housing assistance," are shown in the following table (individual items include increases for pay act costs as well as for staff and other expenses).

[Dollars in thousands]

	Estimate, 1968	Estimate, 1969	Proposed increase
Renewal assistance programs	$12,001	$13,563	+$1,562
Housing assistance programs	17,820	20,046	+2,226
Executive supervision and services	2,672	2,751	+79
Total	32,493	36,360	+3,867

INCREASE REQUESTED

Mr. EVINS. You are requesting an increase of $3,867,000 over last year. Of this increase, $472,000 is increased civilian pay act costs. Including a proposed supplemental of $880,000 for 1968, the total of these mandatory pay costs comes to $1,352,000.

Then you are asking for $1,380,000 for increased expenses for renewal assistance programs based upon sharp increases in the workload. You show the magnitude of growth in renewal projects from 2,380 projects in 1967 to 3,466 in 1969. How firm are these figures?

Mr. HUMMEL. I think they are firm. Based upon the size of the program that we are asking appropriations for, this is, I would say the minimum for salaries and expenses needed to effectively administer the programs we have outlined to you.

RHA STAFF INCREASES

Mr. EVINS. You are requesting increased staff here. How much of an increased staff?

Mr. HUMMEL. The increase would fund an additional 356 man-years.

Mr. EVINS. About how many jobs?

Mr. HUMMEL. That is 356 man-years. This represents the measure of increased effort needed for our programs.

Mr. EVINS. You spell out specifically the cost of the pay raise; how much is attributable to new jobs?

Mr. HUMMEL. About $2.5 million.

HOUSING ASSISTANCE STAFF

Mr. EVINS. You say $1,961,000 is for additional expenses of housing assistance programs.

Secretary WEAVER. There are two different staffs here.

One is for urban renewal and related programs, and the other is for the housing assistance program, which includes public housing, 202, and college housing, et cetera.

TOTAL ADMINISTRATIVE EXPENSE INCREASES

Mr. HUMMEL. The table on page I–3 will give you the total figures and the breakdown of the programs between renewal assistance, housing assistance, and executive supervision and services.

Mr. EVINS. Your proposed increase for renewal assistance programs is $1,562,000; the increase for housing assistance programs is $2,226,000, and the increase for executive supervision and services, $79,000; for a total increase of $3,867,000. These figures include the pay raise, don't they?

Mr. HUMMEL. Yes. That table shows the total dollars for administrative expenses for each activity.

Mr. EVINS. I see $54,000 is the increase for executive supervision and services exclusive of the amount for pay costs.

What about this table on I–5, Mr. Hummel?

What are these increases?

INCREASED WORKLOAD IN RENEWAL ASSISTANCE PROGRAMS

Mr. HUMMEL. The 44-percent increase is the percent increase in workload for applications approved in a year.

Mr. EVINS. The total application workload is going to increase 44 percent?

Mr. HUMMEL. Yes, sir.

Mr. EVINS. That is in urban renewal activities?

Mr. HUMMEL. Yes. And in cumulative approvals for the total urban renewal program there would be 13-percent increase.

Mr. EVINS. Your total urban renewal program is expected to grow by 13 percent?

Mr. HUMMEL. That is the growth in urban renewal approvals. We also have growth in applications approved and grants made. These are significant workload factors in the processing of urban renewal and related projects.

Mr. EVINS. The number of applications approved in a year represent about a 44-percent increase, but the total approvals represent about a 13-percent increase?

Mr. HUMMEL. Yes and the dollar amount of our total grants outstanding is expected to increase by 18 percent.

In the neighborhood facilities program we expect a 63-percent increase in applications approved in 1969 over the previous year; and the urban beautification cumulative increase is shown at 46 percent.

JUSTIFICATION MATERIAL

Mr. EVINS. You also show an increase for the urban parks program of 74 percent. Place page I–5 in the record along with the pertinent discussion on your renewal programs.

(The pages follow:)

RENEWAL ASSISTANCE PROGRAMS

[Dollars in thousands]

	Estimate, 1968	Estimate, 1969	Proposed increase
Obligations	$12,001	$13,563	+$1,562
Man-years	904	1,051	+147

The increase of $1,562,000 would provide $182,000 for increased Pay Act costs and $1,380,000 for other expenses including an average employment increase of 147 to carry out the programs proposed for fiscal year 1969 under this activity. This number of man-years represents an increase of 16 percent to carry out expanded programs with expected basic workloads accelerating at rates substantially in excess of the proposed increase in staff. Greater efficiency and improved administration through improved management controls and techniques are expected to enable the staff to perform the increased workload with this minimal staff increase.

This activity finances the administration of the urban renewal programs (title I), neighborhood facilities, urban parks-developed land in urban areas, urban beautification and improvement, and rehabilitation loans. Staff requirements section 314, demonstrations grants authorized under Housing Act of 1954, as amended, are included with estimates for the Office of Urban Technology and Research. Also staff requirements for urban parks-developed land in urban areas and urban beautification and improvement administration at the regional level are included in the estimates for metropolitan development.

The following table reflects the growth of renewal assistance programs during fiscal years 1967 to 1969. These increases in fiscal year 1969 over 1968 indicate substantial increases in workload and account for the increased staff requirements.

	Actual, 1967	Estimate, 1968	Estimate, 1969	Percent 1969 over 1968
URBAN RENEWAL ACTIVITIES				
Applications approved in year (net):				
Urban renewal projects	117	120	172	----------
Code enforcement programs	39	46	78	----------
Community renewal programs	15	24	28	----------
Demolition grants	32	13	15	----------
Totals	203	203	293	44
Grant Reservations in year [1]	$797.4	$907.7	$1,248.5	38
Cumulative approvals:				
Urban renewal projects	1,849	1,969	2,141	----------
Code enforcement programs	51	97	175	----------
Community renewal programs	172	196	224	----------
Demolition grants	52	65	80	----------
Total urban renewal approvals	2,124	2,327	2,620	13
Cumulative grants: [1]				
Urban renewal projects	$5,961.7	$6,796.8	$7,925.3	----------
Code enforcement programs	59.3	118.8	226.8	----------
Community renewal programs	30.3	40.0	50.0	----------
Demolition grants	9.0	11.0	13.0	----------
Totals	6,060.3	6,966.6	8,215.1	18
NEIGHBORHOOD FACILITIES				
Applications:				
Approved in year	92	102	130	----------
Cumulative approvals	103	205	335	63
Cumulative grants: Amount of grants [2]	$28,966	$59,000	$99,000	68
Urban parks, developed land in urban areas applications:				
Approved in year	32	64	74	----------
Cumulative approvals	39	103	177	----------
Cumulative grants: Amount of grants [2]	$9,295	$25,145	$43,745	74
Urban beautification and improvement applications:				
Approved in year	82	100	100	----------
Cumulative approvals	114	214	314	----------
Cumulative grants: Amount of grants [2]	$11,901	$21,901	$31,901	46

[1] Dollars in millions.
[2] Dollars in thousands.

The 1969 estimates propose a relatively small increase in staff in relation to workload activities and the increasing responsibilities for programs dealing with complex urban problems in localities throughout the Nation. The additional staff

requested is necessary to meet the responsibilities, program emphasis, and workload increases in these programs.

Increase in program needs and demands.—A significant workload factor is the number of applications estimated to be under consideration during fiscal year 1969. Localities can only receive financial assistance by filing applications for the type of assistance needed. Localities will require additional technical advice and guidance in developing sound proposals due to increasing complexity of programs. The complexity of the renewal assistance programs is evidenced by the technical and financial assistance currently available which extend to nine types of projects and programs, that is, urban renewal projects, feasibility surveys, general neighborhood renewal plans, code enforcement programs, demolition grants, community renewal programs, neighborhood facilities, urban parks-developed land in urban area and urban beautification and improvement.

The following table reflects the workload increases produced by the number of applications under consideration. The number of applications reported includes all stages of applications such as applications for survey and planning advances, applications for loan and grant contracts (parts I and II), amendatories, terminations, cancellations, et cetera. In addition to applications filed, the workload includes a substantial number of localities which are receiving technical assistance and advice where proposals have not reached the application stage. In some instances considerable staff time is devoted to assisting communities whose proposals never reach the application stage.

SUMMARY OF APPLICATIONS ON HAND AND RECEIVED IN YEAR

	Actual, 1967	Estimate, 1968	Estimate, 1969
Type of applications:			
Urban renewal activities	2,195	2,400	2,650
Neighborhood facilities	383	567	635
Subtotal	2,578	2,967	3,285
Urban parks-developed lands	91	133	125
Urban beautification and improvement	233	332	350
Subtotal	324	465	475
Total, all applications	2,902	3,432	3,760

New programs and policies

Model cities assistance.—Urban renewal programs will play a major role in the physical restructuring of the urban sector represented by areas designated as "model cities neighborhoods." Proposed urban renewal projects and code enforcement program levels are higher in fiscal year 1969 to provide assistance in such areas. Because of the size and complexity of neighborhood programs indicated by model cities applications for planning funds, more staff time will be required to provide assistance and coordination of renewal activities in these areas.

National goals.—National goals to which urban renewal projects must conform were established during the latter part of fiscal year 1967 to: increase supply of low- and moderate-income housing; increase employment opportunities for unemployed and underemployed and to provide treatment to areas with urgent and critical needs. Because of the broad significance of these policies and positive program administration required for their success it is essential that staff be available to provide additional guidance and training for local public agencies and to make reviews of projects for conformance to such policies. Staff must be increased to allow for visits to localities during the preliminary consideration of proposals in order that applications will conform to national goals.

Program management and evaulation activities.—Increased staff is needed to provide additional attention to the workload of projects in planning and execution approved in past years as well as those expected to be approved during fiscal year 1969 in order to accelerate planning and execution activities. Local public agencies require extensive assistance by specialists and technicians in both the planning and execution stages in all phases of these processes. Program management activities to receive special attention in fiscal year 1969 include acquisition of properties scheduled for clearance, relocation of site occupants, rehabilitation of properties, installation of project improvements, provision of supporting facilities, disposition of land, and completing redevelopment. Details of the activities under each of the renewal assistance programs follow.

Urban renewal projects.—The following table reflects the increased workload of projects in planning and execution stages during fiscal years 1967–69. New projects entering the planning stage will increase in excess of 16 percent. Projects completing planning stage are expected to increase by nearly 19 percent. Projects completing execution activities are expected to increase by at least 25 percent.

SUMMARY OF URBAN RENEWAL PROJECTS IN PLANNING AND EXECUTION

	Actual, 1967	Estimate, 1968	Estimate, 1969
Planning:			
Active start in year	533	509	480
New approvals in year (gross)	151	176	205
Total active in year	684	685	685
Less—			
Planning completed	−141	−149	−177
Terminations	−34	−56	−33
Active, end of year	509	480	475
Execution:			
Active start in year	929	1,011	1,080
New approvals	141	149	177
Total active in year	1,070	1,160	1,257
Closed out in year	−59	−80	−100
Active, end of year	1,011	1,080	1,157
Closed out cumulative	329	409	509
Total in program	1,340	1,489	1,666

Other Renewal Assistance Activities.—The following table reflects other renewal assistance activities in the fiscal years indicated. There is a substantial increase in all activities in fiscal year 1969 compared to fiscal year 1968. The increase in code enforcement is consistent with department goals to conserve and rehabilitate residential properties for low- and moderate-income families. Community renewal programs are being increased to enable localities to make in-depth analysis of urban problems and schedule corrective actions. Neighborhood programs projection for fiscal year 1969 are also substantially increased to improve community life in urban areas for low- and moderate-income families.

SUMMARY OF OTHER URBAN RENEWAL ACTIVITIES

Active in year	Actual, 1967	Estimate, 1968	Estimate, 1969	Percent increase 1969 over 1968
Code enforcement	51	97	163	68
Community renewal programs	118	125	140	12
Demolition grants	52	50	65	30
Total active in year	221	272	368	35

SUMMARY OF NEIGHBORHOOD PROGRAMS

Neighborhood facilities	102	191	280	47
Urban parks, developed land	41	105	170	62
Urban beautification and improvement	114	214	289	35
Total active in year	257	510	739	45

RENEWAL WORKLOAD

Mr. EVINS. Your table on page I–7 shows a summary of applications on hand and received during the year and your estimates. In this table on page I–8 you show your workload for projects in planning and execution. At the end of 1969 for projects in planning, you esti-

mate 475. These are urban renewal projects. This seems to show a slight decline from 1968 in your projects in planning—from 480 to 475.

Under the planning activity of urban renewal projects, 1969 shows active at the end of the year, 475; 1968 is 480, and 1967, 500. So the workload seems to be going down.

Mr. McCabe. More projects are going into execution.

Mr. Hummel. The active projects in execution and completions are going up.

Mr. Evins. The number active in planning at the end of 1969, however, is less than the last 2 years.

Secretary Weaver. This is because we are accelerating our efforts to get more planning completed in the year.

Mr. Evins. So projects in execution are increasing?

Secretary Weaver. Yes, sir.

Mr. Frantz. That table was intended to show the increase in workload is in the execution stage and not the planning stage.

Mr. Talcott. The austerity program will probably hit urban beautification and things like that; will it not?

Secretary Weaver. I do not know; we will have to wait and see.

HOUSING ASSISTANCE PROGRAMS

Mr. Evins. Please place in the record at this point your basic tables supporting your staff expense increases in housing assistance programs, we will review them carefully.

(The material requested follows:)

HOUSING ASSISTANCE PROGRAMS

	Estimate, 1968	Estimate, 1969	Proposed increase
Obligations	$17,820,000	$20,046,000	+$2,226,000
Man-years	1,337	1,543	+206

The increase of $2,226,000 would provide $265,000 for increased pay act costs and $1,961,000 for increased staff and other expenses. This would provide an average employment increase of 206 or 15 percent. The additional staff is needed to carry out the vastly accelerated program proposed for 1969 and so that the low rent program may react more fully, more effectively and more rapidly to the urgent housing needs of low income Americans.

This activity finances the administration of the low rent public housing program under the Housing Act of 1937, as amended, as well as the administration of the new program of assistance for housing in Alaska, authorized by Section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966.

The following table shows the most significant workload indications in the goal of greater production:

	Actual, 1967	Estimate, 1968	Estimate, 1969	Percent increase, 1969 over 1968
Annual contributions contracts executed (dwellings)	63,309	65,000	85,000	31
Construction started (dwellings)	29,564	55,000	75,000	36
Dwellings leased	4,822	20,000	20,000	----
Dwellings completed for occupancy	35,243	58,000	75,000	29
Dwellings under management	654,118	712,118	787,118	11
Projects under management	4,632	5,250	6,150	17

During fiscal year 1967, annual contributions contracts were executed for 63,000 dwellings. This is expected to increase to 85,000 dwellings in 1969 or 34 percent over the level of activity in 1967 and 31 percent over the activity planned for 1968.

Construction starts are being increased from 29,500 dwellings in 1967 to 75,000 in 1969 or 154 percent. The activity in 1969 is expected to be 36 percent greater than planned for 1968.

It is planned that 75,000 dwellings will be made available for occupancy in 1969. This is an increase of 113 percent over 1967 and 29 percent over 1968. The level of dwellings planned to be made available in 1968 and 1969 (133,000) is more than double the level actually accomplished during the prior 2-year period period (63,000).

In fiscal year 1967, 529 projects were put under annual contributions contracts and 341 under construction. In 1969, these totals are being increased to 750 and 862 respectively.

As of June 30, 1967, there were 1,321 local housing authorities with programs in development. By 1969, this number is expected to increase to 1,500 or 14 percent.

In the last 5 years, there has been a 30-percent increase in the number of local housing authorities with programs in the 1,000 to 5,000 dwelling range. The largest area of growth has been in small programs—54 percent in programs of 200 to 1,000 dwellings, 57 percent in programs of 50 to 200 dwellings, and 88 percent in programs of less than 50 dwellings.

The impact of the growth in small programs increases the workload in all areas of operations to a greater extent than is reflected by the increase of dwellings in development and in management.

Accelerated program.—The new policy with regard to program and priorities will give consideration to the pressing need for low-rent housing throughout the Nation and the most effective use of program resources.

The turnkey method of construction will substantially increase under a policy giving priority to those projects that can be placed under construction at the earliest possible date. Local housing authorities with dwellings under program reservations or annual contributions contracts for conventional construction which cannot proceed promptly to construction may elect to choose the turnkey method. It is expected that turnkey dwellings placed under annual contracts will increase from 12,000 dwellings in 1968 to 40,000 in 1969. Turnkey construction starts are expected to increase from 12,000 dwellings in 1968 to 35,000 in 1969. It is most important that turnkey developer knows as soon as possible whether the site and general feasibility of the proposed project is acceptable to HUD so that he has some basis for investing and preparing the preliminary data for the letter of intent. This assurance can only be provided if Department staff examines the site to assure that equal housing policies and cost and planning standards will be met. A traveling team is planned with a capable caliber of personnel that can make immediate on-site feasibility approvals for HUD in order to meet the goals for greater production.

The leasing program is expected to expand by placing 20,000 dwelling units under annual contributions contracts in each fiscal years 1968 and 1969. Added emphasis will be placed upon leasing the dwellings for occupancy. At June 30, 1967, there were 5,060 dwellings actually leased. The goal for June 30, 1969, is 45,060.

The process of finding units, inspecting them, and negotiating for leases has been time consuming in the operating of section 23 leased housing program. One of the major reasons for this has been local housing authority inexperience with this type of operation. To accelerate the leasing process, it is planned that regional staff visit local housing authorities during the early stages of a leasing program. Additional staff is needed for this purpose since the regional offices are now staffed primarily to review applications for leasing programs and are not able to devote sufficient time needed to the operational phase of the leasing program.

The additional personnel required will be those who have had extensive experience in private real estate management and leasing activity and who have the ability to obtain the cooperation of local realtors and overcome local program obstacles. The number of leases executed has varied among the regional offices and in several the performance has been disappointing compared with the leasing

potential that exists in the areas. With increased staff, the major problems could be corrected and the large gap between execution of annual contributions contracts and the execution of the leases making the dwelling available for occupancy could be closed.

The leased housing program has unique features which require a supplemental review of the following specialized areas in addition to regular management audits and reviews:

The form of lease with owners to assure compliance with the requirements of Federal law and prudent real estate practices.

Involvement of local real estate and other interests in a continuing survey, listing, and inspection of available dwellings.

The decent, safe, and sanitary quality of the leased dwellings.

Effectiveness of leasing as an aid to rehabilitation and neighborhood improvement.

Leasing as an aid to home ownership by low-income families. (This may be made possible by an option in the Local Housing Authority owner leasing contract for tenant purchase of the dwelling.)

Comparability of rents paid to owners by local housing authorities and rents paid on the private market for similar accommodations.

The nature and extent of rehabilitation work being done to comply with special requirements of the annual contributions contracts.

Determination of relationship of the local housing authorities with real estate interests, local code enforcement agencies, and other local interests.

New and experimental approaches.—In addition to increased production activity and workload, it is increasingly necessary to devote substantial staff time and attention to major development problems such as new methods for providing low-rent housing; rising construction costs; good design; coordination with other Federal programs; accelerating production; and site selection particularly with respect to providing equal opportunity in housing of minority groups.

A number of new and experimental approaches devised and under development this year need to be analyzed from the standpoint of utilization and effectiveness in other areas. For example, the various techniques evolved on Indian reservations such as those that use turnkey to produce housing by Indian families with and without apprenticeship, those that require training programs or OEO assistance, and those with equity provisions leading to ownership might be adapted to rural nonfarm areas and possibly to urban areas. Not only is an analysis of the results required but mechanisms must be devised whereby the various elements of HUD can coordinate and conform their policies to the objectives sought by new methods.

Turnkey, leased housing, and other new methods involving the private sector require that liaison be maintained with the major representative organizations and advice, criticism, and assistance be invited. An example is the relationship that has been established with the National Association of Home Builders. Similar liaison is evolving with the bankers, material manufacturers and dealers, and mortgage lenders.

Similar communications must be established with realtors and apartment owners.

This budget request does not rely solely on the addition of staff to meet the increased production goals. Steps are being taken to meet as much of the increasing workload as possible through more effective and time-saving procedures. The following suggests some of the steps to obtain greater production through more efficient use of available staff.

The regional office production staff is being centralized into a one-stop processing unit responsible for providing direct supervision of project applications straight through to completion.

A central office production division is being established with full responsibility for setting production goals, allocating resources, monitoring progress, and breaking bottlenecks.

Responsibility has been delegated to the regions for all but final project approvals.

Many of the present processing procedures are being eliminated. Greater reliance is being placed on the initiative and responsibility of the local authorities, private developers, and the architects.

Streamlined and simplified development forms and procedures are being instituted.

Program operations

Once shelter is built, leased, or acquired with the assistance of this Department, the dignity and well-being of those Americans residing in it is of the utmost importance to encourage and stimulate the citizenship capability of every man, woman, and child living in federally assisted low-rent housing.

Some of the major new policies which are being implemented in this area are:

Leadership to achieve higher levels of social services for project tenants.

Increased training and employment of tenants in project management.

Elimination of unnecessary rules and regulations governing what tenants may or may not do.

The development of equitable systems for handling tenant grievances.

Greatly expanded participation of tenants in project management affairs and program designed to strengthen the self-sufficiency of the tenants.

New management approach.—Basic changes are necessary in the approach to public housing management in order that public housing may increase its capacity to overcome the pattern of despair and frustration that tends toward the perpetuation of poverty. The Department is launching an intensive program with local housing authorities to achieve the following objectives:

1. To strengthen the communication between management and tenants and the involvement of tenants in the managment and operation of projects.

2. To improve the physical condition and appearance of projects through improved maintenance and through modernization of the physical plants of older projects.

3. To develop with tenants a broader range of activities, opportunities and services related to education, employment, and cultural advancement. Emphasis will be placed on activities and resources that will enable the families to achieve economic independence and a sense of personal and family dignity and neighborhood pride.

4. To utilize tenants as employees in the management and modernization of projects.

5. To revise rental and occupancy practices to provide the maximum possible encouragement to families to improve their economic position.

Modernization program.—In furtherance of the policy to improve both the physical and social conditions affecting the poor, a modernization program is being undertaken which will require $10 million in annual contributions to modernize an estimated 62,500 dwelling units in each of fiscal years 1968 and 1969.

The actions necessary to implement this program include the following:

1. Training the HUD staff to effectively carry out the program.

2. A revision of circulars, regulations, and sections of the local authority management handbook such as are necessary to implement the program and streamline the modernization procedures.

3. Establishment of new physical standards for modernization including new standards for grounds and landscaping.

4. Preparation of materials for the educational program.

5. The development of a special review designed to provide the major on-site educational effort in bringing about improvements in management practices and policies.

6. The establishment of criteria for selecting the authorities and projects for modernization.

7. Developing and carrying out a program for increasing and expanding the use of community space and enlarging community service programs with special emphasis on increasing the earnings of individuals and families. This will involve (a) liberalization of standards for community space and financing the additional space that can be included in the modernization costs; and (b) setting guidelines for the employment of additional staff necessary to the expanded service program.

Private management of low-rent public housing.—A pilot program of management of low-rent public housing has been instituted. This program will require implementation in fiscal year 1969 involving the development of policies, standards and procedures.

Workload in program operations.—Normal workload continued to grow. These workload increases can be measured readily by dwellings, projects and number of local housing authorities participating in the low-rent housing program. The tabulation below shows these increases at year end of fiscal year 1967 and those estimated at year end for fiscal years 1968 and 1969.

	Under management		
	Actual, June 30, 1967	Estimate, June 30, 1968	Estimate, June 30, 1969
Dwellings	654,118	712,118	787,118
Projects	4,632	5,150	6,150
Local housing authorities	1,483	1,700	2,000
Localities	1,998	2,280	2,815

By the end of 1969, the number of dwellings in management will increase to almost 800,000—up 11 percent over 1968. The number of projects will increase 19.5 percent, the number of local housing authorities with programs in management will increase 18 percent, and the localities with programs in management will increase 23 percent.

The supervision of local housing authority operations involves regular audits, inspections, and budget reviews.

Regular audits include periodic planned inspections, occupancy audits, fiscal audits, utility reviews, and the analysis of all other project operations called "management review". Under the terms of the annual contributions contract, local housing authorities are required to submit a proposed operating budget for review and approval at least 90 days before the start of the next fiscal year. Except for serious emergencies, local housing authorities are required by the contract to keep their expenditures within approved budgetary amounts. The five audits and the budget review process together form the comprehensive auditing and supervisory program. The several categories are necessary because they require different professional skills and training.

In order to systematically meet the auditing responsibilities within the possibilities of available manpower, different timing requirements have been established. Fiscal audits are conducted each year. Occupancy audits and maintenance engineering surveys had been on a 2-year cycle. However, last year the scheduling had to be modified because of the increase in workload. The schedule for surveying programs with an operation which past surveys showed to be consistently good was extended to as much as four years for maintenance and 3 years for occupancy. General management reviews are made at least once every 6 years. Additional staff is needed to prevent further stretching out of available manpower to meet the auditing responsibilities and resulting detrimental effects to the program.

The following tabulation lists the audit activities during fiscal year 1967, compared with the estimates for 1968 and 1969:

	1967	1968	1969
Occupancy	550	781	850
Maintenance engineering (project surveys)	1,650	1,650	1,650
Management reviews	300	454	545
Leased housing audits	9	98	120

In fiscal 1969, the scheduled number of occupancy audits is 43 percent of the number of local housing authorities in management. The scheduled number of maintenance engineering surveys is 27 percent of the estimated number of projects. The scheduled number of management reviews is 27 percent of the number of local housing authorities. The scheduled number of leased housing audits is 46 percent of the number of localities having leased housing programs.

Training and technical assistance to local housing authorities is another principal aspect of management operations activity. Regional management personnel are continuously engaged in helping local housing authorities train new personnel, develop rent schedules, establish operating budgets, formulate project improvement programs, develop engineering solutions to maintenance problems, reduce utility costs, and improve operating practices.

This is part of the normal workload and is independent of audit and supervisory activity. It is particularly important to assist new local housing authorities that are undertaking management operations for the first time, or for the small local housing authorities that have characteristically a high turn-

over in key personnel. The number of new local housing authorities beginning management operations in 1968 is estimated at 217 (for a total of 1,700 local authorities with programs in management at June 30, 1968), and at 300 in 1969 (for a total of 2,000 local authorities under management at June 30, 1969).

To achieve maximum returns in the training effort, the regional offices schedule statewide and subarea training sessions lasting from 1 to 2 days with staffs from several local housing authorities. These sessions may include working clinics on repairs and painting; review of accounting requirements, rent collection, leasing and occupancy, and other basic low-rent housing activities. It is estimated that 179 such sessions will be held in 1968 and 185 in 1969.

EXECUTIVE SUPERVISION AND SERVICES

Mr. EVINS. On this other activity for the renewal and housing staff offices and for the departmentwide functions you perform, please put a brief description of your request for this activity in the record.

(The material requested follows:)

EXECUTIVE SUPERVISION AND SERVICES

	Estimate, 1968	Estimate, 1969	Proposed increase
Obligations	$2,672,000	$2,751,000	+$79,000
Man-years	220	223	+3

An increase of $79,000 would provide $25,000 for increased costs resulting from the Civilian Pay Act and $54,000 for other expenses including three additional man-years of employment.

This activity combines all departmental staffs, under the Assistant Secretary for Renewal and Housing Assistance, responsible for or servicing activities related to both renewal and housing programs, including those for which the Assistant Secretary has Departmentwide responsibility such as relocation, workable programs, and social planning.

Office of community development

This staff performs functions concerned with communitywide development and services, both physical and social. The broad functions include relocation and housing of families, individuals, and businesses displaced by Department programs; workable programs for community improvement and social planning for all Department programs; and the community design aspects of renewal and housing assistance programs.

The relocation staff is responsible for the development of policies, standards, regulations, procedures, and advisory material governing relocation planning, execution, and payments for all programs administered by the Department. At present, the HUD programs with relocation responsibilities include urban renewal, advance acquisition of land, basic water and sewer facilities, code enforcement, demolition grants, model cities, historic preservation grants, low-rent housing, neighborhood facilities, open-space land, public facility loans, and urban mass transportation.

Workable program staff provides national direction in the development of workable programs for community improvements. It develops policies and procedures for guidance of cities, counties, and other municiplaities and regional office staff on requirements for certification and recertification of workable programs. The staff guidance to regional offices includes interpreting and applying workable program policies to assure uniformity in administration throughout the Nation.

The social planning and services staff performs functions related to social planning, community organization, and citizens participation. It serves the Department as principal adviser on social planning for urban areas and the implementation of such planning. It coordinates community service activities of the Housing Assistance Administration with the broad social planning policies and objectives of the Department.

The staff provides technical liaison on social policy and services with the headquarters offices of other Federal departments and agencies and maintains working relations at the national level with public and private social agencies and organizations.

The design staff provides direction and leadership in the design aspects of proposals under the programs and activities assigned to the Assistant Secretary for Renewal and Housing Assistance. It maintains coordination with other Department design officials including the Office of Planning Standards and Coordination under the Assistant Secretary for Metropolitan Development. It insures that policies, criteria, advisory materials, and operations under renewal and housing assistance programs and activities appropriately reflect departmental policies and objectives for high-quality planning and community design.

Operational Services Division. Three broad functional areas are combined in the Operational Services Division to serve all programs of the Assistant Secretary, Renewal and Housing Assistance, where formerly separate staffs existed in Renewal Assistance and in Housing Assistance. These functional areas are—

Project financing especially as it relates to obtaining private market participation in the financing of renewal and housing programs.

Local administrative practices involving the establishment of standard or compatible administrative regulations for local public agencies, local housing authorities, and other local bodies administering renewal or housing assistance programs and continuous observation and updating of these regulations to maintain the degree of guidance and control which permits maximum flexibility consistent with the protection of Federal interests and investments.

Land acquisition and appraisal which provides highly skilled technical advice and insight for establishing and adapting policies related to real estate acquisition and appraisal. This staff performs an advisory service to the regional offices, by interpreting these policies as they relate to typical or specialized situations and proposals; and to top management by providing evaluative judgments related to this highly technical field of knowledge.

The administration division

This staff provides administrative services and liaison for all renewal and housing assistance programs. These personnel prepare and manage program and administrative budgets based on objectives and forecasts of need developed by the plans, programs, and evaluation staff and the program directors; and advise and assist in the improvement of organizational structure and operating and administrative practices in the regions and the central office. They coordinate and participate in the preparation, review, and clearance of policies and procedures for publications as program documents or internal directives; initiate and coordinate the processing of personnel actions and related personnel matters; and coordinate travel and provide office services, mail and file controls, and similar administrative services.

The plans, programs, and evaluation staff develops for all renewal and housing assistance programs long-range plans and forecast of program requirements. It prepares evaluations of ongoing programs and long-range forecasts for use in the management of the various programs. It reviews and coordinates renewal and housing assistance reviews of pending legislation and analyzes recently enacted legislation for impact on renewal and housing assistance programs. The staff analyzes the total existing system data needs for renewal and housing assistance and develops a comprehensive data-gathering, processing and reporting system; and guides the conversion of statistical programs to automated data machines operations and develops procedures by which data can be retrieved.

The problems of the elderly and handicapped staff coordinates the Department's programs for housing for the elderly and handicapped and provides liaison with public agencies and private groups with respect to problems of the elderly and handicapped as they relate to the programs of the Department. It serves as the principal point of liaison with the officials throughout the Department whose programs relate to housing for senior citizens including those officials concerned with home rehabilitation programs, neighborhood facilities, model cities, and other programs to assure consideration and provision for the needs of elderly persons in such programs.

The congressional services staff provides information and answers inquiries from congressional offices on Department programs and acitivities; keeps Members of Congress and congressional committees informed of programs and legis-

lative plans and actions in which they have an interest; insures that principal staff is kept informed of congressional views; and contributes to policy formulation through representation of congressional points of view and the explanation of Department policies to the Congress.

LIMITATIONS ON ADMINISTRATIVE EXPENSES

Mr. EVINS. Let's take a look now at the limitations on administrative expenses for the college housing and housing for the elderly programs. Please put your justifications in the record at this point.

(The material requested follows:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT RENEWAL AND HOUSING ASSISTANCE

LIMITATIONS ON ADMINISTRATIVE EXPENSES

Budget requests

The 1969 budget proposes two limitations on administrative expenses for renewal and housing assistance programs as follows:

1. A limitation of $1,282,000 on administrative expenses payable from the housing for the elderly or handicapped fund; and
2. A limitation of $2,285,000 on administrative expenses payable from the college housing loan fund.

The administration of two renewal and housing assistance programs is financed by limitations on the use of corporate funds rather than by direct appropriation. These are the programs of housing for the elderly under sectiton 202 of the Housing Act of 1959, as amended, and the program of direct loans to educational institutions, known as college housing loans, under title IV of the Housing Act of 1950, as amended.

Increases in limitations are proposed solely to provide for increased pay act costs pursuant to Public Law 90-206. No staff increases are expected.

HOUSING FOR THE ELDERLY OR HANDICAPPED

	Estimate, 1968	Estimate, 1969
Limitation enacted or proposed	$1,232,000	$1,282,000
Proposed increase in limitation for Pay Act increases	40,000	
Total	1,272,000	1,282,000
Man-years	102	102

No increase in staff is required for the housing for the elderly or handicapped loan program in fiscal 1969 over that expected to be available in fiscal year 1968. The increase over 1968 is to provide for increased Pay Act costs.

This staff develops program policies, standards, procedures, and advisory materials; advises and assists other Department staff with responsibilities for the program; and reviews and evaluates the effectiveness of the program. It provides technical advice to applicants; determines the eligibility of projects; recommends approval of loan applications; coordinates technical services required in connection with financing, construction, inspection, land appraisal, land acquisition, engineering, and legal functions; recommends approval of capital and operating budgets; and reviews and inspects management operations.

The elderly housing loans staff works closely with potential sponsors in preapplication meetings to explain the criteria which must be met to obtain a loan. Policies and criteria for loan approval are continually reviewed to insure that available funds are used to produce housing where the needs are greatest and the prospects for successful management are best. Applicants are screened to assure that they are eligible nonprofit borrowers supported by sponsoring groups or organizations with adequate resources to insure that effective services are provided for the project occupants.

The review and analysis of applications are aimed at the development of well-planned projects and the approval of sound loans. The review and approval of an application includes analysis of the need and market for the proposed hous-

ing, site selection, rent schedules and financial feasibility of the project, and security and repayment of the loan. Following approval and execution of the loan agreement, staff reviews construction contract documents including final plans, specifications, and drawings. Following approval, the applicant advertises for construction bids and staff reviews and recommends approval of the award of the construction contract and any changes during construction.

All projects are expected to operate with a minimum of advice and guidance from staff. However, projects are followed closely and observed until they are occupied and in good financial condition particularly since many borrowers and sponsors have little or no experience in operating projects of this type. In a few cases projects may have some occupancy or financial problems. In such instances, regional staff works out arrangements with the borrowers under the direction of the central office staff to keep from going into foreclosure and loss to the Federal Government.

Staff involved with this program are expected to process 45 new applications in fiscal year 1969, oversee the construction of 79 new projects, and provide service to 247 completed projects.

COLLEGE HOUSING LOANS

	Estimate, 1968	Estimate, 1969
Limitation enacted or proposed	$2,200,000	$2,285,000
Proposed increase in limitation for Pay Act increases	75,000	
Total	2,275,000	2,285,000
Man-years	178	178

No increase in staff is required for the college housing loan program in fiscal 1969 over that expected to be available in fiscal year 1968. The increase over 1968 is to provide for increased pay act cost.

This staff develops program policies, standards, and advisory materials; advises and assists other Department staff having responsibilities for the program; and reviews and evaluates the effectiveness of the program. They continually review loan approval policies and criteria to insure that available funds are used to produce college housing and facilities where the needs of the institutions are greatest and determine the eligibility of applicants and projects.

Technical assistance and advice is provided to applicants on legal, financial, engineering, and architectural aspects of a proposal. The staff reviews processes and recommends approval of loans; approves award of construction contracts and project and contract changes during construction; obtains and coordinates arrangements for capital financing and technical services to the borrowing institutions; and manages the portfolio of college housing bonds, including technical assistance to the borrower when the loan is acquired and an annual review of the financial status of the project subsequently to ascertain compliance with the terms and conditions of the bond.

Prompt and effective servicing of the increasing portfolio is necessary, especially because of the increasing number of colleges applying for additional loans under the program. In such cases, the current status of a prior loan is given major consideration before approval is given for new loans.

College housing loans staff are expected to process 360 applications in 1969, provide assistance in starting construction on 160 new projects, and participate in bringing 185 projects to completion.

Mr. EVINS. The 1969 budget proposes two limitations, a limitation of $1,282,000 for administrative expenses, payable from the housing for the elderly fund. That part of your administrative expense is taken from these funds?

Mr. FRANTZ. Yes.

Mr. EVINS. The administration of the housing for the elderly and college housing programs is financed from these funds. You say that the increases in these limitations are proposed solely to provide for increased Pay Act costs?

Mr. FRANTZ. Yes.

Mr. EVINS. Mr. Hummel, we think you are on top of your job.

WEDNESDAY, MARCH 20, 1968.

METROPOLITAN DEVELOPMENT

WITNESSES

CHARLES M. HAAR, ASSISTANT SECRETARY FOR METROPOLITAN DEVELOPMENT

OFFICE OF ASSISTANT SECRETARY

PETER LEWIS, DEPUTY ASSISTANT SECRETARY
FREDERICK A. McLAUGHLIN, DIRECTOR, PROGRAMS STAFF
WILLIAM F. DUNN, BUDGET OFFICER
PHILIP N. HAWLEY, BUDGET ANALYST
VINCENT J. HEARING, ASSISTANT TO ASSISTANT SECRETARY

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ROBERT DOYLE, DIRECTOR

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ARTHUR A. DAVIS, DIRECTOR
ROBERT PAUL, DEPUTY DIRECTOR
ROBERT E. McCABE, DEPUTY ASSISTANT SECRETARY, RENEWAL ASSISTANCE ADMINISTRATION

URBAN TRANSPORTATION ADMINISTRATION

WILLIAM B. HURD, ACTING DIRECTOR

OFFICE OF THE SECRETARY

EDWARD H. BAXTER, REGIONAL ADMINISTRATOR, REGION III, ATLANTA
JOHN M. FRANTZ, DEPARTMENTAL BUDGET OFFICER
NATHANIEL J. EISEMAN, DEPUTY DEPARTMENTAL BUDGET OFFICER
DAVID S. BROWN, BUDGET ANALYST

Mr. EVINS. The committee will come to order.

We resume our hearings with the Department of Housing and Urban Development. We have with us this morning Mr. Charles M. Haar, Assistant Secretary for Metropolitan Development. He is accompanied by a distinguished staff.

Mr. Haar, have you a statement for the committee on the operations of your department?

Mr. HAAR. Yes, sir. I have.

Mr. EVINS. We will be pleased to hear you.

GENERAL STATEMENT

Mr. HAAR. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee; it is a pleasure to meet with you again to discuss the programs administered in the Office of Metropolitan Development.

The appropriations requested for the activities of Metropolitan Development are based on the continuing need to improve the capability of communities, small and large, to plan and provide the facilities needed by the ever-increasing urban population. These efforts are aimed at improving the efficiency, economy, and desirability of living conditions and environment throughout the Nation.

FEDERAL ASSISTANCE

With the burden of taxes and indebtedness continually rising, States and local governments have been unable to meet the demand for urban facilities and services. The Federal Government must, therefore, provide some financial support to meet these needs. We are coming to you this year with a very tight budget. The level of our request indicates a tightening of the belt—despite sharply increasing levels of demand. The appropriations requested, though far short of amounts needed to meet total demand, will serve to stimulate overall improvement in living conditions. The amounts requested have been kept at a conservative level in keeping with the policy of overall restraints in Federal spending.

REVIEW OF PROGRAM ACTIVITIES

Briefly the funds requested or becoming available for each program will provide:

In the urban planning program, grants of $55 million will be committed for about 980 projects. These projects will assist (1) 690 small communities and counties and localities in redevelopment areas, (2) 130 metropolitan and regional areas, (3) 30 States in development of statewide comprehensive planning, (4) 65 areas that have unique eligibility requirements for immediate planning attention, and (5) about 65 research and demonstration projects. This is essential if our local communities are going to be in a position to manage their resources in a businesslike manner.

In public works planning, interest-free advances of $8.5 million will be made to 340 communities, mostly small ones, to plan public facilities. These advances will be funded entirely from repayments of advances previously made.

In grants for basic water and sewer facilities program, 290 communities will be assisted with the $150 million requested and, in the process, sound areawide planning will be encouraged.

In the public facility loans program, $40 million in loans to 70 small communities will assist them in providing needed public works that they would not be able to finance privately on reasonable terms.

In the open space land programs, grants of $85 million will be committed for about 600 projects. These projects will (1) preserve 76,000 acres of open space land, primarily in growing suburbs, (2) create 75 parks and recreational areas in the cities, (3) support beautification programs in 100 cities, (4) assist 25 historic preservation projects, and (5) provide for five unique demonstration projects. The forces of urbanization consume an estimated 1 million acres of urban land each year, resulting in higher land prices and open land, forever lost.

URBAN TRANSPORTATION PROGRAMS

In the urban transportation program the budget for fiscal year 1969 provides grants for the use of $165 million already appropriated to aid (1) the construction and acquisition of equipment for 23 mass transportation systems, (2) the planning of 18 systems, and (3) the training of 85 systems managers. Initial studies for the design of a mass transportation research program are almost completed, and $25 million of commitments is proposed for carrying out the first stages of such a program in 1969. As you know, the appropriation level for fiscal year 1969 was approved by the Congress last year. We are asking, however, for an increase of $15 million in the fiscal year 1969 appropriations to enable the Federal Government to initiate a meaningful program of urban mass transportation research at this time. We must begin immediately to devise new systems of transportation which will get our transportation job done better, and I might add, for less money.

While I think that the program described above is realistic in general terms it may be subject to some modification because of the pending reallocation of certain of these functions to the Department of Transportation. For the same reason, the requested $230 million advance funding for transportation programs for fiscal year 1970 has not been programed in detail at this time.

PURPOSE OF THE PROGRAMS

All these programs are aimed at encouraging closer working relationships among communities, regions, counties, and States so that the greatest benefits in the improvement of living conditions in the Nation can be achieved with the limited funds presently available.

During the coming year my own staff will accelerate its efforts in improving management of our programs and responsiveness of these programs to local needs. When I was here before you last year, the average approval time for our urban planning assistance grants was 9 months. It is now 4 months. But this is not enough. Too many communities have to wait too long for a yes or no answer on their applications. This is expensive for them and expensive for us.

Throughout the Office of Metropolitan Development, we are pressing to improve our performance, to give careful service to local communities large and small. In a time of budgetary restraint where selectivity is most important, we must be able to act promptly and fairly.

We intend to do just that.

Mr. EVINS. That is a very excellent statement, Mr. Haar. You have capsuled so much with such brevity. It is an art. You covered metropolitan areas, small towns, States, cities, rural areas, open space, and many programs. It is an excellent and concise statement.

SUMMARY TABLE

At this point, we shall insert the table which summarizes the actual and proposed appropriations for metropolitan development programs. This table shows the actual and proposed appropriations requested for programs, salaries and expenses and limitations on administrative ex-

penses for fiscal years 1967, 1968, and 1969. However, in the case of the urban transportation programs, the funds for fiscal year 1969 were appropriated in fiscal year 1968. You are requesting an additional $15 million for 1969, and an advance appropriation of $230 million for fiscal year 1970.

(The material follows:)

SUMMARY OF ACTUAL AND PROPOSED APPROPRIATIONS, FISCAL YEARS 1967–69

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Appropriations:			
Urban planning grants:			
Under existing authorization	33,000	45,000	38,838
Under proposed authorization			16,162
Public works planning advances			
Grants for basic water and sewer facilities	100,000	165,000	150,000
Open space land programs	54,179	75,000	85,000
Administrative expenses	821		
Grants to aid advance acquisition of land			
Urban transportation programs:			
Appropriations enacted	130,000	125,000	175,000
Appropriations proposed			15,000
Appropriations for next year's program:			
Under existing authorization	(125,000)	(175,000)	(40,000)
Under proposed authorization			(190,000)
Administrative expenses	735		
Areawide development grants [1]			(10,000)
Salaries and expenses, metropolitan development		6,100	8,700
Proposed pay act supplemental		195	
Total, appropriations	318,735	416,295	488,700
Limitations on administrative expenses:			
Public facility loans	1,205	1,187	1,235
Proposed pay act supplemental		40	
Revolving fund (liquidating programs)	110	100	104
Total, metropolitan development	320,050	417,622	490,039

[1] Proposed for later transmittal.

ADMINISTRATIVE IMPROVEMENTS

Mr. EVINS. I notice at the last of your statement you mention significant administrative improvements. You state that last year the time lag in the handling and processing of urban planning grants was 9 months, and now it has been capsuled into 4 months. You have achieved some speed and efficiency, and you are to be commended for this action.

Gentlemen, I have looked over your budget, and I think it is well prepared and provides a lot of detail.

The Secretary has stated that the metropolitan development programs assist the States, small towns, and metropolitan areas.

Mr. Secretary, you mention in your statement five demonstration projects. Tell us about those briefly. What are you planning in the five new demonstration projects?

DESCRIPTION OF OPEN SPACE DEMONSTRATIONS

Mr. HAAR. These are demonstration projects which relate to the open-space land programs. We are attempting, for one, to demonstrate how less-than-fee simple acquisitions can be utilized by various local authorities to reduce the total cost of land acquisition; in other words, how they can do this by way of options or by way of easements to

reduce the total cost of this enormous bill which is facing them in order to provide open space and recreation.

Mr. EVINS. One way to save money is to buy on a declining market, and another is to buy early before the prices are enhanced. A common sense country businessman could tell you that. What is the uniqueness of your demonstration?

UNIQUENESS OF THE DEMONSTRATION

Mr. HAAR. The uniqueness would be that it is very expensive to obtain some of the land that is necessary. For example, you may need open space next to a school in order to reduce vandalism at the school. Most local authorities are forced to pay high prices because they are where the demand is.

I agree with the chairman, it is basic. But foreseeing all the prices and eventualities, they could operate more effectively.

In the demonstration we are trying to do what has been attempted in some of the school and highway programs to reduce total bills by securing an easement or perhaps a fee so the temporary use can go on and the cost of using it as open space will be reduced.

Mr. JONAS. How much are you going to spend on this?

Mr. HAAR. We are talking about a very small amount. I think it is about $1 million for all five projects.

FEDERAL GOVERNMENT'S ROLE

Mr. JONAS. You do not really think it is necessary for the Federal Government to tell a local community that it can save money if it can acquire property by a long-term lease instead of purchasing it, do you? Do you not expect to leave anything to the local community in the handling of its own problems? Are you going to take over every aspect of local government?

How long do you think the local communities have been in the business of building schools, and what is so unique about it that it would require the expenditures of Federal funds to demonstrate to a local community that if it can acquire property by long-term lease it will not cost as much as to acquire the fee simple title? It is amazing to me that you would go that far in undertaking to inject yourself into every aspect of local operations. I just cannot understand the necessity of the Federal Government's getting into this kind of business.

Mr. HAAR. In terms of the demonstrations, Mr. Jonas, the Federal Government's role is a highly limited one. Its role is to undertake carefully chosen demonstrations of wide general applicability from which we can learn. Then all the local authorities that wish to avail themselves of the knowledge and the experience that comes from these specific demonstrations, can do so. Thus they benefit from demonstrations which they themselves could not undertake with their limited resources.

Mr. JONAS. I am not talking about grants for the acquisition of the land. I am talking about demonstration projects to demonstrate to the country that local people can acquire necessary open land for future use by methods other than acquiring the fee, if it is available.

All you need to do is get out a memorandum to all persons concerned, reminding them of that, if they need any reminding. The people in the local communities are not completely dumb, are they, or do you consider that they have no judgment and no discretion and no intelligence?

Mr. HAAR. I take it that is a purely rhetorical statement. The wisdom and the expertise of the local authorities of this country has been proven time and time again. A demonstration grant is made upon the request of local authorities that wish to undertake new techniques and come to us and tell us this is what they would like to do, and for which there is a general national need of how to reduce the cost in dealing with the open land acquisition.

Mr. JONAS. What experience have you had in reducing cost? They are the people who have had the experience. Yours is entirely theoretical, and theirs is practical.

Mr. HAAR. I think we have a good deal of practical experience.

Mr. JONAS. Where did you get it?

Mr. HAAR. By dealing with the local people.

Mr. JONAS. You got it by taking people from the local communities where they have this expertise.

Mr. HAAR. Exactly.

DESCRIPTION OF MORE DEMONSTRATIONS

Mr. EVINS. What are the other projects, Mr. Haar, besides this one, the leaseback?

Mr. HAAR. Some of the other projects relating to demonstrations are the devoloping of portable parks and developing of local parks within an area. By the use of small, scattered open space sites in some communities, you can reduce costs; and by well-sited, small, inexpensive land, again determined by the local people, we can reduce the total bill.

701 GRANTS FOR STATEWIDE PLANS

Mr. EVINS. What are your plans, Mr. Haar, with respect to the 30 States, in the development of statewide, comprehensive plans? The States have industrial development commissions for attracting industry. They have their State conservation commissions for developing their parks.

We look upon the Metropolitan Development Division, under your direction, and the Department of Housing and Urban Development in particular, as largely for the metropolitan areas and small towns. What are you doing for the 30 States?

Mr. HAAR. The 30 States are working with many programs and many grants. We are giving them help in reorganizing. The grant to Massachusetts, for instance, was made so as to organize their planning and budgeting and programing so they could better coordinate the different grants and the different programs they receive from the Federal Government.

We have given grants to States in this respect. We propose to give further grants with respect to law enforcement and administration of criminal justice, and how they can coordinate the various functional grants with the overall, comprehensive planning and with the overall development of governmental structure.

Again, in the State of Kansas we have dealt with public health grants, in how they can best plan the public health system relating it to the general population and other installations within the State.

LAW ENFORCEMENT

Mr. EVINS. Whatever you can do to assist the States and local communities in law enforcement is commendable. There is widespread violence, and we need law enforcement.

Mr. JONAS. I do not know whether it is or not. We have legislation pending in Congress which puts this responsibility in the Department of Justice. You read into the record the legislative provision which gives you authority to go into the administration of justice.

Mr. HAAR. We have been working very closely with the Department of Justice on these grants to the States. The Department of Justice, under the present limited statute and under the proposed Safe Streets Act, would provide grants for police forces and for immediate relationships to the administration of justice. Together with them, we have provided 701 planning grants to provide an answer to the question, "How does the law enforcement grant fit into the overall State programs? How can it best be coordinated with the other State operations? How can we look at the general manpower requirements, for instance, within the State of Minnesota so the grants with relationship to police and the data and the various equipment can be best fitted into the overall plan?"

Mr. JONAS. Where do you get your expertise in this field? I thought you were in the business of housing.

PURPOSE OF METROPOLITAN DEVELOPMENT

Mr. HAAR. Mr. Jonas, I think the purpose of metropolitan development is to assure orderly and efficient urban growth, and housing is a major component of urban growth, but we are dealing with the general planning to help States, small communities, and metropolitan areas do their own programing and capital budgeting, not only with respect to housing, but how houses can fit into the whole healthful environment.

One of the crucial things is the neighborhood and the whole community and the kinds of services that a neighborhood and community get, whether it be garbage collection, whether it be law enforcement, or other things. These are important things in determining the value of the house.

Mr. JONAS. I thought the Public Health Service was concerned with that.

Mr. HAAR. They are in that.

Mr. JONAS. That is their responsibility. What is the use of overlapping? Are we not ever going to streamline this Government and stop its growth?

Mr. HAAR. I agree with you. That is the purpose of comprehensive planning, to make sure that when you do one function it is not distorted; that you do coordinate the various things as they relate to planning.

Mr. JONAS. I would like to have the legislative authority for you to go into the business of supporting law enforcement.

Mr. HAAR. Supporting the comprehensive planning of the urban area and how law enforcement relates to that.

Mr. JONAS. You stated you made a grant to Massachusetts, as I recall, to enable them to overhaul their law enforcement procedures.

Mr. HAAR. No. This was to the State of Minnesota.

Mr. JONAS. Where is the legislative authority for you to get into this field?

Mr. HAAR. I will be glad to supply the exact wording to you.

Mr. JONAS. I thought Mr. Frantz had it open and we could get it read right now.

Mr. HAAR. I think it is within section 701.

Mr. FRANTZ. 701 (d)

SAFE STREETS ACT

Mr. JONAS. One of the questions involved in the so-called Safe Streets Act is whether this coordination and help will be at the local level or through States. Now you are jumping the gun and are going into—I do not necessarily object to the State approach, but I do not want to see any more duplication. I cannot understand that your Department would be involved in beefing up law enforcement agencies.

Mr. HAAR. The President issued an Executive Order in which the Justice Department, quite properly, has taken the lead in this matter. He has asked all the Federal Government agencies to work closely with the Justice Department.

That is precisely what we have done with respect, for example, to the grant to Minnesota. It is for the precise purpose of avoiding duplication and overlap, and to make sure that you do have coordination and that they do not get in each other's way, that this grant is being made to the State of Minnesota.

Mr. JONAS. You mean the State of Minnesota needs help from you to keep from getting in the way of the municipalities in Minnesota?

Mr. HAAR. No, sir. There are certain functions the State has, as you know, Mr. Jonas, in terms of some of the remedial institutions. How does this fit into the overall program and planning of State funds and of State resources?

Mr. JONAS. How much is this grant to the State of Minnesota to be?

Mr. HAAR. The grant is in the amount of $30,000.

I should say, in terms of which unit you select, that we have also given one of these grants to a metropolitan area in Michigan. There is no choice there as to which instrumentality is selected. They each have functions to perform.

MINNESOTA'S QUALIFICATIONS FOR A PLANNING GRANT

Mr. JONAS. What did the State of Minnesota have to show you before you agreed to make this $30,000 expenditure, to justify their need for these Federal funds? Do you have a copy of their prospectus or brochure or application, or what was the basis on which you made this award? What representations were made by the State?

Mr. HAAR. Of course, they came in with their application and with their matching funds and with a definition of the purpose and scope of the work.

Mr. JONAS. And showed you that the State of Minnesota is broke and has no money and no resources to undertake this study on its own responsibility?

Mr. HAAR. They did indicate the financial need and the pressure here.

Mr. JONAS. What was the financial need?

Mr. HAAR. They attempted to work this out with the Department of Justice.

Mr. JONAS. It seems to me, Mr. Haar, that with all of the needs about which you have so eloquently spoken, and Dr. Weaver, too, of the terrible conditions in the cities. It seems to me that you are going far afield to spend taxpayers' money in programs to give a State $30,000 to study its own law enforcement procedures when that is a responsibility of the Department of Justice.

I do not myself believe there is any legislative authority for you to get into this area.

Mr. EVINS. The Executive order issued by the President asked all the agencies to coordinate as much as possible their functions.

What are your responsibilities under this convenor order?

Mr. HAAR. There is a convenor order which the President has issued, giving authority to the Secretary of HUD, related to the problems of housing and urban development, to call in the different departments concerned.

In this particular case of law enforcement, I must respectfully say, Mr. Jonas, that I would disagree. I think the problem of crime, the problem of the administration of justice, is a crucial one for all our cities and for all our metropolitan areas.

Mr. JONAS. Do not misunderstand me. I think so, too. But what do we have a Department of Justice for?

Mr. HAAR. We have a Department of Justice which administers the direct application of funds under the proposed law enforcement act. The purpose of the section 701 program is to help cities, the smaller cities and the metropolitan areas and the States, to coordinate the different efforts, to put them together so they have an over-all program and plan that makes sense; that they begin to evaluate what kind of police force they need to achieve what kinds of purposes, how they can do it more cheaply, how they can do it more effectively.

Mr. JONAS. How did you select Minnesota as the recipient of this grant?

Mr. HAAR. Together with the Department of Justice, we reviewed the localities that were specifically interested in the problem, the localities that had the resources ready to advance on the issue of crime, the ones that could most effectively deal with the issues of the justice system. Minnesota was one. Three others were selected.

GENERAL AUTHORITY FOR "701"

Mr. JONAS. Will you please read the section you are operating under?

Mr. HAAR (reading):

> In order to assist State and local governments in solving planning problems resulting from the increasing concentration of population in metropolitan and other urban areas—to facilitate comprehensive planning for urban development on a continuing basis, and to encourage such governments, including the States, to establish an improvement planning staff.

I think under this general authority——

Mr. JONAS. You construe that to include law enforcement?

Mr. HAAR. Yes, sir, insofar as assisting States and local governments in solving their planning problems.

Mr. JONAS. And police forces?

Mr. EVINS. Certainly one of the crucial problems of the cities today is crime and violence in the streets. If you want law enforcement, we have to get after some of these people who are creating the violence in the cities.

LAW ENFORCEMENT ACTIVITIES

Mr. Shipley. On this point of law enforcement, your agency, I assume, to my knowledge was created to assist the communities and the States in urban growth and the related problems that they have. You are in the health business, so to speak, when you make sewer and water grants.

I really do not see any objection to assisting States if they have the need to improve their police departments, whether it be by just setting up different kinds of examinations or spending the money more wisely.

Mr. Jonas says he does not see where you have the authority for this, but with the business you are in, you are to assist communities in any of the ills they may have. That is my interpretation of your job or the intent of Congress when the agency was created. I do not know about the authority, but personally I, for one, am in favor of your going into these areas if the States need help, and I am sure many States and towns do need help.

Mr. EVINS. Mr. Haar has a very attractive large package, to assist the States, the metropolitan areas, and to assist the smaller communities. Each would wish that he would direct his major effort to their respective communities. I can see why the Governors of the States want all the grants and all the assistance possible. You have a very attractive package for all of them, Mr. Haar.

Mr. SHIPLEY. There is no use to build beautiful facilities, no use to go into housing, and so on, if you do not have proper law enforcement to follow it.

Mr. GIAIMO. As a matter of fact, this is within your function; is it not? Is it not correct to say that it is not within the authority of the Justice Department to inject itself in this field?

Mr. HAAR. I think that is a fair thing to say, Mr. Giaimo, in terms of the comprehensive planning and how the particular function fits into the overall role of the State government, and how they can most economically and effectively discharge that function.

Mr. SHIPLEY. I think, too, it is important to remember here that it would be better to have this help come from an agency other than the Department of Justice when you talk about States rights.

Mr. EVINS. The Justice Department has been a little bit derelict, anyway. The Attorney General is supposed to be the chief law enforcement officer in this Nation. He is supposed to set the pattern and the example. In my view, the Attorney General is coming around to see the light a little bit late. The prosecution of one case could retard or set an example for others.

Mr. GIAIMO. That is my point, Mr. Chairman. His function is the enforcement of the laws of the United States. But that is not what you are doing now. You are assisting in planning and upgrading police departments and trying to bring them into this overall complex concerning metropolitan problems, to try to meet needs properly. Is that not the function?

Mr. HAAR. Yes, sir.

Mr. GIAIMO. Certainly it is not a law enforcement function.

Mr. HAAR. No, sir.

Mr. JONAS. May I make one final comment, Mr. Chairman?

Apparently I did not make my position clear. What you are doing is the keystone in the Safe Streets Act. We do not need the Department of Justice doing this if HUD is going to do it. And if the Department of Justice is going to do it under the legislation proposed by the President, which is the keystone of that entire program—coordination of effort and the development of a statewide plan and beefing up law enforcement agencies—we do not need both departments in it. That was the purpose of my inquiry.

That is one trouble with the Government now, we have so many different agencies in every field, you cannot keep up with them. That is the reason we are broke. I am not in favor of crime. I am in favor of putting the responsibility where it belongs, and that is in one place, instead of having so much duplication.

VOLUNTEER LEGAL SERVICES

Mr. EVINS. I want to read a press release which has been called to my attention, headed "HUD Lawyers Volunteer Legal Aid to Poor."

More than 300 attorneys associated with the U.S. Department of Housing and Urban Development may now volunteer their services as unofficial public defenders in cases involving the Nation's poor.

Secretary Robert C. Weaver said a recent amendment to HUD regulations governing outside employment makes this possible.

He said the authorization applies to the 132 lawyers in HUD's Washington office and about 180 in regional offices located in New York City, Philadelphia, Atlanta, Chicago, Fort Worth, San Francisco, and San Juan in Puerto Rico.

About 180 in regions and 132 in Washington. That makes over 300.

Legal services must be offered on a voluntary basis, without compensation, and generally during off-duty hours. HUD attorneys may not give advice or assistance in cases which might involve a conflict of interest with the Department or the Federal Government.

HUD said they should not, for example, participate in proceedings involving landlord-tenant relationships. But they may assist in cases involving questions of private debts and contracts, personal injuries, domestic relations, employment problems, and probate matters.

A HUD lawyer can act as a defending attorney in State or local criminal prosecutions.

I thought, how could he do this on off time? He goes on to explain he has to take leave.

He may research individual cases or projects, give advice, prepare documents, negotiate with other lawyers, appear in court, and perform all other functions of an attorney in any jurisdiction where he is a member of the bar.

Where an appearance is required in court during business hours, the attorney may be granted annual leave, compensatory time, or leave without pay.

HUD regulations governing outside employment were amended to permit HUD lawyers to offer free legal services at the request of General Counsel Thomas C.

McGrath, Jr., who pointed out the need of the poor for legal advice on a voluntary basis.

This, he said, is responsive to recent recommendations of the Federal Bar Association calling for "affirmative" regulations permitting Federal attorneys to volunteer legal assistance where needed.

Individuals cannot apply directly to HUD attorneys for representation.

Mr. McGrath suggested that requests for legal assistance be made through legal aid societies—through which the HUD lawyers may proffer their services—or other non-profit organizations which furnish such services to the poor.

That is noble and charitable. If a neighbor came to see me and wanted a little advice on domestic relations, I would try not become involved, but you could not keep from giving him the benefit of your advice. If you are going to set up a free legal bureau in HUD of 300 lawyers, that is going pretty far.

I imagine following this it will grow extensively.

Mr. FRANTZ. Mr. Chairman, Mr. McGrath and his deputy, Mr. Foard, are not here this morning. I anticipate they will be tomorrow, and they will be glad, I am sure, to explain this further, if you would care to have testimony on it tomorrow.

Mr. EVINS. We may have a chance to talk with him about it.

Mr. HAAR. I think it is related to the activities of the American Bar Association.

Mr. FRANTZ. I feel sure if these were additional lawyers, the budget officer would know more about it than he does.

Mr. JONAS. The announcement makes it clear it is not new lawyers. It is lawyers who are supposed to be working full time for HUD.

Mr. EVINS. The testimony earlier indicates HUD lawyers are on both sides of a case. In one case they are insisting on vigorous law enforcement, and in another case lawyers are taking off from work to assist those who are charged with different violations.

POVERTY PROGRAM PROVIDES FREE LEGAL SERVICES

Mr. JONAS. The poverty people are in this in a big way. They have set up legal aid clinics in most of the cities of the country, and are providing free legal services. We will have to go into this in a little more detail. Maybe you have more lawyers abroad than you need, if you can farm them out to civilians.

Mr. MARSH. I think the point the chairman makes is a very serious one on the possible conflict of interest which could very easily occur in a situation of this type, where the Federal Government may be involved very likely on both sides of a case. If Federal attorneys are to be offering themselves as defense counsel for people in the cities, I hope there will be some explanation of the possibilities of conflict of interest when we go into this subject further.

Mr. HAAR. I am sure the General Counsel can testify to that. I am sure they have looked at the canon of ethics and are not in a position of conflict. I am sure he will elaborate on that.

JUSTIFICATION MATERIAL

Mr. EVINS. Gentlemen, let us get down to the text of Mr. Haar's justifications.

He cites the President's message to the Congress on the crisis in the cities. "Unless we decide now for order and purpose, the result

will be surrender to chaos, confusion, ugliness, and unnecessary and exorbitant cost."

Place in the record pages A–1 through A–9 which is the introduction section of the justifications for Mr. Haar's programs.

(The pages follow:)

INTRODUCTION

The Assistant Secretary for Metropolitan Development is the focal point for programs in the Department that offer assistance to States, groups of towns and cities in metropolitan areas, and small communities. This assistance is designed to promote orderly and efficient urban growth and the attainment of healthful environments. The programs are based on a recognition that many of the problems of city or town can be solved only if clusters of cities and towns work together.

Each of these programs was established by the Congress in response to a particular urban problem. But the root of all of the problems is basically the same—the Nation's communities are caught in the squeeze between rising needs and lagging resources.

The needs are those of a rapidly growing urban population that requires more than a million acres of farmland each year for new housing, shopping centers, industrial sites, streets, and related urban uses. The new urban families must have municipal facilities such as schools, parks, water and sewerage systems, transportation systems, and hospitals.

Local governments are striving to meet the overwhelming demands that urban growth has made on their limited fiscal resources. Between 1954 and 1965 city tax revenues per capita rose by 60 percent; property tax revenues alone rose by 51 percent. But over the same period, city expenditures per capita increased by 76 percent and debt by 80 percent. These increases are those solely for communities; they do not reflect additional revenues, expenditures, and debts of other local, overlapping jurisdictions such as school districts.

The urban crisis is vividly described by President Johnson in his 1968 message to the Congress on the cities:

"For several decades, now, the tide has run against the growth, strength and vitality of our cities.

"Unless we decide now for order and purpose, the result will be surrender to chaos, confusion, ugliness, and unnecessary and exhobitant cost."

The programs administered by the Assistant Secretary for Metropolitan Development represent Federal efforts to share the costs of growth and to assure its orderly development. Each program provides financial aid—loans or grants—to help States and communities keep pace with this mounting demand for more public facilities and services.

In addition, each applicant community is offered technical planning assistance to the extent available in the Department's regional offices. Experts in urban planning, engineering, and public finance often show a community how to make better use of the financial aid or how to resolve problems unrelated to an application. Small towns, especially, have turned to the Department's staff for assistance in planning for the construction and financing of needed public works.

Metropolitan development will continue its policy for the forthcoming year of project selectivity in administration of the grant and loan programs. The use of a systematic process for rating applications enables the Department to weight the urgency and need for the kind of assistance requested and make a determination as to the probable contribution that the particular project will make to the community's total comprehensive development.

This introduction explains how these programs mesh together and assist in resolving the problems of urban development.

Comprehensive planning

The process of developing solutions to urban growth problems begins with sound planning. The Office of Metropolitan Development administers the section 701 urban planning grant program which provides assistance for comprehensive planning by States, metropolitan areas, and small communities. Locally prepared comprehensive development plans, financed under this program, serve as guides for locating and coordinating the development of new transportation systems, utility lines, housing projects, commercial and industrial centers, schools, and other public facilities. Section 701 plans have often stimulated local economic

development programs as well as programs, such as low-income housing, aimed at improving the living and working conditions of underprivileged groups.

Planning can point the way to more economical solutions to urban problems. A sewage system, for example, that is planned for joint use by several communities can achieve significant economies of scale. The per capita cost for a treatment plant serving half a million people is 75 percent of that of a facility for 50,000. Advance planning of public sewage disposal systems also can avoid the need for new housing to depend upon private septic tanks, which often are unsatisfactory and soon require replacement by public systems—a double expense for the homeowner.

From its inception in 1954, the 701 program has had a major role in establishing comprehensive planning as an accepted process for guiding and coordinating urban development. The number of different small communities, including those in redevelopment areas, receiving grants under the program has risen from 242 at the end of 1956 to 6,200 as of June 30, 1967. Different metropolitan areas receiving grants over the same period of time have increased from 23 to 247. Assistance for statewide planning was authorized by an amendment in 1959; by June 1967, 44 States had received grants for this purpose. These statistics reflect the increasing dependence on comprehensive planning by the States and their subdivisions as a means of coordinating all of the many public and private actions that contribute to urban growth.

The value of comprehensive development planning as a coordinating device among the many jurisdictions in an urban region has been recognized by the Congress in the several statutes requiring such planning as a condition for Federal financial aid. The policies and procedures for implementing these planning requirements as well as those of several other Federal agencies, are formulated in metropolitan development. Much of this required planning is initiated and maintained with assistance from the section 701 program.

Basic urban facilities

Utilities, transportation facilities, and open spaces are basic necessities for healthful and satisfying urban living. The essential nature of these facilities, and the inability of localities and private enterprise to finance the cost of keeping up with an urgent demand, were major reasons for the enactment of three Federal grant programs administered in the Office of Metropolitan Development—grants for basic water and sewer facilities, the urban transportation programs, and the open space land programs.

Grants for basic water and sewer facilities

The urban growth in recent years has been so rapid and so extensive that local public bodies have been unable to fulfill the water and sewer facilities needs. It is estimated that capital outlay for public water and sanitary sewer facilities will have to be increased from the present rate of approximately $2.1 billion annually to $3.5 billion annually if the needs of the Nation's growing urban population are to be met. The 50 percent grants under this program help State and local agencies to confront this urgent demand.

The location of water and sewer lines within a metropolitan area can, in effect, determine the location and amount of land to be developed. Without these facilities land needed for increasing urbanization cannot be built upon except at low, land-consuming densities. The Federal grant program is designed not only to make possible the construction of these facilities but insure that sufficient funds are available to incorporate into initial construction a capacity adequate to take care of future growth.

Urban transportation programs

Future growth also requires increasing investments in transportation systems, systems that are needed to both serve and guide this new development. More than that, a balanced system of transportation modes can relieve the growing crisis of traffic congestion within present built-up cities. This congestion is seriously affecting the economic life of the city, lowering its property values, and reducing its attractiveness as a place to live and work. Commuters' tempers are getting shorter as travel times are getting longer. And more highways, costing millions of dollars per mile to construct, will not by themselves produce the cure.

Mass transportation facilities can provide an alternative to the automobile-highway travel pattern. A mass transit system can move a larger volume of riders, rapidly and economically. The economy of mass transit makes it particularly essential to special groups of people—low-income residents, the elderly, and young people. For these reasons the capital grants made under the urban

transportation program are not only supplementing the weakening financial base of the mass transit industry but are making a contribution to improved mobility—essential, for example, to the seeking of employment opportunities—for people who are without other adequate means of transportation.

The availability of Federal capital grants is enabling many urban communities, large and small, to meet immediate emergency needs for facilities and equipment and to carry out long-range programs for improvement and extension of urban transportation systems. The research projects being conducted under this program offer promise of new, better and more economical means of meeting transportation needs of great numbers of urban residents.

The proposed reallocation of urban transportation responsibilities between the Departments of Transportation and Housing and Urban Development will make possible a coordinated approach to urban transportation problems. The detailed estimate and schedules do not reflect the adjustments which would result from this proposal.

Open-space land programs

While utilities and transportation routes strongly influence the metropolitan lands to be developed, open-space lands preserve the areas to remain "undeveloped." The open-space land programs provide for 50-percent grant to communities for the acquisition of land that can preserve the natural beauty and "breathing room" needed for a balanced urban life. The rapid growth of urban regions means that delays in acquiring desirable open land will likely result in either the loss of open spaces or a substantial increase in the price of land.

The program has helped to acquire land and water areas at the growing fringes of urban regions, for fishing and boating, as well as smaller sites in the congested neighborhoods of central cities, for action play lots and restful parks. These areas are used by young and old alike.

Other activities under the open-space land programs are urban beautification and improvement, which encourages local communities to improve the attractiveness of urban public lands and facilities; historic preservation, which aims at assisting local public bodies in acquiring, restoring, and improving areas and structures of historic value; and demonstrations, which promote the designing and testing of methods and materials related to various open-space activities.

Other public facilities

Public facility loan program

The public facility loan program provides loans to finance public improvements in communities that cannot otherwise obtain financing on reasonable terms and conditions. Because of this basic purpose of the program, as well as statutory priorities, most of the public facility loans are made to nonmetropolitan, small municipalities. In fact, nearly 95 percent of all approved projects have been in communities with populations of less than 10,000. Over 85 percent of the loans have been used to construct water and sewer facilities.

Approving Federal loans is not the sole HUD service provided to these communities. Engineers and financial experts in the Department's regional offices help local officials in reviewing plans for a project and in preparing for the issuance of bonds. Because of this assistance communities sometimes attract private financing at terms that make disbursement of a public facility loan unnecessary.

Public works planning advances

The facilities assisted under the public facility loan program illustrate the kinds of facilities that can be planned with funds advanced under the public works planning advances program. This program helps communities, particularly smaller ones where it is often difficult to raise local planning funds, to finance the preparation of engineering and architectural designs and plans for needed specific public works projects. Under the public works planning advance program, interest-free advances of funds are made to public agencies to cover the cost of plan preparation. Repayment is required when construction of the facility begins.

Advance land acquisition

There are distinct advantages to acquiring sites for public improvements several years in advance of constructing the improvements. Because of spiraling land prices a savings in land costs is often assured. In addition, in areas of rapid growth advance site acquisition will often secure the best site while it is still available. The advance land acquistion program assists and encourages communities in the timely acquisition of sites planned to be used for the construc-

tion of public works or facilities. Assistance under this program takes the form of grant payments to cover reasonable interest charges on money borrowed for the advance acquisition of land. The grant covers the interest for a period of up to 5 years.

Areawide development grants

Legislation is pending which will amend title II, section 205 of the Demonstration Cities and Metropolitan Development Act of 1966. This program, as amended, will provide additional grants for the construction of public facilities or systems of public facilities developed in accordance with an areawide plan designed jointly by several jurisdictions. The objective of the program is to encourage economies of scale in the construction of public facilities.

The budget for fiscal year 1969 assumes that an appropriation request of $10 million be submitted to Congress following enactment of proposed legislation. Therefore, a separate justification for the program has not been provided.

Organization of Assistant Secretary for Metropolitan Development

The Office of the Assistant Secretary for Metropolitan Development is organized with three main staff offices (the Assistant Secretary and his immediate staff; plans, programs, and evaluation staff; and administrative staff) and three "line" offices (Office of Planning Standards and Coordination; Land and Facilities Development Administration; and Urban Transportation Administration.

Immediate office.—The Assistant Secretary, his deputy, special aids, and secretarial staff.

Plans, programs, and evaluation staff.—Conducts program evaluations and comprehensive studies of program performance; develops budget estimates, forecasts, and reports; and designs, develops, maintains, and operates statistical and reporting systems for metropolitan development.

Administrative services staff.—Provides services or liaison in the areas of organization and methods, directives development and issuance, personnel, travel, files, and other office services.

Office of planning standards and coordination.—Develops policies, standards, and procedures and provides technical advice and guidance on the conduct of the urban planning grants program and on the administration of comprehensive planning requirements for HUD programs and for programs of other Federal agencies where HUD has been assigned this responsibility. This office consists of three divisions: The division of metropolitan area analysis; the division of planning assistance; and the division of planning standards.

Land and facilities development administration.—Develops policies, standards, and procedures and provides technical advice and guidance for the public works planning advances program, the basic water and sewer facilities grant program, the public facilities loan program, the open space land programs (3 parts), the advance land acquisition program, and the areawide development grants program. The Administration consists of three divisions—engineering and finance, land development, and public facilities. The Administration is also responsible for the management and liquidation of a variety of programs for which authorizing legislation has lapsed.

Urban transportation administration.—Develops policies, standards and procedures as well as administers all of the urban transportation program. These programs are: capital improvement grants; research, development, demonstration grants, which includes in addition to the regular program, a special 18-month study—new systems project, and the university research and training grants; transportation system design and other technical studies grants; the managerial training grants; and the capital loan program. The Administration consists of three major divisions and two special staffs: the division of project development; the division of transportation training programs, the division of demonstration programs and studies; the new systems study project staff; and the processing staff.

Regional offices

Within each of HUD's seven regional offices, two offices are responsible for the field operations of programs assigned at headquarters to the Assistant Secretary for Metropolitan Development:

The office of the assistant regional administrator for metropolitan development.—This office, headed by an assistant regional administrator for metropolitan development, is responsible for administration at the field level of the following programs:

Basic water and sewer grants.
Open space land programs (all parts).
Advance acquisition of land.
Public facilities loans.
Public works planning advances.
Urban transportation (liaison only).

The major units of this office are: Processing control and reports branch, program field service division, finance branch, and engineering branch.

Program coordination and services division.—Within this division, the planning branch is responsible for the urban planning assistance program. The branch also is responsible for administering the comprehensive planning requirements of several Federal grant-in-aid programs.

METROPOLITAN DEVELOPMENT PROGRAMS

Mr. EVINS. The program of the Assistant Secretary for Metropolitan Development represents an effort to share the cost of growth and assure orderly development. Each program provides financial aid—loans or grants—to help States and communities keep pace with the mounting demand for more public facilities and services.

In addition, each community is afforded technical planning assistance. Experts in urban planning, engineering, and public finance often show a community how to make better use of its financial aid or how to resolve problems unrelated to an application. Small towns, especially, have turned to the Department's staff for assistance in planning for the construction of needed public works.

We are aware of this.

NEW AUTHORIZATIONS REQUIRED

Mr. Haar, for urban planning grants you had $33 million in 1967, $45 million in 1968, and you are asking for $38,838,000 under prior authorization, and I believe $16,162,000 under the new bill pending. So, the maximum that could be appropriated at this time for urban planning would be $38,838,000, unless new authorization is extended.

Mr. HAAR. That is correct, Mr. Chairman.

Mr. EVINS. You have two or three other new authorizations pending.

Under the urban transportation programs, which we want to go into later to get it precise, the appropriation for 1969 is now $175 million. Are these grants for all programs of urban transportation within HUD?

Mr. HAAR. All programs, yes sir.

Mr. EVINS. In addition to that, you are asking for $15 million more in the new bill. Does this need an authorization?

Mr. FRANTZ. The $15 million has already been authorized, Mr. Chairman.

Mr. EVINS. In what act?

Mr. FRANTZ. That is within the existing authorization.

Mr. EVINS. Appropriations enacted and appropriations proposed. The $175 million is enacted, and the $15 million is proposed.

Mr. HAAR. We have $55 million left of the authorization. We are asking for $15 million in appropriations for 1969, and that leaves us with $40 million. Therefore, we need $190 million new proposed authorization to provide for the appropriation request of $230 million for fiscal year 1970.

AREAWIDE DEVELOPMENT GRANTS

Mr. EVINS. What about the areawide development grants proposed for later transmittal? This is $10 million. What is this for, Mr. Haar?

Mr. HAAR. It is both metropolitanwide and outside the metropolitan areas for small communities acting together to get efficiency by building on a larger scale.

Mr. EVINS. This is what you would call a bonus grant, is that correct?

Mr. HAAR. These are the incentive grants, sir, for some of the savings resulting from large-scale grants. The difference from the proposal which was before you last year is that it is extended not only to those within standard metropolitan statistical areas, but also deals with smaller communities that are part of the new bill.

TOTAL METROPOLITAN DEVELOPMENT APPROPRIATIONS

Mr. EVINS. The total appropriation request for 1969 is $488,700,000 for your part of the Department, is that correct?

Mr. HAAR. Yes, sir.

Mr. EVINS. It would be how much less without the new authorizations which are included in these figures?

Mr. HAAR. Not all the new authorizations are included in this.

Mr. EVINS. Could you give us a figure with the new authorizations not included in this amount?

Mr. HAAR. If we subtracted $16.2 million for the 701 program, I think that would be it.

Mr. EVINS. Your limitation on administrative expense is $1,235,000 for public facility loans, and the revolving fund, which is from another fund, $104,000, for a total budget of $490,039,000.

ROLE OF 701 PLANNING GRANTS

The process of developing solutions to urban growth problems begins with sound planning. Without this overall planning grant, you

might have a hodgepodge of actions. This serves as a guide for the development of new transportation systems, utility lines, and housing projects.

So many of our earlier cities and later cities have not had adequate planning. They lack maps even to know where the utility lines are located.

These grants also have stimulated economic local growth and development. I can be a witness to that fact.

The number of different small communities receiving grants under the program has risen from 242 in 1956 to 6,200 in 1967, a very impressive figure. Different metropolitan areas receiving grants over the same period has increased from 23 to 247. Forty-four States have received grants for this purpose, for statewide planning.

You have nearly 50 States covered in statewide planning.

Mr. HAAR. Yes, sir.

DEMAND FOR WATER AND SEWER GRANTS

Mr. EVINS. Basic water and sewer facilities are on a 50–50 basis. This is a very popular program. How many applications do you have on hand, and dollarwise how much is there?

Mr. HAAR. I would like to divide it between inquiries and applications.

At the end of this fiscal year 1968, we will have a backlog of $220 million in inquiries, and $85 million in applications, for a total of $305 million.

Mr. SHIPLEY. Is this just for water and sewers?

Mr. HAAR. Yes, sir.

We estimate that we will be receiving during the year 1969 $1,125 million in inquiries, which will be converted into an additional $192.5 million worth of applicatons.

So, the total workload for 1969 will be some $1.3 billion.

Mr. EVINS. Somewhere in the back of my mind I had the impression that there have been requests for about $6 billion in water and sewer grants, and about $1 billion in funds. Maybe this is in agriculture, HUD, and altogether.

Have you an overall picture of the amounts of the requests and how much you have been able to accommodate?

Mr. HAAR. Yes, sir. As the chairman well knows, there are four departments that have functions in this area. The sum total of the number of inquiries for water and sewer grants for the four departments is $4.5 billion, which means if this is 50 percent of the potential cost involved, we are talking about $9 billion.

Mr. EVINS. Federal funds would be $4.5 billion, and the total cost would be $9 billion. There is a total of $9 billion in requests for water and sewers, which are a basic and essential matter.

How much of this $4.5 billion is related to HUD's authority?

Mr. HAAR. Approximately $2.8 billion.

URBAN TRANSPORTATION PROGRAMS

Mr. EVINS. Gentlemen, next are the urban transportation programs. You state that future growth requires increasing investments in transportation systems—certainly this is one of the current problems of metropolitan areas—to both serve and guide new development. This congestion is seriously affecting the economic life of the cities and lowering its property values.

They all seem to want to crowd in and the prices go up, reducing its attractiveness, we will agree. You state:

> Commuter tempers are getting shorter as travel times are getting longer. Mass transportation facilities can provide an alternative to the automobile highway travel system.

If we are able to solve this, we will make a great contribution. Here in Washington the traffic gets worse every year. They call in an expert and put up more signs.

The justification continues:

> For these reasons, the capital grants under the urban transportation program are not only supplementing the weakening financial base of the mass transportation industry, but are making a contribution to improved mobility.

SURVEY OF OTHER PROGRAMS

You say the open space land program is to preserve areas to remain undeveloped, to give a little breathing room in the cities, to acquire land and water areas for the growing fringes of urban areas.

In a speech some years ago in my district, I said the major problems are where to park your car and on which lake to put your boat.

Public facility loan program, this is for the smaller communities. Most of the public facility loans are made to nonmetropolitan, smaller communities. In fact, 95 percent of all approved projects have been in communities with populations of less than 10,000.

We know about the advance land acquisition program. How much are you proposing for this next year?

Mr. HAAR. We are not asking for an appropriation for this purpose.

Mr. EVINS. You have a carryover in this?

Mr. HAAR. Yes, sir.

Mr. EVINS. Areawide development grants are for the States and the cooperating communities, are they not? This will provide additional grants for the construction of public facilities on an areawide basis.

The Office of the Assistant Secretary has three main staff offices, the Office of Planning Standards and Coordination, Land and Facilities Development Administration, and the Urban Transportation Administration.

URBAN TRANSPORTATION PROGRAMS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		Administrative reservations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Program by activities:						
	Capital outlay:						
	Grants:						
	1. Transportation facility grants	120,860	123,419	157,500	38,914	90,000	134,500
	2. New systems study project	2,010			310	1,700	
	3. Research, development and demonstration grants	7,031	10,000	25,000	3,098	5,800	11,500
	4. Grants for technical studies	3,113	5,500	6,500	68	2,000	3,500
	5. Managerial training programs	100	1,000	1,000		500	500
	Subtotal	133,114	139,919	190,000	42,390	100,000	150,000
	Administrative reservations, start of year	23,891	81				
	Administrative reservations, end of year	−81					
	Change in selected resources [1]				114,535	40,000	40,000
10	Total obligations (object class 41.0)	156,925	140,000	190,000	156,925	140,000	190,000
	Financing:						
14	Receipts and reimbursements from: Non-Federal sources:						
	Loan repayments				−200	−200	−200
	Revenue				−209	−200	−190
16	Comparative transfer to other accounts				735		
	Unobligated balance available, start of year:						
21.47	Authorization to spend public debt receipts				−50,000	−50,000	−50,000
21.98	Fund balance				−50,039	−23,523	−8,923
	Unobligated balance, end of year:						
24.47	Authorization to spend public debt receipts				50,000	50,000	50,000
24.98	Fund balance				23,523	8,923	9,313
	New obligational authority				130,735	125,000	190,000
	New obligational authority:						
	Current authorization:						
40	Appropriation				735		15,000
	Permanent authorization:						
60	Appropriation				130,000	125,000	175,000
	Relation of obligations to expenditures:						
10	Total obligations				156,925	140,000	190,000
70	Receipts and other offsets (items 11–17)				326	−400	−390
71	Obligations affecting expenditures				157,251	139,600	189,610
72.98	Obligated balance, start of year				138,189	252,724	292,724
74.98	Obligated balance, end of year				−252,724	−292,724	−332,724
90	Expenditures				42,715	99,600	149,610
	Expenditures are distributed as follows:						
01	Out of current authorizations				1,045		
02	Out of prior authorizations				41,670	99,600	149,610
	Cash transactions:						
93	Gross expenditures				43,125	100,000	150,000
94	Applicable receipts				−409	−400	−390

Balances of selected resources are identified on the statement of financial condition.

REVENUE, EXPENSE, AND RETAINED EARNINGS (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Revenue	209	200	190
Expense	−735		
Net gain or loss (−) for year	−526	200	190
Analysis of deficit:			
Deficit, start of year	−954	−1,480	−1,280
Deficit, end of year	−1,480	−1,280	−1,090

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)

	1966 actual	1967 actual	1968 estimate	1969 estimate
Assets:				
Treasury balance	188,228	276,248	301,647	342,037
Accounts receivable, net	28	28	28	28
Loans receivable, net	5,400	5,200	5,000	4,800
Total assets	193,656	281,475	306,675	346,865
Government equity:				
Non-interest-bearing capital:				
Start of year	74,533	194,610	282,954	307,954
Appropriations during year	135,455	130,735	125,000	190,000
Appropriations expended (grants disbursed)	−15,378	−42,390	−100,000	−150,000
End of year	194,610	282,954	307,954	347,954
Deficit	−954	−1,480	−1,280	−1,090
Total Government equity	193,656	281,475	306,675	346,865

ANALYSIS OF GOVERNMENT EQUITY AND UNDRAWN AUTHORIZATIONS (IN THOUSANDS OF DOLLARS)

Undisbursed grant obligations [1]	138,217	252,752	292,752	332,752
Unobligated balance:				
Grants	42,095	15,170	170	170
Loans	57,944	58,353	58,753	59,143
Invested capital and earnings	5,400	5,200	5,000	4,800
Subtotal	243,656	331,475	356,675	396,865
Less undrawn authorizations	−50,000	−50,000	−50,000	−50,000
Total Government equity	193,656	281,475	306,675	346,865

[1] The changes in this item are reflected on the program and financing schedule.

HUD–DOT TRANSPORTATION TRANSFER

Mr. Evins. I think we ought to turn over to urban transportation for a minute.

I know some of the functions are going to be transferred to DOT.

Tell us for the record again HUD's area of responsibility in overall planning. The making of grants for the transportation systems will be transferred to the Department of Transportation. Is any of this $190 million requested for the making of grants for the transportation systems?

Mr. Haar. Yes, sir.

Mr. Evins. Then a portion of this would have to be transferred, when this reorganization plan is approved, to the Department of Transportation.

Mr. Haar. Yes, sir.

Mr. Evins. If the grants are to be made by the Department of Transportation, then the appropriation should be made to them, should it not?

Mr. Haar. Under the reorganization plan which the President sent up on February 26, we would retain certain grant functions under sections 6, 9, and 11 of the Urban Mass Transportation Act of 1964, as amended, plus certain planning functions.

Mr. Evins. What are the grant functions retained in HUD?

Mr. Haar. The portions of the grant functions which are primarily concerned with the relationship of urban transit systems to comprehensive planning, and grant functions that relate to research and demonstration with respect to impact upon urban development.

Mr. EVINS. Comprehensive planning with respect to transportation would come under your jurisdiction, and you would make the grant for the planning; but any grant for facilities would be made by the Department of Transportation?

Mr. HAAR. Yes, sir; the capital grants would be under the Department of Transportation.

Mr. EVINS. I am trying to delineate in my own mind how much of the $190 million is for grants. You have been making grants for all urban transportation programs of $140 million this year.

Mr. HAAR. About $157 million would be for capital facility grants in 1969.

Mr. EVINS. About $157 million is for capital facility grants?

Mr. HAAR. Yes, sir.

Mr. SHIPLEY. And the rest is for planning?

Mr. HAAR. The rest is for planning and for research and development and demonstration grants for association with functions which would remain with HUD under the reorganization plan.

Mr. EVINS. You had 110 applications in 1967, you had 115 last year, and you estimate or anticipate 145 for next year. Do you propose to transfer these over to the Department of Transportation following the approval of the Executive order?

Mr. HAAR. Following the nondisavowal of the reorganization plan or July 1, whichever is the later date, yes, sir, so far as those applications relate to capital grants.

Mr. EVINS. They will be physically turned over to the Department of Transportation?

Mr. HAAR. Yes, sir. We are working out an orderly transition now. The specific allocations will be determined, as the Secretary indicated on Monday, by the Director of the Bureau of the Budget.

Mr. EVINS. Would the grants for managerial training and fellowships be continued in HUD?

Mr. HAAR. No, I think that is going over to DOT.

Mr. EVINS. Management traning would go to DOT, and capital improvements would go to DOT. Research, development, and demonstrations would remain.

Mr. HAAR. Most of those two items would remain, but a portion of those would also go over to DOT, those relating directly to hardware.

TRANSPORTATION FUNCTIONS TO REMAIN WITH HUD

Mr. EVINS. Summarize for us the functions to remain with HUD once the reorganization takes place.

Mr. HAAR. Yes, sir. As you know, the plan transfers the capital facility loan and grant activities, the managerial training program and related research and development activities to the Department of Transportation. According to the plan, HUD retains authority to make grants for such projects or activities pursuant to the Urban Mass Transportation Act of 1964 under section 6(a): Research Development, and Demonstrations; section 9: Technical Studies; and section 11: University Research and Training as primarily concern the relationship of urban transportation systems to the comprehensively planned development of urban areas, or the role of transportation planning in overall urban planning.

The plan also provides that HUD will perform an important role in connection with transportation research and planning insofar as they have significant impact on urban development. At this point, let me read a few sentences in the President's message which transmitted the plan on February 26, 1968.

We expect the Department of Transportation to provide leadership in transportation policy and assistance. The Department of Housing and Urban Development will provide leadership in comprehensive planning at the local level that includes transportation planning and relates it to broader urban development objectives.

The transfer of urban mass transportation programs will not diminish the overall responsibilities of the Department of Housing and Urban Development with respect to our cities. Rather, adequate authority is reserved to that Department to enable it to join with the Department of Transportation to assure that urban transportation develops as an integral component of the broader development of growing urban areas.

Mr. EVINS. There is a budget of $245 million.

Mr. HAAR. $230 million is advance funding for 1970.

Mr. EVINS. $25 million is for research and development. The remainder for the grants program, is that right?

Mr. HAAR. That is correct.

BUDGET JUSTIFICATION

Mr. EVINS. Place section H in the record, pages H–1 through H–12.

URBAN TRANSPORTATION PROGRAMS

PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Applications received:			
Number	110	115	145
Amount	$292,999	$331,000	$434,500
Applications on hand, end of year:			
Number	86	109	138
Amount	$266,968	$429,968	$629,468
Number of grant approvals:			
Capital improvements	22	20	23
Research, development, and demonstration	38	30	45
Transportation systems design	9	15	18
Managerial training (fellowships)	(39)	(85)	(85)
Total	69	65	86
Amount of grant approvals:			
Capital improvements	$120,860	$123,500	$157,500
Research, development, and demonstration	9,041	10,000	25,000
Transportation systems design	3,114	5,500	6,500
Managerial training	100	1,000	1,000
Total	133,114	140,000	190,000

BUDGET REQUEST

The budget proposes appropriation of $245 million as follows:

1. An additional appropriation for 1969, of $15 million which together with the $175 million already enacted under the 1968 appropriation act,

will provide a $190 million program level for the budget year. This additional $15 million appropriation is requested to fund a $25 million research and development program.

2. An appropriation of $230 million advance funding for transportation programs for fiscal year 1970. The budget assumes enactment of legislation to provide additional authorization for appropriations.

Introduction

The Federal urban transportation program, as it has developed, has brought new stimulus to urban planners, urban officials, transit operators, and the transit industry. The pilot program under the 1961 authorization recognized that the Federal Government accepted its responsibility to take action on a critical national problem. The 1964 act provided substantial assistance for capital needs and the broadening of the Federal interest in transit research and development. It established the principle that "Federal financial assistance for the development of efficient and coordinated mass transportation systems is essential to the solution of these urban problems."

The 1966 amendments further strengthened the program. These amendments provided for technical planning and for training new people for the industry's operating and research needs. Even more important, the 1966 amendments provided for improving urban transportation by directing a special study for the development of a program of research, development, and demonstrations of new systems of urban transportation.

Upon signing the Urban Mass Transportation Act Amendments of 1966, the President underlined the vital part that urban mass transportation programs have in urban development when he said:

"In the next 40 years, we must completely renew our cities. The alternative is disaster. Gaping needs must be met in health, in education, in job opportunities, in housing. And not a single one of these needs can be fully met until we rebuild our mass transportation systems."

The mass transportation programs are designed to: (1) encourage local planning of urban transportation systems as an integral part of comprehensive planning for community development and redevelopment; (2) improve the quality of urban life by assisting urban communities in financing new capital facilities and equipment and upgrading old facilities needed for their transit systems, and by financing experiments to improve existing systems and operations, and (3) seek for the near present and foreseeable future new methods and new systems of urban transportation which will be speedier, safer, more economical, more dependable, and nonpolluting.

The proposed reallocation of urban transportation responsibilities between the Departments of Transportation and Housing and Urban Development will make possible a coordinated approach to urban transportation problems. This budget justification does not reflect the adjustments which will result from the proposed reallocation of responsibilities.

Status of authorization and appropriations

The grant authorization for all urban transportation programs totals $675 million, of which $375 million over a 3-year period was made available by the original 1964 act, and $300 million over a 2-year period by the 1966 amendments.

In the 1968 appropriation act, $175 million was appropriated as advanced funding for the 1969 program. A balance of $55 million remains for appropriation from the existing authorization of which $15 million is requested to fund the $25 million research, development, and demonstration program in fiscal year 1969. New authorization of $190 million will be required to fund the $230 million advance appropriation requested for 1970.

A program of research, development, and demonstrations in all phases of urban mass transportation is authorized under section 6 of the basic legislation. Included in this authorization is a special study on new systems of urban transportation. The sublimitation on the use of grant funds to finance research, development and demonstration projects will aggregate $50 million on July 1, 1968. The budget assumes the sublimitation will be increased to $56 million in 1969.

The tables on the following page show (1) the status of the total authorization, and (2) the status of grant appropriation for fiscal years 1967 through 1969.

STATUS OF GRANT AUTHORIZATION (IN THOUSANDS OF DOLLARS)

	Actual, 1967	Estimate, 1968	Estimate, 1969
Balance of authorization, start of year	35,000	55,000	80,000
Authorization available	150,000	150,000	150,000
Total available	185,000	205,000	230,000
Appropriation enacted	130,000	125,000	175,000
Appropriation requested			15,000
Advance funding	(125,000)	(175,000)	(230,000)
Balance of authorization, end of year	55,000	80,000	40,000

STATUS OF GRANT APPROPRIATIONS (IN THOUSANDS OF DOLLARS)

Balance brought forward, start of year	18,204	15,090	90
Appropriations	130,000	125,000	190,000
Total available	148,204	140,090	190,090
Less grant approvals (net)	133,114	140,000	190,000
Balance available, end of year	15,090	90	90

Coordination with other HUD programs

In the operational aspects of the program, urban mass transportation projects are closely oriented to other HUD programs for the area involved. The planning requirement in the act for the capital grant, capital loan, and technical facilities grant programs, and the strong administrative consideration given to planning aspects in the demonstration program, relate projects directly to the 701 urban planning assistance program, and a number of urban mass transportation projects stem directly from the 701 planning assistance activities.

Urban mass transportation projects relate to other HUD programs as in the provision or improvement of transit service for low-income housing projects, and in the coupling of other types of grants, such as for beautification, with grants for capital facilities.

Speaking broadly, the urban mass transportation programs are interwoven with nearly all of the HUD programs to improve the urban environment and to provide the amenities of life for more urban families through better housing, community facilities, and other means.

Coordination with other Federal agencies

The Secretary is required by law to consult with the Secretaries of Transportation, Labor, and Health, Education, and Welfare.

The Secretary has consulted with the Department of Transportation in the preparation of the special study to prepare a program of research, development, and demonstration of new systems of urban transportation to be submitted in March 1968. This consultation included development of a program to assure coordination of mass transportation planning and development in urban areas. The Secretary of Housing and Urban Development and the Secretary of Department of Transportation are also required to submit to the President, for submission to Congress, a joint annual report on their studies and activities by April 1.

As a condition of assistance under the Urban Mass Transportation Act, the Department is required to consult with the Department of Labor to determine that fair and equitable arrangements be made to protect the interests of employees affected by such assistance.

Another prerequisite to providing urban mass transportation assistance is to determine if the facilities or equipment to be acquired, constructed, or reconstructed with such assistance will prevent and control air pollution in accordance with any criteria established by Health, Education, and Welfare. For this purpose Health, Education, and Welfare has established criteria for equipment and facilities assisted under the Department's program.

The Department cosponsored and financially assisted the Panel on Electrically Powered Vehicles, convened by the Secretary of Commerce. The Panel's report, "The Automobile and Air Pollution: A Program of Progress," dealt imaginatively with one of the major issues of urban transportation.

Coordination with industry and public

Last May HUD sponsored a conference on design in urban transportation which attracted a broad segment of people from the public and private organizations concerned with transit. In November, HUD sponsored a second major conference on new approaches to urban transportation. This conference convened more than 500 local government officials, transportation planners and specialists to review accomplishments in urban transportation research, development, and demonstration and to examine future directions. Similar conferences are being planned for the current year. HUD will continue to sponsor and participate in these conferences.

CAPITAL IMPROVEMENT GRANT PROGRAM

	Actual, 1967	Estimate, 1968	Estimate, 1969
Status of projects:			
Underway, start of year	42	55	55
New approvals	22	20	23
Amount	$120,925,000	$123,500,000	$157,500,000
Completed	9	20	30
Underway, end of year	55	55	48

Description

Capital improvement grants are available to assist State and local bodies and authorized interstate and regional public bodies in the acquisition, construction, and improvement of capital facilities and equipment which are needed for their urban transportation systems. Applicants which meet the basis eligibility requirements may be entitled to the maximum Federal grant. This is two-thirds of net project cost, that portion of total project cost which financial analysis shows cannot be financed from revenues.

The Secretary must determine that the facilities or equipment for which assistance is sough are needed for carrying out a program for a unified or officially coordinated urban transportation system as a part of the comprehensively planned development of the urban area.

Applicants, who are otherwise eligible and have the necessary planning and program activity underway but not yet completed, may receive a Federal grant under the emergency program authorized by section 5 of the act, equal to one-half of the net project cost. An additional amount equal to one-sixth of net project cost is reserved in such cases to increase the Federal grant to the full requirements within 3 years. The emergency provisions of the act have been extended twice. The last extension was for a full year to November 1, 1968. The budget assumes extension of this emergency program to October 1, 1969.

Needs for capital improvement grants

In 1961, the Institute of Public Administration developed a 10-year projection of estimated capital needs for existing and future mass transit systems, prepared for the joint report made to the President in March 1962 by the Secretary of Commerce and the Housing and Home Finance Administrator. That 10-year estimate of need came to $9.8 billion. Last year, HUD updated this estimate on the basis of a survey of urban mass transportation capital program plans in 11 major metropolitan areas which contain about 40 percent of the population of all SMSA's. From this analysis, a current 10-year projection indicates approximately $10.9 billion in capital financing needs—$8.6 billion for existing and proposed rail transit systems, $1.3 billion for bus replacement needs, and an estimated $1 billion for possible future rail systems. Lack of adequate public transportation in our urban areas has resulted in the worsening of many current critical urban problems, among them the increasing isolation of low-income working groups from jobs; the continuation of urban sprawl; wasteful use of land for transportation; downtown and commuter congestion; noise and pollution; increasing isolation of the elderly, the young, and the handicapped from essential services.

Program demand

For the current year, the capital grant program level has been established at $123.5 million. Experience with the program since February 1965, shows that the rate of new applications has risen from a little over $100 million in 1966, to around $200 million in 1967, and currently at close to $300 million. With new

large-scale transit development and improvement programs being announced more frequently than ever, a continuing increase in the level is anticipated.

Because the volume of new applications is at a rate which exceeds the authorized and available grant funds, the carryover of pending applications has been rising—a little over $80 million at the beginning of fiscal year 1966, to more than $100 million in 1967, to nearly $255 million at the beginning of 1968. By the end of 1969, a carryover of nearly $600 million is anticipated.

The following table shows the status of applications and the anticipated approvals for fiscal year 1968, and 1969 together with the anticipated backlog of unfunded applications.

STATUS OF APPLICATIONS

[Dollar amounts in thousands]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
On hand, start of year	40	$106,800	61	$254,965	71	$411,465
Received	45	271,423	45	300,000	50	375,000
Approved	22	120,925	20	123,500	23	157,500
Withdrawn or rejected	2	2,333	15	20,000	15	30,000
On hand, end of year	61	254,965	71	411,465	83	598,965

Project rating and selection procedures

The program levels established for this fiscal year and the next contemplate the inauguration of a procedure, now under consideration, for an evaluation of applications on the basis of certain priority criteria.

In the capital grant program, consideration is being given to the refinement of selection criteria which will take into account the factors of (1) need, (2) achievement of sound land use patterns, (3) assurance of transportation facilities for all segments of the population, (4) improvement in overall traffic flow, and (5) efficiency in meeting total transportation needs at minimum cost.

Pending applications

As of December 31, 1967, there were 56 applications pending for capital grants aggregating about $257 million. Of these, 13 were for rail rapid transit or commuter systems, for which the grant requests totaled $232 million; and 43 were for bus transit systems for a total of $25 million. The following table provides more detail on these pending applications:

APPLICATIONS ON HAND AS OF DEC. 31, 1967

Type of system and facility or equipment	Amount of grant request (thousands)	Percent of total
Rail:		
Railcars	$67,733	26.4
Stations	25,736	10.0
Systems acquisition	2,897	1.1
Right-of-way	135,609	52.8
Subtotal for rail	231,975	90.3
Bus:		
Buses	13,895	5.4
Garages	6,250	2.4
Systems acquisition	3,549	1.4
Miscellaneous	1,215	.5
Subtotal for buses	24,909	9.7
Total, all systems	256,884	100.0

Program accomplishments

Since enactment of the Urban Mass Transportation Act of 1964, the heaviest expenditure of funds has been in the capital improvement grants program. In fiscal year 1967, 22 projects were approved for grant commitments totaling a little over $120.9 million. This brought the cumulative total to 66 approved projects to more than $277.7 million in Federal grant commitments.

Not only has the dollar volume of new approvals increased each year, but the average grant per project has risen from about $3 million in the fiscal year 1965 approvals, to $3.9 million in 1966, to $5.5 million in 1967. For the entire total of 66 projects to date, the average grant is a little over $4.2 million. The distribution by size of grant is as follows:

Size of grant:	*Number of projects*
Under $100,000	5
$100,000 to $249,999	15
$250,000 to $499,999	10
$500,000 to $999,999	10
$1,000,000 to $4,999,999	8
$5,000,000 to $10,000,000	7
Over $10,000,000	11
Total	66

Grants are distributed among 50 cities and metropolitan areas in 25 States and Puerto Rico. The distribution by size of population is as follows:

Population Group	Number	Aggregate grants (thousands)
Under 50,000	7	$1,203
50,000 to 99,999	10	2,088
100,000 to 249,999	11	9,125
250,000 to 499,999	6	2,765
500,000 to 999,999	9	57,780
1,000,000 to 1,999,999	9	50,823
2,000,000 to 5,000,000	12	100,269
Over 5,000,000	2	53,683
Total	66	277,735

In numbers, the preponderance of grants are for bus system improvements. All but six of the 40 grants under $1 million are to small- and middle-sized cities, primarily for the purchase of buses to replace outworn equipment and to build needed facilities, or to finance the purchase of a private operation to prevent cessation of a community's needed transit service. These grants represent only 11 percent of total Federal fund reservations for capital grant projects.

In dollars, however, rail service improvements for both rapid transit and commuter operations account for the greatest share—about 72 percent of the aggregate grants. Only about 18 percent of total fund reservations has been allocated for rolling stock while 65 percent has been for other rail services improvement. Another form of commuter service, the ferry, has been assisted in two projects, one in Washington for the Puget Sound service and the other in Puerto Rico for the San Juan Bay service.

Of the 66 approved projects, 26 involved only the purchase or rehabilitation of equipment; 22 involved both the purchase of equipment and some construction; and 18 were exclusively for construction.

In 11 of the 66 approved projects, some family and business relocation will be required. Under section 7 of the act and section 404 of the Housing and Urban Development Act of 1965, the cost of such relocation is borne 100 percent by the Federal Government. As of June 30, 1967, the total of such relocation grants is $1,153,500 which is less than one-half of 1 percent of the capital grant commitment for all approved projects.

A limited inquiry was made about a year ago to determine the cost effectiveness of new transit equipment obtained with capital grant assistance. The survey included eight projects involving seven grantees, all of whom received new bus fleets, and the conclusions revealed marked financial benefits to the transit properties involved. Increases in patronage ranged from 1.5 percent to 8.6 percent while decreases in operating and maintenance costs and other expenses generated increases in net income ranging as high as 16.4 percent. Dramatic increases in fuel mileage with new equipment (in one case as high as 62 percent) were among

the most important contributions to lowered operating costs. Maintenance expense was reduced, due to the much lower rate of road failures with the new buses. With new and, in many cases, larger bus equipment replacing old, smaller vehicles, a significant decrease in fleet size was made possible in a number of cases. This fleet decrease, of course also was an important factor in the lowered operating costs experienced by many of the transit systems in the survey.

The vast majority of transit funds committed so far in the capital grant program involve the rail commuter and rapid transit systems of some of the Nation's major metropolitan areas. Virtually all of these improvements are under construction, with their beneficial results yet to come. The New York area alone has received over $98 million to date in Federal transit grants—for such projects as 400 new subway cars in New York City, 144 new cars and other improvements on the New Haven Railroad, extension and rehabilitation of electrification on the Long Island Railroad, 35 new cars for the North Jersey commuter service of the Pennsylvania Railroad, and completion of the Aldene plan of railroad service improvement in northern New Jersey, including 44 new cars on the port authority trans-Hudson's rapid transit lines.

The first phase of the Aldene plan became effective May 1, 1967. This involved major changes in the routing of Central Railroad of New Jersey commuter trains, which now have their inner terminal in Newark, where cross-platform connections are made with PRR and PATH fleet to handle the Jersey Central commuters into the downtown financial district.

The recently approved $28.4 million grant to New York and Connecticut is one step in the program of reviving the vitally needed New Haven Railroad. Some 35,000 daily commuters, depend on the line for service, and its continuance and improvement are imperative to the economic and physical well-being of the entire New York metropolitan area.

The San Francisco Bay Area Rapid Transit District is building the Nation's newest rail rapid transit system—the first really extensive such undertaking in many years. Federal funds amounting to more than $51 million have already been committed to this project, on which BART is now well along the road to completion.

In Chicago, Federal funds are assisting in the construction of two important new lines in that city's highly successful subway-elevated system. Fifteen miles of new route are underway in the median strips of the Dan Ryan and Kennedy Expressways, which will provide faster and more dependable transit service to well over 100,000 Chicagoans, some of whom will save as much as 28 minutes travel time for a one-way trip.

In Cleveland, Federal funds have made possible a 4-mile extension of the rapid transit system to the Cleveland Hopkins Airport. This is the first example in the United States of direct airport to downtown rapid transit service, and only Brussels and Tokyo in other parts of the world have such service. Trains will make the 11-mile trip in 22 minutes when the service begins later this year.

SUMMARY OF PROGRAMS

Mr. EVINS. Your summary of program levels is shown on A–10. Programs administered by the Assistant Secretary for Metropolitan Development are funded in several different ways—by direct appropriations, by appropriations to liquidate contract authorizations, by Treasury borrowing authorizations, and by repayments to revolving funds. Place pages A–10 and A–11 in the record.

(The material follows:)

Summary of program levels

The programs administered by the Assistant Secretary for Metropolitan Development are funded in several different ways—by direct appropriations, by appropriations to liquidate contract authorizations, by treasury borrowing authorizations, and by repayments to revolving funds. In many cases, the actual and projected program levels cannot be readily determined from the appropriation request. For this reason the following table has been included to provide a brief summary of program levels for fiscal years 1967, 1968, and 1969.

SUMMARY OF PROGRAM LEVELS, FISCAL YEARS 1967-69

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Urban planning grants:			
Grant approvals (net), assistance to States for—			
Small communities and counties	9,628	13,000	13,000
Localities in redevelopment areas	2,755	4,000	4,000
Advisory services	307	500	2,000
Subtotal	12,690	17,500	19,000
Metropolitan and regional areas	13,226	16,750	17,000
State comprehensive planning	3,567	6,500	9,000
Other planning areas	1,960	2,019	5,000
Studies, research, and demonstration	1,650	2,250	5,000
Total amount	33,093	45,019	55,000
Public works planning advances: Advances approved (net)	5,787	8,500	8,500
Grants for basic water and sewer facilities: Grant fund reservations (net)	99,909	175,098	150,000
Public facility loans: Loan approvals (net)	29,867	50,000	40,000
Open space land programs, grant amounts approved (net):			
Acquisition and development of undeveloped land	51,732	50,600	54,350
Urban parks (developed land in urban areas)	8,743	15,850	18,600
Urban beautification and improvement	7,427	10,000	10,000
Historic preservation		1,000	1,000
Demonstrations	944		1,000
Studies	48	50	50
Total	68,944	77,500	85,000
Grants to aid advances acquisition of land: Grant approvals (net)	113	1,887	3,000
Urban transportation programs, grant approvals (net):			
Capital improvements	120,860	123,500	157,500
Research, development and demonstration	9,041	10,000	25,000
Special study, new techniques	(2,010)		
University research and training		(1,500)	(1,500)
Transportation systems design	3,113	5,500	6,500
Managerial training	100	1,000	1,000
Total	133,114	140,000	190,000
Proposed for later transmission: Areawide development grants, grant approvals (net)			(10,000)

701 PLANNING GRANTS

Mr. EVINS. Your assistance to States for small communities is at the same level as last year, $13 million. Localities in redevelopment areas is the same as last year, $4 million. Advisory services go up from $500,000 to $2 million. What are these?

Mr. HAAR. Those are the advisory services involving technical assistance that States provide to small communities.

Mr. EVINS. You are giving this to the States so they may give the advice to the small communities?

Mr. HAAR. Yes, sir; so they can have staff to go out, for example, in your own home State of Tennessee, and talk to very small communities with their expertise to meet the planning problems the small communities have.

Mr. EVINS. State comprehensive planning goes up from $6.5 million to $9 million. Forty-four States have already had this comprehensive planning. This must be a pretty popular program.

Mr. HAAR. It is, sir.

WATER AND SEWER GRANTS

Mr. EVINS. We want to look at this a little more.

Basic water and sewer facilities goes down from $175 million to $150 million. This $150 million is appropriated to the agency. Percentagewise, how many of your applications will you be able to fund?

Mr. HAAR. We estimate that, assuming the full amount of $150 million, with the backlog and with the management and the priority system, and with the attrition, we nevertheless would have a backlog of considerably over $200 million at the end of 1969.

URBAN PLANNING GRANTS

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
1. Grants to planning agencies	23,806	30,000	44,500
2. Studies, research, and demonstrations	308	1,000	1,500
Total program costs, funded	24,114	31,000	46,000
Change in selected resources [1]	8,979	14,019	9,000
10 Total obligations (object class 41.0)	33,093	45,019	55,000
Financing:			
21 Unobligated balance available, start of year	−112	−19	
24 Unobligated balance available, end of year	19		
40 New obligational authority (appropriation)	33,000	45,000	55,000
Relation of obligations to expenditures:			
71 Total obligations (affecting expenditures)	33,093	45,019	55,000
72 Obligated balance, start of year	31,676	42,920	56,939
74 Obligated balance, end of year	−42,920	−56,939	−65,939
90 Expenditures	21,849	31,000	46,000
Expenditures are distributed as follows:			
02 Out of prior authorizations	21,849	31,000	46,000

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders. 1966, $$31,676,000 (1967 adjustments, −$10,241,000): 1967, $30,414,000; 1968, $44,433,000; 1969, $53,433,000.

Mr. EVINS. Now let us look at urban planning grants.

The number of applications has gone up from 802 to an estimated 1,480 for 1969. The amount in application receipts for urban planning grants increases from $39.5 million in 1967 to $65 million, estimated, in 1968; and an estimated $90 million for next year.

It is broken down as follows: from smaller communities, about 520 grants; localities in redevelopment areas, 130 grants; advisory service goes up from 10 to 40; or a total of 690 grants.

The amount of grants approved goes up from $45 million to $55 million. You are asking for $55 million in new appropriations; is that correct?

Mr. HAAR. Yes, sir; we are asking for $55 million, but the amount that we need in new authorization would be $16.2 million.

Mr. EVINS. That is new legislation not yet approved. A total of $55 million, $38.8 million under present legislation, and $16.2 million under the new.

Mr. HAAR. Yes, sir.

BUDGET JUSTIFICATION

Mr. EVINS. You point out language regarding those that are eligible. Cities of over 50,000 may participate in the program of metropolitan areawide planning. They are not eligible on individual applications, except they can receive a grant for surveys of historic structures, or they are eligible if the city is in a redevelopment area designated by the Secretary of Commerce under the Public Works Act or in an area that is federally impacted.

For these planning grants, generally, cities over 50,000 are not eligible, except for the few exceptions set out here.

Place in the record pages B–1 through B–8.

(The pages follow:)

URBAN PLANNING GRANTS—PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Applications received:			
Number	802	1,225	1,480
Amount	$39,567	$65,000	$90,000
Applications on hand, end of year:			
Number	263	297	469
Amount	$13,900	$19,738	$36,595
Number of grant approvals (net):			
Assistance to States for:			
Small communities and counties	489	520	520
Localities in redevelopment areas	103	130	130
Advisory services	10	10	40
Subtotal	602	660	690
Metropolitan and regional	108	115	120
State comprehensive planning	25	35	40
Other planning areas	50	45	65
Studies, research, and demonstrations	33	45	65
Total	818	900	980
Amount of grant approvals (net):			
Assistance to States for:			
Small communities and counties	$9,628	$13,000	$13,000
Localities in redevelopment areas	2,755	4,000	4,000
Advisory services	307	500	2,000
Subtotal	12,690	17,500	19,000
Metropolitan and regional areas	13,226	16,750	17,000
State comprehensive planning	3,567	6,500	9,000
Other planning areas	1,960	2,019	5,000
Studies, research, and demonstrations	1,650	2,250	5,000
Total	33,093	45,019	55,000

Budget Request

An appropriation of $55 million for urban planning grants. The balance of the statutory authorization of $230 million is insufficient to provide the full amount requested for fiscal year 1969. The budget assumes enactment of legislation to provide additional authorization of $16.2 million.

Introduction

The statutory objectives of the urban planning assistance program were established by Congress in section 701 of the Housing Act of 1954, Public Law 560, and as later amended. Under this section, the Secretary of the Department of Housing and Urban Development is authorized to make planning grants to—

1. Assist state and local governments in solving planning problems resulting from the increasing concentration of population in metropolitan and other urban areas, including smaller communities;
2. Facilitate comprehensive planning for urban development including coordinated transportation systems, on a continuing basis; and
3. Encourage such governments to establish and improve planning staffs.

The essence of these objectives is that the Congress has recognized the value of comprehensive planning as a basic prerequisite for the provision of a "suitable living environment for every American family," that this planning is a responsibility of States and local governments, and that these governments require financial assistance to establish and support adequate planning organizations. Many of the resulting benefits—in terms of the savings and efficiencies from planned development—accrue to the Federal Government which annually invests millions of dollars, through its assistance program, in urban facilities and activities.

Planning work assisted under the program includes comprehensive land use planning to guide residential, industrial, and commercial development as well as the planning of the general location of transportation and other facilities such as schools, utilities, and recreational facilities, and the preservation of historic sites and structures. Comprehensive planning may also include studies of economic trends and forecasts, and social conditions affecting the area. To be comprehensive, the planning process must be broadly based upon the needs of all the people within a planning area.

A period of several years is required to develop and integrate all the components of a comprehensive development plan, especially for complex metropolitan areas and States. Such a plan must be periodically revised to reflect changing conditions and objectives. Further, the process of planning includes more than preparation of a plan; it entails activities to implement the plan such as annual programing of public works and the continuing review of proposed land subdivisions and zoning changes. In short, the support for comprehensive planning should be maintained at a level to assure the continuity of the process, or much of the previous investment may be wasted.

GRANT AMOUNT

Grants may be made for up to two-thirds of the total cost of planning work. However, grants may cover up to three-fourths of the planning costs for localities in designated redevelopment areas and in areas facing a substantial reduction in employment because of Federal Government action. The remaining portion of the cost is covered by State, local, or other non-Federal funds. After execution of a contract, disbursement is made in the form of periodic grant progress payments, the timing contingent upon accomplishments in the planning work and performance by the public body in meeting scheduled provisions of the local share of the cost.

ELIGIBILITY

The program provides Federal grants to official planning agencies in communities and counties; redevelopment, metropolitan, and regional areas; State and interstate jurisdictions. The eligibility of areas and agencies which can be assisted has been expanded steadily since the original authorization. Organizations of local officials (often called councils of government) in metropolitan and other multijurisdictional areas were added as an eligible category of grant recipient in 1965. Cities of over 50,000 population may participate in the program as members of a metropolitan area planning agency. They are not eligible as an individual applicant, except as follows: (1) they can receive grants for surveys of historic structures; (2) they are eligible if the city is in a redevelopment area as designated by the Secretary of Commerce under the Public Works and Economic Development Act of 1965 or if the area is federally impacted.

Communities of less than 50,000 population and counties are required to apply for assistance through the official State planning agency of their State rather than directly to the Federal Government. The State agency is then responsible for reviewing local planning programs and for providing the professional assistance to the locality either with its own staff or by retaining a consultant to do the work. The State planning agency is permitted to delegate authority to metropolitan and regional planning agencies to administer local planning assistance within their areas.

Legislation is now pending which will extend 701 assistance to include grants for district planning, and grants for demonstration projects for planning metropolitan or regional systems of public facilities and services.

Each applicant for an urban planning grant must be authorized by law or interstate compact to perform the work for which the grant is sought; must have authority to receive and expend Federal funds and contract, as appropriate, with other public or private bodies for the performance of planning work or services; must have permanent status and access to competent professional, technical, and administrative staff sufficient to perform or supervise the work to be undertaken; and must be able to assure that the non-Federal share of cost will be provided.

STATUS OF AUTHORIZATION FOR APPROPRIATION

The cumulative authorization for appropriations of $230 million is insufficient to permit an appropriation of $55 million required to fund the program level estimated for fiscal year 1969. The following table shows that $16.2 million of

new authorization is required to fund the regular program. It is assumed that legislation will be enacted to increase the authorization.

STATUS OF AUTHORIZATION

[In thousands]

Basic program	Actual, 1967	Estimate, 1968	Estimate, 1969
Balance, start of year	$116,838	$83,838	$38,838
New authorization required			16,162
Total available	116,838	83,838	55,000
Appropriations	33,000	45,000	55,000
Balance, end of year	83,838	38,838	

COORDINATING FUNCTION OF THE PROGRAM

One of the principal functions of comprehensive planning and programing is coordination. The urban planning assistance program is the Federal Goverment's principal means of helping to coordinate the many activities affecting the development of States, metropolitan areas, and communities. A comprehensive plan describing the broad design for growth in an area also indicates the general location and relationships of proposed public facilities, such as streets, schools, water and sewer lines, and parks. Many of these kinds of facilities are supported under Federal loan and grant programs.

At the Federal level, a number of basic working relationships have been established between HUD and other Federal agencies so that the program can more effectively serve a variety of program needs. These relationships, such as arrangements made with the Bureau of Public Roads and the Federal Aviation Agency, have encouraged the establishment and application of common standards and criteria for planning.

Formal procedures have also been initiated with the following agencies to make 701 program assistance available to meet part of their comprehensive planning needs: Economic Development Administration for preparation of overall economic development programs; Bureau of Outdoor Recreation for preparation of statewide recreation plans; Bureau of Land Management for preparation of local comprehensive plans and zoning ordinances; and Bureau of Indian Affairs for preparation of general plans for Indian reservations and communities within them. Liaison is maintained with other agencies, including the Army Corps of Engineers, Office of Economic Opportunity, Appalachian Regional Commission, and the Departments of Labor, Justice, and Health, Education, and Welfare.

PARTICIPATION ON INTERDEPARTMENTAL COMMITTEES

The urban planning assistance staff participates in the following interdepartmental committees for the purpose of coordinating the 701 program with the planning assistance programs of other Federal agencies:

1. Coordinating Council on Planning Assistance and Requirements:
   The purpose of the Council is to improve the coordination of federally assisted planning programs, to simplify and make more consistent planning requirements, and to foster greater consistency and support among local regional and State planning and between functional and comprehensive planning at all levels. The Council includes representatives from HUD, Interior, Labor, Commerce, Transportation, HEW, BOB, and OEO. The Deputy Assistant Secretary for metropolitan development is chairman of the Council.
2. The Cooperative Manpower Planning System, National Coordinating Committee:
   The Committee is responsible for developing overall direction and policy recommendations for CAMPS; for developing annual national manpower goals and guidelines and preparing documents suitable for transmission to the field staffs engaged in developing operating plans; for coordinating the preparation of instructions and technical assistance to field staffs; and for the continuing review of the operation of the Manpower Planning System and revisions in it based on operating experience.

3. Water Resources Council, Committee for State Grants:
   The Committee coordinates policy on grants to States under title III, Water Resources Planning Act, and 701. There is a review to assure consistency between grants to States under title III and grants to States under 701 for related planning activities.
4. HUD—Bureau of Indian Affairs Coordinating Committee:
   The purpose of the Committee is to coordinate joint HUD—Bureau of Indian Affairs programs for planning and development within Indian reservations.

In addition to the interdepartmental committees, a number of basic working relationships have been developed between the Department's 701 staff and staffs of other Federal agencies. For example, regional transportation and land use studies have frequently been jointly funded by 701 planning funds and Bureau of Public Roads highway planning funds; comprehensive planning programs for Indian reservations have been closely coordinated between 701 staff and the Bureau of Indian Affairs; close coordination with the Federal Aviation Agency is maintained in airport planning programs; and the 701 staff works with the Bureau of Outdoor Recreation on the planning of outdoor recreation and open space activities.

The 701 staff has recently initiated coordination programs with the Economic Development Administration, Public Health Service, and the Department of Justice. The activity with EDA is aimed at policy agreement on the relationships between 701 planning assistance to regional planning agencies and EDA planning assistance to economic development districts. Initial steps have been taken to develop policy agreement with the Public Health Service to coordinate 701 planning assistance with the health planning programs created by the Comprehensive Health Planning and Public Health Services Amendments of 1966. The urban planning assistance staff of HUD has held meetings with the law enforcement assistance staff of the Department of Justice to develop a pilot program for the preparation of law enforcement and criminal justice plans. Under the pilot program 701 grant funds will be used to assist a small number of metropolitan planning agencies in the preparation of program designs for law enforcement and criminal justice planning.

The coordination of the urban planning assistance program with other HUD programs is illustrated by the fact that comprehensive planning is a prerequisite for each of the following HUD programs: Open space land, basic water and sewer facilities, urban mass transportation, and neighborhood facilities. Urban planning assistance is widely used by metropolitan and local agencies to meet these planning requirements. Also, section 103 of the Demonstration Cities and Metropolitan Development Act of 1966 requires that approved "model cities" projects must be consistent with comprehensive planning for the entire urban or metropolitan area involved.

PROGRAM ACTIVITY AND GROWTH

The growth and interest in the urban planning grant program reflects the expansion and intensity of usage of comprehensive planning at the State, metropolitan, and small-city level. Communities realize the need to guide urban growth in order that the public funds are utilized most economically and on an orderly basis.

From its inception in 1954, the 701 program has had a major role in establishing comprehensive planning as an accepted process for guiding and coordinating urban development. The number of different small communities, including those in redevelopment areas, receiving grants under the program has risen from 242 at the end of 1956 to 6,200 as of June 30, 1967. Different metropolitan and regional areas receiving grants over the same period of time have increased from 23 to 247. Assistance for statewide planning was authorized by an amendment in 1959; by June 30, 1967, some 44 States had received grants for this purpose.

As another indication of the incentive effect of the program, in 1965 the Congress amended section 701 to include a provision (701(g)) which enabled organizations of public officials to receive grants. By June 30, 1967, 62 such organizations were operating or in the process of formation; 27 of these organizations have received urban planning assistance. The total Federal funds involved in these grants is $3,917,892.

The program is geared to local, regional, metropolitan and State action. It stimulates localities, metropolitan areas, and States to implement their own

planning based on their own understanding of their needs. The large number of localities, metropolitan, regional areas and States which have initiated comprehensive planning with the help of this program testifies to the success of the stimulative effort.

COORDINATION WITH OTHER AGENCIES

Mr. EVINS. Formal procedures have also been initiated with the following agencies to make 701 program assistance available: Economic Development Administration, for preparation of overall economic development programs; Bureau of Outdoor Recreation, for preparation of statewide recreation plans; Bureau of Land Management, for preparation of local comprehensive plans; and Bureau of Indian Affairs, Army Corps of Engineers, Office of Economic Opportunity, Appalachian Regional Commission, and the Departments of Labor, Justice, and Health, Education, and Welfare.

Tell us what you are doing in all these agencies, Mr. Haar.

Mr. HAAR. We have various interdepartmental arrangements in relation to this. We are attempting to make sure we are dealing with the same areas and that we are using our joint funding in the most effective fashion; that we are helping to solve the different problems that the Congress had legislated for.

We are working with the Economic Development Administration to raise the standard of living, and with the Office of Economic Opportunity to help train manpower.

With respect to the Bureau of Outdoor Recreation of the Department of the Interior, we exchange information and work together on the provision of recreation plans.

They are in charge of the statewide areas, and we are working in the urban areas.

We are working with the Bureau of Indian Affairs through the 701 program. We are attempting to work together on plans for improving Indian reservations.

We are working with the Water Resources Council to provide statewide plans for the best uses of water resources.

Mr. EVINS. State *x* is trying to develop a major State park, and they claim they do not have sufficient funds. Could the State make an application to HUD under 701? HUD could make a grant for planning, and this would be the extent of it, I suppose.

Mr. HAAR. Yes, sir.

Mr. EVINS. If the State decided to use the planning funds for some other purpose, they could get the planning funds from HUD and use their own planning funds for other purposes. I am sure it would be helpful and it would be popular.

You do have facilities for making grants for planning for almost anything that a State might wish to develop, by way of parks and recreation. It is very flexible.

Mr. HARR. We are very flexible. We are also very limited in funds. We try to allocate, as you said earlier, Mr. Chairman. There is a great demand for these different programs. We have to look very carefully at each individual applicant.

Mr. EVINS. But the grant is made on the basis of planning?

Mr. HARR. Under 701, grants are designed to encourage planning and programing. "701" is not used to make a particular jurisdiction eligible for one specific grant.

INTERDEPARTMENTAL COMMITTEES

Mr. EVINS. Place this information about your interdepartmental committee work in the record.

(The information follows:)

PARTICIPATION ON INTERDEPARTMENTAL COMMITTEES

The urban planning assistance staff participates in the following interdepartmental committees for the purpose of coordinating the 701 program with the planning assistance programs of other Federal agencies:

1. Coordinating Council on Planning Assistance and Requirements:
   The purpose of the Council is to improve the coordination of federally assisted planning programs, to simplify and make more consistent planning requirements, and to foster greater consistency and support among local regional and State planning and between functional and comprehensive planning at all levels. The Council includes representatives from HUD, Interior, Labor, Commerce, Transportation, HEW, BOB, and OEO. The Deputy Assistant Secretary for Metropolitan Development is chairman of the Council.
2. Cooperative Manpower Planning System, National Coordinating Committee:
   The Committee is responsible for developing overall direction and policy recommendations for CAMPS; for developing annual national manpower goals and guidelines, and preparing documents suitable for transmission to the field staffs engaged in developing operating plans; for coordinating the preparation of instructions and technical assistance to field staffs; and for the continuing review of the operation of the Manpower Planning System and revisions in it based on operating experience.
3. Water Resources Council, Committee for State Grants:
   The Committee coordinates policy on grants to States under title III, Water Resources Planning Act, and 701. There is a review to assure consistency between grants to States under title III and grants to States under 701 for related planning activities.
4. HUD—Bureau of Indian Affairs Coordinating Committee:
   The purpose of the Committee is to coordinate joint HUD—Bureau of Indian Affairs programs for planning and development within Indian reservations.

UNOBLIGATED BALANCES IN "701" FUNDS

Mr. EVINS. I am looking at approvals and disbursements in thousands of dollars for grants for planning. Do you have a carryover in this fund?

Mr. HAAR. We have a remaining balance in authorization of $38 million.

Mr. EVINS. I thought you said that there were approvals not disbursed.

Mr. JONAS. Did you not approve some projects and reserve some money that has not actually been obligated?

Mr. HAAR. You mean in the current year?

Mr. JONAS. Yes. What are your unobligated balances in this program?

Mr. HAAR. The unobligated balance at the present time is $20 million.

Mr. JONAS. Is that the unexpended balance, too?

Mr. HAAR. Yes.

Mr. JONAS. You have that much money on hand that you have not disbursed?

Mr. HAAR. We have $20 million on hand that we have not disbursed.

Mr. JONAS. Most of that you have reserved, but have not actually legally obligated?

Mr. HAAR. That is right. We have a lot of applications for the balance of the year.

Mr. FRANTZ. If you are using undisbursed in the technical sense, the undisbursed balance I am sure is larger than the $20 million. I do not have the figure in my mind. These grants are not paid out at the time that the contract is made.

Mr. JONAS. Please explain that.

UNDISBURSED BALANCE JANUARY 31, 1968

Mr. FRANTZ. They are paid out as the work is completed. We have undisbursed funds under contract. I do not have the undisbursed contracts in mind, but I could determine them for you and insert them in the record.

(The information follows:)

As of January 31, 1968, the undisbursed obligated balance was $34,686,779 for the 701 grant program.

Mr. EVINS. You do not show this in your justifications, but you have an obligated balance at the end of the year of $56,939,000, which is not expended. In other words, on June 30, 1968, you expect to have obligated nearly $57 million which will not have been expended. This will be expended over the next year or so?

Mr. HAAR. Yes, sir.

Mr. JONAS. What was the $20 million you stated, Mr. Haar?

Mr. HAAR. That was the sum of approvals yet to be made for this year.

Mr. JONAS. You mean the balance that you have not committed?

Mr. HAAR. That is correct, sir.

Mr. EVINS. You show the States and smaller communities. We know the nature of these planning grants.

Public Works Planning Fund

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		Administrative reservations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Program by activities:						
	Capital outlay:						
	Planning advances	5,787	8,500	8,500	16,717	13,500	10,500
	Approvals, start of year	5,992	2,598	2,598			
	Approvals, end of year	−2,598	−2,598	−2,598			
	Change in selected resources [1]				−7,536	−5,000	−2,000
	Total obligations	9,181	8,500	8,500	9,181	8,500	8,500
	Operating costs, funded—obligations: Survey expense					100	100
10	Total obligations				9,181	8,600	8,600
	Financing:						
14	Receipts and reimbursements from: Non-Federal sources:						
	Repayments of advances				−6,227	−8,500	−8,500
	Revenue				−6	−10	−10
	Recoveries of advances				−27		
21.98	Unobligated balance available, start of year				−6,004	−3,083	−2,992
24.98	Unobligated balance available, end of year				3,083	2,992	2,902
	New obligational authority						
	Relation of obligations to expenditures:						
10	Total obligations				9,181	8,600	8,600
70	Receipts and other offsets (items 11–17)				−6,260	−8,510	−8,510
71	Obligations affecting expenditures				2,921	90	90
72.98	Obligated balance, start of year				26,694	19,140	14,140
74.98	Obligated balance, end of year				−19,140	−14,140	−12,190
90	Expenditures				10,476	5,090	2,040
	Expenditures are distributed as follows:						
02	Out of prior authorizations				10,476	5,090	2,040
	Cash transactions:						
93	Gross expenditures				16,736	13,600	10,550
94	Applicable receipts				−6,260	−8,510	−8,510

[1] Balances of selected resources are identified on the statement of financial condition.

REVENUES, EXPENSE, AND RETAINED EARNINGS

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Revenue	6	10	10
Expense		−100	−100
Net operating loss or income (−)	6	−90	−90
Nonoperating income or loss:			
Recovery of planning advances written off	27		
Planning advances written off under Public Works Act (76 Stat. 541, 544)	−31		
Planning advances terminated	−2,568	−6,426	−6,900
Provisions for losses on planning advances	−3,081	4,029	5,125
Net nonoperating losses	−5,653	−2,397	−1,775
Net loss for the year	−5,647	−2,487	−1,865
Analysis of deficit:			
Deficit, start of year	−23,704	−41,904	−44,391
Adjustments of planning advances written off in prior years against capital, as follows:			
Advances written off under Accelerated Public Works Act (79 Stat. 451, 509)	−4,118		
Other advances terminated	−8,435		
Deficit (as adjusted), end of year	−41,904	−44,391	−46,256

FINANCIAL CONDITION

[In thousands of dollars]

	1966 actual	1967 actual	1968 estimate	1969 estimate
Assets:				
Treasury balance	32,698	22,223	17,132	15,092
Accounts receivable, net	7	6	6	6
Loans receivable, net	42,608	47,422	50,026	50,251
Total assets	75,313	69,651	67,164	65,349
Liabilities:				
Accounts payable	19			50
Government equity:				
Non-interest-bearing capital:				
Start of year	90,152	98,997	111,555	111,555
Appropriations	15,000			
Planning advances written off under Public Law 87-658	−286			
Other advances written off	−5,869			
Adjustments of planning advances written off in prior years against capital, as follows:				
Advances written off under Accelerated Public Works Act		4,118		
Advances terminated		8,435		
Transfer during the year from "Liquidating programs" of planning advances previously written off Public Law 88-560, approved Sept. 2, 1964)		4		
End of year	98,997	111,555	111,555	111,555
Deficit	−23,704	−41,904	−44,391	−46,256
Total Government equity	75,294	69,651	67,164	65,299

ANALYSIS OF GOVERNMENT EQUITY

[In thousands of dollars]

Undisbursed loan obligations [1]	26,682	19,146	14,146	12,146
Unobligated balance	6,004	3,083	2,992	2,902
Invested capital and earnings	42,608	47,422	50,026	50,251
Total Government equity	75,294	69,651	67,164	65,299

[1] The changes in this item are reflected on the program and financing schedule.

OBJECT CLASSIFICATION

[In thousands of dollars]

		1967 actual	1968 estimate	1969 estimate
25.1	Other services		100	100
33.0	Investments and loans	9,181	8,500	8,500
99.0	Total obligations	9,181	8,600	8,600

JUSTIFICATION FOR PUBLIC WORKS PLANNING

Mr. EVINS. Let us take a look at public works planning. Place in the record at this point pages C–1 through C–5.

(The pages follow:)

Public Works Planning Advances

PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Applications received:			
Number	687	750	700
Amount	$29,983	$26,000	$23,800
Gross approvals:			
Number	428	460	450
Amount	$11,018	$11,000	$11,200
Program level—approvals (net):			
Number	319	360	340
Amount	$5,787	$8,500	$8,500
Survey expenses		100	100
Advances disbursed	$16,717	$13,500	$10,500
Repayments and recoveries	$6,254	$8,500	$8,500
Advances outstanding:			
Current program	$60,478	$65,100	$66,700
1st and 2d programs	13,621	7,500	1,000
Total	74,099	72,600	67,700

BUDGET REQUEST

No appropriation for program funds is requested. The program level of $8.5 million will be financed by repayments to the public works planning fund.

INTRODUCTION

The first advance planning program was authorized by title V of the War Mobilization and Reconversion Act of 1944 and expired on June 30, 1947. The second advance planning program was authorized by Public Law 352, 81st Congress and expired on October 31, 1951. The current third advance planning program, authorized by section 702 of the Housing Act of 1954, as amended, provides interest-free advances to States and local public agencies and Indian tribes for the following purposes:

(1) To help attain maximum economy and efficiency in the planning and construction of public works; and

(2) To encourage municipalities and other public agencies and Indian tribes to maintain at all times a current and adequate reserve of planned public works.

Planning assistance is provided in the form of advances to non-Federal public agencies to enable them to finance the preparation of engineering and architectural designs and plans for specific public works and facilities projects. Advances are repayable without interest when construction of the project is undertaken. In the event construction of only a portion of the planned public work is undertaken, repayment of a proportionate amount of the advance is required. If repayment is not made, the unpaid sum will bear interest at the rate of 4 percent per annum from the date of the Government's demand for repayment.

The public work or facility to be planned through financial assistance under the program must conform to an overall State, local or regional plan approved by a competent State, local or regional authority and must be planned to be constructed within a reasonable period of time from the date the application is approved.

One of the chief functions of the public works planning program has been to assist the smaller communities to plan facilities prior to raising the construction funds. These communities need this assistance because the limited and inflexible local revenue sources of small jurisdictions make it extremely difficult to finance the development of these public facility plans out of current operating budgets. In many cases the municipalities are faced with debt controls imposed by State law or local charters which make it difficult, if not impossible, to provide financing of advance planning. Mayors and councilmen are extremely reluctant to submit to referendum a proposal to borrow money for a project for which they cannot present a good estimate of scope, cost, location, or design.

Assistance under the program not only encourages the advance planning of public works, but also helps insure the application of essential expertise in the planning. Small communities seldom have professional and techincal staff to plan and design major public works. Therefore, they are compelled to employ consultants. Under the program the Federal Government examines the consultant's agreement with the community to determine whether the engineering services to be performed are adequate and whether the fee is reasonable. In this respect, the small community is provided with a valuable service that would otherwise not be available.

In the development of public facility projects there are three generally recognized steps between original inception of the project and placing the project under construction. The steps are: (1) preliminary engineering report; (2) final design; and (3) complete engineering report, contract documents and detailed specifications. Of the three steps the first is by far the most important because decisions made during the preliminary phase pave the way for ultimate project development. The preliminary report is to develop a preliminary project perspective including description, cost, scheduling and financing which sets the stage for authorizing the project through the appropriate development stages.

The preliminary plan, though the least costly item in the development of a project, is the item for which many political subdivisions have difficulty financing. Therefore, more emphasis is being given to applicants with this type of requirement. This would provide a means for the applicant to take the plans and programs developed under areawide comprehensive planning and determine which projects should be undertaken at the earliest date.

Such plans and programs too often are not converted to construction projects because of the lack of understanding by the public of the work to be undertaken. In converting basic concepts into definitive projects, a means is provided to local public agencies to convert their areawide planning into specific projects in an orderly, rational fashion. Public works planning advances facilitate the design of a project once the need for the facility is determined as part of the area planning and programing activity. Thus, the public works planning program is a tool which enables communities to convert their planning into designs for specific projects.

ELIGIBILITY FOR ADVANCES

Federal advances under the current program may be used to plan a public work or facility that the non-Federal public agency has the authority to plan, finance and construct. An advance may be made to revise plans prepared under previous planning programs which have become obsolete due to no fault of the applicant. Repayment of the previous advance, as well as the new advance, will be required whenever construction of the public work is undertaken.

Advances may not be made to plan a public work for which the planning funds have been approved under other Federal programs; to reimburse a public agency for plans already developed or under preparation; or to plan a public work to be performed under an architectural/engineering contract previously executed, if the contract provides for unconditional payment by the applicant from funds other than the Federal advance. If the applicant already has taken all of the procedural steps necessary to obtain construction funds for the proposed public work or facility by bond issuance or other means, an advance will be approved only where emergency conditions require immediate action and the advance will prevent or reduce delay in planning or construction.

PUBLIC WORKS PLANNING FUND

The public works planning fund was established by the Housing Act of 1954 with an initial authorization for appropriation amounting to $10 million. The act was subsequently amended to establish a revolving fund comprising all moneys appropriated and all repayments from the first, second and current planning programs pursuant to section 602(a) of the Housing Act of 1964. Additional fund authorizations were provided in legislation enacted in 1955, 1961, 1964, and 1965, and the current authorization totals $128 million.

Within this authorization, appropriations totaling $83 million have been enacted by Congress. Thus, the unappropriated balance of the statutory authorization is $45 million. Additional appropriations have been made to the fund to restore advances forgiven pursuant to provisions of the Public Works Acceleration Act of 1962. The Independent Offices Appropriation Act of 1965 provided not to exceed $4 million for this purpose.

PROGRAM DEMAND

The fiscal year 1969 budget program assumes net approvals of 340 advances for $8.5 million. The program also assumes that $100,000 will be used to conduct surveys of the status and current volume of State and local public works planning and surveys of estimated requirements for State and local public works.

The demand for the assistance offered by this program has always been high. The number of applications submitted is indicative of the great demand. In fiscal year 1967 a total of 687 applications were submitted requesting a total of $30 million in advances. The following table shows gross applications received by project type during fiscal year 1967:

GROSS APPLICATIONS RECEIVED BY TYPE IN 1967

[Dollar amounts in thousands]

Type of facility	Number	Percent of total number	Amount	Percent of total amount
Water facility	153	22.3	$5,547.3	18.5
Sanitary sewer	296	43.1	12,007.8	40.1
Storm sewer	39	5.7	1,444.9	4.8
Liquid waste treatment	20	2.9	624.1	2.1
Other utilities	10	1.4	499.8	1.7
Administration and municipal buildings	43	6.2	2,850.3	9.5
Health facilities	19	2.8	776.4	2.6
Streets	28	4.1	1,519.3	5.0
Recreation	7	1.0	150.4	.5
Cultural	56	8.2	3,724.7	12.4
Other	16	2.3	837.9	2.8
Total	687	100.0	29,982.9	100.0

Applications by States are another indication of program demand. Cumulative as of June 30, 1967, California and Pennsylvania had submitted the largest number of applications with a total of 878 and 819 respectively. New York has submitted 438, Texas, 422; Washington, 409; New Jersey, 395; Massachusetts, 388; Louisiana, 366; Oregon, 349; Ohio, 331; Montana, 319; and Illinois, 308.

FUNDING OF PROGRAM

Mr. EVINS. No appropriation is requested for this fund. How much is your carryover?

Mr. HAAR. This is financed by repayments from the public works planning funds. We are assuming a level of $8.5 million, the same as last year.

Mr. EVINS. After the grant is made for planning, and if the program goes into operation, then the planning fund is paid back. From this fund you make the public works planning advances?

Mr. HAAR. That is correct, sir.

Mr. EVINS. How much do you expect to obligate or commit in the next year?

Mr. HAAR. $8.5 million, sir.

Mr. EVINS. What is the total figure at the bottom of page C–1, $67,700,000?

Mr. HAAR. Those are the advances that are outstanding, the total amount.

Mr. EVINS. You expect to commit $8.5 million?

Mr. HAAR. Yes, sir.

Mr. EVINS. No appropriation is requested here?

Mr. HAAR. No, sir.

Mr. EVINS. Will you tell us again, for the record, who is eligible for these advances?

Mr. HAAR. These advances are made to smaller communities for advance planning of public works. Primarily, these are communities which do not have professional and technical staffs which can help them plan and design the major public works.

Mr. EVINS. These involve a wide variety of activities.

Mr. MARSH. Where does this tie in with, or overlap, or exceed the effort over in HEW on sewer and water planning and assistance?

Mr. HAAR. I think the program you are referring to was transferred to the Department of the Interior. The program is sewage treatment works. It deals with the treatment of sewage at the final stage of the collection. It does not relate to the planning of facilities. Our program is one which permits us to design a particular public works project and get the cost of it and, in a sense, get ready for a referendum.

Mr. MARSH. It is my recollection that there were planning grants under that program.

Mr. HAAR. Under the sewage treatment works program? I am not aware of it. I think they have some demonstration programs under interior for some of the more advanced treatment of sewage, different ways of treating the sludge and the rest, but I am not aware of programs for planning facilities of small communities. I will be glad to check into that for you.

Mr. SHIPLEY. They have been restricted to treatment, have they not?

Mr. HAAR. That is right.

NET APPROVALS BY POPULATION SIZE

Mr. EVINS. The chart on page C–8 shows net approvals by population size. Put this in the record.

(The chart follows:)

NET APPROVALS BY POPULATION SIZE AS OF JUNE 30, 1967

[Dollars in thousands]

Population	Number of projects	Percent of total projects	Advance amount	Percent of total amount	Estimated total cost
Under 1,000	755	14.4	$4,930	3.8	$503,686
1,000 to 2,499	1,016	19.3	13,665	10.4	658,391
2,500 to 4,999	741	14.1	12,511	9.6	714,014
5,000 to 9,999	687	13.1	15,818	12.1	1,143,167
10,000 to 24,999	905	17.2	26,717	20.4	1,725,709
25,000 to 49,999	416	7.9	15,530	11.9	1,094,421
50,000 to 99,999	301	5.8	13,085	9.9	1,022,414
100,000 and over	426	8.2	28,686	21.9	2,612,552
Total	5,247	100.0	130,942	100.0	9,474,354

Mr. EVINS. On page C–9 are the cumulative net approvals to the various States. You have had 5,247 approvals for $130 million.

Mr. HAAR. Yes, sir.

Basic Water and Sewer Facilities

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	Administrative reservations			Costs and obligations		
	1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
Program by activities:						
Grants to local public bodies and agencies	99,909	175,098	150,000	5,691	90,000	130,000
Administrative reservations, start of year	84,309	46,948	46,948			
Administrative reservations, end of year	−46,948	−46,948	−46,948			
Change in selected resources [1]				131,579	85,098	20,000
10 Total obligations (object class 41.0)	137,270	175,098	150,000	137,270	175,098	150,000
Financing:						
21 Unobligated balance available, start of year				−94,316	−57,046	−46,948
24 Unobligated balance available, end of year				57,046	46,948	46,948
40 New obligational authority (appropriation)				100,000	165,000	150,000
Relation of obligations to expenditures:						
71 Total obligations (affecting expenditures)				137,270	175,098	150,000
72 Obligated balance, start of year				5,684	137,263	222,361
74 Obligated balance, end of year				−137,263	−222,361	−242,361
90 Expenditures				5,691	90,000	130,000
Expenditures are distributed as follows:						
02 Out of prior authorizations				5,691	90,000	130,000

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, $5,684,000; 1967, $137,263,000; 1968, $222,361,000; 1969, $242,361,000.

Mr. Evins. We will take a look at the next one, grants for basic water and sewer facilities.

Place in the record pages D–1 and D–2.

(The pages follow:)

Grants for Basic Water and Sewer Facilities

PROGRAM HIGHLIGHTS

[Dollars in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Preliminary inquiries received:			
Number	1,696	2,000	2,500
Amount	$743,000	$800,000	$1,125,000
Preliminary inquiries withdrawn and rejected:			
Number	1,972	2,236	1,950
Amount	$1,277,800	$1,277,500	$942,500
Preliminary inquiries on hand, end of year:			
Number	1,161	275	225
Amount	$975,000	$220,000	$157,500
Applications received:			
Number	483	400	350
Amount	$224,500	$225,000	$192,500
Grant reservations (net):			
Number	252	350	290
Amount	$99,909	$175,098	$150,000
Construction activity:			
Starts	85	325	350
Completions	3	112	326

Budget Request

An appropriation of $150 million for water and sewer facility grants. The amount requested will provide for 290 grant reservations for water and sewer facility projects.

INTRODUCTION

Title VII of the Housing and Urban Development Act of 1965 recognizes the need and importance of basic water and sewer facilities as part of the economical development and orderly growth of the urban areas of the Nation. The principal objectives of the water and sewer facilities grant program are:

(1) To promote sound and orderly metropolitan development by using water and sewer grants to implement specific projects in conformity with comprehensive planning for the orderly evolution of urban and urbanizing areas.

(2) To help urban communities meet growing needs for water and sewer facilities.

Grants are available to help finance specific projects for basic water and sewer facilities. Water facilities include works to store, supply, treat, purify, or distribute water of sufficient quality and quantity for domestic, commercial, and industrial use. Sewer facilities include sanitary sewer systems for the collection, transmission, and discharge of liquid wastes (other than "treatment works" as defined in the Federal Water Pollution Control Act), and storm sewer systems for the collection, transmission, and discharge of storm water caused by rainfall or ground water runoff.

Grants may not exceed 50 percent of the cost of construction of the water or sewer facility project and of acquiring the land on which it is located, including site improvements necessary to make the land usable as a site for the project. Construction of new water and sewer facilities, addition, or enlargement, or major improvement or rehabilitation of existing facilities are permitted under the program. Ordinary repairs or costs of maintenance items of existing facilities may not be financed with grant funds. Additional grant assistance may be given to applicants to make relocation payments to eligible individuals, families, business concerns, and nonprofit organizations displaced by a project being assisted under the program.

DEMAND FOR WATER AND SEWER GRANTS

Mr. EVINS. You are asking for an appropriation of $150 million. The amount requested will provide for 290 grant reservations for projects.

The Secretary testified on this earlier. We know there are more requests than there are funds available. You have been proceeding at the level of about $150 million or $175 million a year.

Page D–3 shows requests by the various agencies: The Economic Development Administration, $565 million. Agriculture, under the Farmers Home Administration, a very popular program, $663 million. Interior, the Federal Water Pollution Control Administration, $500 million. And HUD, in the metropolitan development program, has received cumulative grant requests for water and sewerage of $2,816 million. That is what Mr. Haar testified to earlier.

A total of $4.5 billion has been requested.

Mr. MARSH. Are those that which have been made, or what have been requested?

Mr. HAAR. That is the total inquiries.

Mr. MARSH. I think that is important. This means municipalities and communities have made inquiries to these various agencies in an amount exceeding $4.5 billion.

Mr. HAAR. Yes, sir.

Mr. EVINS. Put this chart in the record on page D–3.

(The page follows:)

The magnitude of the demand for Federal grant assistance to construct water and sewer facilities (since the program started in 1966) is illustrated by amount of grants requested by communities to the four Departments providing financial assistance for water and sewer facilities. Since these requests represent only 50 percent of the potential costs involved, these figures represent construction cost of over $9 billion.

Cumulative amount of inquiries for water and sewer grants by Departments as of December 31, 1967

Department of Commerce—Economic Development Administration	$565,258,702
Department of Agriculture—Farmers Home Administration	663,965,170
Department of Interior—Federal Water Pollution Control Administration	504,241,503
Department of HUD—Metropolitan development	2,816,078,485
Total	4,549,543,860

REFERRAL OF INQUIRIES

Mr. EVINS. Communities of less than 3,000 are referred to the Farmers Home Administration, are they not, Mr. Haar? Suppose a small community applies for a water and sewerage grant, do you process it or refer it over to the Farmers Home Administration?

Mr. HAAR. We have worked out an arrangement. We have an interdepartmental committee. We talked about this very briefly last year, Mr. Chairman. I think this has been one of the most effective ways in which we have all been able to reduce the time for the different applicants, by working out a procedure.

The possible applicants have made enormous numbers of inquiries. By and large, we do take jurisdiction over them if they are over 5,500 in population, and even go below the break line to 2,500 if the community exhibits urbanizing characteristics.

DETERMINATION OF PRIORITIES

Mr. EVINS. This is a question we need answered for the record. You have this $4.5 billion worth of requests and inquiries. How do you determine the priorities?

Mr. HAAR. Within HUD?

Mr. EVINS. Within the funds available to HUD.

Mr. HAAR. One of the key things in management, especially when your demand far exceeds supply, is to establish some type of priority. We have been given priorities by the Congress and have developed a list which we think, by and large, has met the need and has received a great deal of approval from the different applicants.

I might add, some of the applicants who do not succeed at least have a sense of fairness, which is important in dealing with a program of this size.

We look to comprehensive planning, which is what the statute requires us to do, to make sure that the program, whether it be sewer or water or a combination of sewer and water, is in accordance with sound, businesslike, areawide development of the area. We look to area needs. We take into account the financial rating of the particular community, and the physical needs.

We see, again as required by the act, the economies that would come, if we can get big savings by building areawide.

Mr. EVINS. Their prior or previous planning is a major factor in the decision?

Mr. HAAR. Yes, it is. We take into account the future growth needs, and whether the governments are handling this in a way that makes sense.

Mr. EVINS. I believe you testified that you have reduced the time of processing these applications.

Mr. HAAR. Yes, sir, we have. We have been able to convert an inquiry into an application within 30 days.

BUDGET JUSTIFICATION

Mr. EVINS. Place pages D–4 and D–5, and pages D–7 through D–12 in the record.

BASIC REQUIREMENTS FOR FINANCIAL ASSISTANCE

Before Federal assistance may be provided under the act, the Secretary must determine that:

(1) The applicant is a local public body or agency established by the action of one or more States or entities thereof, or an Indian tribe.

(2) The applicant has the legal authority to plan, finance, construct, maintain, and operate the proposed project.

(3) The project is necessary to provide adequate water or sewer facilities for, and will contribute to, the improvement of the health or living standards of the people in the community to be served, and that the project (a) is designed so that adequate capacity will be available to serve the reasonably foreseeable growth needs of the area, (b) is consistent with a program for a unified or officially coordinated areawide water or sewer facilities system as part of the comprehensively planned development of the area, and (c) is necessary to orderly community development.

(4) All contracts for construction work contain labor standard provisions relating to the Davis-Bacon Act, the Contract Work Hours Standards Act, and the Anti-Kickback (Copeland) Act.

(5) Any waste material carried by the facilities will be adequately treated before it is discharged into any public waterway (based on certification by Federal Water Pollution Control Administration, Department of Interior).

(6) Each applicant adheres to the statutory requirements set forth in title IV of the Housing and Urban Development Act of 1965 when acquiring real property by eminent domain.

STATUS OF AUTHORIZED FUNDS

Appropriations of $200 million in each of the 4 consecutive fiscal years beginning in 1966 are authorized by the 1965 act for grants under this program. The Supplemental Appropriation Act, 1966, provided $100 million; the Independent Offices Appropriation Act, 1967, provided $100 million; the Independent Offices and HUD Appropriation Act, 1968, provided $165 million; and the appropriation of an additional $150 million is proposed for fiscal year 1969. Amounts authorized but not appropriated for any fiscal year may be appropriated for any succeeding fiscal year through 1969. The $285 million unappropriated balance estimated for June 30, 1969, will not remain available unless legislation is enacted to extend the current authorization beyond fiscal year 1969. The following table shows the status of authorized funds:

STATUS OF AUTHORIZED FUNDS

[In thousands]

Fiscal year	Authorization annual	Available cumulative	Appropriations	Unappropriated balance
1966	$200,000	$200,000	$100,000	$100,000
1967	200,000	400,000	100,000	200,000
1968	200,000	600,000	165,000	235,000
1969	200,000	800,000	150,000	285,000

REVIEW OF INQUIRIES

The Department of Housing and Urban Development accepts for processing or refers inquiries from applicants regardless of size of community, or type of

public work or facility involved. Many of these inquiries after a preliminary screening are referred to other Federal agencies involved in water and sewer programs. Of the anticipated 2,500 preliminary inquiries estimated to be filed with the Department of Housing and Urban Development in fiscal year 1969, 250 net referrals will be made to other departments for detailed review and processing. All inquiries not accepted by another Federal agency are placed in processing by this Department.

The first step in this processing is to review all of these inquiries in terms of a rating system to establish the relative merit of the individual inquiry. Those which rank lowest in terms of the rating system are returned to the applicant. Also returned are those inquiries which obviously are ineligible because of lack of planning or some action on the part of the applicant which legally or administratively disqualifies the project. Those inquiries that meet the standards of the Department are invited to submit an application for final technical review. The following table shows the processing of inquiries until they are converted to an application:

PROCESSING OF INQUIRIES

[Dollar amounts in millions]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
On hand, start of year	2,526	$1,862	1,161	$975	275	$220
Inquiries received	1,696	743	2,000	800	2,500	1,125
Total	4,222	2,605	3,161	1,775	2,775	1,345
Less:						
Referred to other agencies (net)	606	128	250	52	250	52
Withdrawn or rejected	1,972	1,278	2,236	1,278	1,950	943
Converted to applications	483	224	400	225	350	193
On hand, end of year	1,161	975	275	220	225	157

The following is a more detailed breakdown of the withdrawn and rejected inquiries during fiscal year 1967:

	Number	Amount (thousands)
Withdrawn by applicant	286	$267,300
Rejected (statutorily)	255	101,000
Rejected (administrative)	1,431	909,500
Total withdrawn and rejected	1,972	1,277,800

COORDINATION WITH OTHER FEDERAL AGENCIES

Legislation in recent years has authorized the Departments of Agriculture, Commerce, Interior, and Housing and Urban Development to provide some form of financial assistance for the development of water and sewer projects or waste treatment facilities. In order to coordinate these Federal assistance programs and to assist potential applicants, the Bureau of the Budget developed a standard form for inquiries concerning Federal financial assistance for water and sewer projects and waste treatment facilities. Interested communities submit their preliminary inquiries to either the Department of Agriculture or the Department of Housing and Urban Development which will refer the form to the Economic Development Administration of the Department of Commerce if the project is an area eligible for assistance under the Public Works and Economic Development Act. If the inquiry is for waste treatment facilities, it is referred to the Federal Water Pollution Control Administration of the Department of the Interior. Inquiries concerning grants for waste treatment facilities may also be filed with the appropriate State water pollution control agency.

The Department of Housing and Urban Development will accept for review all referrals of preliminary inquiry forms from applicants regardless of the size of the community. However, inquiries on behalf of communities of not more than 5,500 population may be filed with the appropriate local county office or State office of the Farmers Home Administration of the Department of Agriculture. The program administered by FHA (Agriculture) is designed to assist nonurban areas to develop water or sewer systems consistent with the community's development plans.

The Interagency Committee to Provide Continuing Coordination for Water and Sewer Programs was established over a year ago with representation on the committee from the four departments having water and sewer grant-in-aid programs—Housing and Urban Development, Interior, Commerce, and Agriculture. The mission of the Interagency Committee is to develop more simplified and consistent methods and procedures which would improve the effectiveness of the programs both for the Federal agencies and the applicants. Monthly meetings are held to discuss matters of mutual interest. Four special subcommittees have been set up to analyze and resolve specific problem areas.

Application subcommittee.—Prior to December 31, 1967, formal requests for assistance entailed the submission of two similar forms: the SF–101, "Preliminary Inquiry," and the form HUD–41401, "Application for Grant Assistance." This caused considerable discomfort to applicants because much of the same information was required on both. A new form has been developed which combines the functions of both and replaces both SF–101 and the form HUD–41401. This new form has now been adopted by all four agencies administering water and sewer Federal assistance programs. Also, it has been adopted by the Farmers Home Administration for all its grant and loan programs. HUD proposes to use the procedure for the public works planning and public facility loans programs.

Engineering services and bidding procedures subcommittee.—The subcommittee is proposing that engineering services requirements be specified by reference to American Society of Civil Engineers Manual 45 without the use of a separately developed standard form of contract. This approach, which will establish a uniform procedure for all the participating agencies, was developed in consultation with the engineering professional societies.

Comprehensive planning subcommittee.—The task force on planning requirements has undertaken to establish consistent planning requirements to be employed by the four agencies. Accomplishments to date include the drafting of interagency agreements for providing service among the four agencies. These agreements are currently being reviewed. The ultimate aim of this task force is to establish a common approach in the field of planning for the administration of Federal assistance programs. When and if the proposed amendments are adopted, they will remove many of the conflicting problems involved in the field of planning particularly those associated with economic development, water resources, rural land use and urban requirements.

Disbursement and audit subcommittee.—In order to comply with the Treasury directives on disbursements and obtain more uniform budget management and closeout procedures, this subcommittee has undertaken a study of the procedures and requirements of the four agencies. A series of recommended procedural changes to bring the four agencies closer together is currently under review and final determinations are expected early in 1969. The ultimate aim is to establish common procedures which will result in reducing administrative cost and confusion for grant and loan recipients.

PROGRAM RESULTS

During the first 2 years of the water and sewer facilities grant program, grants amounting to $190 million have been made for 401 projects. Approximately 53 percent of the projects approved are located in standard metropolitan statistical areas. The distribution by State of the 401 approvals as of June 30, 1967, is shown on the following table:

DISTRIBUTION OF APPROVALS BY STATE AS OF JUNE 30, 1967

[Dollar amounts in thousands]

State	Number	Grant amount	Total cost	State	Number	Grant amount	Total cost
Alabama	10	$4,043	$16,186	Nevada	2	$208	$518
Alaska	1	674	1,630	New Hampshire	3	922	2,224
Arizona	4	3,427	7,887	New Jersey	12	7,348	29,009
Arkansas	5	2,557	6,213	New Mexico	2	612	1,842
California	33	13,971	36,723	New York	14	5,908	20,636
Colorado	7	2,379	6,272	North Carolina	9	4,132	14,404
Connecticut	13	9,650	29,867	North Dakota			
Delaware	1	260	667	Ohio	15	8,098	19,934
Florida	19	7,281	24,820	Oklahoma	9	2,880	7,700
Georgia	12	4,897	12,328	Oregon	6	3,782	10,463
Hawaii	4	887	2,650	Pennsylvania	27	9,700	25,393
Idaho	2	1,724	4,200	Rhode Island	5	2,068	4,837
Illinois	9	5,851	14,600	South Carolina	5	1,284	4,973
Indiana	5	3,579	8,922	South Dakota	2	538	1,210
Iowa	4	2,846	6,834	Tennessee	12	3,394	10,310
Kansas	4	2,850	8,294	Texas	21	11,692	38,230
Kentucky	6	3,367	9,306	Utah	3	1,018	2,236
Louisiana	7	6,448	17,782	Vermont	5	377	920
Maine	2	1,343	2,931	Virginia	5	3,453	10,111
Maryland	6	2,297	5,551	Washington	6	4,156	10,068
Massachusetts	14	8,468	27,775	West Virginia	2	350	1,007
Michigan	16	12,270	37,281	Wisconsin	11	5,404	12,673
Minnesota	8	2,807	7,423	Wyoming	2	1,081	2,373
Mississippi	5	1,495	4,409	Puerto Rico	12	1,874	4,388
Missouri	5	1,742	3,434	Guam	1	897	2,039
Montana	3	306	715				
Nebraska	5	1,039	2,438	Total	401	189,634	544,636

The following table shows that 38 percent of the grant approvals have been made to communities under 10,000 population involving 27 percent of grant funds, and 44 percent to communities with a population between 10,000 and 50,000 accounting for 45 percent of grant funds. The size of the grant tends to increase with the size of the applicant. The average grant for all projects to date is $475,000.

DISTRIBUTION OF PROJECTS BY POPULATION SIZE GROUP SHOWING NUMBER AND GRANT AMOUNTS AS OF JUNE 30, 1967

[Dollar amounts in thousands]

Population size group	Number of projects			Grant amount	Amount of grant		Average grant amount
	Number	Percent by group	Percent cumulative		Percent by group	Percent cumulative	
Under 500	11	2.7	2.7	$1,641	0.9	0.9	$149
500 to 999	8	2.0	4.7	2,652	1.4	2.3	331
1,000 to 2,499	29	7.3	12.0	6,339	3.3	5.6	219
2,500 to 5,499	52	13.0	25.0	16,080	8.4	14.0	309
5,500 to 9,999	54	13.5	38.5	23,963	12.6	26.6	444
10,000 to 24,999	108	26.7	65.2	45,239	23.8	50.4	423
25,000 to 49,999	71	17.7	82.9	41,653	21.9	72.3	587
50,000 to 99,999	22	5.5	88.4	13,214	7.0	79.3	601
100,000 to 249,999	25	6.3	94.7	22,226	11.7	91.0	889
250,000 to 499,999	10	2.5	97.2	10,220	5.4	96.4	1,022
500,000 to 999,999	10	2.5	99.7	4,910	2.8	99.2	491
1,000,000 and over	1	.3	100.0	1,497	.8	100.0	1,497
Total	401	100.0	100.0	189,634	100.0	100.0	475

The following table shows that about 51 percent of the grant funds have gone for water projects, 41 percent for sewer projects, and the remaining 8 percent for projects involving both water and sewer.

ISTRIBUTION OF GRANT APPROVALS BY TYPE FACILITY AS OF JUNE 30, 1967

[Dollar amounts in thousands]

Type of facility	Projects		Grant		Total cost	
	Number	Percent	Amount	Percent	Amount	Percent
Water	204	50.7	$96,182	50.6	$266,506	48.9
Sewer	158	39.5	78,433	41.3	244,813	45.0
Water/sewer	39	9.8	15,019	8.1	33,317	6.1
Total	401	100.0	189,634	100.0	544,636	100.0

COOPERATION WITH OTHER AGENCIES

Mr. SHIPLEY. Do you cooperate or participate with any other agencies in a joint venture to solve a water or sewer problem?

Mr. HAAR. Yes, sir; we deal with them in planning. We have also worked together with FHA, and have been able to combine a grant program with a loan program. Combined, we get a greater impact from our efforts.

Mr. SHIPLEY. I am interested in hearing this, because I know there are areas classified as no man's land which do not meet any criteria because a line is drawn from urban to rural.

I was wondering if you did go into these problems.

Mr. MARSH. The record shows $4.5 billion in applications. Would you give us just a general figure, which you may furnish for the record, of the number of municipalities and communities that have requested that? I would assume this is in all 50 States.

Mr. HAAR. Yes, I would assume it is, too.

AMOUNT AND NUMBER OF INQUIRIES FOR WATER AND SEWER GRANTS

Mr. MARSH. Would you furnish for the record how many hundreds or so requests go into that $4.5 billion, indicating it does come from all 50 States?

Mr. HAAR. I would be happy to do that, sir.

Mr. EVINS. Provide the additional information for the record.

(The information follows:)

CUMULATIVE AMOUNT AND NUMBER OF INQUIRIES FOR WATER AND SEWER GRANTS BY DEPARTMENTS AS OF DEC. 31, 1967

Department	Amount	Number
Department of Commerce: Economic Development Administration	$565,258,702	1,395
Department of Agriculture: Farmers Home Administration	663,965,170	6,556
Department of the Interior: Federal Water Pollution Control Administration	504,241,503	2,480
Department of Housing and Urban Development: Metropolitan development	2,816,078,485	4,634
Total	4,549,543,860	15,065

Note: Each Department received inquiries from communities in all 50 States.

WITHDRAWAL OF INQUIRIES

Mr. JONAS. As I understand the table on D–1, you say the total dollar amount of preliminary inquiries is $1.125 billion, and that $942.5 million of these have been withdrawn.

Give us the reason for such substantial withdrawals in such an important field as water and sewer facilities. Were they transferred to other departments?

Mr. HAAR. A few were transferred to other departments in terms of jurisdiction. A few were not meeting statutory requirements.

I think, by and large, this is a result of limited funds and the desire to let the applicant know as soon as possible what his chances were, and to inform him that a grant would just not be forthcoming in view of the enormous demand.

USE OF AUTHORIZATION

Mr. JONAS. Why did you not ask for more money in this field, then? You are not anywhere close to your authorization. You have exhausted your authorization in many programs, but you still have $200 million or $300 million in authorization here, and yet you have turned down and caused to be withdrawn $1 billion worth of applications by advising the municipalities there would be no funds available to make the grant. Is that correct?

Mr. HAAR. Yes, sir; that is. That is a part of the management here. I think the question relates to the overall view of the economy and the overall view of the best use of the limited funds.

Mr. EVINS. It is not budgetary restraint, is it?

Mr. JONAS. I do not think it is that, because you are increasing other programs and inaugurating new ones. This is one which is basic to the health of all the country, for which $1 billion in applications were received from all 50 States, and you turn those people down and tell them due to budgetary limitations you will not be able to make a grant. You leave them sitting there in need of water and sewer facilities, and yet you want to spend money on a zillion other programs and increase them. It is a question of priorities, is it not? Your judgment is that water and sewer facilities is of lower priority than these other programs that you are asking to increase.

Mr. HAAR. I cannot accept the statement about the zillion other programs. I think we have attempted to do with the minimum number that are essential if we are to deal with the growth of population and the demand for public facilities.

Mr. JONAS. You give a higher priority to the acquisition of open land than to providing a municipality with modern sewer facilities?

Mr. HAAR. No, I do not think I do, sir.

Mr. JONAS. That is implicit from this justification. You tell us nearly $1 billion in applications were withdrawn because you told the municipalities money would not be available. Yet you are asking for increased money to acquire open land.

BALANCE IN TERMS OF NATIONAL NEED

Mr. HAAR. A great number of applications have also been rejected in the open space area. What we are trying to do is to get some kind of balance in terms of national need. We need both open space and water and sewer, and, I might also add, transportation, in order to have some kind of growth which is efficient and orderly in view of the limited resources, in view of what local governments can do, and in view of the bonding capacity.

Mr. EVINS. You are trying to arrive at a balance on your many legislative responsibilities. Would that be a fair statement?

Mr. HAAR. Yes, sir. We are also speaking in terms of the inflationary impact and in terms of the impact of construction, and I think that was also taken into account in attempting to arrive at an appropriate balance here.

THE MEANING OF FORMAL WITHDRAWAL

Mr. JONAS. What has happened to this $942 million in applications? Have they just been junked? Have they been put on the shelf? You say they were withdrawn. That means they are formally withdrawn?

Mr. HAAR. They are formally withdrawn. We told the applicants they would have to look to their own resources, the State or elsewhere. We have done a followup on some of those, Mr. Jonas.

Mr. DAVIS. Mr. Jonas, based on a rather modest sample, we estimate that about half of the applicants which we have rejected are not going to go forward with the plans as they had hoped. The balance are going to go ahead, but probably on a modified basis or a more limited basis than they had hoped.

METROPOLITAN AREA COOPERATION

Mr. JONAS. How many were rejected because the sponsor declined to participate in a metropolitan area development program and wanted to go it alone?

Mr. DAVIS. That is a basic requirement under the statute, so they would have to get over that hurdle before they reached the stage of being considered for the grant initially.

Mr. JONAS. That was not always a requirement of the statute. That was put in last year or the last time we had a housing bill, because it was not required originally and initially.

Is that not right?

Mr. HAAR. I think this was part of the initial legislation.

Mr. JONAS. I think you will find you have made many grants to individual municipalities without regard to metropolitian approval.

Mr. HAAR. We do not have metropolitan approval. We make the grants on the basis they are part of the areawide planning and fit in with the overall view of the needs of the region.

Mr. EVINS. What Mr. Jonas is trying to say, the way I understand it, is that it is not necessary to be a part of an areawide metropolitan plan to be able to get a grant. This is not a requirement.

Mr. JONAS. It is a requirement now.

Mr. HAAR. It is a requirement under the statute that it fit in with a plan of that sort, not that it be part of a metropolitan area.

Mr. JONAS. I was trying to develop how many of these applications were withdrawn because the municipalities did not want to comply with that requirement.

STATEWIDE PLANS

Mr. EVINS. If this is taken to the extreme end, a reductio ad absurdum, only 50 could qualify because there are 50 States, and all the States want statewide planning. You are not going to limit it to the extent that you have to be tied in with one of the 50 State plans before you can be eligible for a grant, I trust.

Mr. HAAR. We are not going to that reductio ad absurdum, Mr. Chairman. We are simply trying to make sure that they look forward to their needs that they can immediately foresee, and that they are not obsolete immediately after being built.

Mr. EVINS. We are all for planning. We think this is primary and very essential. But it is not contingent upon their joining in with a metropolitan area to get a grant approved, I would hope.

Mr. JONAS. I think they are requiring just that.

Mr. EVINS. Suppose they do not have a comprehensively planned metropolitan area. Most of them do have, but suppose there are cases in which they do not have a plan.

Mr. JONAS. They cannot get a grant under this.

Mr. HAAR. If they have one under active preparation.

Mr. EVINS. Read what the statute says.

AUTHORITY FOR REQUIRING CONSISTENCY WITH COMPREHENSIVE PLAN

Mr. HAAR. "No grant shall be made under this section"——

Mr. EVINS. Which sections?

Mr. HAAR. Section 702, which is the grants for basic water and sewer.

Mr. EVINS. No grant shall be made under section 702, the basic water and sewer grants.

Mr. HAAR (continuing). "In connection with any project unless the Administrator (now Secretary) determines that the project is

necessary to provide adequate water or sewer facilities or will contribute to the improvement of the health or living standards of the people and that the project is (1) designed so that an adequate capacity will be available to serve the reasonably foreseeable growth needs of the area, (2) consistent with a program meeting for a unified or officially coordinated areawide water or sewer facility system as part of a comprehensively planned development of the area."

In other words, where you have three small communities and one wants to build a small waterplant which would serve just that community at a certain cost, and another area would have three communities of the same size and they want to get together and they want to build a slightly larger waterplant which will provide the water at a much lower price per capita to the whole area; you have to take into account the areawide aspects when you have limited funds.

I think that is a highly sensible way to program and budget our scarce resources.

Mr. SHIPLEY. It is a good way. The Farmers Home Administration does this quite often when four or five communities have this problem and none of them can afford individually to go ahead and do it.

Mr. EVINS. You are promoting metropolitan growth by making it bigger and bigger, and you are not encouraging dispersal and augmenting or injecting competition. You are promoting monopoly. You are going to have one place where they can pay their water bill.

Mr. SHIPLEY. But it is a cheaper water bill.

Mr. HAAR. We are making it possible——

Mr. EVINS. With bigness comes inefficiency, I have heard. I always refer back to a statement against the growth of monopoly.

Mr. JONAS. I have not heard of any water bills coming down.

Mr. EVINS. We are all for planning, but let us not make them all so big, Mr. Secretary.

Off the record.

(Discussion off the record.)

Mr. EVINS. The Secretary does a good job. I think he has a very difficult one, and he exercises his judgment on these matters.

SMALL COMMUNITIES AVAIL THEMSELVES OF GRANTS

Mr. HAAR. I would like to add that the facts show that the smaller communities, which are the ones that it was suggested might be having difficulties, are availing themselves mostly of the sewer and water grant program. As the figures, fully 83 percent of the communities receiving sewer and water grants and 72 percent of the funds going to communities under 50,000.

Mr. SHIPLEY. I think that is a commendable job.

Public Facility Loans

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		Administrative reservations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Program by activities:						
	Capital outlay:						
	Public facility loans	29,868	50,000	40,000	58,737	45,000	54,000
	Administrative reservations, start of year	6,171	8,748	8,748			
	Administrative reservations, end of year	−8,748	−8,748	−8,748			
	Change in selected resources [1]				−31,446	5,000	−14,000
	Total capital outlay obligations	27,291	50,000	40,000	27,291	50,000	40,000
	Operating costs, funded:						
	1. Interest on borrowings				7,835	6,590	5,300
	2. Administrative expenses				1,205	1,227	1,235
	3. Inspection and audit expense				182	220	250
	4. Commission on sale of participation certificates				160	280	280
	5. Interest on participation certificates				477	5,400	11,600
	6. Other expenses				8	10	10
	Total operating costs, funded—obligations				9,867	13,727	18,675
10	Total obligations				37,158	63,727	58,675
	Financing:						
	Receipts and reimbursements from:						
13	Trust funds: Investment income from participation sales fund				−2	−60	−130
14	Non-Federal sources:						
	Loan repayments				−2,845	−3,626	−4,270
	Revenue				−9,252	−11,001	−14,047
21.47	Unobligated balance, start of year: Authorization to spend public debt receipts				−239,802	−294,547	−326,180
23	Unobligated balance transferred to participation sales fund				538	1,520	2,715
24.47	Unobligated balance, end of year: Authorization to spend public debt receipts				294,547	326,180	367,667
	New obligational authority				80,342	82,193	84,430
	New obligational authority:						
	Current authorization:						
40	Appropriation (current, indefinite)				342		3,125
42	Transferred from other accounts (current, definite)					868	
43	Appropriation (adjusted)				342	868	3,125
48	Authorization to spend agency debt receipts				80,000	80,000	80,000
	Permanent authorization:						
60	Appropriation (permanent, indefinite)					1,325	1,305
	Relation of obligations to expenditures:						
10	Total obligations				37,158	63,727	58,675
70	Receipts and other offsets (items 11–17)				−12,099	−14,687	−18,447
71	Obligations affecting expenditures				25,059	49,040	40,228
	Obligated balance, start of year:						
72.47	Authorization to spend public debt receipts				106,630	102,095	113,462
72.98	Fund balance				39,270	12,696	7,479
	Obligated balance, end of year:						
74.47	Authorization to spend public debt receipts				−102,095	−113,462	−88,975
74.98	Fund balance				−12,696	−7,479	−17,787
90	Expenditures				56,168	42,890	54,407
	Expenditures are distributed as follows:						
01	Out of current authorizations					360	1,098
02	Out of prior authorizations				56,168	42,530	53,309
	Cash transactions:						
93	Gross expenditures				67,199	57,122	71,035
94	Applicable receipts				−11,031	−14,232	−16,628

[1] Balances of selected resources are identified on the statement of financial conditions.

REVENUE, EXPENSE, AND RETAINED EARNINGS (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Revenue	9,254	11,061	14,177
Expense	−11,543	−14,769	−20,875
Net operating loss	−2,289	−3,708	−6,698
Analysis of deficit:			
Deficit, start of year	−10,404	−12,351	−13,866
Appropriation to pay insufficiencies and costs on participations	342	2,193	4,430
Deficit, end of year	−12,351	−13,866	−16,134

FINANCIAL CONDITION (IN THOUSANDS OF DOLLARS)

	1966 actual	1967 actual	1968 estimate	1969 estimate
Assets:				
Treasury balance	39,270	12,696	7,479	17,787
Accounts receivable, net:				
Excess interest collection on deposit with trustee		260	580	899
Other	2,557	3,365	3,500	5,000
Loans receivable, net	206,322	260,537	300,869	348,399
Total assets	248,149	276,858	312,428	372,085
Liabilities:				
Current:				
Principal collections payable to trustee		213	306	396
Interest collections payable to trustee		218	435	643
Insufficiency payments due to trustee		162	1,253	1,595
Other	4,984	5,796	6,000	7,000
Total current liabilities	4,984	6,389	7,994	9,634
Long-term:				
Participation certificates outstanding		80,000	160,000	238,000
Deposits with trustee for redemption of participation certificates		−538	−2,058	−2,773
Total long-term liabilities		79,462	157,942	235,227
Total liabilities	4,984	85,851	165,936	244,861
Government equity:				
Interest-bearing capital:				
Start of year	194,568	253,568	203,358	160,358
Borrowing from Treasury, net	59,000	−50,210	−43,000	−17,000
End of year	253,568	203,358	160,358	143,358
Deficit	−10,404	−12,351	−13,866	−16,134
Total Government equity	243,165	191,007	146,492	127,224

ANALYSIS OF GOVERNMENT EQUITY AND UNDRAWN AUTHORIZATIONS (IN THOUSANDS OF DOLLARS)

Undisbursed loan obligations [1]	143,473	112,027	117,027	103,027
Unobligated balance	239,802	294,547	326,180	367,667
Invested capital and earnings	206,322	181,075	142,927	113,172
Subtotal	589,597	587,649	586,134	583,866
Less undrawn authorizations	−346,432	−396,642	−439,642	−456,642
Total Government equity	243,165	191,007	146,492	127,224

[1] The changes in this item are reflected on the program and financing schedule.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
25.1	Other services	168	290	290
25.3	Payment to "Administrative operations fund"	182	220	250
33.0	Investments and loans	58,737	45,000	54,000
43.0	Interest and dividends	8,312	11,990	16,900
93.0	Administrative expenses (see separate schedule)	1,205	1,227	1,235
	Total costs funded	68,604	58,727	72,675
94.0	Change in selected resources	−31,446	5,000	−14,000
99.0	Total obligations	37,158	63,727	58,675

JUSTIFICATION FOR PUBLIC FACILITY LOANS

Mr. EVINS. Gentlemen, we turn to the public facility loan program. Place in the record at this point, pages E–1 through E–3, E–5, and E–7 through E–10.

(The pages follow:)

PUBLIC FACILITY LOANS

PROGRAM HIGHLIGHTS

[Dollars in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Applications received:			
Number	129	240	300
Amount	$94,663	$150,000	$175,000
Loan approvals (gross):			
Number	85	120	80
Amount	$53,100	$71,700	$48,000
Loan approvals (net):			
Number	64	100	70
Amount	$29,868	$50,000	$40,000
Construction activity:			
Starts	57	130	77
Completions	80	98	112

BUDGET REQUEST

The budget for fiscal year 1969 proposes a program level for public facility loans of $40 million.

2. A limitation of $1,235,000 on administrative expenses is proposed for fiscal year 1969 which is discussed in section J.

INTRODUCTION

The Housing Amendments of 1955, as amended, authorize direct long-term loans to municipalities or other political subdivisions of States and Indian tribes for the provision of public facilities where such credit is not otherwise available on reasonable terms and conditions. In addition, the Housing and Urban Development Act of 1965 authorized loans to private nonprofit corporations for construction of water and sewer facilities located in communities under 10,000 population where no public body or agency exists for this purpose.

Communities with populations up to 50,000 are eligible for public facility loans, but the basic program gives priority to basic public works projects constructed by municipalities under 10,000 in population and Indian tribes. Communities up to 150,000 in population are eligible if they are in designated redevelopment areas under the Public Works and Economic Development Act of 1965. No population limitations are imposed upon the eligibility of communities in or near a research or development installation of the National Aeronautic and Space Administration.

Title IV of the Housing and Urban Development Act of 1965 provides grants to applicants to make relocation payments to eligible individuals, families, business concerns and nonprofit organizations displaced by a project being assisted under the program. Such grants are to be made from the public facility loan fund. Thus far, no relocation activities have been assisted under this program.

Loans are made only when credit is not otherwise available on reasonable terms and conditions. Loans also must be of such sound value or so secured as to reasonably assure repayment. Loans may have a maximum maturity of 40 years.

The Secretary, under a statutory formula, establishes the interest rate for the public facility loans program. For fiscal year 1968, the rate is 4.5 percent for all loans except those to communities located in designated redevelopment areas. In such areas, an interest rate of 4.25 percent is charged.

NEED FOR PROGRAM

Applicant communities typically have been small with limited financial resources, technical staff and little or no experience in planning, financing, constructing or operating community facilities. Consequently, they have in a major ity of instances not established an acceptable credit rating in the municipal bond field. Thus, with a lack of technical competence and preestablished credit, they are faced with borrowing at high rates if a loan can be procured at all.

PROGRAM DEMAND

Fluctuations in market interest rates, shifts in program interest rates, and the availability of large-scale public works grants strongly influence program demand. For example, net approvals in 1962 increased nine times over the previous year due to a reduction in the interest rate authorized by the Housing Act of 1961.

Program demand has shown a steady increase in the last 2 years. With the increase in the interest rate of the municipal bond market in the early part of 1966, there was a marked increase in applications. This was caused by the increased difference between rates on municipal bonds and the public facility loan rate. Thus, the high level of PFL applications is expected to continue.

It is anticipated that there will be approximately $48 million applications on hand at the start of the fiscal year and that about $175 million in new applications will be received during the year. This estimate is based on the continued need for these smaller communities to borrow Federal funds either to finance completely a basic public facility or to use as their matching funds for Federal grant programs for which the may be eligible. The following table shows application activity during 1967 and estimated activity during 1968 and 1969.

APPLICATION ACTIVITY

[Dollar amounts in thousands]

	Actual, 1967		Estimate, 1968		Estimtte, 1969	
	Number	Amount	Number	Amount	Number	Amount
On hand, start of year	267	$90,600	67	$46,200	70	$47,500
Received	129	94,663	240	150,000	300	175,000
Workload	396	185,263	307	196,200	370	222,500
Gross loans approved	85	53,100	120	71,700	80	48,000
Attrition and revisions	244	85,963	117	77,000	245	148,400
Processed	329	139,063	237	148,700	325	196,400
On hand, end of year	67	46,200	70	47,500	45	26,100

PUBLIC FACILITY LOAN FUND

The program is financed through a revolving fund, capitalized by a Treasury borrowing authorization aggregating $600 million. In addition to the funding available from Treasury borrowing, funding is provided from the balance of receipts obtained from the sale of participation certificates. These sales are esti-

mated at $80 million in each of the fiscal years 1968 and 1969. A discussion of participation sales is found in part 5 book 2 of the justifications (Federal National Mortgage Association).

The following table shows the status of this fund together with the effect of the sale of participation certificates.

STATUS OF PUBLIC FACILITY LOAN FUND

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Balance, start of year	233,631	285,799	317,432
Amounts becoming available:			
Appropriation for participation sales insufficiencies	342	2,193	4,430
Sale of participation certificates	80,000	80,000	80,000
Repayments (net of transfers)	2,307	2,106	1,555
Net expenses	−613	−2,666	−4,498
Total funds available	315,667	367,432	398,919
Net loans approved	−29,868	−50,000	−40,000
Balance, end of year	285,799	317,432	358,919

PROGRAM ACCOMPLISHMENTS

Each applicant community receives assistance through the review and evaluation of its proposed project and financial plan. Although many projects are withdrawn by the applicant, rejected by the Department, or financed through other sources, more than 1,500 communities have been assisted in developing essential public works as of June 30, 1967. This activity resulted in approximately 1,100 loan approvals.

The following table shows the number and dollar amount of net loans approved cumulatively for each year since the program began:

NET LOAN APPROVALS

[Dollar amounts in thousands]

Fiscal year	Annual			Cumulative	
	Number	Amount	Average	Number	Amount
1956–57	68	$14,563	$214	68	$14,563
1958	73	25,950	355	141	40,513
1959	72	26,342	366	213	66,855
1960	58	18,268	315	271	85,123
1961	63	9,669	153	334	94,792
1962	194	88,657	457	528	183,449
1963	240	60,400	252	768	243,849
1964	120	45,210	377	888	289,059
1965	78	74,543	[1] 376	966	363,602
1966	72	29,409	408	1,038	393,011
1967	64	29,868	467	1,102	422,879

[1] Excluded $47,000,000 for 2 projects of extraordinarily large size.

The table on page E–9 shows net loan approvals cumulative since the beginning of the program through June 30, 1967, by type of facility and population group. It is of interest to note that over 93 percent of the number and 70 percent of the amount of cumulative net loan approvals were to communities of 10,000 population or less. This table also reveals that 85 percent of the number and 68 percent of the amount of cumulative net loan approvals were for water supply or sewer facilities.

A breakdown by States of the cumulative net loans approved as of June 30, 1967, is shown in the table on page E–10. Forty-one States have loans outstanding under this program. The nine that have no loans are Connecticut, Delaware, Maine, Massachusetts, Nebraska, New Hampshire, New York, North Dakota, and Rhode Island. Kentucky has the largest number with 112 projects for $34 million and Florida has the largest amount with $58.6 million. The other States that have been heavy users of this program are: Alabama, Alaska, Arkansas, California, Colorado, Georgia, Illinois, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and West Virginia.

CUMULATIVE NET LOAN APPROVALS TO JUNE 30, 1967

[Dollars in thousands]

	Under 2,500	2,500 to 4,999	5,000 to 9,999	10,000 to 24,999	25,000 to 49,999	EDA areas 50,000 to 150,000	Total	Percent
Water facilities:								
Number	592	52	27	8	4	4	687	62.3
Amount	$117,123	$25,898	$24,594	$7,876	$9,936	$14,800	$200,227	47.3
Sewer facilities:								
Number	180	36	19	11	5	2	253	23.0
Amount	$32,631	$21,913	$17,449	$6,296	$3,510	$4,510	$86,309	20.4
Other utilities:								
Number	51	14	3	----------	1	----------	69	6.3
Amount	$14,631	$6,952	$4,166	----------	$1,000	----------	$26,749	6.3
Health facilities:								
Number	12	5	6	9	6	3	41	3.7
Amount	$4,154	$2,332	$6,026	$10,677	$4,149	$8,841	$36,179	8.6
Streets:								
Number	3	3	4	1	----------	2	13	1.2
Amount	$1,504	$462	$6,095	$64	----------	$3,020	$11,145	2.6
Other:								
Number	11	6	9	2	4	7	39	3.5
Amount	$2,920	$5,356	$1,107	$1,495	$2,609	$48,783	$62,270	14.8
Total:								
Number	849	116	68	31	20	18	1,102	100.0
Amount	$172,963	$62,913	$59,437	$26,408	$21,204	$79,954	$422,879	100.0
Percent:								
Number	77.1	10.5	6.2	2.8	1.8	1.6	----------	----------
Amount	40.9	14.9	14.1	6.2	5.0	18.9	----------	----------

NET APPROVED LOANS BY STATES—CUMULATIVE AS OF JUNE 30, 1967

[Dollars in thousands]

States and territories	Number of projects	Loan	Estimated total cost
Alabama	85	$41,360	$54,635
Alaska	12	18,431	19,867
Arizona	3	491	719
Arkansas	96	16,061	23,574
California	42	15,993	18,475
Colorado	6	10,279	10,949
Florida	60	58,643	74,651
Georgia	58	11,713	16,480
Idaho	6	1,300	1,375
Illinois	32	23,451	32,574
Indiana	8	1,003	1,361
Iowa	2	1,132	1,561
Kansas	4	438	475
Kentucky	112	34,122	51,794
Louisiana	22	7,461	9,831
Maryland	2	880	1,085
Michigan	15	7,886	14,844
Minnesota	5	2,041	2,598
Mississippi	42	14,241	18,534
Missouri	23	2,015	2,337
Montana	12	1,662	2,549
Nevada	1	220	555
New Jersey	1	1,118	1,214
New Mexico	11	3,933	4,907
North Carolina	59	25,238	31,995
Ohio	10	1,664	2,431
Oklahoma	75	13,108	19,328
Oregon	6	1,363	1,390
Pennsylvania	11	8,073	10,210
South Carolina	34	15,024	21,755
South Dakota	6	379	798
Tennessee	94	32,901	40,229
Texas	100	25,229	33,670
Utah	6	1,176	1,433
Vermont	1	360	366
Virginia	1	585	1,288
Washington	10	8,107	9,110
West Virginia	25	12,687	17,749
Wisconsin	1	88	176
Wyoming	1	623	804
Puerto Rico	2	400	513
Total	1,102	422,879	560,189

FUNDING FOR PFL PROGRAM

Mr. EVINS. This is a no-appropriation program at this time. You want to have a $40 million program level for next year. You want a limitation on administration of $1,235,000. The program is financed through a revolving fund capitalized by a Treasury borrowing authorization of $600 million.

Also, from the sale of PC's you will derive $80 million in 1968, and you project the same amount for 1969.

These loans are authorized for long-term grants to municipalities or other political subdivisions of States and Indian tribes for the provision of public facilities where such credit is not otherwise available on reasonable terms and conditions.

In addition, the Housing and Urban Development Act authorizes loans to private, nonprofit corporations for construction of water and sewer facilities located in communities under 10,000 population where no public body or agency exists for this purpose.

You can make these loans to communities under 10,000 as well as the Farmers Home Administration?

Mr. HAAR. Yes, sir.

Mr. EVINS. You want to have a $40 million level of funding and borrowing from the Treasury. What is the interest rate on these loans?

Mr. HAAR. Four and a half percent, and in the EDA area it is 4¼.

Mr. EVINS. You had on hand at the start of the year an estimated $46 million, and you estimate $47.5 million next year. You received during the year $175 million. The workload is $222.5 million. You had a $196 million workload last year.

Are there any questions on this?

PARTICIPATION CERTIFICATE SALES

Mr. JONAS. I have one question.

You have a funding program level of $40 million. Yet you want to sell $80 million of participation certificates. Mr. Frantz, how do you explain that?

Mr. FRANTZ. The participation certificate sales program is not specifically designed to fund the operating programs as they are planned in this budget. It is a financing operation more broadly of the Government as a whole.

Mr. JONAS. The $80 million would go into the Treasury. You would use $40 million in this program if you get the appropriation, and the remaining $40 million would stay in the Treasury for use in general operating expenses of the Government, but you would have a credit there.

Mr. FRANTZ. That is correct, sir.

Mr. JONAS. That is about the size of it.

Mr. FRANTZ. Yes, sir.

Open Space Land Programs

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		Obligations			Costs and obligations		
		1967 actual	1968 estimate	1969 estimate	1967 actual	1968 estimate	1969 estimate
	Program by activities:						
	1. Acquisition and development of open space land	51,732	50,600	54,350	17,239	45,150	40,000
	2. Developed land in urban areas	8,743	15,850	18,600	203	6,900	8,500
	3. Beautification and improvement programs	7,427	10,000	10,000	1,213	7,000	10,300
	4. Historic preservation		1,000	1,000		300	700
	5. Demonstrations, studies, and publications	1,042	50	1,050	405	650	500
	Total program costs, funded				19,060	60,000	60,000
	Change in selected resources [1]				49,884	17,500	25,000
10	Total obligations (object class 41.0)	68,944	77,500	85,000	68,944	77,500	85,000
	Financing:						
16	Comparative transfer to other accounts				821		
17	Recovery of prior year obligations				−1,357		
21.40	Unobligated balance available, start of year: Appropriation				−17,588	−2,823	−323
21.49	Contract authorization				−215,313	−162,491	−87,491
24.40	Unobligated balance available, end of year: Appropriation				2,823	323	323
24.49	Contract authorization				162,491	87,491	2,491
40	New obligational authority (appropriation)				821		
	Relation of obligations to expenditures:						
10	Total obligations				68,944	77,500	85,000
70	Receipts and other offsets (items 11–17)				−536		
71	Obligations affecting expenditures				68,408	77,500	85,000
72	Obligated balance, start of year				58,364	106,912	124,391
74	Obligated balance, end of year				−106,912	−124,391	−149,391
90	Expenditures				19,860	60,021	60,000
	Expenditures are distributed as follows:						
01	Out of current authorizations				800		
02	Out of prior authorizations				19,060	60,021	60,000

STATUS OF UNFUNDED CONTRACT AUTHORIZATION (IN THOUSANDS OF DOLLARS)

Unfunded balance, start of year	215,313	162,491	87,491
Decrease of funded contract authority	1,357		
Unfunded balance, end of year	−162,491	−87,491	−2,491
Appropriation to liquidate contract authorization	54,179	75,000	85,000

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, $58,364,000 (1967 adjustments, −$1,357,000); 1967 $106,891,000; 1968, $124,391,000; 1969, $149,391,000.

Mr. Evins. Let us turn to the open space land programs. An appropriation of $85 million is requested for the open space land grants. This will grant net approvals of about 605 projects.

The table shows that the areas covered are an estimated 76,000 acres. The number of applications received, 1,045. You want about $85 million to purchase this open space for industrial parks, municipal parks, future growth, undeveloped lands, and urban parks. You have a breakdown of just how it is to be used; $10 million for urban beautification; $18.6 million for urban parks; $54.4 million for acquisition of undeveloped lands; $1 million for historic preservation; and $1 million for demonstrations and studies.

Do you want to tell us about this program and why you need $85 million?

NEED FOR THE PROGRAM

Mr. HAAR. One of the greatest needs for the new population, which is going to total some 100 million more Americans shortly, and the present cities, arises from the disappearance of open space. We need it for recreation and we need it for conservation and the prevention of slums and blight and for sound economic urban development.

One of the major undertakings of the Congress is the desire to help communities obtain open land before it is forever gone. We also are seeking to aid smaller communities and local communities in acquiring land at a time while the price is low enough so they can afford to buy it.

Land is one of the most expensive components, and if it is not purchased, it turns out to be irretrievably lost.

The open space program has been used most effectively not only for recreation and for conservation, for the saving of stream lines, but also to provide a more efficient and attractive urban growth.

With the program of acquisition of land, sites not suitable for building are not built upon, and the whole rate of growth and building in the metropolitan area is therefore enhanced.

The program also increases property values by conferring the benefits of open space upon adjoining properties.

It has proven to be a program of great popularity with the various local governments, and has encouraged them to go on to appropriate their own moneys and to continue open space programs and to achieve sounder development.

I think some specific cases might be useful. We have had the examples of neighborhood parks in low-income neighborhoods, such as the grant to San Diego, California, which enabled the purchase of four acres for the first block in a low-income neighborhood. The park is adjacent to a junior high school.

It has helped to reclaim a strip mining area for recreation and for community water supply use in an Appalachian community, in Jellico, Tenn.

Another example is a grant to Ambler, Pa., which helped to purchase a 6-acre park site, the last suitable undeveloped land in the neighborhood. Ambler is located outside of Philadelphia, and the park is an area of rapidly rising land values.

HISTORIC PRESERVATION

Mr. EVINS. Very good, Mr. Secretary.

We note you have a program of $1 million for preservation of historical sites. The Department of the Interior has a program for the preservation and the designation of historical sites. The States have their historical commissions. The Archives of the General Services Administration has an appropriation for making grants for historical papers and records.

I am all for preserving these sites. Personally, I think we should not lose them when these demolition contracts are underway, but some will say you have several agencies of Government doing this.

This is a new program. I believe you indicate that this has attracted widespread interest throughout the Nation. We are all interested in it.

The initial funding of $1 million for fiscal year 1968 is expected to be inadequate to handle even the exceptional acquisition and restoration proposals. The Department has received 40 inquiries.

What do you propose to do with this $1 million?

TYPES OF PROJECTS

Mr. HAAR. Listed on F-24 are some of the items, including a grant for Henry Clay's law office in Kentucky, which is a very historic site for the Great Compromiser there.

Mr. EVINS. Down in Tennessee we have three Cordell Hull law offices preserved already. Each town is very proud of it. It is a tourist attraction.

Mr. HAAR. I imagine the tourist attraction is very important for the town. It helps people stay there.

Mr. EVINS. Isn't Kentucky able to preserve Henry Clay's law office, Great Compromiser that he was?

Mr. HAAR. I think they are attempting very vigorously to do so, and they need a modest amount of support. I think this is a program which is of great significance in retaining some vitality——

Mr. EVINS. Henry Clay's law office in Kentucky is threated by demolition unless HUD gives them a grant. What is the nature of this application?

Mr. HAAR. I will ask Mr. Davis to deal with this, but I would also like to state for the record, if you please, the relationship between this program and the Department of the Interior, because we do work very closely together in a way that makes it more economical and more appropriate for local government.

FEDERAL PARTICIPATION IN HISTORIC PRESERVATION

Mr. DAVIS. There has been established an Advisory Council on Historic Preservation. The members include the Secretaries of HUD, Interior, Commerce, GSA, Treasury, and Justice, as well as 10 public members appointed by the President. The function of this council is to advise the President on the policies and procedures that we should adopt to try to preserve part of the national heritage.

The way we relate particularly to Interior is that Interior administers national monuments, and is also responsible for the Historic American Buildings Survey. It also has a small grant program which makes grants to the National Trust for Historic Preservation. It assists the States in making an inventory of those areas that should be preserved within each State according to criteria which are developed by the historians of the National Park Service.

The Interior Department, however, does not have any funds for grants for the actual acquisition, restoration and rehabilitation of historic sites and structures. At this time, this $1 million item is the first beginning in this direction.

Some of the work that we are doing is being coordinated very closely with Interior because, while not all of the projects——

Mr. EVINS. Interior designates a historical site.

Mr. DAVIS. Yes, sir.

Mr. EVINS. Are these confined to metropolitan areas?

FURTHER EXAMPLES

Mr. DAVIS. They would be urban areas. The kind of grant we would make would not be of national significance and would not be the kind that Interior would acquire and operate as a Federal site.

For example, a project now under construction is the home of the first two Governors of Massachusetts on the edge of Roxbury in Boston. The State is putting up about $100,000, local private subscriptions will put up $75,000, and we will put up a like amount. This building will also be used as a neighborhood community center.

It is recognized by Interior as having high historic value, but they would not acquire it.

DISTINGUISH BETWEEN DESIRABLE AND NECESSARY

Mr. PRYOR. A few months ago, the President in a speech said, that at this time we had to distinguish between the desirable and the necessary. I think these projects are fine, but I do think we have a problem which raises the question: Is this particular type of program desirable or necessary at this time, considering the financial crisis in this country and in the world?

Mr. DAVIS. I think it is desirable.

Mr. PRYOR. I know it is desirable.

Mr. DAVIS. We are proposing a very modest beginning here in recognition of the very fact that you have mentioned. I think many of the structures which are to be preserved here will have a double utility. They will be used as community meeting places. They will serve a need in the community other than a pretty house to look at. I think to that extent we are getting double use of our money.

The one referred to in Massachusetts will be used as a community house in an impoverished area.

The first house which was built in Detroit, which I am surprised still stands, the only survivor of the fire of 1805, will be used as a community center when it is reconstructed.

Mr. PRYOR. You say this is a modest amount. It is a modest amount, but many times huge programs are begun by just modest amounts. This sometimes opens a floodgate. I can see that every town in America might come before us next year and say we want the same thing. Where are we to stop? Are there any particular criteria as to where you begin and end these projects?

Mr. DAVIS. We have developed, with the Department of the Interior, what we feel are very stiff criteria. These grants will be very limited. This is most expensive work. Our contribution will be the minor share. The burden of raising the funds and of guaranteeing the operation and maintenance, I think, will make the local public agencies think twice before they come to us.

Mr. SHIPLEY. With the council you have, made up the membership you have listed, it is very difficult to get them to go along with even the designation of a national landmark. William Jennings Bryan's birthplace is in my district, and he lived there, but I have had an extremely difficult time getting that recognized. Until they are designated, they cannot get any funds.

Mr. EVINS. I think the Great Commoner should be recognized.

Mr. PRYOR. I think so, too, Mr. Chairman. I do not want to be put in the position of being against him.

AVAILABLE FUNDS

Mr. JONAS. Is it correct that you will carry over into 1969, $87,491,000, and you are asking for $85 million in new money?

Mr. FRANTZ. Yes, sir.

Mr. JONAS. That would give you a spending program of $160 million.

Mr. FRANTZ. No, sir; because this is contract authority which, under the form of appropriation language the committee has adopted, can only be used to the extent that it is appropriated. So, this would be an appropriation in effect to fund $85 million of that authority.

Mr. JONAS. We stopped the back-door approach on this.

Mr. FRANTZ. That is correct. It is contract authority in form, but it cannot be used except as appropriations are made for it.

Mr. JONAS. This is the total available?

Mr. FRANTZ. Yes, sir.

Mr. JONAS. Will this exhaust your contract authority?

Mr. FRANTZ. Except for the carryover of $2.7 million, or thereabouts.

Mr. JONAS. $2.5 million.

Mr. FRANTZ. Yes, sir.

JUSTIFICATION MATERIAL

Mr. EVINS. We shall place in the record pages F–1 through F–8, your State chart on F–12, and pages F–14 through F–20. We will insert also, pages F–24 and F–25 on the historical preservation program, and F–26 through F–28 on the demonstration program.

(The pages follow:)

OPEN SPACE LAND PROGRAMS

PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	1967 actual	1968 estimate	1969 estimate
Acres approved for acquisition:			
Acquisition of undeveloped lands	63,467	70,720	76,420
Urban parks (developed land in urban areas)	153	320	370
Total acres	63,620	71,040	76,790
Applications received:			
Number	840	860	1,045
Amount	$172,678	$123,550	$153,750
Number of applications approved (net):			
Acquisition and development of undeveloped land	419	385	400
Urban parks (developed land in urban areas)	32	65	75
Urban beautification and improvement	82	100	100
Historic preservation		25	25
Demonstrations	4		5
Total	537	575	605
Grant amounts approved (net):			
Acquisition and development of undeveloped land	$51,732	$50,600	$54,350
Relocation costs	(513)	(600)	(575)
Urban parks (developed land in urban areas)	8,743	15,850	18,600
Relocation costs	(744)	(850)	(1,525)
Urban beautification and improvement	7,427	10,000	10,000
Historic preservation		1,000	1,000
Demonstrations	994		1,000
Studies	48	50	50
Total	68,944	77,500	85,000

BUDGET REQUEST

An appropriation of $85 million for open space land grants. This will fund net grant approvals for 605 projects.

Introduction

The open space land programs are designed to encourage the preservation and creation of open space lands in urban areas in order to enhance the urban environment in which a majority of Americans live and work. In the fast-growing portions of metropolitan areas, the open space land program can help communities protect threatened lands having scenic, conservation, recreation, and historic value. At the same time, the preservation of these lands helps create a more desirable pattern of urban settlement by breaking up continuous sprawl and by curtailing development on lands ill-suited to development. In built-up portions of the city, the program offers means of opening up and ventilating congested neighborhoods by encouraging the establishment of parks, plazas, and other open spaces.

Acquisition and development of undeveloped land, $54.4 million for 1969

Land acquired under section 702 of title VII is either undeveloped or predominantly undeveloped, but must be located in an urban area. Limited development assistance is provided to communities to make the land acquired with program funds more useful and enjoyable to larger numbers of people.

Urban parks (developed land in urban areas), $18.6 million for 1969

Section 705 permits matching grants for the acquisition and clearance of developed land in built-up portions of the urban area where the only way of obtaining land for open space use is to create it by the demolition of existing structures.

Urban beautification and improvement, $10 million for 1969

The urban beautification and improvement program authorized under section 706 encourages increased local expenditures for upgrading and improving public lands, as well as providing Federal assistance for these activities. In this program the Federal grant represents only 50 percent of the increased expenditures of the applicant above the previous norm spent on similar beautification activities.

Historic preservation, $1 million for 1969

The historic preservation program, authorized under section 709 of title VII, is designed to assist State and local governments acquire, restore, and improve areas, sites, and structures of historic or architectural value. Such preservation enhances a sense of community identity and continuity with the past.

Demonstrations and studies, $1 million for 1969

The demonstration program, authorized under section 708 of title VII, permits the designing and testing of methods and materials in open space acquisition and development, urban beautification, and historic preservation which can result in more effective local efforts at a minimum of cost.

Status of funds

The Secretary is authorized to enter into contracts to make grants up to 50 percent of the total cost of acquisition and development of land acquired under title VII of the Housing Act of 1961. Within this total authorization, there are three sublimitations:

(1) Grants may not exceed $64 million for acquiring developed land in built-up urban areas;

(2) Grants may not exceed $36 million for urban beautification and improvement; and

(3) Grants may not exceed $10 million for activities that have special value in developing and demonstrating new and improved methods and materials for use in carrying out the purposes of title VII.

In addition, not to exceed $50,000 of the funds available each year may be used to undertake studies which will help carry out the purposes of title VII.

The following table shows the status of contract authorization for this program:

STATUS OF CONTRACT AUTHORIZATION

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Available balance, start of year	215,313	162,491	87,491
Adjustment of prior year balance	1,357		
Total available	216,670	162,491	87,491
Appropriations to liquidate contract authorization	−54,179	75,000	85,000
Available balance, end of year	162,491	87,491	2,491

Contract commitments are made pursuant to enacted appropriations. Current appropriations enacted in this program are available until expended. The following table shows the usage of appropriations for the past, current, and budget years:

STATUS OF APPROPRIATIONS

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Available balance, start of year	17,588	2,823	323
Appropriations to liquidate contract authorization	54,179	75,000	85,000
Total available	71,767	77,823	85,323
Contract approvals (net)	−68,944	−77,500	−85,000
Available balance, end of year	2,823	323	323

Coordination with other Federal agencies

There are also major areas of program coordination with other Federal agencies. Executive Order 11237 provides for coordination of activities of the open space land programs with those of the land and water conservation fund administered by the Bureau of Outdoor Recreation of the Department of Interior. The Department has taken steps to carefully screen applications which seem to have little relationship to the program goals and to refer the applicants to the land and water conservation fund if the project appears to fit the objectives of that program. For instance, some rurally oriented applications from the States of California and New Jersey have been so referred. In addition, application data is being coordinated at the regional office level as is the review of planning requirements.

The increasingly severe problems of noise created by location of airports and introduction of new aircraft have required coordination with the Federal Aviation Administration to determine the feasibility of using the open space land program to reduce the effects of aircraft noise. A number of cities are developing open space land projects adjacent to airports to serve as buffer zones, at the same time providing needed park facilities.

HUD works closely with the Department of the Interior on open space activities. The Department is represented on the Advisory Council on Historic Preservation, and the law requires that each Federal agency afford the Council a reasonable opportunity to comment on activities affecting listings on the "Registry of National Historic Landmarks." Expansion of the registry listings will also involve continuing information exchange and coordination between the Department of Housing and Urban Development and the Department of Interior.

ACQUISITION AND DEVELOPMENT OF UNDEVELOPED LAND

Description

This program provides 50-percent grants for the acquisition and limited development of land in urban areas. The proposed project must meet the following national goals:

(*a*) Help curb urban sprawl;
(*b*) Prevent the spread of urban blight;
(*c*) Encourage more economic and desirable urban development; and
(*d*) Help provide needed recreational areas and preserve conservation, scenic, and historic areas.

Any State or local public body with authority to acquire and preserve open space land and to contract with the Federal Government to receive grants for this purpose is eligible for financial assistance under this program. No size limitations exist for areas which may be acquired.

Assistance in the limited development of open space land is available only if the land was acquired or is being acquired with Federal open space funds. The proposed development activities must be compatible with the open space use approved for the land. Development may include such things as roadways and bridges needed for circulation within the area, trails of various types, safety items, landscaping, and basic recreation facilities and equipment. Major structures are not eligible for grant assistance.

Relocation payments are made to individuals, families, and business concerns displaced from property acquired with program assistance. These payments, financed 100 percent by the Federal Government, are to assure that individuals and families are relocated into decent, safe, and sanitary housing within their means, and that displaced business concerns are financially compensated for their losses.

Planning requirements

The broad planning objectives of this program cannot be achieved by the acquisition of open space alone. Planning within a single metropolitan area must be consistent and directed toward the same general goals. For these reasons the open space land program was one of the first Federal assistance programs to require, as a condition of grant assistance, that a program of comprehensive planning be underway for the whole metropolitan area in which the project is located. In 1965, the requirement that there be a unified or an officially coordinated program of open space acquisition and development for the urban areas was added.

National requirements for open space

A 1966 study, "State and Local Public Facility Needs and Financing," published by the Joint Economic Committee of the U.S. Congress, estimated that $17.5 billion in capital outlays for acquisition, development, and redevelopment of recreation lands must be expended through 1975 to meet the projected population needs. This estimate does not include State and Federal facilities. Based on recent capital outlay trends of local public bodies, the estimate for local capital outlay for open space purpose during this same period is $5.5 billion. Furthermore, the above estimate of need of $17.5 billion is probably conservative because the country is just beginning to realize and understand the value of open space for conservation and other uses.

Program demand

In fiscal years 1966 and 1967, demand for assistance under section 702 reflected a very sharp increase over previous years in both numbers of applications and dollar volume of grant requests. (See table below.) The primary reasons for this increase were (1) the growing realization by local public bodies of the need to preserve open space; (2) the increased awareness of the financial assistance available under the open space land program; and (3) the 1965 act which increased the grant allowance to 50 percent of land acquisition costs.

APPLICATIONS RECEIVED AND ESTIMATE OF RECEIPTS

[Dollar amounts in thousands]

	Actual, 1961-65	Actual, 1966	Actual, 1967	Estimate, 1968	Estimate, 1969
Number	703	507	572	525	550
Grant amount	$90,318	$108,800	$117,605	$80,000	$90,000

The extremely large demand levels experienced in fiscal years 1966 and 1967 are expected to slacken in 1968 for several reasons. The necessity to cancel hundreds of applications in early fiscal year 1968 is confirming what potential applicants have been advised since mid-1967; namely, that demand for Federal assistance for acquisition and development of primarily undeveloped land has far outstripped available funds. During fiscal year 1967, applications on hand and

received totaled $208 million while available funds were slightly more than $50 million. This inability to meet demand inevitability has the effect of discouraging many potential applicants.

New applications, together with applications not rated under funding analysis in fiscal year 1967, will result in about four dollars of demand for every dollar of available funds in 1969. This is about the same ratio as in fiscal year 1967.

For the section 702 portion of the open space land program, there will be marked changes in fiscal year 1969 from previous years. The impact of the system used by HUD for selecting projects for approval will be felt in full measure for the first time in terms of the type of application. Also, the cost per acre will rise sharply (from $850 in 1968 to $1,000). This reflects both the impact of applications involving high cost land and the impact of land purchased under funding analysis which will tend to be closer to urban development and, therefore, more expensive.

The number of applications received in 1969 (550) is not expected to increase significantly above receipts in 1968 (525). A slight decrease in acres acquired with program assistance is expected in view of the anticipated higher per acre costs.

The $54.4 million requested for fiscal year 1969 will permit a small increase in the number of project approvals (400 from 385) and will accommodate other expected program trends mentioned above (higher per acre costs and quadrupling of development costs). The requested sum is the minimum needed to assure the Department's ability to achieve the national goals of the program by assisting with the highest quality applications.

The following table shows the application processing by fiscal year:

STATUS OF APPLICATIONS

[Dollars in thousands]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
On hand, start of year	517	$90,248	601	$130,307	150	$25,000
Received	572	117,605	525	80,000	550	90,000
Approvals	419	51,732	385	50,600	400	54,350
Withdrawn/rejected	69	25,814	591	134,707	160	35,650
On hand, end of year	601	130,307	150	25,000	140	25,000

SEC. 702 GRANTS BY STATE, FISCAL YEARS 1962–67

[Dollar amounts in thousands]

Name of State	Number of projects	Cumulative grants	Cumulative acres
Alabama	7	$600	170
Alaska	1	95	58
Arizona	2	388	102
Arkansas	7	165	183
California	129	19,581	34,592
Colorado	13	797	570
Connecticut	64	5,188	5,847
Delaware			
Florida	20	5,473	1,721
Georgia	21	948	1,306
Hawaii	6	1,229	865
Idaho	2	96	27
Illinois	85	13,267	20,976
Indiana	8	1,868	2,628
Iowa	13	1,403	3,596
Kansas	6	212	440
Kentucky	12	2,170	1,143
Louisiana	4	341	332
Maine	2	14	142
Maryland	31	8,204	9,565
Massachusetts	21	500	1,723
Michigan	37	4,287	7,712
Minnesota	28	4,271	7,401
Mississippi	1	24	23
Missouri	12	1,623	3,605
Montana	3	87	85
Nebraska	4	479	1,738
Nevada	1	500	60
New Hampshire			
New Jersey	86	15,046	34,430
New Mexico			
New York	46	8,822	20,909
North Carolina	15	1,414	2,771
North Dakota			
Ohio	47	5,843	18,223
Oklahoma	13	841	910
Oregon	16	768	1,047
Pennsylvania	95	8,890	34,276
Rhode Island	7	660	653
South Carolina	2	128	6
South Dakota	2	22	97
Tennessee	29	1,532	2,495
Texas	10	1,969	5,023
Utah	2	275	135
Vermont			
Virginia	27	1,741	4,044
Washington	19	1,815	1,555
West Virginia	1	4	26
Wisconsin	26	2,500	3,356
Wyoming			
Total	983	126,080	236,566

URBAN PARKS (DEVELOPED LAND IN URBAN AREAS)

Description

The developed land portion of the open space land program (sec. 705) provides 50 percent matching assistance for the acquisition and clearance of developed land in built-up portions of an urban area. The authority to assist in the acquisition of developed land was contained in the 1965 amendments to the open space land program to give maximum opportunity to create parks in built-up urban areas where they do not now exist.

The local governing body must make a determination that adequate open space cannot effectively be provided through the use of existing undeveloped or predominantly undeveloped land in that section of the urban area. Relocation assistance is also available to individuals, families, and businesses displaced as a result of federally assisted developed land projects. Relocation payments are funded 100 percent by Federal grant.

National need

The adequacy of park land is more than a question of acres—it is a question of the right number of acres in the right place. Open space is sorely lacking in many areas of our densely populated cities, many of which were originally planned and built without adequate provision for open areas. This program helps to create open space where it did not previously exist and thereby correct past deficiencies and foster amenities which help stabilize and rehabilitate neighborhoods.

The public facility needs report prepared for the Joint Economic Committee of Congress has set some guides for 1975 urban recreational facilities. This report indicates a minimum need of 1,000 acres of vestpocket parks and an additional 1 million acres for other urban parks. Of course, not all of these open space areas will require the demolition of structures, but the proportion requiring a measure of land clearance appears to be significant. Futhermore, cities increasingly view the program in relation to other programs for urban revitalization. It is in this context that the most significant benefits accrue and the need is greatest. The urban parks program, together with other programs such as neighborhood facilities, code enforcement, urban renewal, and model cities, can play a strong role in upgrading and revitalizing the older neighborhoods of the Nation's cities.

Program demand

During the first year the program was in existence, many cities were preparing applications but did not submit them since most proposals involve multisite acquisitions with complex relocation, demolition and other administrative problems. Hence, during fiscal year 1966, only seven grants were approved. However, in fiscal year 1967, the program became quite active with 32 net approvals.

By the beginning of fiscal year 1969, most major cities in the country, as well as many smaller cities, are expected to be participating in the program. It is anticipated that approximately 75 grants will be made in fiscal year 1969 to acquire 370 acres at a cost of $18.6 million. The following table shows a breakdown of applications processed in fiscal year 1967 and a projection for fiscal years 1968 and 1969:

STATUS OF APPLICATIONS

[Dollar amounts in thousands]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
On hand, start of year	23	$6,348	53	$13,108	20	$5,000
Received	68	18,803	80	19,500	105	26,500
Approvals	32	8,743	65	15,850	75	18,600
Withdrawn/rejected	6	3,300	48	11,758	30	7,900
On hand, end of year	53	13,108	20	5,000	20	5,000

The Department expects 105 new applications in fiscal year 1969 requesting grants totaling approximately $26.5 million. It is also anticipated that the average project cost will be $500,000 with a grant of $250,000. Most of the applications involve the acquisition of sites ranging from one-fifth acre to 5 acres, with an average of 3 acres per site. The average cost per acre in fiscal year 1967 was $92,700, one-half of which was provided by grant funds. This figure includes the cost of land and existing improvements, but not the cost of demolition and

development. This amount is indicative of the high cost of land in built-up areas.

Development funds accounted for only a small portion of the total program expenditures in fiscal year 1967. It is expected that development will claim a higher share of fiscal year 1968 and 1969 funds, but the major emphasis will continue to be on acquisition. In fiscal year 1967, 30.7 acres at 14 sites were developed with $857,000 of local and Federal grants. Average cost of development per acre was $27,900. It is expected that this level of cost-per-acre will be maintained in fiscal year 1969 because of the intensive use facilities being built in projects financed under this program.

During fiscal year 1967, there were 30 approved projects which required relocation payments. These payments were made to an estimated 840 families, 145 individuals, and 58 businesses for a total of $744,000. It is estimated that $1.5 million will be needed for relocation purposes in fiscal year 1969.

During the first 2 years of this program, a total of 41 grants (gross) were approved for $9.7 million. Twenty States have used the program thus far. The table below shows all approvals by State:

DEVELOPED LAND APPROVALS (GROSS) BY STATE AS OF JUNE 30, 1967

State	Number	Amount
California	4	$723,757
Florida	3	1,733,697
Georgia	1	784,544
Illinois	1	25,434
Iowa	1	451,815
Kentucky	1	749,689
Michigan	1	123,493
Minnesota	1	38,656
Missouri	1	9,080
Montana	1	49,089
New Jersey	3	1,071,542
New York	2	848,966
North Carolina	1	87,880
Ohio	4	327,499
Oklahoma	1	93,808
Oregon	2	213,623
Pennsylvania	2	785,498
Texas	2	352,772
Virginia	1	32,375
Wisconsin	8	1,171,801
Total	41	9,675,018

URBAN BEAUTIFICATION AND IMPROVEMENT PROGRAM

Description

The urban beautification and improvement program was enacted in 1965 to help support efforts in the creation of a more attractive total environment. Thus, it expanded the concept of park-development assistance to include other publicly owned lands.

The beautification and improvement program, unlike the other provisions of title VII, does not provide a grant of 50 percent of total project cost. In this program, the Federal grant represents only 50 percent of the increased expenditures of the applicant above the previous norm spent on similar activities in the past. Thus, the program encourages increased local expenditures as well as providing Federal help for beautification and other capital improvement activities.

The effective grant in most instances represents about 25–35 percent of the total cost of activities included in the applicant's program. Also unlike the other sections of title VII, the activities must be undertaken during an annual period or fiscal year.

National need

Recent years have seen a new concern in America for a quality environment. This concern is manifest in a variety of ways—from cleaning up rivers and

streams to controlling billboards along highways. But in the Nation's cities many of our neighborhoods continue to be overcrowded and uninviting—lacking in the basic amenities and esthetic improvements important to a sense of community spirit and neighborhood pride. The urban beautification and improvement program provides an effective tool for that gray area of urban life where the future quality of a neighborhood turns on the immediate care given it. Thus, the program can help prevent blight and deterioration in older areas, and it can help restore and rehabilitate neighborhoods not scheduled for major clearance.

The need for this kind of assistance is great. According to the public facility needs report, the need for park rehabilitation alone has been estimated at $1 billion to bring pre-1940 park areas up to quality standards. Information is not available concerning improvement needs on other publicly owned lands; however, it is apparent that in previous decades schoolyards, roadways, and waterfronts have been left barren and uncared for. The urban beautification program is helping to correct those mistakes. To be most effective, the program must be combined with other activities for urban revitalization such as urban renewal, code enforcement, model cities and community action.

Program demand

It is anticipated that an estimated 250 applications will be submitted in fiscal year 1969; however, the Department is requesting only $10 million to help finance approximately 100 local beautification programs. The following table shows the application processing workload by fiscal year:

STATUS OF APPLICATIONS

[Dollar amounts in thousands]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
On hand, start of year	53	$9,311	132	$22,344	100	$10,000
Received	180	24,963	200	20,000	250	25,000
Approvals	82	7,427	100	10,000	100	10,000
Withdrawn/rejected	19	4,503	132	22,344	150	15,000
On hand, end of year	132	22,344	100	10,000	100	10,000

It is expected that during fiscal year 1969, the average project grant will be $100,000. The average grant in fiscal year 1967 wos about $90,500.

Based on a sampling of 30 local programs, approximately half of local beautification expenditures is for park rehabilitation and development whereas only 9 percent is spent on historic and public building sites. The table below presents a breakdown of the expenditures by percentages which refer to the proportionate cost of each activity in the total local program:

	Percent
I. Park rehabilitation and development	50
II. Plaza and mall improvement and upgrading	14
III. Linear (street) beautification	27
VI. Historic and public building site improvement	9
Total	100

Although these categories overlap, they do provide a guide to the makeup of local beautification programs. With the increasing emphasis on residential area improvement, it is expected that categories I and III will remain at a high level.

During the first 2 years of this program, a total of 114 grants (gross) were approved for grants totaling $11.9 million. Thus far, 30 States, the District of Columbia, and Puerto Rico have used the program. The following table shows all approvals by State:

URBAN BEAUTIFICATION APPROVALS (GROSS) BY STATES AS OF JUNE 30, 1967

[Dollar amounts in thousands]

State	Number	Amount	State	Number	Amount
Arizona	2	$252	Montana	1	$5
Arkansas	1	13	Nebraska	1	100
California	43	2,564	Nevada	4	204
Colorado	1	450	New Jersey	1	244
Connecticut	3	338	New York	6	1,027
District of Columbia	2	1,085	Ohio	1	173
Florida	1	10	Oregon	4	131
Georgia	1	12	Pennsylvania	2	1,460
Hawaii	2	604	Tennessee	2	147
Illinois	4	492	Texas	1	54
Kansas	1	15	Utah	2	32
Maryland	2	107	Virginia	3	162
Massachusetts	1	44	Washington	7	547
Michigan	7	521	Wisconsin	2	302
Minnesota	2	549	Puerto Rico	2	51
Mississippi	1	9			
Missouri	1	199	Total	114	11,903

HISTORIC PRESERVATION PROGRAM

Description

The Demonstration Cities and Urban Development Act of 1966 amended title VII of the Housing Act of 1961 to specifically authorize grants to States and local public bodies to help acquire, improve, and restore areas, sites, and structures of historic or architectural value in urban areas. Such local projects will have to be consistent with the comprehensively planned development of the community in which they are located.

Historic structures are an important facet of the quality and texture of local communities, maintaining some link with the past and providing for a sense of community spirit and pride. Like urban open space, these historic resources are constantly threatened by the forces which are shaping our cities.

The historic preservation program will provide up to 50-percent grants to assist in the acquisition of sites or structures of historic or architectural value and in their restoration for public use of benefit. Grants may be made to State, regional, metropolitan, municipal, or special public bodies having authority to acquire and restore historic or architecturally valuable sites and structures.

Program demand

This program has attracted widespread interest throughout the Nation. The modest initial funding of $1 million programed for fiscal year 1968 is expected to be inadequate to handle even the exceptional acquisition and restoration proposals. Since this program has been announced, the Department has received 40 inquiries involving grants totaling an estimated $3 million for projects such as the following:

1. Former mansion of two Massachusetts Governors, architecturally valuable, located in a deteriorating neighborhood of Roxbury.
2. Former school of John Greenleaf Whittier, architecturally significant, located in Haverhill, Mass.
3. Pre-Civil War house in Kansas City, Mo., which is of historic significance to the area.
4. Henry Clay's law office in Kentucky threatened by new construction.

We expect 125 applications in fiscal year 1969 for grants totaling $6.2 million. The Department is requesting $1 million to fund 25 projects based on an average project cost of $80,000 with the Federal grant averaging $40,000. The following table shows the projected workload for this program:

STATUS OF APPLICATIONS

[Dollar amounts in thousands]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
On hand, start of year					10	$550
Received			50	$2,550	125	6,250
Approvals			25	1,000	25	1,000
Withdrawn/rejected			15	1,000	90	4,800
On hand, end of year			10	550	20	1,000

DEMONSTRATION PROGRAM

Description

Grants of up to 90 percent of the cost of projects which have "special value in developing and demonstrating new and improved methods and materials for use" to confront problems of broad national applicability are authorized under the Housing and Urban Development Act of 1965. The Demonstration Cities and Urban Development Act of 1966 expanded the demonstration authority to include not only urban beautification but also historic preservation and open space. This expanded program presents the following opportunities:

1. To test innovative techniques for increased efficiency and economy.
2. To assist communities in experimenting with problems that would not otherwise be explored because of limited local resources.
3. To focus Federal resources on particularly difficult, unsolved, or neglected areas and subjects relating to title VII.
4. To help smaller cities solve problems using technologies usually available only to the largest or most affluent communities.
5. To communicate new techniques and concepts nationally through successful case studies combined with on-the-ground "hardware."
6. To provide incentive for expanded private and industrial participation in the design and use of new materials and techniques.

Program demand

The Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, provides that no part of the appropriation for open space land programs may be used for financing a grant in excess of 50 percent of the cost of any activity or project. As a result, demonstration proposals in 1968 are substantially fewer than what was originally estimated, and none are expected to be approved. The budget for fiscal year 1969 assumes elimination of this proviso which restricts grants to not more than 50 percent. This will permit this activity to be resumed on a very modest scale of only five projects at a cost of $1 million. The following table shows the application porcessing workload by fiscal year for demonstration projects:

STATUS OF APPLICATIONS

[Dollar amounts in thousands]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
On hand, start of year	6	$500	14	$3,923	2	$800
Received	20	11,307	5	1,500	15	6,000
Approvals	4	994			5	1,000
Withdrawn/rejected	8	6,890	17	4,623	10	4,800
On hand, end of year	14	3,923	2	800	2	1,000

Criteria for the selection of demonstration projects are rigorously applied so that only those projects which clearly help communities solve problems with national applicability in a new, more efficient manner are selected. The following are examples of some of the projects expected for consideration for fiscal year 1969:

1. Demonstration on a large scale of less-than-fee acquisition techniques such as trail linkages, easements, and use agreements which are capable

of reducing costs, keeping land on tax rolls, and providing alternatives to fee acquisition of open space by local governments.

2. A project which, with a relatively small investment by the Federal and local governments, would stimulate and insure substantial private investment in the rehabilitation and redevelopment of a commercial area, thereby taking steps to hedge far more drastic (and more costly), forms of renewal.

3. Conversion of unused and blighted land in the interior of city blocks to multiuse park areas, with community residents participating in site selection and park design. This project will explore less-than-free techniques in the central city.

4. Testing of innovation in tax systems to encourage open space and beautification programs not requiring Federal assistance.

Program accomplishment

Four projects were approved in fiscal year 1967. The two on the following page are scheduled for completion in fiscal year 1968:

1. A contract for the development of experimental signs in the Boston area which will produce several actual installations and a final report containing model codes, information on pros and cons of several approaches, and material on the informational and esthetic effects of particular configurations of signs.

2. The portable park project in New York which will result in the opening of 10 facilities in central city neighborhoods. The free-form equipment designed by Paul Friedberg will be both distinctive in design and stimulating to creative plan activity.

Advance Land Acquisition

Mr. Evins. Advance land acquisition, no appropriaton is requested for this program. The budget for 1969 proposes a grant level of $3 million.

What is the difference between advance acquisition of land and your open space land program?

Mr. Haar. The open space land program is a 50-percent grant program. The advance acquisition of land is a grant covering the interest for a 5-year period for communities to acquire lands for public facilities. At the end of the period they construct the school or other public use for which they have taken a loan.

Mr. Jonas. This is a grant just to pay the interest on the loans?

Mr. Haar. Yes, sir, for a limited period of time.

Mr. Evins. A city advises you they need to build some new schools in a suburban area. They do not plan to build them for 5 or 8 years, but they see land costs going up and they apply to HUD, saying "We would like to purchase this if you will make us a grant so we can pay the interest on it."

It is a part of the overall planning for the growth and development of the area, and on this basis you think you can invest enough in interest to help the city build better schools. This is the way this program works. Is that correct?

Mr. Haar. Yes, sir.

Mr. Jonas. Is this a grant or a loan?

Mr. Haar. This is a grant of the interest.

Mr. Evins. You are going to pick up $3 million of the cities' interest bills. That is a nice service for the cities.

Mr. Jonas. It is going mighty far when they cannot even take care of their own interest charges.

JUSTIFICATION MATERIAL

Mr. EVINS. Place in the record G–1 through G–4.
(The pages follow:)

ADVANCE ACQUISITION OF LAND

PROGRAM HIGHLIGHTS

[Dollar amounts in thousands]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Key workload items:			
Applications received:			
Number	5	17	40
Amount	$1,014	$2,000	$6,000
Fund reservations:			
Number	2	13	20
Amount	$113	$1,887	$3,000
Grant agreements executed:			
Number	1	8	15
Amount	$28	$1,200	$2,250

BUDGET REQUEST

No appropriation requested for fiscal year 1969. The budget for fiscal year 1969 proposes a program level of $3 million which is the estimated balance of appropriated funds.

Introduction

Section 704 of the Housing and Urban Development Act of 1965 authorized grants to assist local public bodies and agencies to acquire land in a planned and orderly way to be used in connection with the future construction of public facilities. The grant amount is based on the aggregate amount of reasonable interest charges on a loan or other financial obligation incurred to finance the acquisition of the land, for a period not exceeding the lesser of (1) 5 years from the date the financial obligation is made, or (2) the period between the date the financial obligation is made and the initiation of construction. Relocation costs due to payments to persons and organizations displaced from land acquired may be covered by grants made under the program.

The need for land as sites for future public improvements is a function of growth and orderly arrangements of urban activities. By acquiring the land in advance of the actual need, large savings to local governments under conditions of rapidly rising land costs can be realized. Early acquisition of land also stimulates and helps a sound comprehensive planning process.

To qualify for Federal grants, a community must be engaged in comprehensive planning appropriate to its size and location. In essence, this program is designed to assist communities through comprehensive planning for orderly community development to anticipate the site requirements for future public works construction and acquire the land in timely manner.

Among the facilities which might be constructed on land acquired under the program are sewer and water lines, schools, fire stations, community centers, airports, local streets and expressways, rapid transit stations and tracks, hospitals and other medical centers, libraries, and neighborhood facilities in low-income areas.

Status of statutory authority

The sum of $25 million was authorized for each of 4 fiscal years—1966 to 1969—for a total authorization of $100 million. With the appropriation of only $5 million in the Supplemental Appropriation Act, 1966, an authorization balance of $95 million is expected at the end of 1969.

Program activity and demand

In fiscal year 1967, only five applications for grants totaling approximately $1 million were filed. Fund reservations were made for two projects for grants totaling $113,225. One was to the Valley Center Municipal Water District in

San Diego County for a grant of $28,480 to aid in the immediate purchase of 228 acres of land for use as a water reservoir. The grant will cover the interest costs on a $200,000 bank loan for a period of 3 years, along with miscellaneous costs including $400 for the relocation of two families. The savings to the community by purchasing the land now will be substantial since the price of land will increase greatly during the next 3 years in this fast growing area.

The other grant was to the city of Fort Worth for $84,745 to help purchase land adjacent to the site of a modern, multistory, 200,000 square foot office building to house departments of the city government. The land will be used for offsite parking until additional office facilities are constructed on it around 1980. The grant will cover interest costs on a loan of $450,000 along with relocation costs for several businesses now located on this land. The city will save a substantial sum by purchasing the land now rather than several years hence at a much higher cost, and it will have the benefits of much needed parking facilities.

Interest in the advance acquisition program is expected to increase in fiscal years 1968 and 1969 due to the growing knowledge and understanding of the grant program by prospective applicants. For instance, sizable applications have been received already or are anticipated from several rapidly growing areas with whom extensive conversations have been held over the past few months (Prince Georges County in Maryland, the city of San Jose, Los Angeles County, Oregon State Board of Education, and Salt Lake County, Utah). This activity indicates that the modest program goals set for fiscal year 1968 will be achieved. Further expansion of program activity is anticipated in fiscal year 1969.

The following table shows the past application and approval activity and projections for 1968 and 1969:

APPLICATION ACTIVITY

[Dollar amounts in thousands]

	Actual, 1967		Estimate, 1968		Estimate, 1969	
	Number	Amount	Number	Amount	Number	Amount
Application activity:						
On hand, start of year			3	$901	3	$610
Applications received	5	$1,014	17	2,000	40	6,000
Workload	5	1,014	20	2,901	43	6,610
Gross grant reservations	2	113	13	1,887	20	3,000
Attrition and revisions			4	404	13	2,110
Processed	2	113	17	2,291	33	5,110
On hand, end of year	3	901	3	610	10	1,500

Urban Transportation Programs

Mr. Evins. If there are no further questions, we turn to the urban transportation programs.

Let us take a look at the needs for capital improvement grants.

In 1961, the Institute of Public Administration developed a 10-year projection of estimated capital needs for existing and future mass transit systems, prepared for the joint report made to the President in March 1962, by the Secretary of Commerce and the then Housing and Home Finance Administrator. That 10-year estimate of need came to $9.8 billion. Last year, HUD updated this estimate on the basis of a survey of urban mass transportation capital program plans in 11 major metropolitan areas which contain about 40 percent of the population of all SMSA's. From this analysis, a current 10-year projection indicates approximately $10.9 billion in capital financing needs—$8.6 billion for existing and proposed rail transit systems, $1.3 billion for bus replacement needs, and an estimated $1 billion for possible future rail systems. Lack of adequate public transportation in our urban areas has resulted in the worsening of many current

critical urban problems, among them the increasing isolation of low-income working groups from jobs; the continuation of urban sprawl; wasteful use of land for transportation; downtown and commuter congestion; noise and pollution; increasing isolation of the elderly, the young, and the handicapped from essential services.

This points up the need for capital grants, which is to be handled in the future by the Department of Transportation.

How many people does HUD have in transportation activities at the present time?

STAFFING FOR TRANSPORTATION

Mr. HAAR. At the present time we have 45 people in the central office.

Mr. EVINS. Our reports show 62, and you are asking for 19 more, which is a total of 81. This is shown on page I–9. You have almost twice as many as you thought you had, Mr. Haar.

Mr. HAAR. Those are the direct ones. Which figure are you referring to? This might be the indirect ones as well.

Mr. FRANTZ. Those are man-years.

Mr. EVINS. Eighty-one man-years. You had 62 in 1968. You are asking for 81 in 1969, an increase of 19. You are transferring a lot of your functions out.

Mr. FRANTZ. Those are man-years costs, Mr. Chairman, and they would relate to the functions of the Department prior to the reorganization plan. We do not have at this time any subdivision of those figures related to the plan itself in terms of functional transfers.

Mr. EVINS. Your activities are summarized below for capital improvements. How many people are in HUD working on capital improvement grants?

Mr. FRANTZ. I do not know that we could tie a specific number of people to capital grants.

Mr. EVINS. You have been processing grants over there for several years. You should be able to figure out how many people are working on the program. This grant program is to be transferred over to DOT. You will have either to find these people other work or to transfer them over to DOT. Don't employees go with the assignment?

Mr. FRANTZ. That is correct; yes, Mr. Chairman.

Mr. Chairman, if I may explain what our situation is, under the terms of the plan the funds for these activities will be appropriated to the Department because they are in the Department at the present time. The responsibility for determining what funds and what people are transferred by the plan is assigned, not to us, but to the Director of the Bureau of the Budget. We will present the details and facts of our employment and costs to him, and he will make his decisions when the plan takes effect. That is not our decision to make.

Mr. EVINS. I have advocated the plan and I think others favor it, and it probably will go through without objection. Then you will not have anything assigned to the personnel who have been doing this work, so you will have to transfer them to DOT.

Mr. FRANTZ. Some of these people will be transferred by the plan, no doubt. I just could not give you a detailed breakdown of it because it does not exist at this time.

MANAGERS OF TRANSIT SYSTEMS

Mr. JONAS. You said in your statement, Mr. Haar, that you will provide trained systems managers for 85 systems, as a part of this program. Is that not going a little too far? I thought we were to provide funds to help acquire these systems and research in the field, but I did not know we were going to be required to train the managers of the transit systems. How much does that involve in money? I have not been able to put my finger on it in the justifications.

Mr. HAAR. I think it is in the justifications.

Mr. JONAS. It probably is. I have not located it. Where does that appear?

Mr. HAAR. That is on page H–1.

I will ask Mr. Hurd, who is most directly connected with this and is aware of the need of this kind of training which the Congress added in the amendments of 1966, to talk to this.

Mr. HURD. The management training authority was added to our authority in the 1966 amendments to the act. We estimate 85 people will be trained during the fiscal year for a total of about $1 million. The grants may include up to three-quarters of the salary and other costs of providing a year of advanced training to a person in the industry or in related transportation planning activities, for example.

It also has been used in the past year, and we propose again to hold short courses during this summer as refresher courses for top and middle management in the field of transportation.

Mr. JONAS. Will this be applicable to privately owned transit systems as well as publicly owned systems?

Mr. HURD. Yes, sir. The grant would be made to a public body, but by arrangement with the public body to whom the grant would be made, the employees of private carriers could participate.

Mr. JONAS. I did not think we would have to go that far.

Mr. HURD. I think this was a problem which the Congress recognized as a result of requests from the industry in the 1966 act because of the lack of young people coming into the industry in the past few years.

Mr. JONAS. This is not to be young people. This is to be existing management personnel. Who will know more about how to run the systems than the present managers?

Mr. HURD. No one could.

Mr. HAAR. But they are also the ones who are most aware of the fact, for instance, that the revenue-passengers have gone down from 18.9 billion in 1945 to 6.6 billion in 1966.

Mr. JONAS. They would like the Federal Government to pay the salaries of management.

Mr. HAAR. No, I do not think they would want that kind of Federal involvement.

Mr. JONAS. Did we spend $1 million on this last year?

Mr. HURD. No, sir; we did not. We spent about $100,000.

Mr. JONAS. How many people did you train?

Mr. HURD. There were approximately 40 people for a 2-week period.

Mr. JONAS. Where did you find the place to train these people?

Mr. HURD. At the Transportation Institute at Kent State University, and at the comparable organization in the Engineering Department of West Virginia University.

Salaries and Expenses

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	1. Planning and development programs	4,724	4,519	6,225
	2. Assistance to urban mass transportation	476	690	1,100
	3. Executive supervision and services	1,064	1,017	1,375
10	Total costs—obligations (object class 25.3) (payment to "Administrative operations fund")	6,264	6,226	8,700
	Financing:			
16	Comparative transfers from other accounts	−6,264		
	New obligational authority		6,226	8,700
	New obligational authority:			
40	Appropriation		6,100	8,700
41	Transferred to other accounts		−69	
43	Appropriation (adjusted)		6,031	8,700
44	Proposed supplemental for civilian pay act increases		195	
	Relation of obligations to expenditures:			
10	Total obligations	6,264	6,226	8,700
70	Receipts and other offsets (items 11 to 17)	−6,264		
71	Obligations affecting expenditures		6,226	8,700
90	Expenditures excluding pay increase supplemental		6,031	8,700
91	Expenditures from civilian pay act supplemental		195	
	Expenditures are distributed as follows:			
01	Out of current authorizations		6,226	8,700

Mr. Evins. Let us take a look at the salaries and expenses item on page I–1. An appropriation of $8,700,000 is requested for this division, an increase of $2,474,000. You show how this increase is accounted for. There is $113,000 for Pay Act increase. There is also a supplemental of $195,000 for 1968. An increase of $1,621,300 is for expanded activities due to increased workload. The workload in 1969 will include more than 6,100 applications and inquiries received for review, more than 2,300 project approvals, and 6,000 active projects under construction.

You have a lot of work. It is a very popular activity.

An increase of $395,200 is for increased expenses of the urban mass transportation program. That is going out.

An increase of $344,500 is for increased expenses for executive supervision.

At the bottom you show each of these items increased. Planning and development programs go up $1,706,000; assistance to urban mass transportation is up $410,000; executive supervision is up $358,000; for an increase of $2,474,000.

Mr. Haar, do you want to volunteer to propose a slight reduction there to show your austerity and patriotism?

Mr. Haar. I have already been dehydrated.

INCREASE OVER LAST YEAR

Mr. Jonas. May I throw in a little comment here, Mr. Chairman?

I calculate that your salaries and expenses account goes up about 40 percent over last year; $2.5 million. Yet your program increases only 17 percent. How do you justify that extravagent increase in salaries and expenses in comparison with your program?

Mr. HAAR. Not only is there this large percentage increase in the program, but in terms of phasing of the special ones, I do not quite agree with you, Mr. Jonas. For example, in the sewer and water program——

Mr. JONAS. That is the only minus I see.

Mr. HAAR. It is a minus. Yet if we both look at the workload in that area, we see that the construction activity, which was a new program in 1966, has gone up considerably. We are now in a phase where we have to go out in the field and inspect. This kind of supervision deals with construction rather than with the application and the form is an expensive one which requires engineers to do the work, so we are sure that the money is being appropriately used and the construction is up to standard.

Mr. Baxter is here. I think I should like him to comment on this.

Mr. EVINS. He is a very distinguished gentleman from Atlanta.

Mr. JONAS. He has been quiet today.

Mr. FRANTZ. For the record, Mr. Baxter is our Regional Administrator in Atlanta.

Mr. JONAS. We are acquainted with Mr. Baxter.

Mr. BAXTER. Thank you, gentlemen.

I think there is a definite need for some increase, certainly at the regional level. This, of course, represents an overall figure. I think our greatest need for additional personnel for these programs at the regional level is in connection with urban planning grants; in other words, the 701 urban planning assistance program.

Mr. JONAS. I would like you to talk to the question that I raised. How can you justify a 40-percent increase in overhead, salaries, and expenses, with a program increase of only 17 percent?

Mr. BAXTER. Mr. Jonas, I am not familiar with the breakdown as far as these percentages are concerned. I do know we are severely——

Mr. JONAS. If I am right in those percentage figures, it looks a little out of balance, does it not?

Mr. BAXTER. If those figures are correct; yes, sir.

Mr. JONAS. I shall ask Mr. Frantz to backcheck me on this. He is good with figures.

Is it not correct that you have about a $75 million increase in program, which is 17 percent according to my calculations, but you have a $2.5 million increase in salaries and expenses, which is about a 40-percent increase?

NEED FOR INCREASE IN STAFF

Mr. FRANTZ. I think, Mr. Jonas, what Mr. Haar said is the key to that. It is not very easy to express in a single percentage the increase in the workload in all of these programs for the fiscal year 1969, because involved here is the fact that these programs are cumulative, and the workload increases some times when the volume of new lending or new grants being made is not increasing.

In addition to that, we have the problem, of which this committee has been aware, of attempting to improve the quality of our service and our capacity to deal with these communities.

Mr. JONAS. I guess that is the best answer it is possible to make but it does not justify this heavy increase in overhead.

Mr. HAAR. Could I address myself to this?

Mr. EVINS. Yes, go ahead.

Mr. HAAR. Let me talk about this increase. I do not think—in terms of running a program dealing with small communities, with many applicants—you can't take each one and get a perfect unit cost and sit back and relax. I think that is a very crucial figure to get the general, overall estimate. However, it is the kind of service that you are performing that is crucial. It is the speed up in handling the processing of applications so they can go ahead and know whether they have a yea-or-nay answer.

If you are to speed up the processing, which I know is one of your chief concerns, Mr. Jonas, you just cannot do that without more staff.

You also have to know how to supervise what is going on in the localities, how to expedite their procedures, how to provide the kind of help that they need. It changes from year to year.

As pointed out in the sewer and water program, you have the problem of construction, which means you have to go out into the field. We reorganized the Metropolitan Division into regions so we are now on an area basis, so the communities can come to one man and he can look at their needs and the different programs with respect to metropolitan development. He is there and he can see that open space is being used in a certain way.

We have contract supervision. Here we not only have salaries, but we have transportation and Department overhead. To go out more, to be able to supervise as your demands go out, to be more selective, to be more careful, you have to have people who can analyze balance sheets, people who can analyze the need. Otherwise, you are being pennywise and pound foolish, if we can still use that term here.

The general approach has been to keep the numbers of people down so the dollar impact of the grant program and the assistance program is accentuated.

I think that is about the best answer I can give you.

Mr. EVINS. You have all these good programs, and you have to have people to work to make the benefits possible.

Mr. HAAR. That is exactly so, sir.

SALARIES AND EXPENSES AND LIMITATIONS JUSTIFICATION MATERIAL

Mr. EVINS. Let us place pages I–1 through I–12 in the record, and also pages J–1 through J–7 on the limitations on administrative expenses.

(The pages follow:)

SALARIES AND EXPENSES

APPROPRIATION HIGHLIGHTS

[In thousands of dollars]

	Estimate, 1968	Estimate, 1969	Increase or decrease
Appropriation enacted or proposed	6,100	8,700	+2,600
Proposed supplemental for Civilian Pay Act increases (Public Law 90-206)	195		−195
Funds transferred to GSA for space rental	−69		+69
Total appropriation or estimate	6,226	8,700	+2,474

BUDGET REQUEST

An appropriation of $8,700,000 for salaries and expenses of metropolitan development programs.

Summary of the budget request

The appropriation of $8,700,000 requested for 1969 represents an increase of $2,474,000 over funds estimated to be available for obligation in 1968. The increase is distributed as follows:

1. An increase of $113,000 for the first increased civilian pay act costs pursuant to Public Law 90-206. Including the supplemental appropriation of $195,000 requested for 1968, the total for these mandatory pay act costs is $308,000.

2. An increase of $1,621,300 for expanded activities of planning and development programs. The requested increase will provide staff to improve program administration, to provide more adequate technical assistance to applicants—especially smaller communities—and to more effectively handle new and more complex work activity. Workload in 1969 will include more than 6,100 application and inquiry receipts for review and analysis, more than 2,300 project approvals, and 6,000 projects active and/or under construction during the year.

3. An increase of $395,200 for increased expenses of the urban mass transportation programs. The increase is necessary to meet the rapidly rising workload activity associated with application processing, post approval, construction, and project review activities, and to handle the demands of an expanded effort in research and development. Workload in 1969 will include the review of 145 applications received, the approval of 86 projects, and project review and supervision of more than 200 projects in execution during the year.

4. An increase of $344,500 for increased expenses of executive supervision and services. The increase is due to expanded activities generated by the programs of metropolitan development, an expanded effort to improve program evaluation and analysis activities, and additional emphasis placed on financial, administrative, and program management improvements designed to enable metropolitan development to more adequately serve large and small communities alike.

This appropriation funds the administrative and supporting expenses for carrying out metropolitan development programs under the direction of the Assistant Secretary for Metropolitan Development. The estimate does not include the immediate staff of the Office of the Assistant Secretary for Metropolitan Development, which is funded by the appropriation general administration described in part 6, nor does it include certain activities carried out in the field which are funded by the appropriation regional management and services which is also discussed in part 6.

Funds available through reimbursements—primarily for project inspection and audit—are also used in the administration of these programs and are shown in the explanation of the administrative operations fund in part 6 of the justification volumes.

The activities funded by the appropriation, salaries and expenses, metropolitan development are as follows:

[In thousands of dollars]

	Estimate, 1968	Estimate, 1969	Proposed increase [1]
Planning and development programs	4,519	6,225	1,706
Assistance to urban mass transportation	690	1,100	410
Executive supervision and services	1,017	1,375	358
Total	6,226	8,700	2,474

[1] Individual items include increases for Pay Act costs as well as increased staff.

Metropolitan development programs, with the exception of the urban transportation programs, are administered through the Department's regional offices. Responsibility for the field administration of these programs lies with the

Assistant Regional Administrator for Metropolitan Development, with the exception of the urban planning grants program which is the responsibility of the Assistant Regional Administrator for Program Coordination and Services.

The following paragraphs outline briefly the functions of the central office and field staff working with metropolitan development programs.

The central office staff is responsible for overall supervision, including the development, interpretation, and control of program policies to assure uniform administration and the most efficient management of the Federal interest. This requires a variety of skills and experience in program analysis, urban planning, financial analysis, engineering, legal, real estate, relocation, and community organization. The urban transportation programs are administered entirely by the central office staff.

Direct contact with applicants is maintained by the regional office staff. A major goal of the Department is to continue to increase the effectiveness of the regional offices so as to bring the programs closer to the city and community officials who are struggling daily with urban problems. Regional staffs handle the coordination, detailed analysis and review involved in application processing, develop and execute contracts, disburse funds, and follow the progress and completion of projects. To administer these programs, a variety of skills similar to those required for central office operations are required.

Metropolitan development activities in the field carried out through the Planning Branch of the Program Coordination and Services Division are funded through the appropriation regional management and services described in section 6 of the Department's justifications. These activities, not discussed in detail in this section, include the field activities under the urban planning grant program, and the administration of the comprehensive planning requirements of a number of Federal grant-in-aid programs.

The activities funded from the appropriation salaries and expenses for metropolitan development programs are described in greater detail in the paragraphs which follow.

PLANNING AND DEVELOPMENT PROGRAMS

	Estimate, 1968	Estimate, 1969	Proposed Increase
Obligations	$4,519,000	$6,225,000	$1,706,000
Man-years	426.8	482.7	55.9

The budget estimate for fiscal year 1969 of $6,225,000 which includes $224,800 for Pay Act costs is to cover the central and regional office staff expenses related to the administration of programs and activities at program levels indicated in the following table.

	Estimate, 1968	Estimate, 1969	Net change
Urban planning grants (net approvals):			
Number	915	1,058	+143
Amount	$45,019,000	$55,000,000	+$9,981,000
Public works planning advances (net approvals):			
Number	360	340	−20
Amount	$8,500,000	$8,500,000	
Grants for basic water and sewer facilities (net reservations):			
Number	350	290	−60
Amount	$175,000,000	$150,000,000	−$25,000,000
Open space land programs (net approvals):			
Number	574	604	+30
Amount	$77,500,000	$85,000,000	+$7,500,000
Grants to aid advance acquisition of land (net approvals):			
Number	13	20	+7
Amount	$1,887,000	$3,000,000	+$1,113,000

The proposed increase of $1,706,000 is necessary in order to handle new and more complex work activity anticipated under the programs listed above. More specifically, the increase is related to the following:

Urban planning grants

The estimated program level increase of 22 percent will have a substantial impact on staff supervisory and program direction capability. The substantial increase in regular program activity, alone, will multiply the identification of problems requiring resolution. Increased staff is needed to improve program administration and to implement new responsibilities imposed by the Congress. The activities which require additional staff include the following:

Developing policy for new program segments.—Recent legislative amendments have made the following eligible for section 701 urban planning assistance: planning by local development districts established under the Appalachian program; surveys of structures and sites of historic or architectural value; and planning for new towns.

Improving program administration.—Additional staff functions are required in order to improve program management. For example, increased post-audit surveys designed to monitor regional office practices will insure consistency in the implementation of policy. Also, criteria for evaluating the quality of plans which result from program assistance must be further developed and refined.

Providing technical assistance to clients.—In light of the sophisticated and constantly changing nature of comprehensive planning, it is necessary to provide substantial technical advice for jurisdictions establishing planning programs, help planners keep abreast of professional developments, and provide clearinghouse services for planning agencies across the country.

Updating current policy.—Substantial revision is required in the urban planning program guide which is the comprehensive statement of program policy.

Public works planning advances

The change in program workload for fiscal year 1969 will have very little effect on administrative expense requirements. Workload may be slightly increased as a result of anticipated application receipts in excess of available funds and the impact of the previous year's approvals.

The following are some selected data indicative of workload:

	Estimated, 1968	Estimated, 1969	Net change
Applications received	750	700	−50
Gross approvals	395	450	+55
Net approvals	360	340	−20
Plans reviewed	340	355	+15

Grants for basic water and sewer facilities

The increase in preliminary inquiry activity and decrease in application processing are expected to offset each other in terms of workload. The following tables reflect the estimated workload.

PRELIMINARY INQUIRY WORKLOAD

	Estimate, 1968	Estimate, 1969	Net change
On hand, start of year	1,161	275	−886
Received	2,000	2,500	+500
Referred to other agencies	250	250	
Withdrawn or rejected	2,236	1,950	−286
Converted to applications	400	350	−50
On hand, end of year	275	225	−50

APPLICATION WORKLOAD

	Estimate, 1968	Estimate, 1969	Net change
On hand, start of year	308	170	−138
Received	400	350	−50
Withdrawn or rejected	188	130	−58
Grant reservations	350	290	−60
On hand, end of year	170	100	−70

In 1969, a sharp increase in post-approval workload generated from 1968 approvals will require additional staffing. This increase is reflected by the 46-percent increase in construction months. The increased workload will produce increased central and regional office staffing needs to assure effective discharge of such functions as review of detailed plans and specifications, review of contract awards and construction documents, grant disbursements, preparation and review of final project reports, and correspondence associated with the additional project construction activity. Workload generated in connection with construction activity is shown in the table on the following page.

POSTAPPROVAL CONSTRUCTION WORKLOAD

	Estimate, 1968	Estimate, 1969	Net change
Under construction, start of year	82	295	+213
Construction start in year	325	350	+25
Projects completed in year	112	326	+214
Under construction, end of year	295	319	+24
Construction months	2,400	3,500	+1,110

Open space land programs

This appropriation covers expenses of central office staff for all open space land programs except urban parks and urban beautification and improvements. Administrative expenses for central office staff for these two programs are provided under the appropriation "salaries and expenses, renewal and housing assistance" which is described in part 2, section I, the Department's justification. However, administrative expenses of regional office staff are included within this appropriation since all open space land programs are administered in the field by the assistant regional administrator for metropolitan development.

A major goal of the Department is to continue to increase the effectiveness of the regional offices by bringing the programs closer to city and community officials who are struggling with urban and metropolitan problems. The administration of the open space land programs exemplifies the continuing efforts of the Department to achieve this objective.

In December 1967, instructions were issued to expand the regional office's role in the selection, technical review and processing of applications. Additional staffing is needed to insure minimum progress in workload processing and program evaluation in the face of an estimated 22-percent increase in workload. The anticipated application increase is reflected in the following table:

APPLICATION WORKLOAD

Application receipts	Estimate, 1968	Estimate, 1969	Net change
Acquisition and development of undeveloped land	525	550	+25
Urban parks (developed land in urban areas)	78	106	+28
Urban beautification and improvement	200	250	+50
Historic preservation	50	125	+75
Demonstrations	6	15	+9
Total	859	1,046	187

Advance acquisition of land

Growing interest in this program is expected to generate an increase in workload. The following table reflects this estimated workload growth.

KEY WORKLOAD ITEMS

	Estimate, 1968	Estimate, 1969	Net change
Applications received	17	40	+23
Fund reservations	13	20	+7
Grant agreements executed	8	15	+7
Total	38	75	37

Planning and development programs generally

In addition to the workload impact related to particular programs described above, other, more general responsibilities will continue to demand a great deal of staff attention. Additional personnel will be necessary to enable the Department to adequately perform these functions:

Guides providing criteria for meeting planning requirements are 2 years old and must be revised to reflect changing policy. More definitive criteria are needed to reflect full planning requirements in the water and sewer, urban mass transportation, and open-space land programs.

An increasing number of programs of other departments and agencies have planning requirements. Coordination and liaison with such Federal agencies as Farmers Home Administration, Federal Water Pollution Control Administration, Bureau of Outdoor Recreation, and Economic Development Administration at the central office level is necessary to achieve uniformity where possible in program requirements and their application.

Metropolitan development staff have been participating increasingly on various interagency committees dealing with land use for recreation and natural beauty, water resources, sewer programs, and the general metropolitan environment. These interagency committees assist departments and agencies in their efforts to achieve better program management, develop uniform policies, and to better serve applicants requesting Federal financial assistance.

Analytical aids are necessary in order to assure that the Department's metropolitan development programs are responsive to the problems of metropolitan areas. Staff are developing metropolitan development profiles which provide indicators of need for Federal technical and financial assistance. Once completed, these "tools" can improve the effectiveness of existing programs, and streamline the process of identifying metropolitan development problems and needs.

ASSISTANCE TO URBAN MASS TRANSPORTATION

	Estimate, 1968	Estimate, 1969	Proposed increase
Obligations	$690,000	$1,100,000	$410,000
Man-years	62	81.4	19.4

The budget estimate for fiscal year 1969 of $1,100,000 including $37,000 for Pay Act costs covers administrative expenses under the urban transportation programs authorized by the Urban Mass Transportation Act of 1964, as amended. These programs are discussed in detail in section H of this volume. The program levels are summarized below:

	Estimate, 1968	Estimate, 1969	Proposed increase
Capital improvements:			
Number	20	23	3
Amount	$123,500,000	$157,500,000	$34,000,000
Research, development, and demonstrations:			
Number	30	45	15
Amount	$10,000,000	$25,000,000	$15,000,000
Transportation systems design:			
Number	15	18	3
Amount	$5,500,000	$6,500,000	$1,000,000
Managerial training:			
Number	85	85	----------
Amount	$1,000,000	$1,000,000	----------

The proposed increase of $410,000 is necessary to handle substantially increased workload. The following table indicates the estimated workload increase for fiscal year 1969 assuming a program level of $190 million.

APPLICATION WORKLOAD

	Estimate, 1968	Estimate, 1969	Net change
Received:			
Capital improvement	45	50	+5
Demonstration and research	45	65	+20
Transportation system design	25	30	+5
Managerial training	[1] (85)	[1] (85)	----------
Total	115	145	30
Approved:			
Capital improvement	20	23	+3
Demonstrations and research	30	45	+15
Transportation system design	15	18	+3
Managerial training	[1] (85)	[1] (85)	----------
Total	65	86	+21

[1] Number of fellowship awards shown in parentheses and are not included in application or project count.

The workload table, above, indicates expected increases of 26 percent in application processing and 32 percent in postapproval activity. Although these increases reflect a need for more staff, other staffing requirements exist which are not directly associated with application workload. For example:

Existing staffing inadequacies have not permitted sufficient time for the compilation of a manual of operating procedures, updating and revision of program informational materials, and the development of a system for collection of industry data needed for preparation of a program and administrative reports.

Most project approvals under the urban mass transportation programs have been for 50 percent grants. By statute, if within 3 years from the date of contract, full planning requirements of the program are met, an additional one-sixth grant may be made. The workload involved in evaluating the status of planning and programing in each recipient area literally multiplies as the program progresses and more and more grants are made.

New demands of a large-scale effort in transportation research and development are expected to result from the March 1968 report of the new systems study project. This new activity will require program direction and supervision, assuming that most of the research and development project activity will be contracted out. Inadequate staffing would not only impair ability to undertake this large-scale research and development program but would also hinder present efforts to assemble, analyze, and disseminate information gained from program experience and the experience of other research efforts in urban transportation.

By 1969, more applications will be concerned with whole systems—applications which are highly complex in their development and review, and more taxing in terms of manpower for supervision and inspection.

EXECUTIVE SUPERVISION AND SERVICES

	Estimate, 1968	Estimate, 1969	Proposed increase
Obligations	$1,017,000	$1,375,000	$358,000
Man-years	88.5	98.9	10.4

The budget estimate for fiscal year 1969 of $1,375,000 including $46,200 for Pay Act costs is to cover the central office staff expenses related to the following activities:

Plans, programs, and evaluation.

Administrative services.

The proposed increase of $358,000 is necessary to provide increased planning and administrative services as a result of increased personnel and office service needs; the impact of new activities involving more and better program evaluation; and increased emphasis on financial, administrative, and program management improvements.

In particular, the functions to be performed in the central office are as follows:

Plans, programs, and evaluations

The plans, programs, and evaluation staff is concerned with long-range plans and programs, criteria, and methods for evaluating program effectiveness, and actual evaluation of program performance. The office also develops data for decisionmaking and program planning in addition to developing forecast of administrative requirements, budgetary proposals, and reports.

This staff function is designed to promote more effective program adminstration, but inadequate staffing has not permitted full performance. The development of urgently needed data systems has not progressed at a satisfactory pace, thereby preventing the flow of adequate information needed for program appraisal. In addition, too often functions which should be performed regularly have had to be carried out on a "crash" basis to satisfy special, immediate needs.

Administrative services

The administrative services staff advises and assists in improving organizational structure and operating and administrative management practices in the field and the central office; coordinates and participates in the preparation, review, and clearance of policies and procedures for publication as a program documents or internal directives; initiates and coordinates the processing of personnel actions and related personnel matters; and coordinates travel and provides office services, mail and file controls, and similar administrative services. Administrative services reflects the increase in the activities of the programs mentioned above.

Limitations on Administrative Expenses

BUDGET REQUESTS

The budget proposes:

1. A limitation of $1,235,000 on administrative expenses payable from the public facility loan fund, an increase of $8,000 over fiscal year 1968.

2. A limitation of $104,000 on administrative expenses from the revolving fund (liquidating programs), an increase of $4,000 over fiscal year 1968.

Proposed increases in the limitations are solely to provide for increased Pay Act costs pursuant to Public Law 90-206. No staff increases are proposed.

The administrative and supporting expenses for carrying out the public facility loan program and the liquidating program under the direction of the Assistant Secretary for Metropolitan Development are funded from revolving funds under a limitation on administrative expenses. A brief description of the administrative activity under these programs and a comparison of their limitations on administrative expenses, man-years, and workload for the current and budget years are included under the program headings.

PUBLIC FACILITY LOANS

	Estimate, 1968	Estimate, 1969
Limitation enacted or proposed	$1,187,000	$1,235,000
Proposed increase in limitation for pay act increases	40,000	
Total	1,227,000	1,235,000
Man-years	103	103

The public facility loan program is administered primarily through the Department's regional offices. The Assistant Regional Administrator is responsible for the field administration of the program. The functions of the central office and of the field staff are briefly mentioned in the following paragraph.

The staffing data includes personnel assigned outside the metropolitan development organization but charged to metropolitan development activities for provision of support services, such as personnel, accounting, printing legal, office services, etc. Construction inspection and project audit activities are funded from nonadministrative funds provided by fees charged applicants for these services.

The central office provides overall program supervision, develops program policy and procedural statements for issuance as guides and instructions to regional staff and/or the public, analyzes operations, and evaluates program trends and policies. The regional office staffs respond to program inquiries, conduct preapplication conferences, and receive and process applications through approval. After approval, the regional staffs negotiate the loan agreement, review and approve detailed construction plans and specifications, concur in the award of construction contracts, follow construction progress and project closeout, and review proceedings accompanying issuance of the bonds. Following Federal purchase of the bonds, the regional staffs perform loan management functions throughout the life of the loan.

Application processing

The review of an application includes an analysis of the proposed project, an examination of the borrower's financial capacity, legal powers, and the review and preparation of a variety of legal, engineering, and financial documents. Typically, the regional staffs meet with community representatives during the course of application analysis because the planning, financing, and construction of public facility projects often taxes the technical and administrative resources of many applicants. Assistance is usually provided on a detailed basis to assure the development of sound and well-conceived projects.

Often in the course of reviewing a project proposal, and after a considerable amount of staff time and expense has been expended, it becomes apparent that an acceptable project and financial plan cannot be worked out that is satisfactory to the community and the Federal Government. Such circumstances lead to the withdrawal of the application or its disapproval. However, in many other instances, the regional staffs' technical advice and assistance help the community develop a project attractive to private investors. In those instances, the application is withdrawn and the project is financed without Federal assistance.

For 1969 we expect a significant increase in loan applications. This increase will require that more time be spent on the selection process in order to assure the most effective use of program funds. The anticipated application processing workload is reflected in the following table:

APPLICATION WORKLOAD

	Estimate, 1968	Estimate, 1969	Net change
On hand, start of year	67	70	+3
Receipts	240	300	+60
Total for processing	307	370	+63
Withdrawn or rejected	117	245	+128
Gross loan approvals	120	80	−40
On hand, end of year	70	45	−25

Postapproval processing

After loan approval, the locality develops detailed plans and specifications which the regional technical staffs review for general coverage and accuracy. After approval of the plans and specifications, regional personnel concur in the award of construction contracts and in project and contract changes during construction. In order to assure that sound loans are acquired and that funds advanced by the Federal Government are adequately protected, the regional staffs review the legal capacity of the community to issue the proposed debt obligations, the adequacy of pledges of security and collateral, and the sufficiency of the form of the bonds and the underlying resolutions and indentures. To insure maximum opportunity for private placement of the issue, the technical staffs review the community's plans for such offerings, the prospectus and offering documents, and advertising in suitable financial periodicals. The staff requires the community to secure a favorable opinion of the proposed issuance from a recognized bond counsel. The regional office enters the Department's bid for the issue at the terms set forth in the loan agreement, when the bonds are marketed. Final project closeouts are made after completion of construction and purchase of the bonds.

In 1969, construction starts will decrease. However, construction completions with the resultant project closeout workload will increase. The postapproval workload is shown in the table on the following page.

	Estimate, 1968	Estimate, 1969	Net change
Under construction, start of year	75	105	+30
Construction starts	130	80	−50
Total under construction	205	185	−20
Attrition during construction	5		5
Construction completions	95	115	+20
Under construction, end of year	105	70	−35

Loan management

A program of continuing loan management is carried out. Because of the lack of experience on the part of many borrowing communities, loans require close supervision, especially during the early years. When necessary, the regional staffs assist communities in establishing accounting procedures and controls as well as advise on such matters as project management and maintenance.

Each borrower submits periodic reports on the operation of the facility and the status of the accounts set up for management of the local obligation. These reports, as well as other reports of a general nature bearing upon the community's finances, are reviewed by loan management staffs. Timely identification of problems and immediate corrective action are considered essential to avoid delinquent interest or principal payments. In the event of nonpayment of interest or principal when due, every effort is made to work with the community to correct delinquency conditions.

The following table indicates the increase in loan management workload.

[Dollars in thousands]

Outstanding amount of bond issues:	
Estimate, 1968	$290,000
Estimate, 1969	325,000
Increase	+35,000

At December 31, 1967, there were 26 delinquent loans, with outstanding balances of $7.2 million, which require remedial action; as against 21 delinquent loans with outstanding balances of $5.5 million at December 31, 1966.

REVOLVING FUND (LIQUIDATING PROGRAMS)

	Estimate, 1968	Estimate, 1969	Increase
Obligations	$100,000	$104,000	$4,000
Man-years	8.5	8.5	

The Independent Offices Appropriation Act, 1955, established (as of June 30, 1954) a single revolving fund for liquidation of the remaining assets of several programs. Out of an original Government investment of $2.5 billion, the approximate balance of identifiable assets as of June 30, 1967, was as follows:

Assets, June 30, 1967

[In millions]

Alaska housing program (1949)	$3.9
Prefabricated housing (1948)	4.2
War public works (World War II)	4.2
Defense community facilities (Korean emergency)	2.1
Public agency loans (RFC depression loans, value as of transfer in 1957)	3.7
Cash and miscellaneous receivables	4.1
Less allowances for losses	−7.4
Total	14.8

This program is administered by regional and central office staffs, skilled in loan management, who manage the loan portfolio and other assets acquired under the various programs with a view to their ultimate liquidation for cash.

The nature of Government activity requires adequate documentation of property lost, destroyed, or worthless. Part of the administrative cost is occasioned by such requirements; another portion covers the routine collection of principal and interest on securities owned. The principal effort, however, is directed to a few problem cases. One of the current examples is the Nunaka Valley project which secures the Alaska State Housing Authority bonds held in the loan portfolio. The Department is assisting the Alaska State Housing Authority in developing methods of financing an extensive paving project and a program of upgrading the dwellings to facilitate their sale. This will not only increase our security but hopefully expedite repayment of the bonds in total at an earlier date than the bond agreement now provides.

Through June 30, 1967, $896 million has been recovered for the Treasury, $413 million has been transferred to other agencies and programs, and $786 million has been given to local governments. It is expected that $2 million will be returned to the Treasury in 1969.

From the standpoint of workload, program responsibility covers the total of gross assets as shown in the program highlights and the source and application of funds tables on the next page.

PROGRAM HIGHLIGHTS

[In thousands of dollars]

	Actual 1967	Estimate 1968	Estimate 1969
Funds transferred to the Treasury:			
Fiscal year	2,500	1,500	2,000
Cumulative	896,478	897,978	899,978
Gross value of assets, end of year	22,159	19,140	17,509
Less allowance for losses	7,408	7,602	7,797
Net book value	14,751	11,538	9,712

SOURCE AND APPLICATION OF FUNDS

[In thousands of dollars]

	Actual 1967	Estimate 1968	Estimate 1969
Funds provided by—			
Repayment of loans	493	450	425
Interest income	520	490	460
Rental and other income	544	350	1
Sale of assets and insurance proceeds	88	1,900	
FHA debentures	2,593		
Total	4,238	3,190	866
Funds applied to—			
Administrative expense	110	100	104
Disposition and management expenses	242	220	10
Improvements—Aleutian homes	8		
Liquidating dividends to Treasury	2,500	1,500	2,000
Transfer to working capital fund		1,500	
Increase or decrease (—) in gross working capital	1,378	—130	—1,228
Total	4,238	3,190	866

Mr. EVINS. Mr. Haar, your total Metropolitan Development Division is about $490 million, and you have administrative expense of $8,700,000. It is a very big and very popular operation.

We commend you on your important mission and your good work. We wish you good luck and success.

Suppose we suspend until 1:30.

WEDNESDAY, MARCH 20, 1968.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

WITNESSES

RAYMOND H. LAPIN, PRESIDENT, FEDERAL NATIONAL MORTGAGE ASSOCIATION

FEDERAL NATIONAL MORTGAGE ASSOCIATION

HARRY M. GILBERT, EXECUTIVE VICE PRESIDENT
HARRY R. BIVENS, VICE PRESIDENT
ARTHUR C. HEMSTREET, SECRETARY AND TREASURER
CARL H. BURKE, ASSISTANT VICE PRESIDENT
JERRY R. HUNTER, BUDGET ANALYST

FEDERAL HOUSING ADMINISTRATION

PHILIP N. BROWNSTEIN, ASSISTANT SECRETARY FOR MORTGAGE CREDIT AND FEDERAL HOUSING COMMISSIONER

OFFICE OF THE SECRETARY

WILLIAM B. ROSS, DEPUTY UNDER SECRETARY FOR POLICY ANALYSIS AND PROGRAM EVALUATION
L. EDWARD LASHMAN, ASSISTANT TO THE SECRETARY FOR CONGRESSIONAL SERVICES
NATHANIEL J. EISEMAN, DEPUTY DEPARTMENTAL BUDGET OFFICER
FRANK M. GIBBONEY, BUDGET ANALYST

Mr. EVINS. The committee will come to order.

We resume our hearings this afternoon with the Department of Housing and Urban Development, and take up the justification of the Federal National Mortgage Association.

BIOGRAPHY OF MR. LAPIN

I believe we have a new President, Mr. Raymond H. Lapin.

Mr. Lapin, we welcome you here. We have read the statement of your background and your achievements. We wish you would place a statement in the record about yourself.

(The statement follows:)

RAYMOND H. LAPIN, PRESIDENT, FEDERAL NATIONAL MORTGAGE ASSOCIATION

Raymond H. Lapin is the sixth president of the Federal National Mortgage Association of the Department of Housing and Urban Development. He became chief executive of the congressionally chartered corporation in July 1967.

Mr. Lapin, 49, of San Francisco, Calif., formerly was president of a large California mortgage banking firm.

Born in Inglewood, Calif., Mr. Lapin received a bachelor of science degree from the University of California College of Business Administration in 1942. Following postgraduate studies, Mr. Lapin received a master of business administration degree in finance in 1953 from the University of Chicago. In 1954, he completed the investment course in the Graduate School of Banking at Rutgers University.

During World War II, he served in the Army and rose from private to captain. Following the war, he managed the research department of the Federal Reserve Bank in Chicago. He remained there until 1954 when he organized the Bankers Mortgage Co. of California, of which he was principal owner and president.

During 10 years of operation of the company, its volume of mortgage servicing rose to over $700 million, 10th largest in the Nation. In 1964, the company was acquired by Transamerica Corp., but Mr. Lapin remained as president of the firm he founded.

In September 1966, Mr. Lapin was appointed by former Gov. Edmund G. Brown to serve as commissioner of the California State Economic Development Agency and chairman of the Governor's Economic Task Force. Just before, he resigned as president of Bankers Mortgage Co.

Prior to taking over his FNMA duties, Mr. Lapin divested himself of financial interests in companies which do business with or are affected by activities of FNMA or HUD.

Mr. Lapin has served as a member of the Public Utilities Commission of the City and County of San Francisco which administers the public transportation and water systems of the city and the San Francisco International Airport. He has also served as a member of the Art Commission of the City and County of San Francisco.

Mr. Lapin is married to the former Mary Elizabeth Woodcock. They have one son, John, 16.

Mr. EVINS. We shall be pleased to hear your statement.

This statement says Mr. Lapin formed his own company after going to Rutgers Graduate School of Banking, and its portfolio expanded to in excess of $700 million of mortgage loans, making it one of the 10 largest in the Nation. You certainly succeeded in your private business. I think you are the right man to manage this portfolio of mortgages of the Government.

Mr. LAPIN. Mr. Chairman, $700 million looked pretty large until I came here to Washington. I am getting an inferiority complex now.

Mr. EVINS. You are running one of the biggest.

Mr. JONAS. We do not talk about anything under trillions in here now, and soon will be up to zillions.

Mr. EVINS. You may proceed, Mr. Lapin.

Mr. Lapin. Thank you.

Mr. Chairman, I appreciate this opportunity to discuss the budget requirements of the Federal National Mortgage Association for the fiscal year 1969 with you and the members of your committee.

As you know, I have been president of the Federal National Mortgage Association only since July of last year and this is my first appearance before your committee. I am very proud to have become part of this organization and the Department of Housing and Urban Development, which is meeting headon the serious problems of our urban areas. It is generally agreed that FNMA has made significant, permanent contributions to the improvement of housing and home financing and to the Department's major objective, the provision of decent housing, in a wholesome environment, for every American family.

The FNMA budget request for 1969 provides for a limitation on administrative expenses of $10,340,000 or $400,000 above the current year's estimate. Of the increase for the year, $136,000 is required for the additional cost of the recent pay raise which will be in effect for the full year 1969 as compared with only 9 months in 1968.

Although no additional positions are requested, the average employment for the year is estimated at 1,005, an increase of 17 man-years over this year's estimate.

Our staffing and expense requirements are based on a workload represented by continuing, active programs of the Association, including the servicing of the largest mortgage portfolio FNMA has ever had in its 30-year history.

The Federal National Mortgage Association provides a secondary market facility for home mortgages and furnishes special assistance to certain types of housing programs specifically designated by the President of the United States or by the Congress. The Association also sells participations in mortgages or other types of obligations held by the Department of Housing and Urban Development and certain other departments and Federal instrumentalities to provide a means for substituting the funds of private investors generally for Government financing of such assets.

Over the past two and a half years conditions in the mortgage and financial markets have caused widespread restrictions on funds available for mortgage investments. These conditions, which existed throughout most of 1966, were alleviated somewhat during the third quarter of fiscal year 1967 to a point where the supply of private funds was able to absorb a greater volume of standard residential mortgage production. However, the mortgage market again tightened materially in the last quarter of fiscal year 1967 and both sellers and purchasers of homes were severely handicapped by the nationwide scarcity of mortgage funds and high-interest rates. These adverse market conditions have persisted throughout the current year and FNMA has played an increasingly important role as a secondary market for federally underwritten mortgages. As a consequence, mortgage purchases during the current fiscal year are estimated to total an alltime high of over $3.6 billion in its three operations.

During the budget year, we estimate that private funds available for mortgage investments will remain generally restricted. However, we anticipate a reduction in the amount of support required of FNMA because of (1), the proposed removal of the FHA and VA mortgage interest rate ceilings, as provided in proposed legislation, which should attract more private capital into housing and (2), legislation which has been introduced to tranfer the ownership of FNMA's secondary market operations to the owners of its common stock. These operations would thereafter be carried out by a Government-sponsored, privately financed corporation. Mortgage purchases remaining under Government auspices are estimated to total $1.7 billion for the budget year in all operations.

In the secondary market operations, a new commitment procedure has been developed and is being considered for possible adoption. Under this procedure, which does not require legislation, FNMA will discontinue its present practice of administering mortgage purchase prices in which the market determines the dollar volume of mortgages we will purchase. Instead, we contemplate a system whereby we will determine the maximum dollar volume that we will invest in mortgages each week and the market will determine the price structure on a weekly basis. Under this system, sellers will make offers for 3-, 6- and 12-month forward commitment funds on a competitive price basis instead of the present method of offering mortgages for immediate purchase or obtaining standby commitments for purchase on an established price basis. The 12-month forward commitments will encourage a greater volume of starts because homebuilders need this period of time in which to arrange their total financing requirements.

The program will enable the association to encourage a more productive use of its funds so that there would not be a need to invoke certain previously necessary restrictions, such as a dollar limit on the mortgage amount or a limit on the age of the mortgage dating from insurance or guaranty.

The association's support of special housing programs will continue in 1969 with almost the entire total of $575 million of mortgage commitments and reservations of funds channeled into the financing of low-cost housing and housing for low- and moderate-income families. This financing applies to both market rate and below-market rate mortgages, purchases of which are estimated at $520 million in 1969.

Of the $1 billion mortgage program authorized by the Congress in 1966 for financing new, low-cost single family homes, it is estimated that $618 million will have been purchased by the end of 1969, representing support by the program for construction of 44,000 homes.

The association continues to be active in participation sales since the program began in fiscal year 1965, and projects sales of $3,150 million of certificates in 1969. Through January 30, 1968, a total of $7.3 billion in certificates have been sold on behalf of HUD and other Government departments and agencies and the sale of an additional $1 billion has been announced for issuance in April. By the end of 1969 sales are estimated to total $12.2 billion, of which $11.2 billion will be then outstanding.

The Federal National Mortgage Association Charter Act requires that participations sold by FNMA for its own account or for the ac-

count of certain departments or agencies of the Federal Government must be authorized in an appropriation act and authorizes indefinite appropriations to cover any insufficiencies that may result from such transactions. Accordingly, the Association is requesting (1) an authorization for 1969 of $1,595 million for the sale of participations in the portfolios of the Department of Housing and Urban Development, including FNMA; this amount, together with the $255 million unsold carryover from 1968, will permit sales of $1,850 million for the year, and (2) a permanent indefinite appropriation to enable the Department to pay such amounts as may be required because of insufficiencies in aggregate receipts from mortgages or other obligations in which participations are sold.

Authorizations necessary for sales of the remaining $1,300 million of participation certificates proposed in 1969 for the account of other Government departments and agencies and permanent indefinite appropriations for payment of insufficiencies are being requested by those departments and agencies.

FNMA's operations cover a considerable range of functions and activities. It purchases mortgages from originators, sells seasoned mortgages to investors, and maintains and services a considerable portfolio of such mortgages at all times. It sells participations in mortgages and other obligations in which it and certain other Federal instrumentalities have financial interests; this requires the administration of participation trusts involving collections, investment, and payments of large amounts of funds. Through these activities the corporation renders special types of service to the public and plays a significant role in the overall national economy.

The efficiency with which the corporation can render this service is dependent to a substantial degree upon the maintenance at all times of adequate facilities and a capable staff of personnel well-trained in mortgage buying, selling, and servicing techniques, and the mechanism of the financial markets. Because the mortgage market is subject to rapid change from time to time, the Association must at all times maintain a staff which is in proper relation to its current workload and is at the same time sufficient in depth to function efficiently during periods of abrupt change in workload. FNMA's administrative expense estimates are submitted with this principle in mind.

In our judgment, these estimates represent the minimum requirements of the Association to administer its various programs and activities.

I have attempted to summarize developments which have a bearing on the request before your committee. I will be happy to try to answer any questions which you may have.

Thank you.

Mr. EVINS. That is a very fine statement, Mr. Lapin.

Since coming abroad as the president of FNMA last year, do you want to give us any offhand observations as to what you think the organization is doing, what changes need to be made, or what you plan for the future? You are a new man in this role. Give us a fresh look or observation.

PROPOSED INNOVATIONS IN THE FNMA OPERATIONS

Mr. LAPIN. We have proposed some changes in FNMA which I think can be divided into three categories. I have mentioned two of the three in the statement that I have read.

No. 1 is what we call the free market program, which provides weekly auctions, instead of our continuing in the secondary market operations with administered prices. Therefore, instead of our setting prices within the range of the market in secondary market operations as heretofore, we would determine weekly the dollar volume of money that we would invest in mortgages, and the market would determine the price.

Mr. JONAS. May I interrupt you right there? Would you go into that in a little more detail? With whom are you competing? To have a market, you have to have competition. You are the only purchaser. How will this so-called auction be operated? How will you establish the market value of money if you are the only competitor? I do not understand that.

Mr. LAPIN. I understand the question, but I think it may be misleading if I answer by referring to competition. Sellers of mortgages, mortgage bankers and commercial bankers, savings and loan institutions, and others who sell these mortgages, have at all times the alternative of selling mortgages to either private institutions or to FNMA. They have these two alternatives.

Mr. JONAS. Heretofore, the insurance companies have been the biggest purchasers.

Mr. LAPIN. I should have mentioned insurance companies in my description, but insurance companies have been so much out of the FHA–VA market in recent years that I did not mention them. They work mostly through mortgage bankers which I did mention.

These mortgage bankers or commercial bankers, who do the originating, have the option of selling to the institutional investor, the life insurance company, other private investors or to FNMA. So, you could in a sense call this competition, but that is not the entire story, because we do not want to compete. Our idea of success is when FNMA buys no mortgages. If the private market took them all, we would call that success.

CONTINUING ROLE OF FNMA IN THE SECONDARY MORTGAGE MARKET

Mr. EVINS. You are a secondary mortgage market operation.

Mr. LAPIN. Yes, I think you could say we are like a fire department that considers itself successful when it does not ever have to pour out any water from its hoses.

However, the money and capital markets, particularly of recent years, are such that FNMA must play an active role in buying mortgages to provide necessary liquidity. Therefore, we must be available to supply the money when needed.

Mr. JONAS. I mean the seller has no price it can use, no leverage to force rates upward, unless it has somebody else that it can sell to. What did you mean when you said let the market fix the price?

Mr. LAPIN. The seller of mortgages, that is, the originator of mortgages, would always rather sell to a private institutional investor than

to FNMA. There are a number of reasons. The main one is the fact that these originators are in the business of servicing mortgages throughout their life for the profits therefrom. When they sell to a private investor, they have a contract to service for the life of the mortgage. They do not have that with FNMA. FNMA is always, therefore, less attractive, and they would rather not sell to FNMA unless the alternative is unattractive.

COMPETITIVE BIDDING FOR MORTGAGE COMMITMENT FUNDS

Mr. BROWNSTEIN. May I mention this, Mr. Jonas, in response to your question. I think it would work substantially this way: Mr. Lapin may announce that on *x* date FNMA will issue commitments to purchase $50 million worth of mortgages. Then mortage bankers, savings and loan association, or other mortgage originators will submit bids to FNMA on the price at which they will be willing to sell their mortgages to FNMA.

Mr. JONAS. That is where the competition comes in?

Mr. BROWNSTEIN. Yes, sir; that is where the competitive bidding comes in. If one mortgage company says that they will deliver at 94 and another one says that they will deliver at 93½, then, obviously, the one at 93½ would be the successful bidder to the extent——

Mr. LAPIN. To the extent of the money FNMA has committed—$50 million in the example cited by Mr. Brownstein.

Another aspect of this, Mr. Jonas, is the fact that in the last few years, because of our setting prices which cannot be changed promptly, many sellers of mortgages do not even try the private market. They know what our price is. The private market does not appear as good to them, so they create mortgages and offer them to us, and the Government has to buy them.

If these same mortgage bankers must think about bidding in an auction market, they will want to check the market price with those private investors before they put in a bid. This will tend to bring the private market and ourselves closer together.

Mr. BROWNSTEIN. I think it has this other effect that may also be very helpful. You may have a fairly good market today if you have a mortgage that you can deliver today to a private investor, an insurance company, savings bank, or other permanent investor. But that is not going to help the builder who plans to build a bunch of houses that will not be ready for delivery until a year from now.

Under the proposed weekly auction that Mr. Lapin has been advising the committee about today, they can get a 1-year commitment.

Mr. LAPIN. We would like to change from purchasing mortgages on an immediate, over-the-counter basis, to a forward commitment basis of 3 months, 6 months, or 12 months.

Mr. JONAS. Will that be an open commitment for which this bidding will apply, or will it be something that the builder can actually rely on?

Mr. BROWNSTEIN. He can rely on it totally.

Mr. JONAS. How do you establish the interest return on that kind of proposition, if it is a commitment 12 months ahead?

Mr. BROWNSTEIN. The commitment will provide for the interest rate in effect at the time the mortgage is originated, with adjustments in the price.

FNMA COMMITMENT SUPPORT

Mr. EVINS. As an innovation and new procedure, you propose every week to announce that a certain amount of money is available for the purchase of mortgages, a commitment as you refer to it. Therefore, you feel these offers will bring about some competition from those selling, the originators of the mortgages, to secure cash so they can make additional loans.

How often have you made these commitments heretofore, as a general rule?

Mr. LAPIN. We have had a kind of commitment basis which is not a large portion of what we have done in the secondary market operations. We have done a certain amount of this on a standby commitment basis, but it has hardly been used. The price has been lower than the market, and it has not been attractive enough for much use.

The 12-month commitment contemplated in the auction procedure would be much more helpful in keeping the building starts up if it were needed to do that.

I might add that the trade associations involved are supporting this program—the National Association of Home Builders, the Mortgage Bankers Association of America, and the National Association of Real Estate Boards.

Mr. EVINS. Do you have a continuing commitment?

Mr. LAPIN. We have not had a commitment. We have said these are our prices, and they never know when we will change them.

Mr. EVINS. Your prices are a little below the market, and therefore they do not offer to sell as readily. Is that correct?

Mr. LAPIN. Sometimes they have been a little below the market, a little on the low side of the market range.

Mr. EVINS. When you came aboard, what was the average amount of commitment of FNMA to purchase mortgages annually, in round figures?

Mr. LAPIN. You mean commitments rather than our main operation?

Mr. EVINS. Your purchases.

Mr. BURKE. Total purchases of mortgages, for all programs, was $1.8 billion in fiscal year 1967.

Mr. EVINS. You have been buying about $1.8 billion in mortgages a year. How many do you think you will buy under the auction system that you are proposing?

Mr. LAPIN. The dollar volume probably will not be too much different from what we would be doing with the other system. If we were, for example, to do $2 billion for the next fiscal year, I think it would be $2 billion either way.

Mr. BROWNSTEIN. Of course, Mr. Chairman, if we were able to get the interest rate ceiling lifted as we have proposed, there will be less reliance on the FNMA resource. We can get more of them into the private market.

Mr. EVINS. What other innovations are you proposing, Mr. Lapin?

PRIVATE OWNERSHIP OF SECONDARY MARKET OPERATIONS

Mr. LAPIN. The two other major developments that we propose are both contained in title 8 of the Housing Act. First, title 8 calls for our becoming completely privately owned. This would remove our

secondary market mortgage purchases from the budget as a budget outlay. Second, as a private corporation we would contemplate issuing a new set of securities to bring new sources of money into the mortgage market.

Mr. EVINS. Aren't you already privately owned? You have about three corporations, have you not?

Mr. LAPIN. Yes, sir, but only the secondary market operation contains any private ownership.

Mr. EVINS. Your activities and services are reflected in the budget. This whole proposal, as I understand it—correct me if I am not correct—is to remove a portion of FNMA from the Federal budget.

Mr. LAPIN. It is to remove the secondary market operations, but not the special assistance or management and liquidating functions.

Mr. EVINS. The management and liquidation and special assistance would continue to be carried in the budget?

Mr. LAPIN. Yes, sir.

Mr. EVINS. Why would two-thirds of your operations be carried in the budget and one-third not in the budget? The special assistance function is the one that is the least profitable.

Mr. LAPIN. Yes, this is certainly true with respect to fiscal year 1969. We certainly do not want to take the most profitable part out of the budget. That is not our purpose.

Mr. EVINS. It may not be the purpose, but that is the net effect, is it not?

Mr. BROWNSTEIN. When FNMA was recharted in 1954, it was contemplated that the secondary market would ultimately come into private ownership, and it seems this is an appropriate time to do it.

TERMINATION OF GOVERNMENT OWNERSHIP

Mr. FOARD. I think that there are several facts about the ownership of the present FNMA that should be recognized. It is true that the secondary market operations of FNMA do have outstanding common stock held by private companies and individuals. However, this is not voting common stock. The FNMA is wholly controlled by the Government and is part of the Department of Housing and Urban Development. In setting up the FNMA, the 1954 Charter Act contemplated recommendations for legislation to set up a private corporation after the Government-owned stock is retired. The requirements of such a reorganization are contained in section 303 of the Charter Act and summarized in the following statement:

TERMINATION OF GOVERNMENT OWNERSHIP

Funds of the Association's surplus applicable to the secondary market operations will be available to retire the preferred stock held by the Secretary of the Treasury as rapidly as the Association shall deem feasible.

The FNMA Charter Act provides that concurrently with the retirement of the last of the outstanding preferred stock, the Association will pay to the Secretary of the Treasury for covering into miscellaneous receipts, an amount equal to that part of the general surplus and reserves of the Association (other than reserves established to provide for any depreciation in value of its assets, including mortgages) which shall be deemed to have been earned through the use of the capital represented by the preferred shares held by him from time to time.

As promptly as practicable after all the preferred stock held by the Secretary of the Treasury has been retired, the law requires the Secretary of Housing and Urban Development to transmit to the President for submission to the Congress appropriate recommendations for legislation to provide for transfer to the owners of the outstanding common stock of the Association the assets and liabilities in connection with, and the control and management of, the secondary market operations in order that such operations may thereafter be carried out by a privately owned and privately financed corporation.

SOURCES OF FNMA FUNDS

Mr. LAPIN. Mr. Chairman, the funds for special assistance, and management and liquidating functions, come from our borrowings from the Treasury.

Mr. EVINS. Special assistance funds come from the Treasury.

Mr. LAPIN. Yes, sir, but the major portion of our funds for secondary market operations except for a small part that comes from the Treasury, comes from our borrowing in the capital market. I think the best way to look at this is to recall that the secondary market operation of FNMA is unique in that it has common stockholders with a stock that is marketable. I do not know of any other Government agency that has a common stock interest which is freely traded in the market. FNMA, in its secondary marketing operations, has had a consistent earnings record. It has paid continuous dividends and also pays the equivalent of normal Federal income taxes. It raises its funds from borrowing at market rates in the capital market, and uses those funds to invest in marketable mortgage securities.

NEW BUDGET CONCEPTS

Under the new budget concepts, the total dollars that we would invest in mortgages would be considered Federal spending——

Mr. EVINS. In the consolidated new budget as presented to the Congress this year for the first time, with all FNMA's operations included, all of the purchases of mortgages of FNMA are now considered as Federal spending.

Mr. LAPIN. Yes. Since only a small part of these funds comes from the Treasury, if we no longer rely on the Treasury for any dollars at all for the secondary market operation, it would no longer be necessary for this mortgage investment activity to be called Federal spending.

Mr. EVINS. Your secondary market operation is profitable and you have been able to pay dividends. Therefore, why not allow the profitable portion of it to be included in the budget?

Mr. LAPIN. We have been very profitable. It is easy for me to brag about this since I was not here at the time. I think FNMA has done a remarkable job of maintaining profitability while implementing public policy in housing. However, the profit that accrues to the common stockholders does not go to the Government. It goes to the stockholders as dividends or in their claim on the part of the retained surplus that has been built up.

Mr. EVINS. All your budget is considered spending, and the dividends go to all of the stockholders, not only to the Treasury, and are not considered profit.

PROPOSED RAISING OF INTEREST RATE CEILING

Mr. JONAS. If the legislation to raise the interest ceiling on FHA and VA mortgages does not go through, either through separate legislation or as a part of the omnibus bill, it will prevent you from converting part of your activities to this private corporation you are talking about.

Mr. LAPIN. I do not think that is correct.

Mr. BROWNSTEIN. No, sir.

Mr. JONAS. Is it not predicated on the interest ceiling being raised?

Mr. BROWNSTEIN. No, sir; it is not. As a matter of fact, from the standpoint of practicality, it would be even more critical that the FNMA proposal be adopted, because the demands on FNMA would be greater if the interest ceiling is not lifted.

Mr. LAPIN. This changes it in either case, but it is even more essential if the interest ceiling is not lifted or removed.

Mr. JONAS. You have to make this conversion in order to make that $1.4 billion reduction in the budget stand up. That is true; is it not?

Mr. LAPIN. Yes, sir.

Mr. EVINS. What will your secondary market activities be next year?

Mr. LAPIN. We are proposing a $1 billion figure in the secondary market operations, and that is consistent with the budget message. That is assuming that we are successful with this legislation.

FNMA MORTGAGE PURCHASES

Mr. EVINS. What purchasing volume do you propose in each constituent corporation of FNMA?

Mr. BURKE. $200 million in management and liquidating and $520 million in special assistance functions.

Mr. EVINS. Then $1 billion is proposed for your secondary market operations?

Mr. BURKE. That is correct.

Mr. EVINS. What is the total?

Mr. BURKE. $1.720 billion, all told.

Mr. EVINS. How much of this would be taken out of the budget if the private corporation were formed?

Mr. LAPIN. I believe there was an assumption made as to when we would be able to make the actual change or conversion.

I believe they were assuming somewhere between $2 billion and $2.4 billion in mortgage purchases regardless of the change, but we will have made the change by the time we will have invested $1 billion in mortgages in the next fiscal year.

Mr. EVINS. If $1.720 billion is the total of your operations for the next fiscal year, if the conversion were made before the beginning of the fiscal year, you would take $1 billion out of the budget?

Mr. LAPIN. Yes, sir; if we were able to make it before the fiscal year began, we would have only $720 million, that is right.

Mr. EVINS. But it will not work out that way.

Mr. LAPIN. The timing could not possibly work that way.

Mr. JONAS. I guess our figures do not jibe.

Mr. Ross. Mr. Jonas, you have been talking about the difference between the $2.4 billion estimate in 1968 and the $1 billion estimate.

Mr. JONAS. I understand the budget for 1969 was able to show a $1.4 billion reduction in expenditures contemplated on this change.

Mr. LAPIN. We are estimating that we will have a $2.4 billion need for mortgage investment in the secondary market operations in fiscal year 1969. So, we would have $1.4 billion reduction by the removal of these operations from Government ownership.

Mr. Ross. By the combination of the interest rate and the possibility of private financing, one or the other.

Mr. JONAS. I want to put this conversely. You will not be able to show that reduction in expenditures unless both things happen—the interest ceiling is raised and you make the transfer?

Mr. LAPIN. Yes, sir; that is correct.

Mr. BROWNSTEIN. Unless there is a substantial improvement in the money market.

Mr JONAS Which does not seem likely.

Mr. BROWNSTEIN. Which does not seem too likely.

PARTICIPATION SALES AND INTEREST RATES

Mr. JONAS. May I ask two or three more general questions?

Mr. Lapin, you say in your statement that you propose to sell next year $3.150 billion in PC's. That is $1.3 billion for outside agencies and $1.850 billion for HUD and your own account; is that correct?

Mr. LAPIN. Yes, sir.

Mr. JONAS. $3.150 billion.

Mr. LAPIN. Yes, sir.

Mr. JONAS. You are asking to go back to indefinite appropriations for the subsidy. We have to have an estimate on what the insufficiency or subsidy will be.

Mr. BURKE. Table E–12, I believe, gives you the full information.

Mr. JONAS. We will get to that later, then.

Do your justifications also include a table showing—if it does not, I would like to have one—what rate of return the sales in calendar 1967 were made on?

Mr. BURKE. The calendar or fiscal year?

Mr. JONAS. Which is easier?

Mr. BURKE. It is easier for the fiscal year. You want just the rate or the cost of these PC's?

Mr. JONAS. That is right, and the rate of return.

Mr. BURKE. You would like that right now, Mr. Jonas?

Mr. JONAS. No. If it is in the justifications, we will put it in when we get to it.

Mr. BURKE. When we get to it, we have all the various interest rates.

ORGANIZATION OF FNMA

Mr. EVINS. Let us take a look at the organization of FNMA. It is a corporate entity within the Department of Housing and Urban Development. The general policies are determined by a five-man Board

of Directors. The Secretary of the Department, Secretary Weaver, is the Chairman of the Board, and he appoints the four remaining members.

I suppose the Secretary appointed you.

Mr. LAPIN. Yes, sir.

Mr. EVINS. It says on page A–14 that the Secretary appoints the remaining four members from among the employees of FNMA, from his immediate office or from any other department or agency.

Mr. BROWNSTEIN. It says from among the employees of his immediate office or any other department or agency of the Federal Government.

Mr. EVINS. The Secretary of the Department is the Chairman of the Board of Directors.

You are appointed by Secretary Weaver?

Mr. LAPIN. Yes, sir.

Mr. EVINS. Who appoints the other members of the Board?

Mr. LAPIN. Mr. Weaver, the Secretary of HUD.

Mr. EVINS. Who are the other three directors of the Board?

Mr. LAPIN. Secretary Brownstein, a very active member of the Board.

Mr. EVINS. Name the other two.

Mr. BROWNSTEIN. Under Secretary Wood and Under Secretary Deming of the Treasury Department.

Mr. EVINS. The Secretary also appoints the president of the association, Mr. Lapin, who is responsible for the general supervision of FNMA's business affairs and for carrying out general policies determined by the Board.

Agency offices are maintained in Atlanta, Chicago, Dallas, Los Angeles, and Philadelphia. They comprise the field office structure of FNMA. These offices are responsible for all FNMA activities within their multi-State jurisdictions.

Does each one operate independently?

Mr. LAPIN. They operate independently of each other under supervision and direction of the Washington office.

Mr. EVINS. Who is the head of your Atlanta office, for instance?

Mr. LAPIN. Mr. William D. Cornwell.

Mr. EVINS. Who is the head of your Chicago office?

Mr. LAPIN. Mr. Ralph J. Grutsch.

Mr. EVINS. What about the Dallas office?

Mr. LAPIN. Mr. Hughes A. King.

Mr. EVINS. Los Angeles?

Mr. LAPIN. Mr. Allan E. Arneson.

Mr. EVINS. And Philadelphia?

Mr. LAPIN. Mr. Kevin E. Keegan.

JUSTIFICATION MATERIAL

Mr. EVINS. The agency offices conduct the Association's activities, interpret and administer policies, and keep the home office informed on the development of the mortgage market in their respective areas.

FNMA's mortgage purchasing is carried on in its agency offices.

We will place this in the record.

(The pages follow:)

Organization

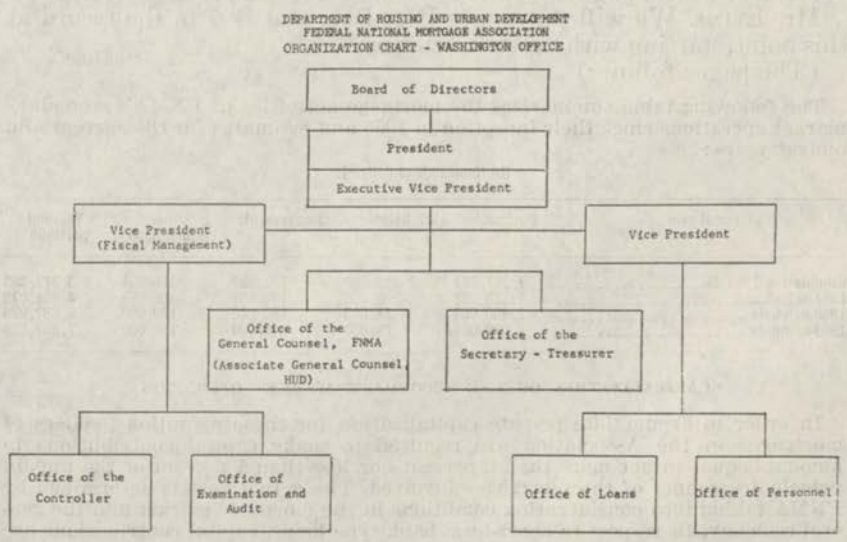
FNMA is a corporate entity within the Department of Housing and Urban Development. Its general policies are determined by a five-man Board of Directors. The Secretary of the Department is the Chairman of the Board of Directors and appoints the remaining four members from among the employees of FNMA, from his immediate office or from any other department or agency of the Federal Government (with the consent of such department or agency). The Secretary also appoints the president of the Association, who is responsible for the general supervision of FNMA's business affairs and for carrying out general policies determined by the Board.

Agency offices in Atlanta, Chicago, Dallas, Los Angeles, and Philadelphia comprise the field office structure of FNMA. These offices are responsible for all FNMA activties within their multistate jurisdictions. The agency offices conduct the Association's mortgage activities, interpret and administer policies established in Washington, and keep the home office informed as to developments in the mortgage market in their respective areas. FNMA's mortgage purchasing, servicing, and selling activities are carried on in its agency offices. Charts showing the organizational structure of the Washington office and a typical agency office are shown on pages 16 through 17 of this section.

Location of FNMA Field Offices and Areas Served

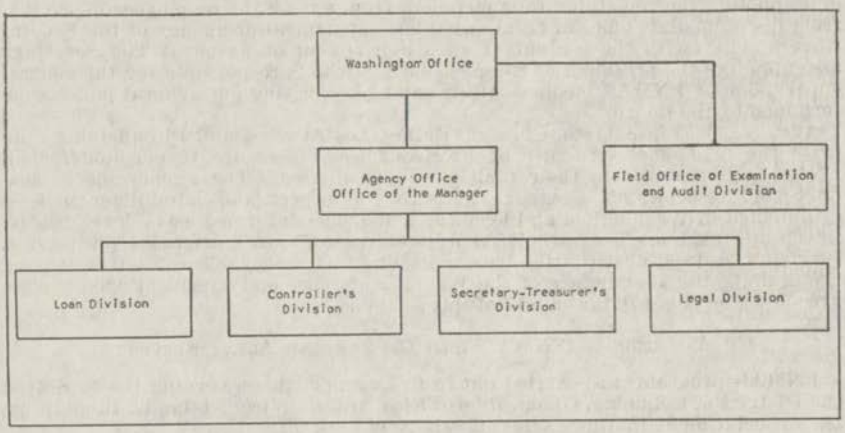
FNMA's programs are carried out in five agency offices, serving the 50 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. In addition, the Association maintains a sales office in New York City.

Departmental region and location of FNMA field offices	Areas served
I, II, and VII: Philadelphia, Pa	Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virginia, Virgin Islands, and West Virginia.
III: Atlanta, Ga	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.
IV: Chicago, Ill	Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.
V: Dallas, Tex	Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, and Texas.
VI: Los Angeles, Calif	Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming.



Department of Housing and Urban Development
Mortgage Credit
Federal National Mortgage Association

ORGANIZATION CHART - AGENCY OFFICES



FNMA FINANCIAL OPERATIONS

Mr. EVINS. I want to get something in here on how FNMA secures its money.

Section 301(a) of the Charter Act says the purpose of FNMA's secondary market mortgage operations is to provide supplementary assistance to the secondary market for home mortgages.

How do you secure your cash from the Treasury?

Mr. BURKE. That appears on page B–6.

Mr. EVINS. Preferred stock of FNMA is issued.

Mr. BURKE. On page B–5, Mr. Chairman.

Mr. EVINS. We will put pages B–5, B–6, and B–7 in the record at this point, starting with capitalization on B–5.

(The pages follow:)

The following table summarizes the mortgage activities of FNMA's secondary market operations since their inception in 1955 and estimates for the current and budget years:

[In thousands of dollars]

Fiscal year	Purchases	Sales	Repayments	Other liquidations	Yearend portfolio
Cumulative, 1955–66	7,262,782	2,336,252	792,987	415,954	3,717,589
1967 actual	1,118,253	9,408	147,695	86,660	4,592,079
1968 estimate	2,400,000	25,000	180,000	100,000	6,687,079
1969 estimate	1,000,000	25,000	200,000	100,000	7,362,079

CAPITALIZATION OF THE SECONDARY MARKET OPERATION

In order to accumulate private capitalization for these operations, sellers of mortgages to the Association are required to make capital contributions in amounts equal to not more than 2 percent nor less than 1 percent of the unpaid principal amounts of the mortgages involved. The actual rate is determined by FNMA taking into consideration conditions in the mortgage market and the general economy. In respect to short-term bank-type loans, capital contributions are required in amounts not to exceed one-half of 1 percent of the amounts borrowed.

Common stock is issued against capital contributions at a price which is comprised of the $100 par value of the stock plus an additional amount which is allocated to paid-in capital surplus. In November 1962, FNMA increased the issue price of its common stock in connection with purchasing and borrowing transactions from $100 per share to $110; in July 1964, the price was increased to $120 and, in January 1966, to $130 per share. Thirty dollars of the current issue price of each share of stock are being allocated to paid-in capital surplus.

The preferred stock of FNMA is issued to the Secretary of the Treasury. Preferred stock has been authorized in the amount of $317.8 million, of which $158.8 million has been issued as of December 31, 1967.

Under arrangements between the Secretary of the Treasury and the Association, FNMA may purchase that portion of the Association's outstanding preferred stock which is not deemed to be required in the financing of the Secondary Market Operations. FNMA holds such stock as corporate treasury stock subject to subsequent repurchase by the Secretary as may be required for these operations. Under these arrangements, FNMA purchased $121.8 million of preferred stock from the Secretary during the period from 1964 through 1967. Of that amount, the Secretary has repurchased $104.8 million to provide needed borrowing leverage to finance the large volume of mortgages purchased by the Association during 1966 and 1967. It is estimated that the remaining $17 million of FNMA treasury stock will be repurchased by the Secretary in 1968 and that he will also purchase $31 million of additional preferred stock in the current and budget years.

BORROWINGS UNDER THE SECONDARY MARKET OPERATIONS

Under arrangements made with the Secretary of the Treasury, funds are borrowed from the U.S. Treasury on an interim basis as needed for financing and for general corporate purposes, including the purchase of mortgages. Such interim Treasury borrowing as may be effected in 1968 and 1969 will be repaid during those years.

Debenture issues totaling $10.1 billion have thus far been marketed by FNMA. As of December 31, 1967, outstanding FNMA debentures totaled $3.6 billion. The amounts estimated to be outstanding on June 30, 1968, and June 30, 1969, are $4.5 billion and $5 billion, respectively.

FNMA issues short-term discount notes to private investors to help meet the financial requirements of its secondary market operations. These notes, which are similar to commercial paper, are tailored to the individual needs of corporate, institutional, and other investors. The notes are issued at published rates and may mature within 30 to 270 days. This type of financing supplements FNMA's debenture borrowings and provides the Association with operating flexibility. Short-term discount notes aggregating $10.7 billion were issued by the Association through December 31, 1967, and of that amount $9.4 billion were redeemed. It is estimated that $1.5 billion and $1.6 billion will be outstanding at the end of 1968 and 1969, respectively.

With respect to borrowings from the Treasury and sales of debentures and short-term discount notes to the public, FNMA, with the approval of the Secretary of the Treasury, may issue and have outstanding, obligations which do not exceed 15 times the sum of the Association's capital, surplus, reserves, and undistributed earnings in connection with its secondary market operations. The maximum borrowing authority under these operations amounted to $7.8 billion at the end of 1967 and is estimated to reach $8.5 billion in 1969.

FNMA COMMON AND PREFERRED STOCK

Mr. EVINS. Tell us in a few words, Mr. Lapin, how you raise your capital.

Mr. LAPIN. Our common stock is sold by our requiring 1 percent of the outstanding balance of each mortgage to be purchased by the mortgage seller.

Mr. EVINS. You need a certain amount of capital to do your purchasing. How do you raise your capital?

Mr. LAPIN. That capital, plus the accruing surplus, plus the Treasury preferred stock. But our capital with the Treasury goes up and down over the years as our needs change. When we have a lesser need, we

pay off the preferred stock to the Treasury. When our capital needs must be increased, we sell them more preferred stock. They recently purchased—Mr. Burke, did we go ahead with the $20 million recently?

Mr. BURKE. We are getting prepared to resell to the Treasury more preferred stock within the next week or so.

Mr. EVINS. Under arrangements with the Secretary of the Treasury, FNMA purchases that portion of the Association's outstanding preferred stock—you have preferred stock issued and FNMA purchases it under arrangements with the Treasury—which is not deemed to be required in financing the secondary market operation. FNMA holds such stock as corporate treasury stock, subject to subsequent repurchase by the Secretary of the Treasury.

Mr. LAPIN. As may be required.

Mr. EVINS. You may hold it or the Secretary of the Treasury may buy it back from you. Under these arrangements, FNMA purchased $121.8 million of preferred stock from the Secretary during the period from 1964 to 1967. Of that amount, the Secretary has repurchased $104.8 million to provide needed borrowing leverage to finance the large volume of mortgages purchased by the Association.

It is estimated the remaining $17 million of FNMA "treasury stock" will be repurchased by the Secretary in 1968, and that he will also purchase $31 million of additional preferred stock in the current and budget years.

That is a pretty nice arrangement. You buy from the Treasury when they need a little money; and when you need some, they buy from you.

Mr. LAPIN. With the new legislation we are proposing that we no longer have that very nice arrangement.

EFFECT OF PRIVATE OPERATIONS ON BUDGET

Mr. EVINS. Mr. Lapin, are there other advantages, besides the purchases of mortgages, which are considered spending, in having the corporation considered outside the budget?

Mr. LAPIN. Yes, sir; although that would be the No. 1 reason for it. FNMA is needed to invest in mortgages to provide liquidity when the economy is in a boom period. The tighter money becomes, the more building and home financing is inordinately cut, and the more FNMA is needed.

If our secondary market operations remained Federal spending, the time of greatest need for FNMA to provide liquidity by buying mortgages would also be the time of greatest budgetary pressure to reduce spending.

Mr. EVINS. In other words, in your testimony you are saying that in a period of budgetary stringency, there is also a tendency to make FNMA more strict in its operations, and this is a period in which you think it should possibly be more active.

Mr. LAPIN. Yes, sir.

Mr. EVINS. In a period of budgetary stringency is when FNMA might be more active.

Mr. LAPIN. That is correct. That is when we should be the most active.

Mr. EVINS. The Board of Directors feels that it operates more efficiently in a free market.

Mr. LAPIN. That is correct.

For example, in 1969, if we remain in the budget, it is conceivable that we would be needed to invest $2.4 billion in mortgage purchases, whereas if we were outside the budget during all of fiscal year 1969, there would be a reduction in budgetary spending of $2.4 billion. With the need to reduce spending, this makes an enormous difference.

Mr. EVINS. When there is a time to reduce spending, it might well be a time for FNMA to be operative in purchasing mortgages from insurance companies, banks, and other financial institutions, which in turn would make more capital available for the private market.

Mr. LAPIN. If I understand you correctly, Mr. Chairman, when money is really tight, as it is now and has been most of the time in the last couple of years, since early in 1966, the major institutional investors—life insurance and others—turn away from mortgage investments because they have alternatives that are more attractive. Their obligation to get the maximum yield makes them turn away from mortgages. That is when FNMA is needed most.

ORGANIZATION OF THE NEW, PRIVATE FNMA

Mr. JONAS. Do you contemplate transferring secondary market operations to the owners of stock? Will a new Government-sponsored corporation be created, privately operated, outside of FNMA?

Mr. LAPIN. It will be a new corporation called FNMA that has some Government regulation but will be completely privately owned.

Mr. JONAS. That will require the election of a new Board of Directors, a separate Board and separate officers and separate management?

Mr. LAPIN. Yes, sir.

Mr. JONAS. You are not going to transfer every FNMA activity?

Mr. LAPIN. No. Only the secondary market operation.

Mr. JONAS. You would continue to operate as FNMA?

Mr. LAPIN. The legislation calls for our having the present FNMA split into two corporations.

Mr. JONAS. What will the private one be called?

Mr. LAPIN. FNMA—Federal National Mortgage Association.

Mr. JONAS. What will the Government one be called?

Mr. LAPIN. GNMA—Government National Mortgage Association.

CAPITALIZATION OF THE NEW, PRIVATE FNMA

Mr. JONAS. How will the new FNMA get its capital to start off with?

Mr. LAPIN. It would retain the present capital that is owned by the public. You see, the capital we have obtained from common stockholders has always been owned privately.

Mr. JONAS. You would transfer that capital that is owned by the public?

Mr. LAPIN. Yes, sir.

Mr. JONAS. How much does that amount to?

Mr. BURKE. A little over $200 million by that time.

Mr. LAPIN. I would like to separate it, stock and surplus.

Mr. BURKE. About $149-odd million in stock.

Mr. LAPIN. Plus surplus.

Mr. JONAS. And $60 million in surplus. Is that all of its capital?

Mr. LAPIN. No.

Mr. JONAS. That is the initial capital?

Mr. BURKE. This is all the Government capital.

Mr. LAPIN. Mr. Jonas is asking about the total of the common stock. What is our common stock outstanding, plus surplus?

Mr. JONAS. And where will they get the money to start off with?

Mr. LAPIN. The money we would need to start——

Mr. JONAS. You are talking about the new FNMA?

Mr. LAPIN. The new FNMA would need to pay to remove the preferred stock owned by the Treasury. We would buy that stock back from the Treasury, but also pay them for the surplus that has accrued to the preferred stock. That is the figure that Mr. Burke gave you.

Mr. BURKE. At December 31, the total Government capital was $141 million plus $51 million—$192 million Government capital. The common stock equity was $133 million plus $35 million—$168 million to $169 million.

The total capital and surplus of FNMA was $362 million at December 31. That is $192 million in Government and $169 million in private.

Mr. LAPIN. To answer your question, Mr. Jonas, to get the wherewithal to pay off the Treasury, so to speak, we would issue capital debentures, we would sell capital debentures in the private market, a technique that we are borrowing from the commercial banking system.

Mr. JONAS. You would raise the cash and pay the Government?

Mr. LAPIN. Yes.

Mr. JONAS. Then the Government would have no interest in FNMA.

Mr. LAPIN. No financial interest. It would have a sort of financial interest. I hope I am not getting into something that you do not want to get into. It would have a continuing relationship with respect to backing our securities so they can be sold at the lowest possible rate as is the case with other Government agencies.

Mr. JONAS. What I am really getting at is where will FNMA get its capital to start operating in the secondary market.

Mr. LAPIN. We will keep our capital about the same as it is now, or maybe a little larger, by the sale of capital debentures.

Mr. BROWNSTEIN. It would raise funds the same way that FNMA now does, by debenture issues, Mr. Jonas.

Mr. JONAS. You could not make a dent in what you expect the market to be with $350 million.

Mr. BROWNSTEIN. No.

Mr. LAPIN. That is not the source of our money for buying mortgages. That is for our capital. The system we have had and will have would be by sale of debentures and discount notes as we do now—and this is in the legislation—and by the sale of a new type of security backed by pools of mortgages—I think you have heard of that before.

ASSETS OF THE SECONDARY MARKET OPERATIONS

Mr. JONAS. But FNMA will not have a pool of mortgages.

Mr. LAPIN. It would still have the same.

Mr. ROSS. It would have the entire portfolio that exists at the time of the transition.

Mr. JONAS. It will have to buy that. Where will it get the money to buy it? Sell debentures?

Mr. LAPIN. The FNMA is now owned by the common stockholders and by the Treasury.

Mr. JONAS. Once you pay the Government off, it is owned by the common stockholders.

Mr. LAPIN. The private FNMA would own the assets and liabilities after a fair payment to the Treasury. I am sure it will be fair. The common stockholder, incidentally, must believe that our proposals are not contrary to their interests, because as soon as the January message described this, our stock started going up.

Mr. JONAS. Incidentally, what is it selling for now?

Mr. BIVENS. Seventy-two bid today.

Mr. LAPIN. It was a little above 60 just before we announced this publicly.

Mr. EVINS. Here is an article in the Wall Street Journal, with which I am sure you are familiar. It says, "FNMA going public, but stockholders express some concern."

Officials like it, but the stockholders express concern.

They say:

Perhaps the most disturbing of these fears concerning FNMA's profitability is the provision that HUD Secretary would have general regulatory powers over FNMA and may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with reasonable economic return to the corporation.

These stockholders fear the Secretary of HUD having general regulatory powers over you. It would not be a private corporation if the Secretary of HUD, whoever he might be, had general regulatory powers.

Mr. LAPIN. With respect to common stock, what the market is doing is a much better indication of how stockholders feel than what the Wall Street Journal states. Since the stock zoomed up and at that time it was over 80, I doubt very much that the stockholders were concerned.

This sounds like whoever wrote that had talked to a few people and generalized from such statements.

Mr. EVINS. In any event, you are proposing a private corporation to be owned by private stockholders outside of the Government, to be known as FNMA, which is the profitable end of the operation; but the loss end of the operation, which is the below interest rate mortgages and PCs, would be held under GNMA, a Government-owned mortgage corporation.

Mr. LAPIN. I think we could add to that, Mr. Chairman——

CONTINUITY OF HOUSING ASSISTANCE

Mr. EVINS. The only two advantages you point out in the testimony are that FNMA's operation would not be included in the budget and, secondly, it could operate in a free market at a time of budgetary stringency when its services might be needed.

Mr. LAPIN. If the need for middle-income housing, which FNMA helps meet, can be handled privately, then the need for the Government to cope with the problems of low- and moderate-income housing can be made just a little bit easier.

Mr. EVINS. Who is to determine when there is a need for some financing for some additional housing? We will have a lot of housing needs in the future—who is to determine whether these are to be financed through private issues or are to be the below-interest rate and loss type to make this housing available?

Mr. LAPIN. The present FNMA, of course, will need substantial regulation by the Secretary of Housing and Urban Development. This is part of the legislation. That brings all this together into one place.

I think the proposal in this respect is not new. Maybe not to the same degree, but organizationally it would be similar to the Federal home loan banks that operate under regulation of the Federal Home Loan Bank System. The Federal home loan banks are privately owned and have a private board. Their employees are not civil service employees.

Mr. BROWNSTEIN. Let me add one thing in response to your question, Mr. Chairman. I do not think there will be any substantial change from the way it is now structured so far as determining what is entitled to special assistance and how much ought to be channeled in this direction.

Right now, it is the Congress and the President who make these determinations, and it will continue to be, even though there will be the two corporations in existence if this proposal is adopted.

Mr. GILBERT. One further point, Mr. Chairman. There is now separate accountability, in the records, for the functions of the three corporations. Their funds are not commingled. So, there would be no difference from the situation at the moment if FNMA were split into two corporations. Other parts of the Corporation would have no recourse to the funds and the capitalization of the secondary market operations. There still would be the below-market interest rate and other special programs in GNMA, and only the secondary market operations, which are separate even today, would go into the new FNMA.

Mr. EVINS. The below-market operations in securities, management and liquidation, and special assistance are handled——

Mr. BURKE. They are the wholly Government-owned portion of FNMA, and the special assistance functions and the management——

MORTGAGE BACKED SECURITIES IN NEW FNMA

Mr. EVINS. Are the PC's in it, too?

Mr. BURKE. They are not in the secondary market operation.

Mr. JONAS. Did you say none of the secondary market mortgages are in the pools?

Mr. BURKE. That is right. There are none in the pools.

Mr. JONAS. There would be none contemplated in the future, because you have to have the full faith and credit of the United States behind them.

Mr. BURKE. That is something else in the proposed legislation.

Mr. BROWNSTEIN. There is a new instrument proposed in this legislation, Mr. Jonas, which would allow the private FNMA to issue

securities against a pool of FHA and VA mortgages, and they could thus raise their capital.

Mr. JONAS. Its own mortgages?

Mr. BROWNSTEIN. Its own mortgages; yes.

Mr. JONAS. From secondary market operations?

Mr. BROWNSTEIN. Yes.

Mr. LAPIN. This is part of the answer to your previous question, Mr. Jonas, on where FNMA would get its money.

Mr. JONAS. This would authorize them to use a separate device of their own, similar to the present sale of PC's?

Mr. BROWNSTEIN. Yes.

Mr. EVINS. Mr. Ross.

Mr. Ross. I think, Mr. Chairman, the question about the balance of funds going into the various kinds of special housing assistance programs has been answered by Mr. Brownstein. The Congress, in the way in which it enacts authorizations and approves the requests, will determine that.

Mr. JONAS. Why were secondary market operation mortgages left out of PC's?

Mr. BROWNSTEIN. Because the secondary market operation has a degree of private ownership. There is the public-private ownership of those mortgages.

Mr. Ross. They are privately owned to the extent of the private ownership in FNMA. That was a trust fund operation previous to the new budget concept.

FNMA MORTGAGE ACTIVITY

Mr. EVINS. Gentlemen, it is interesting to note that since FNMA was incorporated in 1938, cumulative FNMA home financing activities have involved the purchase of residential mortgages aggregating $18.8 billion through December 31, 1967. Thus, you have afforded support to housing for more than 2 million families. Since its inception in 1938, FNMA has purchased $18.8 billion and sold $5 billion in mortgages under its secondary market operations, special assistance function, and management and liquidation functions.

At the end of fiscal 1969, cumulative purchases are expected to total $23 billion, and cumulative sales $5 billion, leaving a portfolio of $11.9 billion.

Mr. Lapin, you are running a big business operation. You will purchase $23 billion and sell $5.2 billion. You will have about $11.9 billion in the portfolio.

As a result of these transactions, 2 million families have been provided with credit for homebuilding.

FINANCING WITH PARTICIPATION SALES

FNMA facilitates the financing of mortgages or other types of loan obligations by selling beneficial interests or participations in pools of such mortgages. An advantage of this program aside from providing a means of substituting the funds of private investors, which is one of the principal ones it was sold on, generally is the attractiveness of participation certificates to types of private investors which are not ordi-

narily interested in the underlying mortgages and obligations as a form of long-term investment.

Explain that latter advantage. We sold it on the advantage that you put private capital in the market rather than the Government. What is that other advantage?

Mr. LAPIN. There are a lot of large investors, notably pension and retirement funds, that do not have the large staff necessary to invest in individual mortgages. These institutions that buy $5 or $10 million of securities at a time do not want to deal in a lot of individual mortgages that are based on a security of $15,000, say, per unit. It is just too much redtape. They only want to buy securities.

Mr. EVINS. Did not Giannini in California make his millions on the basis he would rather have a lot of small customers than a few big ones?

Mr. LAPIN. He was doing that to get money on deposit, primarily.

Mr. EVINS. Are you telling us here that you would rather deal with big operators than with many different individuals?

Mr. LAPIN. That is not what we would rather do. We deal all the time with individual mortgages, and we are set up to do it. FNMA has done this, as you know, all these years, to the extent of servicing some 1,668,000 mortgages with a value totaling $18.8 billion.

Mr. JONAS. It would take a service organization for each one of these investors.

Mr. LAPIN. It takes a big staff. I can give you this, I think, easiest by mentioning one set of statistics. I just happen to have it here.

Savings banks invest 75 percent of their resources in mortgages; savings and loans, 85 percent; life insurance companies, 38 percent; but pension funds only 5 percent.

You know how much the pension funds have been growing, by billions and billions. However, they are just not set up to invest in individual mortgages. They certainly do like to buy securities.

Mr. EVINS. The additional advantage, then, is the sale to large buyers.

Mr. LAPIN. Yes.

Mr. JONAS. One financial stock analyst could handle a pension fund, but if he had to service a thousand mortgages ranging from $12,000 to $25,000, it would take a big organization.

Mr. LAPIN. That is correct. I think one could say it is passé to set up a big mortgage investment department nowadays. The newer type of investor just does not want to do it.

VOLUME OF PARTICIPATION SALES

Mr. EVINS. By June 1967, FNMA had sold $5 billion of PC's. Sales are estimated to be $12.2 billion by the end of 1969. The removal of the interest rate ceiling on FHA mortgages, under the proposed legislation, will attract new sources of private financing and will reduce the volume of FNMA support needed by mortgage lenders.

The removal of the interest rate ceiling on FHA mortgages will attract new sources of private financing.

INVESTORS IN PARTICIPATIONS

Mr. Ross. They will not need to be sold to FNMA.

The other source that Mr. Lapin is talking about is the retirement funds, the corporate pension funds that are withheld against employees' pay and matched by the company and invested for future pensions on retirement. These are growing very fast, and they need the kind of security that a FNMA or a mortgage-pool certificate can give, but with the same simplicity of investment management.

Mr. EVINS. Mr. Lapin, has the type of security which FNMA purchases changed over the years?

Mr. LAPIN. Did we at one time get most of our purchases, Mr. Gilbert, from commercial banks who created them? If so, we have changed over the years. I did not know that was the case.

Mr. GILBERT. It has changed very little over the years.

PARTICIPATION SALES VERSUS MORTGAGES PURCHASES

Mr. EVINS. From an examination of your budget, I gather that some of your operations are declining, but that the sale of PC's is increasing.

Mr. LAPIN. I do not think that is entirely the whole story.

The sale of PC's relates to the financing of our special assistance and management and liquidating functions, as well as the sale of participations in other of the Department's loan portfolios. The purchase of mortgages through our secondary-market operations has also been increasing tremendously in recent years, and our volume of operations is higher than it has ever been.

That part of our operation, which has nothing to do with participation certificates, has been growing very rapidly.

Mr. EVINS. The PC operations are increasing, but if two corporations are set up, it would be the GNMA handling the PC's.

Mr. LAPIN. Yes, sir. I think as long as we have the kind of money and capital market situation as at present with high interest rates, we would continue to operate at a high volume in both sides of these operations that we have been describing.

Mr. EVINS. If there has been a shift, has it been more to the below-interest and special-assistance mortgages?

INVESTORS IN PARTICIPATIONS

Mr. LAPIN. I do not believe that is entirely the case, according to our figures. I think we certainly have had a great concern about providing financing for low- and moderate-income housing, but we also have needed to do a large-volume operation in what you could call middle-income housing. I would say the figures show great activity in both of these areas.

I think, in answer to who these investors are, we have a list of the types of institutions which have been buying our securities.

Mr. EVINS. Place this list in the record.

(The list follows:)

OWNERSHIP OF DEBENTURES AND OTHER FNMA SECURITIES OUTSTANDING AT DEC. 31, 1967

[Dollar amounts in millions]

	SMO debentures		Total participations	
	Amount	Percent	Amount	Percent
Commercial banks	$510	14	$1,092	19
Mutual savings banks	230	6	235	4
Life insurance companies	23	1	19	1
Fire, marine and casualty companies	67	2	195	3
Savings and loan associations	119	3	105	2
Corporations, general funds	117	3	77	1
Corporations, pension funds	71	2	110	2
State and local governments, general funds	104	3	118	2
State and local governments, pension funds	61	2	365	6
U.S. Government investment accounts	620	17	1,282	22
Other investors	1,713	47	2,143	38
Total	3,637	100	5,740	100

Note: No survey of short-term discount note ownership available, but an informed estimate places State and loca pension funds as the major owners; then corporations, and commercial banks.

SUBSTITUTION OF PARTICIPATIONS FOR TREASURY FINANCING

Mr. EVINS. It is estimated the sale of PC's will increase from $2.9 billion in 1967 to $4 billion in 1968, and somewhere I gained the impression that your other activities were down.

Am I not correct in that observation?

Mr. LAPIN. As I said before, I do not think that this is the entire story.

Mr. BURKE. The sale of PC's is really the financing part of our operation. This is the substitution of PC's for Treasury borrowings.

Mr. EVINS. I understand what PC's are, but I am saying your increased activity seems to be in this area.

Mr. BURKE. It does not affect our mortgage purchasing or mortgage financing activities. It just looks larger because it involves more dollars, and it does represent an increasing workload requiring additional manpower.

EFFECT OF NEW BUDGET CONCEPTS

Mr. EVINS. In any event, administrative expenses are not out of the Treasury. They do not represent a charge against the general funds of the U.S. Treasury. They are out of your own earnings.

The secondary market operations formerly were reflected as trust expenditures, and excluded from the administrative budget. Now they are included in net budget outlays.

Sales of PC's in the portfolios of special assistance and management and liquidation functions were formerly treated as receipts offsetting expenditures. These are now treated as borrowings under the new budget concept. The authorization of such sales is considered as additional loan authority.

Explain this chart on page A–10, participation sales fund. Changes in budget treatment with respect to the participation sales fund are more technical in nature and, of course, have little impact on FNMA's normal program activities. As a matter of reference, however, these changes are detailed below.

Explain this chart.

Mr. BURKE. This chart, Mr. Chairman, is a technical one. It is intended to show the flow into the trustee from the trustors of the collections on the pooled obligations, and then the flow of payments by the trustee to the participation holders.

The expenditures or receipts in these particular years are temporary conditions, because ultimately the trustee pays out everything he gets from the trustors to the participation holders.

Mr. EVINS. Your expenditures are minus $27 million, and your net lendings are minus $179 million, estimated, for 1969 under this PC program.

Mr. BURKE. This minus $179 million net lending figure represents in that particular year the sale of investments which the trustee has held temporarily. This is negative net lending under the new budget concepts.

The trustee invests in Government agency securities, and this $179 million represents the securities of those Government-sponsored enterprises which are not now considered as Government securities. These are now considered as lending by the trustee.

JUSTIFICATION MATERIALS

Mr. EVINS. We will place these pages in the record.

(Pages A–9 through A–11 follow:)

EFFECT OF NEW BUDGET CONCEPTS

FNMA's budget has been prepared in accordance with the new budget concepts as adopted by the Bureau of the Budget for this year's submission of the President's budget. These new concepts are in general conformance with the recommendations of the President's Commission on Budget Concepts in its report of October 10, 1967. This presentation is changed from that of former years in two important respects:

1. Secondary market operations financed by private borrowings were formerly reflected as trust expenditures and excluded from the administrative budget. These are now included in net budget outlays and in separate expenditure and net lending categories as follows:

[In thousands of dollars]

Secondary market operations	1967 actual	1968 estimate	1969 estimate
Expenditures (net of receipts)	−$23,506	−$63,100	−$53,300
Net lending:			
Mortgage purchases and loans	1,066,910	2,306,900	957,500
Repayments and sales	−236,256	−294,800	−314,200
Net lending	830,655	2,012,100	643,300
Total outlays, new concepts	807,149	1,949,000	590,000

2. Sales of participations in the portfolios of the special assistance functions and management and liquidating functions were formerly treated as receipts offsetting expenditures. These are now treated as borrowings, and the authorizations for such sales, provided in appropriation acts, are considered as additional loan authority in the programs.

The changes in budget treatment of the special assistance and management and liquidating functions are set forth below:

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Special assistance functions:			
Expenditures	−$3,352	$420	$20,360
Net lending	109,344	639,180	410,240
Total outlay, new concepts	105,992	639,600	430,600
Adjustment for participation sales	−300,000	−250,000	−655,000
Adjustment for principal collections	49,194	56,000	59,900
Net total, previous concepts	−144,814	445,600	−164,500
Management and liquidating functions:			
Expenditures	−12,559	1,420	2,095
Net lending	420,925	366,580	52,405
Total outlay, new concepts	408,366	368,000	54,500
Adjustment for participation sales	−440,000	−355,000	−550,000
Adjustment for principal collections	41,875	72,000	111,900
Net total, previous concepts	10,241	85,000	−383,600

PARTICIPATION SALES FUND

Changes in budget treatment with respect to the participation sales fund are more technical in nature and, of course, have little impact on FNMA's normal program activities. As a matter of reference, however, these changes are detailed below:

[In thousands of dollars]

Special assistance functions	1967 actual	1967 estimate	1969 estimate
Expenditures	−$31,596	−$45,731	−$27,018
Net lending	147,177		−179,172
Total outlay, new concepts	115,581	−45,731	−206,190
Adjustment for certificate retirements	180,000	180,000	809,172
Adjustment for principal collections	−480,196	−637,597	−777,031
Net total, previous concepts	−184,615	−503,328	−174,049
Adjustment for merger of P.C.: Trust account into P.C. Federal fund account (trust expenditures under old concepts)	115,909	327,648	229,059
Net total (administrative expenditures under old concepts)	−68,706	−175,680	55,010

The following table provides a summary of selected association activities for fiscal years 1967, 1968, and 1969:

SUMMARY OF ACTIVITIES

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Mortgage purchases:			
Secondary market operations (including loans)	1,118,253	2,400,000	1,000,000
Special assistance functions	177,980	725,000	520,000
Management and liquidating functions	542,412	500,000	200,000
Total, purchases and loans	1,838,645	3,625,000	1,720,000
Mortgage sales:			
Secondary market operations	9,408	25,000	25,000
Special assistance functions			
Management and liquidating functions			
Total, sales	9,408	25,000	25,000
Mortgages on hand, end of year:			
Secondary market operations (including loans)	4,592,079	6,687,079	7,362,079
Special assistance functions	1,529,998	2,168,998	2,578,998
Management and liquidating functions	1,469,899	1,854,899	1,914,899
Total, mortgages and loans on hand	7,591,976	10,710,976	11,855,976
Sales of participation certificates:[1]			
Department of Housing and Urban Development	1,420,000	2,130,000	1,850,000
Other departments and agencies	1,480,000	1,870,000	1,300,000
Total	2,900,000	4,000,000	3,150,000

[1] Details of participation sales and outstanding certificates are shown on p. 13 of sec. E.

Secondary Market Operations

Mr. Evins. Let us take a look at secondary market operations.

Through 1966, mortgage purchases and loans were $7,262 million.

In 1967, they were $1,118 million.

In 1968, they are estimated to be $2,400 million.

In 1969, mortgage purchases and loans are $1 billion.

Repayments are shown, and the portfolio at the end of the year is $7,362 billion for 1969.

Your purchases and loans are declining, but the portfolio at the end, the net result, is at its highest level ever. Tell us the reason for that.

Mr. Lapin. This can best be explained if it is pointed out that the increase in the portfolio is the result of two factors—the amount of mortgage purchases reduced by the amount of sales and repayments. Although, purchases do show a decrease from fiscal year 1969 to fiscal year 1968, total purchases for the years 1967, 1968, and 1969 are greatly in excess of sales and repayments for the same period. That portion of the summary statement is shown below.

Repayments are shown, and the portfolio at the end of the year is $7,362 million for 1969.

(The information follows:)

SUMMARY OF ACTIVITIES

[In thousands of dollars]

	Cumulative through 1966	1967 actual	1968 estimate	1969 estimate	Cumulative through 1969
Mortgage purchases and loans	7,262,782	1,118,253	2,400,000	1,000,000	11,781,035
Mortgage sales	2,336,252	9,408	25,000	25,000	2,395,660
Repayments and other liquidations	1,208,941	234,355	280,000	300,000	2,023,296
Portfolio, end of year	3,717,589	4,592,079	6,687,079	7,362,079	7,362,079

ESTIMATED DECLINE IN MORTGAGE PURCHASES

Mr. JONAS. Explain why your mortgage purchases and loans in 1969 are so far below 1968, $1.4 billion less.

Mr. LAPIN. I think the easiest way to explain this, Mr. Jonas, is to state something hypothetical. I doubt it would happen, but say the housing legislation were not to pass, then this figure would have to be changed; and assuming that money conditions remain as they are now, this figure would be, my best guess would be, about the same as for 1968.

Mr. JONAS. Is that the $1.4 billion that I was talking about?

Mr. LAPIN. Yes.

Mr. JONAS. It is reflected in the reduction of expenditures elsewhere?

Mr. LAPIN. Yes, sir.

Our current rate of mortgage investments would bear this out, too.

Mr. JONAS. So, the table, in order to show the entire picture and in order not to be misleading, ought to show that this $1 billion would be augmented by another $1.4 billion on a comparable basis this year and last year?

Mr. LAPIN. I guess we do not do that because we do not like to be negative.

SECONDARY MARKET JUSTIFICATION MATERIAL

Mr. EVINS. Place pages B-1 through B-9 in the record.

(The pages follow:)

SUMMARY OF ACTIVITIES

[In thousands of dollars]

	Cumulative through 1966	1967 actual	1968 estimate	1969 estimate
Mortgage purchases and loans	7,262,782	1,118,253	2,400,000	1,000,000
Mortgage sales	2,336,252	9,408	25,000	25,000
Repayments and other liquidations	1,208,941	234,355	280,000	300,000
Portfolio, end of year	3,717,589	4,592,079	6,687,079	7,362,079
Financing:				
Preferred stock:				
Sold to the Secretary of the Treasury, net	141,820		20,000	28,000
Outstanding end of year	141,820	141,820	161,820	189,820
Capital contributions:				
Activity during period:				
Common stock	107,661	8,667	18,460	7,700
Paid-in surplus	3,921	2,599	5,540	2,300
Outstanding end of year:				
Common stock	107,661	116,328	134,788	142,488
Paid-in surplus	3,921	6,520	12,060	14,360
Debentures and short term discount notes:				
Net borrowings	3,269,379	809,744	1,943,000	590,000
Outstanding end of year	3,269,379	4,079,123	6,022,123	6,612,123
Yearend limitation on borrowing authority (15 times capital and surplus beginning in 1967)	4,016,257	7,837,529	8,374,185	8,533,185

BUDGET SUMMARY

The stringent conditions which have existed in the mortgage and financial markets have sharply restricted the supply of funds available for mortgage investments. As a consequence, FNMA's mortgage purchases under its secondary market operations have increased and during 1968 are estimated at $2.4 billion.

The budget assumes substantial changes in the general mortgage market during 1969, including the effects anticipated from the enactment of proposed legislation. The removal of the interest rate ceiling on FHA-insured mortgages is expected to attract more private investment funds to the mortgage market. Another

key assumption is that legislation will be recommended, and enacted, to terminate the Government's investment in the secondary market operations. Under this plan, the Treasury-held preferred stock would be retired as rapidly as possible after the enactment of the Housing and Urban Development Act of 1968 and the ownership of FNMA transferred to the holders of the common stock.

On the basis of these assumptions and the expected moderate improvement in the mortgage market, FNMA purchases of mortgages in the secondary market are estimated to decline by $1.4 billion to $1 billion in fiscal year 1969.

Sales of mortgages are estimated at $25 million in each of the years 1968 and 1969. The excess of purchases over sales and other liquidations during the past, current, and budget years will increase the portfolio to $7,362 million, the highest level in FNMA's history.

STATUTORY PROVISIONS

Section 301(a) of the FNMA Charter Act states that the purpose of FNMA's secondary market operations is to provide supplementary assistance to the secondary market for home mortgages. By providing a degree of liquidity for mortgage investments, FNMA improves the distribution of investment capital available for home mortgage financing. Activities under these operations are confined to FHA- or FHDA-insured and VA-guaranteed mortgages.

Mortgages are purchased for the portfolio of FNMA's secondary market operations pursuant to immediate purchase contracts or commitment contracts and are restricted by statute to those FHA- or FHDA-insured or VA-guaranteed mortgages, or participations therein, which: (1) Generally conform to the purchase standards imposed by private institutional mortgage investors; (2) cover residential property; (3) were insured or guaranteed on or after August 2, 1954; and (4) except for FHDA-insured loans, are not offered or do not cover property held by a State, territorial, or municipal instrumentality. The price FNMA pays for a mortgage may not exceed the unpaid principal balance at the time of purchase, plus adjustments for interest and any comparable items. The mortgaged premises must be located within the United States, the Commonwealth of Puerto Rico, or the Virgin Islands.

With respect to a mortgage offered pursuant to an immediate purchase contract, a seller may obtain a 1-year option contract to repurchase the mortgage sold to FNMA at the price paid by FNMA. The seller is required to pay an option fee amounting to one-half percent of the unpaid principal balance of the mortgage at the purchase date.

In the interest of assuring sound operations, FNMA's purchase prices under the secondary market operations are required by law to be established within the range of market prices for the particular class of mortgages involved. The act also provides that FNMA's prices will be consistent with those prevailing in the general secondary market for similar types of home mortgages. FNMA's purchase prices, sales prices, fees, and charges are required to be such as will reasonably prevent excessive use of the Association's facilities and provide that the operations will be fully self-supporting.

MORTGAGE ACTIVITIES

The general secondary market for home mortgages is not a highly organized market as are those for stocks, bonds, or agricultural products. In the past, temporary shortages of mortgage funds have arisen at various times and in various sections of the country. The serious effects of these shortages on the national economy have demonstrated the need for a secondary market facility to assist in smoothing out this temporarily limited supply of funds.

FNMA's mortgage purchases of $9.4 billion through December 31, 1967, have financed housing for approximately 774,000 families. Homes financed through these operations have been generally in the lower cost range (under $15,000) and thus more housing has been brought within the reach of families which would otherwise encounter difficulties in attaining homeownership. Estimates of mortgage purchases will cover 164,000 homes in 1968 and 68,000 in 1969.

FINANCING

The secondary market operations are financed by (*a*) the sale of obligations (debentures and short-term discount notes) to the investing public, (*b*) capital contributions by sellers of mortgages to, and borrowers from, the Association,

(c) net income from operations, (d) portfolio liquidations, and (e) proceeds from the issuance of preferred stock, to or repurchase of FNMA-Treasury stock by, the Secretary of the Treasury.

A summary of financing is shown in the following table:

[In thousands]

	1967 actual	1968 estimate	1969 estimate
Mortgage purchases (net of discount)	$1,066,910	$2,306,900	$957,500
Sources of financing:			
Net income from operations	10,190	19,600	13,500
Mortgage sales, repayments and other receipts	235,709	300,300	316,000
Capital contributions by FNMA sellers and borrowers	11,267	24,000	10,000
Sale of preferred stock to the Secretary of the Treasury		20,000	28,000
Net borrowings from the public	809,744	1,943,000	590,000
Total financing	1,066,910	2,306,900	957,500

NET INCOME AND RETAINED EARNINGS

Interest earned on mortgages in the portfolio represents the major portion of the association's income. This is supplemented by fees, gains on sales, and the amortization of purchase discounts. Interest paid on outstanding debentures, short-term discount notes, and Treasury borrowings make up the principal elements of expense. Administrative expenses and fees for servicing mortgages also comprise a portion of the overall cost. In addition to these expenditures, FNMA is required to pay annually to the Secretary of the Treasury a sum equivalent to the amount of corporate income tax that would normally be paid by a private organization conducting a similar type of business. The net income from the secondary market operations, after payment of the Federal income tax equivalent and payment of dividends on the outstanding shares of stock, is retained in the general surplus account applicable to these operations.

Following is a summary of the operating results of the association under the secondary market operations since their inception on November 1, 1954:

[In thousands]

Fiscal year	Gross income	Expenses	Federal income tax equivalent	Net income	Dividends to Treasury	Dividends to public	Retained earnings
Cumulative 1955-66	$1,179,696	$908,523	$138,843	$132,330	$28,357	$21,749	$82,224
1967 actual	243,992	224,408	9,394	10,190	6,248	4,332	81,834
1968 estimate	333,100	306,800	6,700	19,600	6,000	4,800	[1] 93,611
1969 estimate	409,600	388,500	7,600	13,500	7,600	5,300	94,211

[1] Includes a $2,977,000 reserve for deferred Federal income tax equivalent resulting from a change in accounting treatment of purchasing and marketing fees for Federal income tax equivalent purposes.

Special Assistance Functions

Mr. Evins. Special assistance. This is below market. You state here reservations and commitments totaling $575 million will be channeled into housing mortgages eligible for special assistance in 1969.

Over 96 percent of this total will involve below market interest rate mortgages on housing for low- and moderate-income families; $575 million is to be channeled into this area, and 96 percent is below the market.

Then you state mortgage purchases, which lag well behind reservations, are estimated at $520 million, compared with $725 million in the current year. Approximately 85 percent of these represent support for the below-market interest rate program.

Through 1967, FNMA has sold $975 million of participations in mortgages of this portfolio, and projects sales of $250 million in 1968, and $655 million in 1969.

By the close of the current year, outstanding participation certificates will total $1,730,600,000.

You say among the most active of FNMA's special assistance are the below the market interest rate programs. We know that.

Place C–1 through C–7 in the record.

(The pages follow:)

SPECIAL ASSISTANCE FUNCTIONS

SUMMARY OF ACTIVITY

[In thousands]

	Cumulative through 1966	1967 actual	1968 estimate	1969 estimate
Commitments and reservations issued	$4,912,732	$806,931	$958,800	$575,000
Mortgage purchases	2,695,216	177,980	725,000	520,000
Repayments and other liquidations	1,274,364	68,834	86,000	110,000
Portfolio, end of year	1,420,852	1,529,998	2,168,998	2,578,998
Mortgage purchase authority:				
Additional borrowing authority (L.A.)	(1)	500,000	550,000	525,000
Terminations (Public Law 87–70)	(1)	−5,025	−5,000	−5,000
Cumulative total	3,436,621	3,931,597	4,476,597	4,996,597
Reservations, commitments, and mortgages outstanding	2,214,193	2,675,895	3,294,381	3,085,281
Authority available, end of year	1,222,428	1,255,702	1,182,216	1,911,316
Participation sales authorization (L.A.)	675,000	300,000	250,000	655,000

[1] Not applicable.

SUMMARY OF BUDGET PROGRAMS

Reservations and commitments totaling $575 million will be channeled into housing mortgages eligible for special assistance support in 1969. Over 96 percent of this total will involve below-market interest rate mortgages on housing for low- and moderate-income families and mortgages on housing in urban renewal areas.

Mortgage purchases, which lag well behind reservations and commitments, are estimated at $520 million in 1969, compared with $725 million in the current year. Approximately 85 percent of these amounts represent support for the below-market interest rate program and the program for low- and moderate-cost housing.

Although the special assistance functions programs are financed principally by Treasury borrowings, a portion of the financing is effected through sales of participation certificates. Through 1967, FNMA sold $975 million of participations in mortgages of this portfolio and projects sales of $250 million in 1968 and $655 million in 1969. By the close of the budget year, outstanding participation certificates will total $1,730.6 million.

PROGRAM OBJECTIVES

The special assistance functions of the Federal National Mortgage Association are authorized by sections 301 (b) and 305 of the FNMA Charter Act.

When determined by the President of the United States that it is in the public interest, special assistance may be extended to:

(1) Selected types of home mortgages (pending establishment of their marketability) originated under special housing programs designed to provide housing of acceptable standards for those unable to obtain such housing under established home financing programs; and

(2) Home mortgages as a means of retarding or stopping a decline in mortgage lending and homebuilding activities.

Programs involving new and unfamiliar types of federally underwritten mortgages or mortgages covering housing of a character different from that usually financed by mortgage lenders often encounter initial difficulties in attracting sufficient capital. FNMA's special assistance program is designed to provide these

initial investment funds. The bulk of the special assistance funds is used to finance housing for low- and moderate-income families (at market interest rates and at below-market interest rates) and housing in urban renewal areas. Special assistance support is also being used for financing relocation housing for families displaced by urban renewal or other governmental activities.

As a result of these activities, FNMA's special assistance functions have made vital contributions to the attainment of national housing goals, and decent standard housing has been provided for a large segment of the population which could not otherwise have obtained it. Special assistance support has also made possible the continuation and completion of many urban renewal projects.

In addition to the substantial benefits from this program to individuals, special assistance support exerts a stabilizing influence on homebuilding activities, thus contributing to overall economic stability.

Through commitments of funds which aggregated $5.1 billion through December 31, 1967, FNMA has rendered special assistance support to housing accommodating more than 400,000 families since 1955. Commitments under these functions are estimated to cover 52,000 housing units in 1968 and 35,000 in 1969.

The extent of this assistance can be seen in the following table, which summarizes FNMA's actual mortgage activities since 1955:

[In thousands]

Fiscal year	Purchases	Sales	Repayments	Other liquidations	Year-end portfolio
Cumulative, 1955-66	$2,695,216	$666,558	$331,604	$276,202	$1,420,852
1967 actual	177,980	----------	42,692	26,142	1,529,998
1968 estimate	725,000	----------	52,000	34,000	2,168,998
1969 estimate	520,000	----------	70,000	40,000	2,578,998

PROGRAMS AUTHORIZED

Among the most active of FNMA's special assistance functions programs is its below-market interest rate programs, established in 1961. This program provides financing for below-market interest rate mortgages on housing, including certain rehabilitated units, for families with low and moderate incomes. This program alone accounts for 87 percent of the reservations and commitments and 58 percent of the purchases under these functions in 1969. By the end of that year FNMA will have issued commitments to purchase mortgages on housing for approximately 121,000 families.

The association's program of support for urban renewal projects, established in 1955, provides needed financing for mortgages on housing constructed or rehabilitated under a redevelopment or urban renewal plan, housing for families displaced through governmental action, and rehabilitated housing or home improvements in urban renewal areas. By the end of 1969 aggregate commitments to purchase mortgages under this program are estimated to reach $1.1 billion and to have financed 97,000 units of housing.

FNMA's program of special assistance for the financing of low-cost single family homes was authorized by the Congress in 1966. By the end of 1969 it is estimated that a total of $618 million in mortgages on 44,000 homes will have been purchased under this program.

The relatively new rent supplement program of the Department has also been given backup support through FNMA's special assistance. Financing support for mortgages on housing subject to rent supplement contracts was established in 1966, and by the end of 1968 it is expected that $121 million of reservations will have been made. Since this program is intended to provide only interim support to the rent supplement program, no reservations are projected for 1969.

Other programs provide financing for:

(1) Senior citizens' housing,

(2) Consumer type cooperative housing, and

(3) Other types of housing, such as housing for victims of major catastrophes, housing on Guam, experimental housing, housing on restricted Indian lands, and armed services housing.

The following table shows funds authorized and balances available for FNMA special assistance programs as of December 31, 1967:

SPECIAL ASSISTANCE FUNCTIONS AUTHORIZATIONS

[In thousands of dollars]

	Total funds authorized	Balance of funds availabe (as of Dec. 31, 1967)
Presidential authorization:		
Disaster housing	5,000	4,766
Guam housing	7,500	2,016
Urban renewal housing	260,000	115,999
Elderly persons housing	55,000	22,764
Below-market interest rate housing	2,170,000	335,614
Experimental housing	13,000	8,884
Restricted Indian lands	5,000	4,576
Rent supplement housing	200,000	131,334
Balance in terminated programs	1,053	.....
Authority not yet allocated to programs	258,074	258,074
Total, presidential authorization	2,974,627	884,027
Congressional authorization:		
Cooperative housing	225,000	112,224
Armed services housing	185,642	50,536
Low-cost housing (terminated)	95,650	.....
Low- and moderate-cost housing	1,000,000	368,510
Total, congressional authorization	1,506,292	531,270
Total, all programs	4,480,919	1,415,297

SPECIAL ASSISTANCE PROGRAMS

Mr. EVINS. You show on page C–7, total Presidential authorizations and total congressional authorizations.

Mr. BURKE.———

Mr. EVINS. What has been the total congressional authorization of all types of mortgages and securities to be marketed through FNMA, in a round figure?

Mr. Ross. $4.5 billion.

Mr. EVINS. The total congressional authorization for all programs is $4,480,919,000.

This includes all types of housing.

Mr. BURKE. All types of residential housing.

BELOW MARKET INTEREST RATE SUBSIDY

Mr. EVINS. What is the average annual cost for below the market mortgages?

Mr. BURKE. We do not have the aggregate of cost in dollars. We know the below the market mortgages are now at the 3-percent rate. We have various rates of borrowings, both through the Treasury and through the participation sales program, which exceed that 3-percent rate.

We do not actually have a total figure as to the annual cost.

Mr. JONAS. You could average out the cost to the Government. It is a little above 5 percent, is it not? You have a subsidy of at least 2 percent.

Mr. BURKE. Yes, sir.

Mr. JONAS. You have how much money invested?

Mr. BROWNSTEIN. $2.170 billion is the total authorization. It is about $1.5 billion.

MORTGAGE DEFAULTS

Mr. JONAS. $1.480 billion. Around $30 million a year.

I would like to ask a question along the same line. What is your loss experience on special assistance programs as compared to the secondary market program?

Mr. BURKE. We do not find any significant difference.

Mr. BROWNSTEIN. The experience on the below market interest rate program, of course, has been very good to date. There have been very few of those that have defaulted, and most of them that defaulted were converted 220 projects that were authorized early in the program.

Mr. JONAS. The answer is, There is no significant difference in your loss experience?

Mr. BURKE. We do not find any significant difference.

Mr. JONAS. While we are on this subject, are you having to substitute any new mortgages in your PC portfolio?

Mr. BURKE. In FNMA's portfolio, Mr. Jonas, all of which are Government-backed mortgages, FHA and VA, we do not find it necessary to make substitutions for mortgages which go into default because we get our money from the insurance guarantee on the mortgages.

Mr. JONAS. So far, you have enough to pay it?

Mr. BURKE. We pay that money to the trustee, and it is another form of repayment insofar as the trustee is concerned.

MARKETING OF PARTICIPATION CERTIFICATES

Mr. JONAS. Do you find there is an increasing demand for these PC's, or is it getting a little harder to sell them?

Mr. LAPIN. They are certainly not getting harder to sell. The PC's have been selling well.

Mr. JONAS. You adjust that by the adjustment in your rate of return?

Mr. LAPIN. Yes, sir.

Mr. JONAS. You take into consideration what the market will stand.

Mr. LAPIN. That is correct. PC's have sold very well.

Mr. JONAS. What is the lowest denomination of a PC?

Mr. BROWNSTEIN. $5,000.

Mr. JONAS. If John Smith wants to participate, he would have to have at least $5,000?

Mr. LAPIN. Yes, sir, if John Smith is the typical saver; in other words, if he is not really a wealthy fellow, he is saving his money in a savings bank or savings and loan or in life insurance, and so on. These institutions invest in mortgages, and we do not want to have our large security sales compete with those savings institutions. To the extent we duplicate them, we are just spinning wheels.

Mr. JONAS. That was one of the reasons for keeping the minimum as high as $5,000?

Mr. LAPIN. Yes, sir.

Management and Liquidating Functions

Mr. Evins. FNMA management and liquidation function.

Mr. Lapin, tell us about your management and liquidation functions.

Mr. Lapin. Our current activities, our entire activity is acquiring mortgages from the FHA in connection with the disposition of their acquired properties. We estimate, as you know, $500 million in 1968, and $200 million in 1969.

Mr. Evins. You acquire these mortgages from FHA. You acquired $500 million in 1968, you testified, and you expect to acquire $200 million in 1969.

How are you going to manage these mortgages, and how are you going to liquidate them? Tell us about this operation.

Mr. Lapin. Yes.

Mr. Evins. Give us a capsule statement on these functions.

Mr. Burke. The management and liquidating function, as you know, was what remained of the original FNMA at the time the corporation was rechartered in 1954.

Since that time, of course, legislation has been passed to permit FNMA in this particular function to buy mortgages as a liquidating entity from other HUD constituents including FHA. That is what we are presently engaged in. That is our sole purchasing activity now.

Mr. Evins. Have you any old RFC loans still in this portfolio?

Mr. Burke. We have some still left, yes, sir. We service them the same as all other mortgages that we own. We sell them when the time is right for selling. We also sell participations in these mortgages.

Mr. Evins. How many RFC loans do you still have in this operation?

Mr. Burke. The ones originally made? We have some $20 million in DHC loans. We still have $20 million of those. That is about all we have left.

Mr. Evins. There are about $20 million of RFC loans remaining in the Management and Liquidation Division?

Mr. Burke. That is right.

Mr. Lapin. The way the market has been recently, we have had to acquire a large share of purchase money mortgages from the FHA.

We are anticipating the private market becoming active again and acquiring these mortgages. They are good, marketable mortgages.

Summary of Activities

Mr. Evins. In your management and liquidation function, the table on D–3 shows since its inception in 1938 through 1966, you purchased $5.426 billion; you have sold $2.113 billion, and you have had other liquidations and some repayments.

In the end of the year portfolio you have $1.028 billion. Your activities during fiscal year 1969 will build it up to $1.914 billion.

Mr. Lapin. The yearend 1968 is $1.854 billion.

Mr. Evins. Place in the record D–1 through D–5.

(The pages follow:)

MANAGEMENT AND LIQUIDATING FUNCTIONS

SUMMARY OF ACTIVITIES

[In thousands]

	Cumulative through 1966	1967 actual	1968 estimate	1969 estimate
Mortgage purchases:				
Acquired from FHA	$303,304	$542,412	$500,000	$200,000
Other	5,123,157			
Total	5,426,461	542,412	500,000	200,000
Mortgage sales	2,113,588			
Repayments and other liquidations	2,284,190	101,196	115,000	140,000
Portfolio, end of year	1,028,683	1,469,899	1,854,899	1,914,899

SUMMARY OF BUDGET

The Federal National Mortgage Association is responsible for managing and liquidating the portfolio of mortgages acquired prior to the FNMA Charter Act of 1954, and loans or other obligations that have been or that may subsequently be acquired from authorized sources. In 1955, the association was given responsibility for managing and liquidating, for the account of the Secretary of the Treasury, the remaining mortgage portfolio of the RFC Mortgage Company and the Defense Homes Corporation, then under the jurisdiction of the Reconstruction Finance Corporation. The purchasing of mortgages from private sources was completed in 1957.

FNMA is authorized to acquire for this portfolio any mortgages covering residential properties that are offered to it by any Federal instrumentality and to purchase, service and sell any obligations (not necessarily mortgages) that are offered to it by the Secretary of the Department of Housing and Urban Development. Presently, purchases are being limited to mortgages generated by resales of FHA's acquired home properties.

In addition to the proposed removal of the FHA mortgage interest rate ceiling, improvements in the market are expected to make more funds available for mortgage investments in 1969. These conditions are expected to enable the Federal Housing Administration to arrange private financing for more of its acquired property sales in 1969 than in 1968. Consequently, FNMA's purchases of FHA Commissioner-held mortgages are estimated to decline to $200 million in 1969, a reduction of $300 million from the 1968 estimate.

Sales of participations in mortgages of the management and liquidating functions' portfolio totaled $440 million in 1967. It is estimated that $355 million and $550 million will be sold in 1968 and 1969, respectively. By the close of the budget year outstanding participation certificates will total $1,365 million. No direct sales of mortgages are projected during the current and budget years.

Liquidation of mortgages and other obligations acquired under these functions is accomplished through regular amortization payments, sales to private investors, and other principal credits arising from prepayments, foreclosures, and conveyances in lieu of foreclosure.

Sales of participations in mortgages and other obligations owned by certain Government departments and agencies, authorized under the FNMA Charter Act and appropriation acts and administered under these functions, are described in section E.

The following table summarizes FNMA's mortgage activities since its inception in 1938:

[In thousands of dollars]

Fiscal year	Purchases	Sales	Repayments	Other liquidations	Yearend portfolio
Cumulative, 1938–66	$5,426,461	$2,113,588	$1,957,915	$326,275	$1,028,683
1967 actual	542,412		86,308	14,888	1,469,899
1968 estimate	500,000		100,000	15,000	1,854,899
1969 estimate	200,000		123,000	17,000	1,914,899

FINANCING

The management and liquidating functions are financed by borrowings from the U.S. Treasury, portfolio liquidations, sales of participation certificates and income from operations. The association, which is also authorized to issue nongovernment guaranteed notes to private investors in lieu of Treasury financing, had marketed a total of $2,255 million of such notes through January 1958; however, the last of these were redeemed at maturity in 1960 and no issues are projected for the current and budget years.

A summary of financing is shown in the following table:

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Mortgage purchases (net of purchase discounts)	521,043	481,200	192,000
Sources of financing:			
Net income or loss (—) from operations	7,563	1,250	—7,900
Mortgage sales, repayments, and other receipts	64,810	39,950	32,900
Sales of participation certificates	440,000	355,000	550,000
Net borrowings from the U.S. Treasury	8,670	85,000	—383,000
Total, financing	521,043	481,200	192,000

OPERATING RESULTS—NET INCOME AND RETAINED EARNINGS

The net income of the association under its management and liquidating functions is derived principally from interest earned on its mortgage portfolio after charges for interest on borrowings from the Treasury and on participation certificates and other operating costs and expenses.

During 1967, net income amounted to $7.6 million and is estimated at $1.3 million in 1968. In contrast, it is estimated that a net loss of $7.9 million will occur in 1969, resulting primarily from the inclusion in participation pools mortgages which bear interest rates lower than the rates of the participation certificates sold against them.

The following table summarizes the gross income, expenses, net income, payments to the Secretary of the Treasury, and retained earnings of these functions since their inception in 1938, and estimates for 1968 and 1969:

[In thousands of dollars]

Fiscal year	Gross income	Expense	Net income or loss (—)	Dividends and payments in lieu of dividends to Treasury	Retained earnings
Cumulative, 1938–66	$1,343,419	$985,094	$358,325	$259,401	$98,924
1967 actual	64,333	56,770	7,563		106,487
1968 estimate	88,046	86,796	1,250		107,737
1969 estimate	108,500	116,400	—7,900		99,837

Participation Sales Program

Mr. Evins. Let us turn over to the participation sales program. You show a subtotal for HUD as $805 million cumulative through 1966, and the subtotal for other agencies.

It is good you put the whole picture here, the Veterans' Administration being the largest for $985 million; Small Business Administration, $350 million; and then you list Farmers Home Administration and others. This is cumulative through 1966.

Is that correct?

Mr. Burke. That is correct, Mr. Chairman.

Mr. EVINS. So the total of HUD and other agencies is $2.140 billion cumulative through 1966.

In 1969 you show a total of $3.150 billion sales of HUD and all other agencies of Government.

Is that a correct interpretation of your table?

Mr. BURKE. Yes, sir.

Mr. GILBERT. Up through January of this year, it is about $7 billion.

Mr. EVINS. You do not show that here.

Mr. GILBERT. No.

Mr. EVINS. I was trying to get the cumulative. You have cumulative through 1966, but not cumulative——

Mr. BURKE. On page E–6, we have a rundown of the cumulative sales.

Mr. BROWNSTEIN. That has the interest rates, also, which you asked about.

Mr. EVINS. The annual interest rates vary from 6.40 percent to 4.1 percent.

Place in the record all this about the PC's, gentlemen, because I think there is a lot of interest in it.

(The pages follow:)

PARTICIPATION SALES PROGRAM

[In millions]

	Cumulative through 1966	1967 actual		1968 estimate		1969 estimate	
		Authorized	Sales	Authorized	Sales	Authorized	Sales
Sales of participation certificates:							
Department of Housing and Urban Development:							
Federal National Mortgage Association:							
Special assistance functions	$675	$300	$300	$250	$250	$655	$655
Management and liquidating functions	130	440	440	355	355	550	550
Public facility loans		80	80	80	80	80	80
College housing loans		600	600	1,600	1,385	285	500
Housing for the elderly				100	60	25	65
Subtotal, HUD	805	1,420	1,420	2,385	2,130	1,595	1,850
Veterans' Administration	985	260	260	850	765	515	600
Small Business Administration	350	850	520	150	315	150	200
Office of Education		100	100	100	100		
Public Health Service				15	15		
Farmers Home Administration		600	600	750	675	425	500
Subtotal, other	1,335	1,810	1,480	1,865	1,870	1,090	1,300
Total	2,140	3,230	2,900	4,250	4,000	2,685	3,150

PARTICIPATION SALES BY TRUST AS OF JAN. 30, 1968

[Dollar amounts in millions]

Issue date	Maturity dates	Annual interest rates (percent)	Maturities		Total issued
			Number	Amount	
Government mortgage liquidation trust:					
Nov. 2, 1964	Nov. 1, 1965–74	4.125–4.375	10	$30	$300
July 1, 1965	July 1, 1966–80	4.375–4.50	15	35	525
Dec. 1, 1965	Dec. 1, 1966–80	4.625–4.70	15	25	375
Apr. 4, 1966	Apr. 1, 1967–76	5.40 –5.50	10	20	200
Do	Apr. 1, 1977–81	5.25 –5.45	5	42	210
June 23, 1966	June 23, 1979–81	5.375–5.40	3	60	180
Total, GMLT					1,790
Small business obligations trust:					
June 23, 1966	June 23, 1967–71	5.70 –5.75	5	70	350
Federal assets liquidation trust:					
Jan. 19, 1967	Jan. 19, 1972	5.20	1	275	
	Jan. 19, 1977	5.20	1	275	
	Jan. 19, 1982	5.20	1	550	1,100
Apr. 5, 1967	Apr. 7, 1969	4.75	1	450	
	Jan. 19, 1972	5.00	1	250	
	Apr. 6, 1987	5.10	1	200	900
June 29, 1967	Sept. 29, 1969	5.25	1	450	
	June 29, 1972	5.50	1	450	900
Total, FALT					2,900
Federal assets financing trust:					
Dec. 11, 1967	Feb. 11, 1970	6.35	1	650	
	Dec. 11, 1987	6.40	1	350	1,000
Jan. 30, 1968	Feb. 1, 1971	6.00	1	800	
	Feb. 1, 1988	6.05	1	450	1,250
Total, FAFT to date					2,250
Combined total					7,290

BUDGET REQUEST

(1) An authorization of $1,595 million is requested in 1969 for the sale of participation certificates for the account of the Department of Housing and Urban Development in the following principal amounts:

	Millions
FNMA-special assistance functions	$655
FNMA-management and liquidating functions	550
Public facility loans	80
College housing loans	285
Housing for the elderly	25
Total	1,595

The total amount of $1,595 million requested for 1969, combined with the unsold carryover of $255 million from 1968, will permit FNMA to sell $1,850 million in participation certificates for the programs of the Department in 1969.

(2) A permanent indefinite appropriation for insufficiencies is requested for 1969. This appropriation will allow the Department to pay to FNMA, as trustee, any amounts needed to supplement the collections received on the obligations in the participation pools in order to meet the payments required by the terms of the certificates.

Authorizations necessary for sales of the remaining $1,300 million of participation certificates proposed in 1969 for the account of other Government departments and agencies and permanent indefinite appropriations for payment of insufficiencies are being requested by those departments and agencies.

SUMMARY OF PROPOSED BUDGET

The Federal National Mortgage Association Charter Act provides authority for FNMA, as trustee, to sell participations in the portfolios of certain

trustor Government departments and agencies. According to the act, the aggregate amount of participations issued for the account of any trustor may not exceed the amounts authorized in appropriation acts. The Independent Offices Appropriation Act of 1967 authorized sales of $3,230 million, comprised of $1,420 million for the Department of Housing and Urban Development and $1,810 million for other departments and agencies. Actual 1967 sales were $1,420 million for the Department and $1,480 million for other departments and agencies.

For 1968, sales of $2,385 million were authorized for the Department of Housing and Urban Development and $1,865 million were authorized for the other departments and agencies involved.

Additional authorizations of $1,595 million for the Department of Housing and Urban Development are requested for 1969. Total authorizations of $1,090 million are being requested by the other departments and agencies. The participation certificates proposed for sale in 1969 will be issued at maturities appropriate to the mortgages and other obligations involved, and to conditions of the market at the time of the sales.

The FNMA Charter Act also provides for appropriations to permit trustors to pay to the trustee amounts necessary to cover any insufficiencies resulting from required payments on the outstanding participation certificates. These insufficiencies arise when the receipts from the pooled obligations, after provision for costs and expenses, are not great enough to meet the required payments. A permanent indefinite appropriation is requested to meet any such insufficiences. Details of this request are discussed later in this section.

OPERATION OF THE PARTICIPATION SALES PROGRAM

The association is authorized to create trusts establishing pools of mortgages and other obligations, and to sell participations therein to private investors. The receipts from the participation certificates sold are paid to the trustor departments and agencies which placed the obligations in the pools. Collections on the pooled obligations plus any supplementary insufficiency appropriation are available for distribution to the holders of the certificates in accordance with the terms of the trust instruments.

Mortgages and other types of obligations which may be placed in participation pools include those of the following Government departments and agencies: (1) the Farmers Home Administration of the Department of Agriculture; (2) the Department of Health, Education, and Welfare; (3) the Department of Housing and Urban Development; (4) the Veterans' Administration; (5) the Small Business Administration; and (6) the Export-Import Bank (presently conducting its own sales).

Since the inception of the participation sales program in fiscal year 1965, FNMA has established four trusts to administer the sales of participation certificates. Through January 31, 1968, FNMA, as trustee, had sold an aggregate of $7,290 million of participations in the pooled obligations of these trusts.

The Government departments and agencies against whose portfolios participations have been sold by FNMA, and the amounts sold through January 31, 1968, are listed in the following table:

	Millions
Department of Housing and Urban Development:	
FNMA—Special assistance	$1,225
FNMA—Management and liquidating	660
Public facility loans	160
College housing loans	1,400
Housing for the elderly	50
Subtotal, HUD	3,495
Veterans' Administration	1,670
Small Business Administration	970
Office of Education	155
Farmers Home Administration	1,000
Subtotal, other	3,795
Total	7,290

Collections from trustors will aggregate $932 million in 1968 and $1,257 million in 1969. After crediting the trustors with the net income from the trusts and after paying interest and principal on the outstanding certificates, the trustees will have assets of $968 million and $1,197 million at the end of those respective years. These assets will be available for future payment of maturing interest on, and principal of, the certificates.

BUDGET OUTLAYS

Budget receipts of $46 million and $206 million are estimated for 1968 and 1969, respectively. These amounts contrast with a budget outlay of $116 million for 1967. Net receipts in the fund are a temporary condition since over that period collections derived from the underlying assets will exceed payments of matured interest and principal of the participation certificates. These receipts will be offset later by outlays for such payments on the certificates. The following table provides the details of budget receipts and outlays:

PARTICIPATION SALES FUND

BUDGET OUTLAYS

[In thousands]

	1967 actual	1968 estimate	1969 estimate
Department of Housing and Urban Development:			
FNMA—Special assistance	$21,458	−$8,112	$−32,186
FNMA—Management and liquidating	19,066	−8,703	−42,991
Public facility loans	391	−33	−107
College housing loans	1,635	1,889	548
Housing for the elderly		50	50
Subtotal, HUD	42,550	−14,909	−74,686
Veterans' Administration	27,885	−4,158	−68,241
Small Business Administration	24,704	−9,453	−43,585
Office of Education	91	92	−188
Farmers Home Administration	20,351	−17,303	−19,490
Subtotal, other	73,031	−30,822	−131,504
Total	115,581	−45,731	−206,190

APPROPRIATIONS FOR INSUFFICIENCIES

Since market conditions may require that participation certificates carry higher rates of interest and different maturity dates than the mortgages and other obligations in the pools, collections on the pooled obligations may be insufficient to cover the required payments to certificate holders. The FNMA Charter Act authorizes the establishment of appropriations to cover all such insufficiencies. The Independent Offices Appropriation Act of 1967 authorized the appropriation of such sums as may be necessary for the payment of insufficiencies in connection with sales made under the authority of that act. The Independent Offices and Housing and Urban Development Appropriation Act of 1968 appropriated a definite amount for insufficiencies arising during 1968 from sales made under the authority of that act. Similar provisions were included in the 1968 appropriation acts of the other departments and agencies included in this program.

Provision for an indefinite appropriation for the payment of participation sales insufficiencies is requested in connection with the participation sales authorized in the 1968 appropriation acts and the sales authorizations requested in this budget. The proposed appropriation language follows:

"PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

"For the payment of such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations in assets of the Department of Housing and Urban Development (including the Federal National Mortgage Association) authorized by this act and by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968

to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, such sums as may be necessary, to remain available without fiscal year limitation."

An appropriation will not be required during the current and budget years for insufficiencies arising from participations sold in the FNMA portfolio since these insufficiencies will be covered by prior years' earnings from these programs. However, appropriations will be required to cover insufficiencies resulting from sales of participations in the assets of other programs of the Department of Housing and Urban Development.

Appropriation acts in 1968 authorized definite appropriations totaling $39,458,000 for payment of insufficiencies on participations sold in 1968. Of that amount, only $17,343,000 is estimated to be used, leaving $22,115,000 unused. Of the latter amount $13,268,000 was appropriated to the Farmer's Home Administration and will remain available without fiscal year limitation. Details of these appropriations are shown below:

[In thousands]

	1968 definite appropriations		
	Authorized	Used	Unused
Department of Housing and Urban Development	$23,000	$15,072	$7,928
Veterans' Administration	665	665	
Small Business Administration	1,350	661	689
Office of Education	925	925	
Public Health Service	250	20	230
Farmers Home Administration	[1] 13,268		13,268
Total	39,458	17,343	22,115

[1] Authorized without fiscal year limitation.

A number of conditions may cause the amounts actually used out of appropriations to differ from the estimates. The actual amounts are affected by the income earned on the pooled obligations, the costs incurred on the participation certificates and the time within the year that the certificates are issued.

Actual and estimated amounts of insufficiencies and expenditures of funds appropriated therefore, are shown in the table on the following page. Amounts shown for 1969 include the appropriations which will be made automatically, if necessary, on the basis of the indefinite appropriation enacted in fiscal year 1967 as well as estimates of the amounts which may be used from appropriations for 1968 and 1969. Insufficiencies and the use of appropriations for other Government departments are included in this table for information only. Authorizations for these are being requested by the departments and agencies involved.

PARTICIPATION SALES PROGRAM—INSUFFICIENCIES AND APPROPRIATIONS USED

[In thousands of dollars]

	1967 actual appropriations, indefinite	1968 estimate— On 1967 sales—appropriations, indefinite	1968 estimate— On 1968 sales—appropriations, definite	1968 estimate— Total	1969 estimate— On 1967 sales—appropriations, indefinite	1969 estimate— On 1968 sales—appropriations, proposed indefinite	1969 estimate— On 1969 sales—appropriations, proposed indefinite	1969 estimate— Total
Department of Housing and Urban Development:								
FNMA, special assistance:								
Insufficiency	(1,362)	(5,600)	(2,700)	(8,300)	(5,800)	(6,000)	(9,200)	(21,000)
Appropriation used								
FNMA, management and liquidating:								
Insufficiency	(2,076)	(4,400)	(2,600)	(7,000)	(5,300)	(8,900)	(5,300)	(19,500)
Appropriation used								
Public facility loans:								
Insufficiency	(344)	(1,333)	(870)	(2,253)	(1,395)	(2,275)	(890)	(4,560)
Appropriation used	342	1,325	868	2,193	1,305	2,255	870	4,430
College housing loans:								
Insufficiency	(2,481)	(12,577)	(15,173)	(27,750)	(12,610)	(45,508)	(8,030)	(66,148)
Appropriation used	1,541	10,739	13,048	23,787	12,061	43,482	7,748	63,291
Housing for the elderly:								
Insufficiency			(1,176)	(1,176)		(1,901)	(1,359)	(3,260)
Appropriation used			1,156	1,156		1,901	1,359	3,260
Subtotal, HUD:								
Insufficiency	(6,263)	(23,960)	(22,519)	(46,479)	(25,105)	(64,584)	(24,779)	(114,468)
Appropriation used	1,883	12,064	15,072	27,136	13,366	47,638	9,977	70,981
Veterans' Administration:								
Insufficiency			(5,220)	(5,220)		(9,960)	(3,400)	(13,360)
Appropriation used			665	665		9,505	2,075	11,580
Small Business Administration:								
Insufficiency	(1,169)	(3,538)	(2,088)	(5,626)	(3,538)	(4,360)	(1,450)	(9,348)
Appropriation used	925	2,155	661	2,816	1,647			1,647
Office of Education:								
Insufficiency	(489)	(1,800)	(1,000)	(2,800)	(1,800)	(3,000)		(4,800)
Appropriation used	485	1,700	925	2,625	1,700	3,275		4,975
Public Health Service:								
Insufficiency			(20)	(20)		(200)		(200)
Appropriation used			20	20		200		200
Farmers Home Administration:								
Insufficiency	(616)	(4,683)	(2,097)	(6,780)	(4,505)	(10,941)	(2,354)	(17,800)
Appropriation used								
Subtotal, other:								
Insufficiency	(2,273)	(10,021)	(10,425)	(20,446)	(9,843)	(28,461)	(7,204)	(45,508)
Appropriation used	1,410	3,855	2,271	6,126	3,347	12,980	2,075	18,402
Total:								
Insufficiency	(8,536)	(33,981)	(32,944)	(66,925)	(34,948)	(93,045)	(31,983)	(159,976)
Appropriation used	3,293	15,919	17,343	33,262	16,713	60,618	12,052	89,383

The following table shows the details of actual and proposed participation sales, retirements of certificates sold, and amounts outstanding for fiscal years 1965 through 1969.

[In thousands of dollars]

	Cumulative through 1966	1967 actual	1968 estimate	1969 estimate
Participations sold:				
Department of Housing and Urban Development:				
FNMA—Special assistance	675,000	300,000	250,000	655,000
FNMA—Management and liquidating	130,000	440,000	355,000	550,000
Public facility loans		80,000	80,000	80,000
College housing loans		600,000	1,385,000	500,000
Housing for the elderly			60,000	65,000
Subtotal, HUD	805,000	1,420,000	2,130,000	1,850,000
Veterans' Administration	985,000	260,000	765,000	600,000
Small Business Administration	350,000	520,000	315,000	200,000
Office of Education		100,000	100,000	
Public Health Service			15,000	
Farmers Home Administration		600,000	675,000	500,000
Subtotal, other	1,335,000	1,480,000	1,870,000	1,300,000
Total sold	2,140,000	2,900,000	4,000,000	3,150,000
Certificates retired:				
Department of Housing and Urban Development:				
FNMA—Special assistance	20,000	40,805	40,805	47,805
FNMA—Management and liquidating		8,667	8,667	92,666
Public facility loans				2,000
College housing loans				13,000
Subtotal, HUD	20,000	49,472	49,472	155,471
Veterans' Administration	10,000	60,528	60,528	81,529
Small Business Administration		70,000	70,000	213,000
Farmers Home Administration				180,000
Subtotal, other	10,000	130,528	130,528	474,529
Total retired	30,000	180,000	180,000	630,000
Outstanding at end of year:				
Department of Housing and Urban Development:				
FNMA—Special assistance	655,000	914,195	1,123,390	1,730,585
FNMA—Management and liquidating	130,000	561,333	907,666	1,365,000
Public facility loans		80,000	160,000	238,000
College housing loans		600,000	1,985,000	2,472,000
Housing for the elderly			60,000	125,000
Subtotal, HUD	785,000	2,155,528	4,236,056	5,930,585
Veterans' Administration	975,000	1,174,472	1,878,944	2,397,415
Small Business Administration	350,000	800,000	1,045,000	1,032,000
Office of Education		100,000	200,000	200,000
Public Health Service			15,000	15,000
Farmers Home Administration		600,000	1,275,000	1,595,000
Subtotal, other	1,325,000	2,674,472	4,413,944	5,239,415
Total outstanding	2,110,000	4,830,000	8,650,000	11,170,000

APPROPRIATION FOR INSUFFICIENCES

Mr. EVINS. Provision for an indefinite appropriation for PCs is requested in the 1969 appropriation.

Mr. BURKE. No, Mr. Chairman. That refers to the sales which were authorized in the 1968 act, as well as——

Mr. EVINS. We had an insufficiency in the 1968—I thought we had a definite amount.

Mr. BURKE. We had a definite appropriation there, which lapses in 1969.

Mr. EVINS. In the 1968 act, you state in the preceding paragraph, we appropriated a definite amount.

I thought you were talking about 1969 when you wanted to revert back to an indefinite amount.

Mr. BURKE. We do need an appropriation for insufficiencies beginning in 1969 for all past and present PC sales.

We have to appropriate in 1969 for those participations which were sold in 1968. Those are still outstanding, Mr. Chairman.

Mr. EVINS. The first time it was indefinite. The next time we made it definite.

Mr. BURKE. That is right.

Mr. EVINS. You want to revert back to the indefinite again.

Mr. BURKE. That is right. We want an indefinite appropriation for those that were sold in 1968, as well as those that will be sold in 1969.

USE OF 1968 APPROPRIATION

Mr. JONAS. Mr. Burke, you did not use all of the appropriation we made. You had a carryover of $7 million.

Mr. BURKE. This is HUD's unused amount but we cannot carry it over.

Mr. JONAS. $7.9 million, page E–10, unused.

Mr. BURKE. Unused, yes, sir.

Mr. JONAS. We did not curtail or restrict your activities because we appropriated more money than you used.

Mr. BURKE. That is right, Mr. Jonas.

Of course, one of the reasons it was not used is because of the timing of the participation sales.

Mr. JONAS. You did not sell as much.

Mr. BURKE. We sold them later in the year.

Mr. JONAS. You did not sell as many as were authorized, anyway.

Mr. BURKE. We will have sold as many as were authorized.

Mr. JONAS. Before the end of the year?

Mr. BURKE. Yes. It is the timing. The first sale was made on December 11 of last year, and the second sale was made in January, and the third one will be made in April of this year.

INSUFFICIENCIES IN 1969

Mr. JONAS. For the $3.2 billion that you expect to sell, what do you estimate the insufficiency to be?

Mr. BURKE. Referring to the table on page E–12, if you look at the next to the last column of that table, it shows the estimated insufficiency on 1969 sales. That is the $3.150 billion that will be sold in 1969. The estimate applies to just those participations.

Mr. JONAS. Is that the $31.983 million?

Mr. BURKE. That is right, sir.

Mr. JONAS. And the $93.045 million?

Mr. BURKE. That is the insufficiency which we estimate will occur on the PC's for all departments that will have been sold in 1968.

Mr. JONAS. Through June 30 this year?

Mr. BURKE. Through June 30 this year.

Mr. ROSS. This is the insufficiency in 1969 on the participations that were sold in fiscal year 1968.

Mr. JONAS. $3.150 billion?

Mr. BURKE. No, the $3.150 billion refers to estimated 1969 sales. The

$93.045 million insufficiency relates to the $4 billion of 1968 sales.

Mr. JONAS. You do not know it is a deficiency until they have had the certificate a year. You do not know what the insufficiency will be, is that correct?

Mr. BURKE. We know what the approximate insufficiency will be. The exact amount is determined by the timing of the sale and the interest rate at the time.

Mr. JONAS. You will know it for a year.

Mr. BURKE. We will know the whole year's insufficiency.

Mr. JONAS. This last column on page E–12, $159,976,000. What is that?

Mr. BURKE. That is the total insufficiency during 1969 on all participations which are subject to this act.

Mr. JONAS. Sold in prior years and in 1969?

Mr. BURKE. That is right, three consecutive years, 1967, 1968, and 1969.

That is the total insufficiency. The lower of the two figures represents the amount of appropriations which are estimated to take care of those insufficiencies.

FUNDING OF INSUFFICIENCIES

Mr. JONAS. The other part of the insufficiency comes out of what?

Mr. BURKE. That comes out of investment income from the trust funds. The trust funds accumulate collections from the trustors.

Mr. JONAS. That would not be an insufficiency, would it?

Mr. BURKE. The trustee receives money, and while he has the money he invests it in securities. He keeps that money in order to be able to pay the interest and principal on the participation certificates.

While the trustee has possession of the money, he invests it and uses this income to cover part of these insufficiencies.

In addition to that, agencies which have a surplus use part of the surplus to pay these insufficiencies.

The bottom figure on this chart presents the amount of the appropriations we would expect to be used.

APPROPRIATION FOR INSUFFICIENCIES

Mr. EVINS. Again for the record, in 1967 the Congress gave open-end language, an indefinite insufficiency, so you could draw from the Treasury whatever was necessary for securities issued that year and subsequent years to take care of them.

Mr. BURKE. That is correct.

Mr. EVINS. In 1968, we appropriated a definite amount, and that amount in 1968 was sufficient to take care of the insufficiency that one year, but throughout the life of these securities, as the interest accumulates, we have to give either a definite amount or give you the general indefinite insufficiency to take care of them.

Mr. BURKE. That is right.

Mr. EVINS. We provided enough appropriation for the one year.

Mr. JONAS. On this table on E–12, the last column, where it says total, if we were not to follow your recommendations and continued as last year by making a line item appropriation for the insufficiency, in each of these cases we would need to use the line under the line with the parenthesis?

Mr. BURKE. That is correct.

Mr. JONAS. If we did it in a lump sum, it would be the $89,383,000. But all of this will not be in one bill, so we could not do that.

Mr. BURKE. That is right, Mr. Jonas. The HUD total——

Mr. JONAS. In special assistance, you would not need anything, for example.

Mr. BURKE. The subtotal of HUD, which is about midway down the page, is the Department's request.

Mr. Ross. But 13 of that is already available under the 1967 language.

Mr. BURKE. That is right, the $13 million in the 1967 column is already under indefinite appropriation. We would not need the whole $70.981 million.

Mr. JONAS. You need $70,981,000 less $13,366,000.

Mr. BURKE. That is right.

LIMITATION ON ADMINISTRATIVE EXPENSES

PROGRAM AND FINANCING—ADMINISTRATIVE EXPENSES (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
1. Secondary market operations	5,467	6,240	6,540
2. Special assistance functions	1,308	1,450	1,550
3. Management and liquidating functions	2,060	2,250	2,250
Total accrued expenses—costs	8,835	9,940	10,340
Financing:			
Unobligated balance lapsing	1,096		
Limitation	9,931	9,600	10,340
Proposed increase in limitation for civilian pay act increases		340	

OBJECT CLASSIFICATION

[In thousands of dollars]

	Personnel compensation:			
11.1	Permanent positions	7,177	8,223	8,548
11.3	Positions other than permanent	13	42	42
11.5	Other personnel compensation	75	69	74
	Total personnel compensation	7,265	8,334	8,664
12.0	Personnel benefits	554	636	672
13.0	Benefits for former personnel			
21.0	Tra el and transportation of persons	140	185	185
22.0	Transportation of things	6	25	25
23.0	Rent, communications, and utilities	802	900	930
24.0	Printing and reproduction	51	65	70
25.1	Other services	47	70	70
25.2	Services of other agencies	85	96	77
25.3	Payment to administrative operations and working capital funds	9	123	219
26.0	Supplies and materials	48	60	66
42.0	Insurance claims and indemnities	4	4	4
44.0	Refunds	−176	−558	−642
	Total accrued expenses-costs	8,835	9,940	10,340
93.0	Administrative expenses included in schedule for fund as a whole	−8,835	−9,940	−10,340
99.0	Total obligations			

PERSONNEL SUMMARY

Total number of permanent positions	987	1,080	1,080
Average number of all employees	921	988	1,005
Average GS grade	6.8	6.8	6.8
Average GS salary	$7,786	$8,194	$8,218

JUSTIFICATION MATERIAL

Mr. EVINS. Mr. Reporter, will you please place pages F–1, F–2, F–3, F–5, F–10, and F–11 in the record.

(The pages follow:)

The 1969 Budget proposes a limitation on administrative expenses of $10,340,000, an increase of $400,000, or 4 percent, over the $9,940,000 required for the current year.

INTRODUCTION

The administrative expenses of the association are paid out of earnings from its operations and therefore do not represent a charge to the general funds of the U.S. Treasury. They are subject to limitations authorized annually by the Congress in appropriation acts and, as "administrative expenses under limitation," are used to pay the costs of the FNMA staff and certain other expenses.

For purposes of efficiency and economy, staff and common services for all of FNMA's functions are consolidated so that there is a single loan staff, a single accounting staff, a single audit staff, et cetera. A majority of the employees of the association work on or serve, and their expenses are charged to, more than one program or activity. An expense distribution system to record costs on a program basis is kept in the corporate books. This system produces an allocation of expenses acceptable to the Bureau of the Budget and the General Accounting Office without resorting to an elaborate and expensive cost accounting procedure.

The following table shows actual and estimated administrative expenses under limitation allocated among FNMA's three primary functions, and a summary of positions and man-years:

	1967 actual	1968 estimate	1969 estimate
Secondary market operations	$5,466,590	$6,240,000	$6,540,000
Special assistance functions	1,307,829	1,450,000	1,550,000
Management and liquidating functions	2,060,859	2,250,000	2,250,000
Subtotal	8,835,278	9,940,000	10,340,000
Estimated savings	1,095,722		
Limitation	9,931,000	9,600,000	10,340,000
Proposed increase in limitation for civilian pay act increase		340,000	
Number of permanent positions	987	1,080	1,080
Man-years (average employment)	921	988	1,005

Details of workload, staff, and administrative expenses appear in the following pages:

SUMMARY OF WORKLOAD

Type of activity by function	Number of mortgages		
	1967 actual	1968 estimate	1969 estimate
Commitment and immediate purchase contracts:			
Secondary market operations	83,153	154,100	61,600
Special assistance functions	27,942	20,500	2,300
Management and liquidating functions	48,334	44,600	17,800
Total	159,429	219,200	81,700
Mortgage purchases:			
Secondary market operations	86,058	164,300	68,400
Special assistance functions	1,879	33,300	12,200
Management and liquidating functions	48,334	44,600	17,800
Total	136,271	242,200	98,400
Mortgage sales:			
Secondary market operations	640	1,700	1,700
Special assistance functions			
Management and liquidating functions			
Total	640	1,700	1,700
Repayments and other credits:			
Secondary market operations	13,529	15,900	15,900
Special assistance functions	2,992	3,700	4,700
Management and liquidating functions	10,331	11,700	14,200
Total	26,852	31,300	34,800
Mortgage servicing (average):			
Secondary market operations	381,110	477,600	576,300
Special assistance functions	81,226	95,700	114,300
Management and liquidating functions	188,469	222,700	241,000
Total	650,805	796,000	931,600

SUMMARY OF ADMINISTRATIVE EXPENSES UNDER LIMITATION

	1967 actual	1968 estimate	1969 estimate
Staff and related cost	$7,819,123	$8,970,000	$9,336,000
Travel	139,502	185,000	185,000
Payment to administrative operations and working capital funds	8,500	123,000	219,000
Reimbursements from trustors for administration of participation sales program	−175,730	−558,000	−642,000
Other objects	1,043,883	1,220,000	1,242,000
Total	8,835,278	9,940,000	10,340,000

Payments to administrative operations and working capital funds

1968 estimate	$123,000
1969 estimate	219,000
Increase	96,000

During 1968 the Washington office legal staff of FNMA was transferred to, and merged with, that of the Department. The Corporation is now furnished legal services (other than those performed in its five field offices) by the Department and makes payments for such services to the Department's administrative operations fund. The above estimates include the cost of these services for approximately half the year in 1968 (after the effective date of the transfer) and the whole of 1969; the estimates of authorized positions and man-years have been reduced to reflect the transfer of the personnel involved in these functions.

In addition to the foregoing, certain administrative services, such as mail and messenger, procurement and printing and reproduction, are provided by the Department. FNMA's share of these costs is paid to the Department's working capital fund.

The increase of $96,000 in the amount requested for 1969 represents the difference between a full year's cost of legal services and the cost of those services for approximately half of 1968.

Reimbursements from trustors for administration of participation sales program

1968 estimate	—$558,000
1969 estimate	—642,000
Increase	—84,000

Under the FNMA Charter Act, FNMA, as trustee, administers the participation sales program. The program involves the sale of participations in the portfolios of certain Government departments and agencies, the collection of funds from such departments or agencies, the interim investment of these funds, and the payment of maturing interest on, and principal of, the participation certificates.

FNMA, as trustee, defrays its out-of-pocket costs for administering the participation sales program by obtaining reimbursement for such costs from the various trustor agencies (see sec. E of this justification). The increase of $84,000 for these reimbursements in 1969 reflects the increased volume of activity from continuing sales and increases in outstanding participation certificates. Sales are estimated at $4 billion in 1968 and $3.15 billion in 1969. Outstanding certificates are estimated to reach $8.7 billion in 1968 and $11.2 billion in 1969 after payment of maturing issues in both years. Receipts from trustors, which must be controlled and invested and made available for appropriate payments on the certificates, are estimated to amount to $932 million in 1968 and increase to $1.3 billion in 1969.

Mr. EVINS. Thank you very much, gentlemen.

THURSDAY, MARCH 21, 1968.

DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS PROGRAMS

WITNESSES

H. RALPH TAYLOR, ASSISTANT SECRETARY FOR DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS

OFFICE OF ASSISTANT SECRETARY

WALTER G. FARR, DIRECTOR, MODEL CITIES ADMINISTRATION

NORMAN BECKMAN, DIRECTOR, OFFICE OF GOVERNMENTAL RELATIONS

DICK CHERRY, SPECIAL ASSISTANT

ROBERT S. WINCHESTER, BUDGET ANALYST

OFFICE OF THE SECRETARY

HON. ROBERT C. WEAVER, SECRETARY

ROBERT C. WOOD, UNDER SECRETARY

ASHLEY A. FOARD, DEPUTY GENERAL COUNSEL

L. EDWARD LASHMAN, ASSISTANT TO THE SECRETARY FOR CONGRESSIONAL SERVICES

JOHN M. FRANTZ, DEPARTMENTAL BUDGET OFFICER

NATHANIEL J. EISEMAN, DEPUTY DEPARTMENTAL BUDGET OFFICER

HERBERT G. PERSIL, BUDGET ANALYST

Mr. EVINS. The committee will come to order.

Today we have officials from the Department of Housing and Urban Development including Secretary Weaver.

We have this morning Mr. H. Ralph Taylor, Assistant Secretary for Demonstrations and Intergovernmental Relations. That is a big name for the model cities programs.

Mr. Reporter, you have the names of all the others: Mr. Farr, Mr. Beckman, Mr. Cherry, and Mr. Winchester are assisting the Assistant Secretary.

Mr. Taylor, you have a statement for the committee. We will be pleased to hear you, and you may proceed as you wish.

GENERAL STATEMENT

Mr. TAYLOR. Thank you, Mr. Chairman, and members of the committee.

I want to thank you for the opportunity of appearing today and report to you on the progress and plans of the model cities program as they relate to our need for appropriations in the 1969 fiscal year. Our presentation also covers other important new programs in HUD such as the grants to States for urban informaton and technical assistance and community development training and fellowships for city planning and urban studies.

MODEL CITIES PROGRAM

I do not think I have to belabor the point before this subcommittee that we are confronted with a crisis in the cities.

Every document, every study, whether it was made 10 years ago, 5 years ago, 1 year ago, or last month, has come to the same conclusion.

With the model cities program Congress has authorized and is funding the only total attack approach to the problems that comprise this crisis. The size of the job to be done does not depend on the amount of money appropriated. The only thing that varies with appropriations is the time it takes to do the job. It is the unquestioned prerogative of the Congress to decide whether we move into execution with the total attack on a large scale or a small scale; at a fast pace or at a slow pace. However, there can be no doubt that the longer we delay attacking these problems the more costly their solutions will become.

In 1966, when this program was authorized we were talking in terms of 70 cities. Congress authorized a second generation of the same size so now the program must be considered in terms of 140 to 150 cities.

Seventy-five of these cities have already been selected for planning grants and now have their planning in various stages of completion. During the coming summer, fall, and winter they will be submitting their plans and expecting their program grants. Another 65 to 75 cities will be selected in May and June from among applications filing prior to April 15. This second group will be completing their plans and expecting their program grants in the spring and summer of 1969.

There is no question of the need.

In the model neighborhoods of the 75 cities already selected for planning, there are over 3.5 million persons.

Nearly one-third of all the families have income of less than $3,000 each year.

About 30 percent of model neighborhood families are in substandard housing now, and many more are living in deteriorating structures.

While the national average for unemployment is now about 3.5 percent, over 10 percent of the potential work force in model neighborhoods is unemployed.

And their situation is made more desperate by the fact that over 40 percent of all persons over 25 in these neighborhoods have less than an eighth grade education.

I talk every day with mayors of model cities and would-be model cities. I think I have a good feel for what life is like in the real world of our Nation's cities and towns. What the model cities program requires of them is very painful for them to do. By statute, it asks them to take a hard look at what existing institutions work and what ones do not and to spell out in public their program of change. It requires them to get private groups and neighborhood residents deeply involved. It raises expectations. They are not going to do this with the thoroughness that is required if there is no reward for the effort they have to make in the form of program grants at the end of the process.

In ordinary categorical grant-in-aid program cities are accustomed to a grant or a reservation if they meet the specifications. In other grant programs in this and other departments, they get a grant reservation before they get far advanced in their planning. With this established way of doing business it hardly seems reasonable to expect cities to do the far more comprehensive planning required by model cities legislation with only the prospect that sometime in the following year Congress may provide money for grants to begin carrying out the plans.

To take another kind of example: no astute businessman is going to invest time and effort developing a bid on a contract unless he knows that he will in fact get the contract if his bid measures up.

Our written justification provides you with the basic information on the purposes and operations of the model cities program. This is not just a HUD program, it is a city program to which HUD is making a financial contribution. It is a program for cities which are on the firing line of urban blight, unrest and social tension. It is a design for assisting the cities themselves, their elected city officials, and the citizens from the designated neighborhood to deal with their problems in a coordinated fashion.

OTHER DIR PROGRAMS

I would like now to mention the programs which are directed at raising the capacities of State and local governments to solve their urban problems.

We have already had what I feel is outstanding response from State governments to the programs both of community development training and urban information and technical assistance. Although these two programs just got underway in January and program guides were released only last month. Governors of 44 States have designated eligible State agencies for one or both programs. Thirty-one States have designated a single agency to carry out both these programs, thereby providing a basis for coordinated action to improve the quality of admin-

istration which should prove invaluable not only to the States themselves but to the local communities which they are serving.

Under these acts, the States must put up a dollar for every Federal dollar received. State requests to date and anticipated applications during this fiscal year have considerably exceeded the funds available. Based on State information received by our regional offices, we expect that over 40 States will submit applications under both programs before the target date of April 15.

As of this week, 14 formal applications have been received in Washington under the technical assistance and information service program and nine under the community development training program. First awards were made as of last week to New Jersey and the State of Arizona.

To illustrate the kinds of programs being supported under these programs, the grant to the New Jersey Department of Community Affairs will inaugurate a "local skill sharing" program to enable smaller communities to obtain the services of outstanding local administrators from larger municipalities on a short-term basis.

The Arizona grant, to be administered by their League of Cities and Towns, will serve their smaller communities by providing technical assistance to improve local financial management and personnel recruitment and management. The objective of both of these State plans is to bring to smaller communities the experience and skills that the larger cities have in the basic areas of government administration.

These two programs of grants to the States to assist local units of government have an impact much greater than the $14 million for which appropriations are requested. First, because they are matching grant programs where the States match the Federal contribution dollar for dollar, and second, because all of the activities funded are new activities or expansions of proven efforts. None of this money is being used to ease the burden on State finances, but rather to get the States and this Department working more closely together in an expansion of assistance to communities, particularly smaller communities who need help.

I am convinced that the programs which you are reviewing this morning, the model cities program, the urban information and technical assistance and the community development training programs, along with the fellowship program, are essential tools that will help cities and States make significant progress in dealing with their urban problems. I will be pleased to explain these programs in further detail, and answer any questions which you might have.

JUSTIFICATION INTRODUCTION

Mr. EVINS. Thank you, Mr. Taylor, for a very concise and very much to the point statement. We will place pages A–1 through A–4 in the record.

(The pages follow:)

INTRODUCTION

The Assistant Secretary for Demonstrations and Intergovernmental Relations, as authorized by the Secretary, administers and directs the following programs and activities:

1. The model cities program authorized by title I of the Demonstration Cities and Metropolitan Development Act of 1966. This program stresses locally de-

veloped solutions to local problems. It stresses innovative approaches. It stresses coordination of existing programs to maximize their effectiveness and minimize their administrative cost. It stresses the establishment by cities of their own priorities and the evolution of approaches which fit their special situations.

2. Urban program coordination and governmental relations. In August of 1966, the President assigned to the Secretary by Executive order the leadership role in coordinating Federal urban programs, as well as strengthening relationships among different levels of government. The Department reorganization plus the Executive order provide the means to call upon resources at every level of government for the solution of urban problems. There now is organizational machinery to insure that to the extent possible all of these working relationships will relate to departmentwide goals.

The plight of central cities and the continuously rapid urbanization of the Nation place a special burden upon Federal, State, and local governments. A partnership of effort is needed to deal with the complex problems associated with urban physical, social, and economic growth and development. The Department, by direction of the President and the Congress, is determined to strengthen the capacity of State and local governments to identify and face the real issues of urban development, establish priorities, and make commitments of resources for dealing with these problems and needs.

Another responsibility under this heading is the development of a clearinghouse service to supply information and assistance to State, county, and local government, pursuant to Section 3b of the Department of Housing and Urban Development Act of 1965.

3. The program of urban information and technical assistance authorized by title IX of the Demonstration Cities and Metropolitan Development Act of 1966.

4. The program of community development training authorized by title VIII of the Housing Act of 1964.

5. The program of urban fellowships authorized by title VIII of the Housing Act of 1964.

These three programs—urban information and technical assistance, community development training, and urban fellowships—are all directed to achieving more effective public services by relieving the acute shortage of trained professional and technical manpower. The shortage of specialists in planning, housing, transportation, waste treatment, air pollution, public administration, and in many other fields increases each year. Moreover, many communities cannot afford the expert and professional know-how to identify and assist in solution of local problems and needs. All three programs are directed to this problem.

The program of grants to States to provide information services on urban needs and assistance programs and to enable the States to provide technical assistance services to communities under 100,000 population on a whole range of urban needs has two main objectives: (1) to increase State capacity and participation in meeting urban needs; and (2) to make efficient and effective use of scarce highly trained experts in meeting the specialized needs of a great number of communities that would not otherwise have such expertise available.

The grants to States for community development training programs are designed to encourage the States to participate in a program: (1) to improve the capabilities of existing State and local public employees through a number of training approaches; and (2) to expand the supply of a whole range of community development skills.

The third program—the urban fellowships program—focuses, first, on increasing the number of highly trained persons to relieve critical shortages of professional personnel, and second, on expanding the supply of university facilities at the graduate level.

6. Economic and Market Analysis, including comprehensive national studies and analyses of developments, trends, and problems in the areas of housing markets and needs and the capital mortgage market, and related economic analyses. An essential element in the managing of housing and urban development programs is sound economic knowledge about conditions in markets throughout the nation. The Office of Economic and Market Analysis provides the Secretary and program administrators with up-to-date information on economic, financial, and market conditions affecting current program activities.

7. Defense Planning and Emergency Preparedness functions under Executive Order No. 11004 issued February 16, 1962, and Public Law 81–920, as amended; the coordination of HUD National Disaster relief activities under Public Law 81–875, as amended; and HUD representation at the OEP National Resources Evaluation Center.

ACTUAL AND PROPOSED APPROPRIATIONS—COMPARATIVE SUMMARY, FISCAL YEARS 1967–69

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Model cities program:			
Planning grants to city demonstration agencies	11,000	12,000	
Supplementary grants city demonstration agencies		200,000	500,000
Administrative expenses (transfer to salaries and expenses)	(750)	(2,500)	(8,380)
Proposed Pay Act supplemental		(80)	
Urban information and technical assistance		2,200	5,000
Community development training programs		3,000	7,000
Fellowships for city planning and urban studies	470	500	500
Administrative expenses	30		
Salaries and expenses		1,814	1,860
Proposed Pay Act supplemental		45	
Total, demonstrations and intergovernmental relations	11,500	219,559	514,360

ORGANIZATION OF THE ASSISTANT SECRETARY FOR DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS

The organization for Demonstrations and Intergovernmental Relations is summarized as follows:

Immediate Office of the Assistant Secretary.—Consists of the Assistant Secretary, his deputy, and special assistants.

Office of Administration.—Administers services in areas of organization and methods, budgets, directives issuance, personnel, travel, systems procedures.

Model Cities Administration.—Administers the model cities program, which is designed to help cities plan, administer, and carry out comprehensive and coordinated physical and social programs to improve the environtment and general welfare of people living in slum and blighted areas of selected cities representing a cross section as to size and geographic location.

Office of Governmental Relations.—Develops methods of achieving the maximum coodination of governmental urban development activities. This office administers the programs for urban information and technical assistance, for community development training, and for fellowships in city planning.

Office of Economic and Market Analysis.—Conducts comprehensive studies and analysis in areas of national and local housing markets and needs. This Office supervises the conducting of market analyses serving departmental programs, as well as special studies designed to serve the housing and construction markets as a whole.

The *Defense Planning Staff.*—Develops, maintains and coordinates emergency preparedness and civilian defense plans within the Department, and assures that such plans are in conformance with national guidelines of the Office of Emergency Planning.

Regional offices

The Assistant Secretary also exercises functional supervision over certain regional office staffs, as follows:

Model Cities Staff.—Operating as a team with a variety of skills and supported by other regional office organizations, the staff is responsible for carrying out the model cities program in the regions. This includes the receipt and review of applications, consultation with city administrations, coordination with other Federal agencies and recommending actions to be taken with respect to each applicant.

Economic and Market Analysis Branch.—The Branch provides policy and technical advice on the economic phases of regional program operations; reviews and evaluates the economic aspects of applications for assistance under programs assigned to the regional office; and, conducts and coordinates the comprehensive market analysis functions of the Department in the field.

Defense Planning.—Certain staff officials within the Office of the Regional Administrator, working on a full- or part-time basis, carrying out regional office responsibilities with respect to emergency preparedness and civil defense.

Model Cities Program

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	1. Planning grants to city demonstration agencies		7,750	14,500
	2. Supplementary grants to city demonstration agencies		14,670	227,115
	3. Administrative expenses	750	2,580	8,385
	Total program costs, funded	750	25,000	250,000
	Change in selected resources [1]		49,750	397,500
10	Total obligations	750	74,750	647,500
	Financing:			
21	Unobligated balance available, start of year		−10,250	−147,500
24	Unobligated balance available, end of year	10,250	147,500	
40	New obligational authority (appropriation)	11,000	212,000	500,000
	Reconciliation of appropriation:			
	New obligational authority	11,000	212,000	500,000
	Appropriation to liquidate contract authority (transfers to "Urban renewal programs")		100,000	500,000
	Total appropriation	11,000	312,000	1,000,000
	Relation of obligations to expenditures:			
71	Obligations affecting expenditures	750	74,750	647,500
72	Obligated balance, start of year		18	49,768
74	Obligated balance, end of year	−18	−49,768	−447,268
90	Expenditures	732	25,000	250,000
	Expenditures are distributed as follows:			
01	Out of current authorizations	732	17,232	52,732
01	Out of prior authorizations		7,768	197,268

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, $0; 1967, $0; 1968, $49,750,000 1969, $447,250,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
25.3	Payments to "Salaries and expenses, demonstrations and intergovernmental relations"	750	2,580	8,380
41.0	Grants, subsidies, and contributions		22,420	241,620
	Total costs, funbed	750	25,000	250,000
94.0	Change in selected resources		49,750	397,500
99.0	Total obligations	750	74,750	647,500

Mr. Evins. Secretary Taylor, the Demonstration Cities and Metropolitan Development Act, the model cities statute, was enacted in 1966. This is 1968, and we are considering the model city program's budget now for the third year.

You have had about 2 years of planning. We all recognize the problems. As you said, there is a crisis in the cities. There have been many reports, congressional reports, ad hoc committee reports, special committee studies, which all recognize the problems of the cities.

You have had this job for 2 years now. You have assessed the problem. The model cities program is not one directed from Washington, it is one carried out in cooperation with the cities and the States. And as you can see, the model cities program would assist cities with a liberal and generous contribution. The cities could receive grants of an amount equal to up to 80 percent of the non-Federal share of grant programs underway in the model cities areas.

JUSTIFICATION MATERIAL

Mr. Reporter, please put pages B–1 through B–18 into the record at this point.

(The pages follow:)

MODEL CITIES PROGRAMS

Program Highlights
(dollars in thousands)

Program Levels	Actual 1967	Estimate 1968	Estimate 1969
Planning grants:			
Number of cities	...	130-140	...
Amount allocated	...	$ 22,250	...
Supplementary grants:			
Number of cities	...	63	130-140
Amount allocated	...	$200,000	$500,000
Urban renewal add-on	...	$100,000	$500,000
Administrative expenses (transfer to "Salaries and expenses, Demonstrations and Intergovernmental Relations")	($750)	($2,580)	($8,380)
Authorizations			
Planning grants	$ 12,000	$ 12,000	...
Supplementary grants	...	400,000	$500,000
Urban renewal add-on:			
Existing legislation	...	250,000	...
Proposed legislation	...	...	350,000
Appropriations			
Planning grants	11,000	12,000	...
Supplementary grants	...	200,000	500,000
Urban renewal add-on:			
Existing legislation	...	100,000	150,000
Proposed legislation	...	...	350,000

Budget Request

The Budget for 1969 proposes an appropriation of $1 billion for the Model Cities Program. This includes $500 million for supplementary grants and $500 million for the urban renewal add-on. As shown in the table above, new authorization of $350 million will be needed with respect to the urban renewal add-on.

Summary of Budget Program

Fiscal year 1968. In fiscal year 1968 Congress appropriated $212 million for planning and supplementary grants and an additional $100 million for the urban renewal add-on. In addition, $10,250,000 was carried forward into 1968 out of $11 million provided in the Supplemental Appropriation Act of 1967. This carry-over balance will be used for planning grants to the first group of cities which had submitted applications during fiscal year 1967.

Planning grants. Announcement of the first 63 cities to receive planning grants was made in November, 1967. These cities were the first selected after applications were received from 193 cities and counties by the closing date of May 1, 1967. The process of reviewing the applications and the names and characteristics of the cities selected are summarized beginnng on page B-10 of this section. It is contemplated that a number of additional cities may be added to the initial number approved for planning grants available for the first round of cities.

The 1968 Appropriation Act provided an additional $12 million for planning grants. Accordingly, a revised program guide was released in December, 1967, conveying instructions for applications for a second round. About 200-250 cities are expected to submit applications by mid-April, 1968. Approvals of allocations for planning grants are expected to occur prior to June 30, 1968 for approximately 70 second round cities.

Applications for supplementary grants. $200 million was appropriated for supplementary grants in 1968. The Budget proposes an additional $500 million in fiscal year 1969.

It had been anticipated originally that the planning period for the cities would normally extend from six to twelve months. Experience to date with the initial 63 cities in planning has indicated that a number of cities may take longer than

had been assumed earlier. Within current assumptions regarding the planning period, it is expected that the actual obligation of amounts for supplementary grants can begin during the summer of 1968.

Allocation of amounts for supplementary grants among the 63 cities, however, will occur during the Spring of 1968, while most cities are still in their initial planning stages. This is because it will be imperative for cities to ascertain early in their planning the probable levels of supplementary grants they can expect. Each city will be formally advised of the amounts for which it can plan, within the $200 million appropriated in fiscal year 1968.

Supplementary grants, 1969. Out of the Budget proposal of $500 million in 1969, approximately one-half, or $200 to $250 million will be used to round out the programs of the first group of cities. The balance of the appropriation would be used to provide initial allocations for the cities entering planning after the first round. Depending on the rate of progress and program requirements, a portion of the appropriation may be used to provide additional assistance to those cities sufficiently advanced that they will be ready for their second program year.

Urban Renewal Add-on. The Budget proposed that $100 million of the add-on would be reserved during fiscal year 1968. The estimate of $500 million will be reserved in 1969 to permit early incorporation and commitment of urban renewal activities scheduled for model city programs. This item is described further beginning on page B-7 of this section.

Program Description

The Model Cities Program is authorized by Title I of the Demonstration Cities and Metropolitan Development Act of 1966. The purposes of the program, as stated in section 101 of the Act, are:

To provide additional financial and technical assistance to enable cities of all sizes (with equal regard to the problems of small as well as large cities) to plan, develop, and carry out locally prepared and scheduled comprehensive city demonstration programs containing new and imaginative proposals to rebuild or revitalize large slum and blighted areas;

To expand housing, job, and income opportunities;

To reduce dependence on welfare payments;

To improve educational facilities and programs;

To combat disease and ill health;

To reduce the incidence of crime and delinquency;

To enhance recreational and cultural opportunities;

To establish better access between homes and jobs; and generally to improve living conditions for the people who live in such areas, and to accomplish these objectives through the most effective and economical concentration and coordination of Federal, State, and local public and private efforts to improve the quality of urban life.

Need for Model Cities Program

Nearly every city in the United States is confronting these basic problems: poor housing for a substantial number of residents; run down or deteriorated neighborhoods; traffic congestion; inadequate public services; crime and delinquency; loss of tax revenues and growing unemployment; and, the rising cost of providing basic municipal services. These problems affect the small towns as well as large cities. The problems of smaller communities, moreover, are often greater, proportionately, because of diminishing financial resources and the lack of technical know-how in dealing with the growing number and variety of problems. It is evident, too, that the problems of the cities are increasing at a rate faster than present efforts merely to keep pace with existing needs.

Federal programs to assist in the solution of urban problems, dating back over three decades, traditionally addressed such problems on a narrowly conceived categorical basis, limiting aid to a problem of housing, or welfare, or education, etc. While there has been a variety of programs, they have developed separately, at different times, with specialized emphasis and limited objectives, and through a large number of differing administrative channels. It has become increasingly clear with the passage of time that they have not provided an adequate means of dealing with the complex, interrelated problems of the urban community.

Existing Federal programs encourage cities to attack parts of the problem. But the testimony of city officials, as well as that of business and university leaders concerned with the city, has stressed that the problem of the slum and its culture must be attacked as a whole if a reasonable solution is to be achieved.

The essence of the Model Cities Program is that it will provide an opportunity to test the effectivensss of a series of projects tailored to local needs. These projects will have certain things in common. Each will plan carefully, analyzing problems on the basis of data obtained from the individual community. Each will select a geographical area representative of severe urban problems but small enough to achieve impact with limited funds. Each will try to coordinate Federal, State and local resources. But each will be a locally designed and administered project.

Program Requirements

A local Model Cities program will be eligible for assistance if it is consistent with the intent and purposes of the Act summarized above. In general:

1. It should be comprehensive. The program is intended to exert a substantial thrust at the basic problems of human and physical deterioration in our cities. The local program should encompass all of the deep-rooted social and environmental problems of a neighborhood.

2. It should be a concentrated effort. The execution of a comprehensive program will require the cooperation and coordination of Federal, State, and local public and private resources. Available talent and skills must be joined together. Local leadership, private initiative, and the citizens of the model neighborhood will have to be mobilized to develop and implement such a program. In order to effect such a concentration of effort and to achieve impact with limited resources, the size of the model neighborhood will be limited, though large enough to assure substantial impact on the city as a whole.

3. It should coordinate governmental and private efforts. In order that the various elements of a comprehensive program are concentrated in the model neighborhood in an effective and economical manner, all efforts must be coordinated. There must be full cooperation of Federal, State, local, and private participants to coordinate all elements of the program.

4. It should include new and imaginative proposals. The program is a demonstration program, designed to develop new approaches to solving longstanding problems that have brought many cities to a point of crisis. Cities should look upon this program as an opportunity to experiment, to become laboratories for testing and refining new and better methods for improving the quality of urban living. Improved ways of reaching the city's poor should be found and developed. New approaches toward improving city administration and making it responsive should be explored. New methods for using modern technology in meeting city problems should be encouraged.

5. It should make a substantial impact. The program should substantially improve the conditions of life and the quality of the environment in the model neighborhood. The neighborhood's residents should be the direct and immediate beneficiaries. However, the rest of the city, and other cities, should benefit from the solutions to the urban problems which are expected to result from the model cities approach.

Types of Assistance Authorized

Assistance under Existing Federal Programs. The Act contemplates that assistance under the Model Cities Program will be in addition to - and not a substitute for - assistance available under other Federal programs. The Model Cities Program will encourage and facilitate more efficient use of other programs through improved coordination, among Federal programs themselves and with relevant State and local public and private efforts.

Financial Assistance under the Model Cities Program. The Act authorizes the following four types of financial assistance:

1. Grants of 80% of the costs of planning and developing local model cities programs.

2. Grants of 80% of the cost of administering approved programs.

3. Supplementary grants of not to exceed 80% of the aggregate amount of non-Federal contributions required in Federal programs carried out in connection with approved model cities programs.

4. Additional grants in the urban renewal program for urban renewal projects scheduled to be carried out within approved model cities programs.

Technical Assistance. In addition to financial assistance, technical assistance is authorized to assist in planning, developing, and administering local model cities programs.

Explanation of Supplementary Grants

Supplementary grants are grants which supplement the assistance available under other grant-in-aid programs. The maximum supplementary grant authorized by the Act may not exceed 80% of the aggregate amount of non-Federal contributions otherwise required to be made to all projects or activities assisted by Federal grant-in-aid programs which are carried out in connection with the local model city program. The specific amount of any supplementary grant shall take into account the number and intensity of the economic and social pressures in the sections or neighborhoods involved.

The supplementary grant is not earmarked for any one specific type of project or activity. It will normally be used to carry out non-federally-assisted projects, although it may also be used to provide part of the required local share of the cost of other Federal grant-in-aid programs. It may not be used for the general administration of the local government, or as a substitute for local funds already obligated.

The Urban Renewal Add-on

The urban renewal add-on was provided by section 113 of the Demonstration Cities and Metropolitan Development Act of 1966, which amended the Housing Act of 1949 by providing an additional urban renewal contract authorization of $250 million. $100 million of this authorization was appropriated in 1968. The estimated balance of the authorization of $150 million, plus an additional $350 million under additional authorization to be proposed, is being requested for 1969. This will provide a total of $500 million in 1969 for urban renewal activities in model neighborhoods.

Need for the add-on. In authorizing the Model Cities Program, Congress recognized that unless specific provisions were made, intensified urban renewal activities in model cities areas might result in diversion of funds from badly needed urban renewal programs in other areas. To prevent this, the Act specifically provided an additional $250 million in urban renewal funds to be used solely for projects undertaken in connection with approved model city programs.

A recent survey of model cities needs indicated a probable effective demand of approximately $850 million. This is composed of existing applications for assistance currently pending before the Department as well as proposals under consideration by localities for submission within fiscal years 1968 and 1969. This is, however, only a preliminary indication of demand since the model cities are just getting started in their planning processes and it is not yet possible to develop comprehensive estimates on a city-by-city basis.

Based on current surveys, however, as well as prior operating experience with ongoing urban renewal activities in the designated cities, it appears clear that the total need will develop in excess of the $850 million already identified. The $500 million requested for 1969 will provide for that portion of the total need which, it is estimated, the cities will be able to move forward with in the year.

While all urban renewal activities may be used in these areas, urban renewal projects and code enforcement programs are expected to make the major contribution toward changing the physical characteristics of the model neighborhoods. The description and benefits of these and other urban renewal activities are furnished in Part 2 of these Justifications. The accomplishments since inception of urban renewal activities demonstrate that such activities are among the most effective tools available to deal with the physical, economic, and social problems in the model neighborhood areas. These activities will provide a major impact in restructuring the urban sectors represented by model neighborhoods.

Current Program

Following issuance of the Model Cities Program Guide, Improving the Quality of Urban Life, in December of 1966, 193 cities and counties submitted applications for planning grants.

A unique process was used in reviewing these applications, which involved the extensive use of an Interagency Review Committee. This committee was composed of representatives of the Federal Departments and agencies primarily interested in the problems of the proposed model neighborhoods, including the Departments of HEW, Labor, Commerce, Agriculture, and Justice, and the Office of Economic Opportunity. Other agencies were invited to participate where a city's proposals might require their subsequent involvement.

Upon completion of the review process, the Department announced the 63 cities and counties whose applications for planning grants were approved. These are listed on the following page.

Based on the experience gained in the review of the first round of applications, the Program Guide was revised in December of 1967. A second round of applications is expected to be received during the month of April, 1968.

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CITIES SELECTED FOR MODEL CITY PLANNING GRANTS

(City populations based on 1965 estimates)

Alabama

Huntsville (127,000)

Arkansas

Texarkana (21,000)

California

Fresno (156,000)
Oakland (378,000)
Richmond (83,000)

Colorado

Denver (520,000)
Trinidad (10,000)

Connecticut

Bridgeport (156,000)
Hartford (158,000)
New Haven (151,000)

District of Columbia

Washington, D.C. (802,000)

Florida

Dade County (1,064,000)
Tampa (305,000)

Georgia

Atlanta (535,000)
Gainesville (18,000)

Hawaii

Honolulu (611,000)

Illinois

Chicago (3,520,000)
East St. Louis (82,000)

Indiana

Gary (179,000)

Iowa

Des Moines (216,000)

Kentucky

Pikeville (5,000)

Maine

Portland (72,000)

Maryland

Baltimore (925,000)

Massachusetts

Boston (616,000)
Cambridge (104,000)
Lowell (87,000)
Springfield (166,000)

Michigan

Detroit (1,660,000)
Highland Park (36,000)

Minnesota

Duluth (104,000)
Minneapolis (465,000)

Missouri

Kansas City (530,000)
St. Louis (710,000)

New Hampshire

Manchester (90,000)

New Jersey

Hoboken (47,000)
Newark (395,000)
Trenton (107,000)

New Mexico

Albuquerque (242,000)

New York

Buffalo (505,000)
Central and East Harlem, New York City*
Central Brooklyn, New York City*
South Bronx, New York City* *(8,080,000)
Poughkeepsie (37,000)
Rochester (305,000)

North Carolina

Charlotte (230,000)

Ohio

Columbus (540,000)
Dayton (260,000)
Toledo (354,000)

Oklahoma

Tulsa (280,000)

Oregon

Portland (380,000)

Pennsylvania

Philadelphia (2,030,000)
Pittsburgh (560,000)
Reading - Berks County (95,000)
Wilkes Barre (59,000)

Puerto Rico

San Juan (580,000)

Rhode Island

Providence (190,000)

Tennessee

Nashville - Davidson County (261,000)
Smithville - DeKalb County (11,000)

Texas

Eagle Pass (14,000)
San Antonio (645,000)
Texarkana (32,000)
Waco (105,000)

Vermont

Winooski (8,000)

Virginia

Norfolk (322,000)

Washington

Seattle (565,000)

Characteristics of Participating Cities

Size and Geographical Distribution. The 193 applications received came from 47 States and from cities and counties ranging in population from 1,200 to 8,000,000. Those selected for planning grants were from places in 35 States, including Puerto Rico and the District of Columbia, ranging in population from 5,000 to 8,000,000. The distribution by size is shown in the following table:

Population Range	193 Applicants	63 Approved Cities
1,000 - 4,900	6	--
5,000 - 9,900	12	2
10,000 - 24,900	27	5
25,000 - 49,900	30	4
50,000 - 99,900	36	7
100,000 - 249,900	35	15
250,000 - 499,900	24	11
500,000 - 749,900	12	12
750,000 - 999,900	4	2
Over 1 million	7	5
Totals	193	63

Because of the concentration of slums and blight in the larger cities, it was not unexpected that those cities were quick to respond to the program. Over 83% of cities of over 250,000 submitted applications. The cities selected for planning grants included 56% of those in this size category and 30% of all cities in the country of over 100,000. Eighteen of the selected cities, or about 30% of the total, have populations under 100,000, 11 are under 50,000, and 2 are under 10,000.

Identification of Major City Problems

The selected cities represent a cross-section of the country with respect to their substantive characteristics as reflected in their own identification of their most intense problem areas. The areas most frequently identified are (1) housing, (2) employment, (3) education, (4) citizen participation, (5) social and welfare services, and (6) crime and delinquency.

Housing. In all of the recipient cities, it will be necessary to devote a substantial effort to ascertain the the kinds and extent of housing problems.

Nearly all were compelled for the lack of available information to rely on previous census data in the preparation of their applications. However, in each of the cities, it was impossible to ascertain some general awareness of the scope of the housing problem. Consequently, all of the cities proposed to develop and carry out programs for housing rehabilitation. 94% proposed to develop and encourage some form of housing ownership program. 86% indicated the need to use a rent supplement program in some form. More than a third proposed the development of nonprofit public development corporations.

Most cities indicated that they would be relying on existing Federal programs to achieve their goals. This is supported by the number of low-income families in the model neighborhoods--about one-third having incomes less than $3,000 a year.

Employment. The data available reveals that the model neighborhoods suffer disproportionately high levels of unemployment. The cities' proposals were of four inter-related types primarily: (a) to increase the skills of the labor force; (b) to match more efficiently people and jobs; (c) to develop employment opportunities (including developing small businesses); and (d) to provide a battery of supportive services (health, legal, social, etc.) to the labor force in a coordinated, but decentralized fashion.

The cities will be making extensive use of such programs as the Neighborhood Youth Corps, and those under Title V of the Economic Opportunity Act, and the Manpower Development and Training Act. The cities have indicated intention to seek a substantial involvement of the private sector in cooperative programs to provide training. In a number of ways the program of the model neighborhood will be a source of jobs itself and a means of training. Subprofessional jobs will become available to conduct surveys, do case work, furnish health aides, and staff assistance to professional persons active in the program. Construction jobs are expected to become available where building and rehabilitation projects are involved. The cities have indicated that there will be opportunities for neighborhood residents in such projects.

Education. The cities' concern for education needs in the model neighborhood were summarized into three areas: (1) the need to increase links between the neighborhood school, and the educational system, to the community; (2) the need to link education and opportunities for employment; and (3) the

need to reallocate school resources, including structures, to revise school curricula and teaching methods, and to explore innovations which will provide special emphasis for the disadvantaged of the community.

Specific measures were proposed, which cities will explore and develop further as they continue their planning. It has been evident, however, that much needs to be done to relate employment problems due to educational deficiencies. Vocational education will be given special emphasis, both for adults and for youth.

Citizen Participation. Heavy stress has been placed on maximum citizen participation during the planning process. The 63 cities are developing or improving the mechanisms for involving residents during the planning period and thereafter. It was evident from the first round of applications that there was need to involve residents earlier in the process than after planning grant applications have been approved. Consequently, the revised planning guide for the second round of cities has clarified this requirement and has urged cities to bring the community into the early stages of the application process as well.

Social and Welfare Services. The 63 cities have given a somewhat lower emphasis to social and welfare service programs than to education, employment and housing. This is related to their objective of reducing welfare dependence by improved education programs and by intensive efforts to reduce unemployment.

A major effort of the cities will be the coordination of existing social and welfare services and such expansion of services where required. Here, too, cities will be involved in efforts to link such services into the other components of education, employment, and housing. A wide array of services have been proposed by the cities: day care centers for working mothers; emergency child care; consumer services; youth guidance programs; legal services; community organization; services for the aged, the physically and mentally handicapped, and those afflicted with alcohol or drug addiction.

Crime and Delinquency. 70% of the cities made clear in their proposals that improvements in the above components were vital to their crime prevention efforts. Consequently, the anti-crime and anti-delinquency programs were geared heavily

toward crime prevention and improved police-community relations. They saw the need for improved police-community relations, proposing such activities as special police-community officers and programs, police-citizen committees. strengthened police training which stressed human relations, aggressive recruitment of minority group policemen, and public education on law, law enforcement, and respect for the law. Improved use of police facilities and technology was proposed, too. This included such measures as improved police mobility, computerized techniques for record keeping, selective deployment of police based on current crime rates, decentralization of police facilities, increased foot patrols, and improved monitoring and communications equipment. It is expected that crime prevention will be a part of every program.

Private Sector Participation. Evidence of strong citizen involvement and cooperation with city officials emerge in a number of cities. Richmond, California began working on its planning grant application as early as 1966 by involving the citizens heavily. It sought union and business support. For example, the Wells-Fargo Bank and the Building and Construction Trades Union council is talking with the city about committing "seed money" for new housing and for rehabilitation of existing units. In St. Louis, the Associated General Contractors and a Teamster-supported foundation joined the city in interim funding of its program prior to Federal approval of the city's application.

McDonnell-Douglas aircraft company is helping St. Louis by developing an information and data collection system for the Model Cities program. The same firm assisted East St. Louis with the costs of developing its application, while Monsanto and Westinghouse offered to assist that city in developing its data processing system. Polaroid Corporation and the John Hancock Life Insurance Company are considering paying salaries of some technicians in the Boston program. IBM plans to provide technical assistance to Poughkeepsie, and the Westinghouse Corporation, working with the Greater Baltimore Committee is undertaking a model information system research project in the Baltimore neighborhood.

Universities, colleges and philanthropies also are becoming involved. The University of Oklahoma is playing a large role in developing Tulsa's plan as are the University of Indiana and Purdue University in Gary, Indiana, and Southern Illinois University in East St. Louis. Other schools similarly engaged in Model Cities planning activities are Texas A&M and the Connally Technical Institute, which are developing "in residence" training programs for entire families from the Waco model neighborhood.

Cooperation among Local Agencies. To make the maximum use of local and Federal resources in the model neighborhood, as the Act requires them to, cities must draw local agencies together into concerted planning and action. This is one of the most difficult aspects of the Model Cities idea, but it has begun to take shape in cities across the country.

Duluth has established an interagency coordinating committee, composed of the administrative heads of city agencies, which will be formalized by a joint powers agreeement. The Model Neighborhood Agency in Detroit is getting letters of understanding from city departments for utilization of staff and other resources, on either a reimbursable or loan basis. Denver, Nashville, and Philadelphia have agency officials on a policy board which also includes private organizations.

In Rochester, city agencies have agreed to coordinate all of their activities in the model neighborhood through a Model Neighborhood Council composed of citizens from the area as well as municipal officials. Lowell, Massachusetts, is expediting plans to consolidate several city departments in order to plan their program more effectively. The Model Cities idea demands interagency cooperation beyond the municipal level, counties and states also must be involved. Outstanding examples of county-city coordination are developing between Berks County, Pa., and Reading, in the Smithville, Tenn., effort, where four municipalities and DeKalb County are working together under a joint powers agreement; in Charlotte, N. C., where city and county officials are represented on the Model Neighborhood Commission; and in Atlanta where state and county officials are equal members with city officials and citizens on the policy-making board.

State Involvement. State commitment and cooperation is developing in various parts of the country. Both New Jersey and Pennsylvania are offering financial assistance to cities in planning Model Cities programs, regardless of whether these cities were awarded first round planning grants. These states also are offering technical assistance to cities. Connecticut is planning to provide technical assistance to neighborhood groups and New York State intends to appoint a liaison person to each Model City in the state to coordinate state programs. The governors of both Massachusetts and Vermont have backed legislation to assist their cities in carrying out the Model Cities program. In Texas, Governor Connally has called a meeting of local, state and Federal officials to discuss the Model Cities program. California and Washington have formed Model Cities liaison committees. Many other states, including Oregon, Illinois and Virginia have indicated strong interest.

Proposed Use of 1968 and 1969 Supplementary Grant Appropriations

The 1968 appropriation for supplementary grants is $200 million. The proposed appropriation for 1969 is $500 million.

In the interest of avoiding planning activities which result in plans which are not realistic in terms of funding their execution, it is essential that the cities be advised, early in the planning process, of the amount of supplementary grant assistance likely to be available to them. For this reason it is planned to reserve or earmark for each city an amount of supplementary grant assistance which will enable that city to develop its plans with some reasonable expectation (provided they qualify with respect to their quality, the supplementary grant formula, and all other requirements for approval) that funds will be available to carry them out.

The $200 million appropriated for supplementary grants in 1968 will be allocated among the cities in this manner shortly after their planning budgets have been approved. This amount will be made known to each city to provide a minimum planning figure around which it can prepare its basic program.

At the same time, each city will be given an indication of the amount for which it may plan from 1969 appropriations, assuming their enactment. This preliminary allocation of the 1969 appropriation would be made in order to allow each city to round out its program and provide adequately for its

main program components. Consequently, each city will receive a combined allocation consisting of a minimum base planning amount and a tentative additional amount pending approval of its complete program and the availability of funds.

Approximately one-half--$200-$250 million--of the appropriation for 1969 would be used to complete the rounding out of each city's program. The balance of the appropriation would be used to provide supplementary funds for the cities entering planning during 1969 and for cities expected to enter into their second execution year.

INTEREST IN THE PROGRAM

Mr. EVINS. How much interest would you say has been evidenced in this program. How many cities have evidenced an interest in this program? I know there are some which are disappointed because they have not been selected yet; but I want you to put in the record the expressions of interest.

Mr. TAYLOR. We have had a fantastic amount of interest, Mr. Chairman. We had 193 applications submitted to us in approximately a 3-month period, during which applications were opened after the program guides came out. We have, as you know, selected 75.

We have, as of now, received official notification via a letter of intent to file from 137 cities for a second round of cities. And the letter of intent is not a mandatory prerequisite for filing, so we are sure we will have approximately 200 applicants for this second round, which will close on April 15.

Mr. EVINS. 200 cities will be participating in the second round of the program. How far along have you come since your first announcements?

Mr. TAYLOR. As you know, sir, the program was funded in October of 1966, which is approximately a year and a half ago. At that point we knew that money would be available.

The first group of cities was selected in November of 1967, again after the appropriation process, when we knew what money would be available.

As of today, 53 of the 63 cities in that first group have submitted revised work programs to our regional offices. The revised work programs were needed because the cities had asked for approximately 50 percent more in the way of planning funds than we had available to allocate to them. So that in every case cities when named—most of them had to start from a standing start—had to revise their work programs, work out their relationships with the citizens and the other governmental entities in the community, and come in with new programs. So 53 of the 63 have submitted revised work programs; 44 of those 53 have been approved, and the contract is being tendered to them obligating about $6 million in planning funds.

Mr. EVINS. You expect 200 cities to participate in the second round. And 75 have been selected out of the first round. Of the 75 that have been thus far selected, 53 have submitted revised plans.

Mr. TAYLOR. We asked them to cut their planning work program down to the dollars that were available.

ALLOCATION OF PLANNING FUNDS

Mr. EVINS. Has all the money for planning, which has been appropriated to date, then, been allocated and committed?

Secretary WEAVER. No.

Mr. TAYLOR. No. All of the first $11 million has been allocated. The second $12 million is being held for the April 15 program and the second group of cities.

Mr. JONAS. May I ask one question on that point?

Mr. EVINS. Surely.

Mr. JONAS. You say 60 of the original group had to revise their plans upward?

Mr. TAYLOR. No, sir. We asked them to revise their work programs down.

Mr. JONAS. Did you ask any of them to revise them up?

Mr. FARR. There were a couple of cities whose pro rata share of the $11 million would have been more than they initially put in their work program in the application. I think a couple of them may have actually received larger planning grants.

Mr. JONAS. More than they even asked for?

Mr. FARR. Than they asked for in the original application.

Mr. TAYLOR. By a very small amount. These are communities that did not have experience. We knew they would be in trouble with what they asked for.

Mr. JONAS. I know of at least one city you told to revise their sights upward, and made a grant of more money than they originally asked for, a pretty substantial additional sum of money, which they were very glad to have, but they had not asked for it.

Mr. TAYLOR. It is possible.

Mr. BOLAND. That could not have been done with very many of them.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. TAYLOR. Most of them were revised substantially downward.

Secretary WEAVER. I think the answer to this is that if a city comes in, and its sights are too low in a program like this, you are wasting your money. You have to get at least a minimum amount of impact, or else there is no reason to do the program.

Mr. BOLAND. In the vast majority of cases, the sights were too high.

Mr. WOOD. I think the other thing to say here is that this was a completely new kind of planning effort on a scale, and with utter complexity, that had not been undertaken before. It was a new kind of application process.

Mr. EVINS. All the original appropriation for planning has been committed, and most of the second planning appropriation of $12 million will be utilized with this second round of announcements.

Secretary WEAVER. All of it by the summer.

Mr. TAYLOR. Yes, sir.

CITIZEN PARTICIPATION

Mr. EVINS. Mr. Secretary, how do you get the communities properly involved?

This has been a big debate in Congress. Some said that you would let the citizens run the program; others said, let it be run through the cities. All of these programs are now approved by the city authorities. Yet, it is fine to have citizen participation. How is this working out?

Mr. TAYLOR. Mr. Chairman, I am very pleased at the way it is working out. It is working out in community after community with the creation of what is, in effect, a new set of channels between the people of the neighborhood and city hall. We have assigned program responsibility to the governing body, the chief executive of the com-

munity. Our contract and our relationship is with city hall.

We have at the same time, in accordance with the congressional mandate, developed a set of performance standards that are very simple. They do not specify how it is to be done, but they specify a set of standards against which we can measure what is being done locally. Those standards essentially call for a relationship between the people of the neighborhood and city hall that involves the citizens that gives them an opportunity to influence, to be heard on policy and on administration.

We are getting a variety of responses to that approach that meet the performance standards and that are new for the community. I would like, for example, to cite the situation in Dayton, Ohio, in an area where there had been a riot just a year ago. There was an election, one of the ways in which people can be selected, but we do not specify or require or encourage elections. There was an election to elect 27 representatives to the Dayton Model Cities Planning Council to serve as full partners with the city government. Twenty-four percent of the residents over 18 years old voted. That is about 50 percent of the registered voters in the area.

Mr. BOLAND. That is really remarkable.

Secretary WEAVER. Real democracy.

CITIZEN PARTICIPATION IN DES MOINES

Mr. TAYLOR. In Des Moines, 22.5 percent of those eligible voted. We are very pleased with the kind of patterns of development.

Mr. JONAS. The percentage does not mean much. How many people voted?

Mr. FARR. 1,850.

Mr. TAYLOR. 1,850 people. We are talking of a neighborhood of——

Mr. FARR. 8,000 people over 18.

Mr. BOLAND. 8,000 over 18.

Mr. FARR. Of which 1,850 voted.

Mr. JONAS. Was this a separate election?

Mr. TAYLOR. Yes, sir; a separation election.

Mr. JONAS. How was it conducted?

Mr. TAYLOR. It was conducted by the city. The Dayton election board contributed voting machines, the schools were made available as polling places and local model cities employees worked nights and weekends with the volunteer citizens committee to organize the election. It was held, using city facilities and city equipment.

Mr. JONAS. It was not completely spontaneous, then? It was an organized effort to get out a big vote?

Mr. TAYLOR. It was an organized vote, to have people express their views on the issues, as represented by the people who were running.

Mr. JONAS. What were the issues involved in that election?

Mr. FARR. This was to elect members of a policy committee, which will consist partially of representatives of the model neighborhood and partially of representatives of the city government and of the various other public agencies.

Mr. JONAS. Did candidates names appear on a ballot?

Mr. FARR. Yes. The neighborhood was divided into nine precincts, nine geographical areas, and in each area any citizen who wanted to appear on the ballot had to get a certain number of——

Mr. JONAS. Signatures.

Mr. FARR (continuing). Signatures on a petition. And then those that did appear on a ballot electioneered for themselves; and as I said, the elections actually took place in the schools in the area.

Mr. JONAS. Instead of regular polling places?

Mr. FARR. They were polling places.

Mr. JONAS. I say instead of at their regular polling places?

Mr. FARR. I think they were in schools. But whether they are their regular polling places, I do not know.

Mr. BOLAND. It was an organized effort; but it was an effort which was organized by the people within the area.

IMPACT OF CITIZEN PARTICIPATION

Mr. EVINS. What the Secretary has testified to is that the cities and the League of Cities supported the program, and the people supported it by the referendums that have been held. The Secretary also pointed out the need for the program.

I think it is worthy of emphasizing that more than 3.5 million people are in the model city areas of the 75 cities already selected for planning, 31 percent of the families therein have incomes under $3,000, 10 percent of the residents are unemployed, and 40 percent of all persons over 25 have less than an eighth grade education. I think the real solution to a lot of our problems is in the area of education.

Off the record.

(Discussion off the record.)

PARTICIPATION BY THE POOR

Mr. EVINS. There is a good article from the Wall Street Journal that says:

HUD is doing its best to benefit from the poverty war's mistakes. The Weaver policy statement identifies the city government, not neighborhood organizations, as "the principal instrument for carrying out the model cities program." H. Ralph Taylor, the HUD assistant secretary in charge of model cities planning, explains: "The problems of the neighborhood are not soluble by the neighborhood residents alone; there's a distinction between participation in decision-making and power over decisions."

"If poor people are going to be making judgments," HUD's Mr. Taylor says, "they ought to have access to people they trust to help them make decisions and perhaps come up with alternatives to what the city proposes." The result, as Mr. Taylor sees it, will be "better-informed judgments" and less "suspicion" on the part of the poor of social-uplift plans.

I think that is all very good. I will place this article in the record.

(Article referred to follows:)

[From the Wall Street Journal, Mar. 4, 1968]

REVOLUTION FEARS IN POVERTY WAR

(By Monroe W. Karmin)

DETROIT.—A trip to this city of Fords, Chevrolets, and Plymouths offers the visitor unique insight into what may be happening back home among the Johnsons, Weavers, and Shrivers—with important implications for the poor.

In a poverty-stricken neighborhood here in the auto capital, Urban Secretary Robert Weaver's "model cities" program, which pays mayors bonus sums for

social as well as physical slum rehabilitation, has been plunked down amid three target neighborhoods staked out years ago by Director Sargent Shriver's antipoverty war. It takes no great stretch of the imagination to visualize, in years to come, an expanding model cities target area gobbling up its neighbors until model cities and antipoverty become one and the same.

Back home in the Nation's capital, President Johnson has vowed his determination to make choices among the many Great Society experiments at social problem-solving. "We cannot do everything we would wish to do," Mr. Johnson's new budget acknowledges. "And so we must choose carefully among the many competing demands on our resources."

In setting his priorities, the President is clearly favoring model cities, requesting $1 billion from Congress for each of the next 3 years. He is also beginning to snip at the poverty war; witness the recent closing of 16 Job Corps camps and the bobtailing of Headstart's expansion plans.

SURPRISE FOR THE POOR

If the geography of Detroit truly reflects the thinking of Washington, then the Nation's poor are in for a surprise—one they are not now fully prepared for. Mr. Weaver holds a more moderate view than does Mr. Shriver on the role the poor should play in the public-policy decisions that affect their lives.

Mr. Weaver, and his theorists at the Department of Housing and Urban Development, believe the poor should be encouraged to participate in such decisions, but should not be deceived into thinking they have a right to control them. In Detroit and elsewhere, many slum leaders developed by the Shriver poverty program still harbor the misguided hope that Washington will boost them to power over city hall.

It's not going to happen.

The HUD view is set forth in a policy statement on citizen participation in the model cities program issued last fall. It requires:

"The constructive involvement of citizens in the model neighborhood area and the city as a whole in planning and carrying out the program, and the means of introducing the views of area residents in policymaking should be developed and opportunities should be afforded area residents to participate actively in planning and carrying out the demonstration."

The key word, of course, is "participate": HUD officials want to encourage slum residents to express their views and work with city hall in planning housing, educational, recreational, and other improvements for their neighborhoods. Nowhere in the policy statement is the word "control." In HUD's opinion, that was the poverty war's original sin, suggesting to the downtrodden that they ought to have "control" over public-policy decisions—a misconception that persists today.

It was this misunderstanding that prompted Congress to insist that antipoverty funds go through city hall, not around it. Mayors are attempting to set the record straight; Detroit's Mayor Cavanagh makes clear, "We are not giving them any power over the mayor's office."

And HUD is doing its best to benefit from the poverty war's mistakes. The Weaver policy statement identifies the city government, not neighborhood organizations, as "the principal instrument for carrying out the model cities program." H. Ralph Taylor, the HUD assistant secretary in charge of model cities planning, explains: "The problems of the neighborhood are not soluble by the neighborhood residents alone; there's a distinction between participation in decisionmaking and power over decisions."

Though final decisionmaking power rests with city hall, the HUD proposition contains an added ingredient for residents, again an implied criticism of the antipoverty way of doing things. The Weaver team is encouraging mayors to provide neighborhood residents with something HUD believes the poverty war gave short shrift: The expertise on which to base intelligent judgments. The mayors can do this in one of two ways—either by lending members of their city planning staffs or by giving residents funds so they can hire their own planners (Detroit is doing the latter).

LESS "SUSPICION"

"If poor people are going to be making judgments," HUD's Mr. Taylor says, "they ought to have access to people they trust to help them make decisions and perhaps come up with alternatives to what the city proposes." The result

as Mr. Taylor sees it, will be "better informed judgments" and less "suspicion" on the part of the poor of social uplift plans.

Nevertheless, Mr. Taylor imposes a limitation even on this power. He wants neighborhood residents to know that the purpose of model cities help is to provide them with new weapons to change conditions, not to change city hall or society at large. "We are leery of those who seek to generate conflict merely for the sake of conflict," the HUD official says.

If that sounds like the speech of a man fearful of revolution, then so be it. For, in truth, the theorists at HUD believe the poverty war, in its original conception, bordered on the bizarre and, given its head, could have amounted to a federally financed revolution.

To a "black power" apostle here in Detroit, the HUD approach indeed appears to bar the possibility of revolution. Insisting that Negroes must be given the absolute right to determine what's good for themselves, the Reverend Albert B. Cleague, Jr., pastor of Central United Church of Christ, thinks citizen participation in the model cities program is "baloney," even though most of the citizens taking part in the Detroit program are Negro.

The reason for his disdain is significant. "Citizen participation must come out citizen control," he declares, "which is unlikely because the cards are stacked for it to come out the other way."

He's right.

Mr. EVINS. Gentlemen, I think the need and interest in the program has been well demonstrated. I think it is a popular program. I think you have got it off on sound footing based on the statement the Secretary made here.

It is operated through the local governments.

REVIEW OF PLANNING GRANT REQUESTS

Mr. BOLAND. You say that now, Secretary Taylor, 75 cities have been selected for planning grants. All of these 75, as I understand it, will be funded by the $11 million which was appropriated a couple years ago?

Mr. TAYLOR. That is correct, sir.

Mr. BOLAND. And you expect that perhaps the same number might be funded with the $12 million for planning which was appropriated last year. None of this has been allocated yet, apparently.

Mr. TAYLOR. None of that has been allocated.

LETTERS OF INTENT

Mr. BOLAND. You indicated that April 15 is the closing date for the second group. Do you take a letter of intent as an indication—would that be sufficient—or must a full application be filed by April 15 in order to be considered for a planning grant under the second go-around?

Mr. TAYLOR. A full application must be filed, sir. We set up the letter-of-intent procedure in the instructions that went to the cities, so that we could get them thinking earlier of how the pieces would fit together and so as to put us on notice, and we in turn could respond by giving would-be applicants some help.

AMOUNTS REQUESTED IN PLANNING APPLICATIONS

Mr. BOLAND. You indicated that you had some difficulty with some of the applications for planning grants, because some of them perhaps were a little bit too large. They actually were asking for a lot more money than was available, and you say that the applications

indicated that if you were to fully fund all the applications, it would have been 50 percent more than you actually had.

Mr. TAYLOR. Yes, sir. And when we asked them to revise their work programs down, some of the cities said, "No, we do not want to revise them that far down, we will put in our own money." And we have San Juan putting in $195,000 more than the 20 percent that is required. Pikeville, Ky., putting in $27,000. We do not have a complete list. Denver is providing over $300,000 more than the 20 percent required, in order to carry out the intensive work program which they had submitted to us because they feel so deeply about the potential of this program.

COOPERATIVE EFFORT IN THE PROGRAM

Mr. BOLAND. Let me say that this is a program that I deeply believe in, and a lot of the Members in Congress do, too. From what I have seen of it so far I think that it definitely shows that this is the only real program where there is involvement by the people with whom we are concerned. There is total involvement by the people in these areas, and these are people who, I think, up to now, have felt that they have been left out.

There has been consultations between the responsible municipal officials in these areas, I am sure. I think this is the first effort where we have actually had cooperation between those areas that will be the neighborhoods that will benefit by model cities and the city officials themselves.

We have had a lot of difficulty with the poverty program in this respect, but here the city official definitely has a responsibility. He is the one that is almost totally responsible for it, at least that is where the personal responsibility lies, with the mayor or the town fathers; and they in turn have to look to the areas that will benefit to get the cooperation that is going to make this program work. I think it is the only program that really does this.

I for one hope it works, and I am sure it will.

Let me say I want to compliment this Department, the Secretary, and all of his staff, for what you have done. This is not an easy task.

There are a lot of emotions involved here. There are personality clashes, I presume, in all these areas. And I must say that the regional office in New York, that is handling these problems in that section of the Nation, has had some very difficult choices and very difficult problems. But I must say that their dedication to this program, I think, is excellent. This is one way, in my judgment, that this program is going to succeed, because of the feeling of the people that work for the Department. I think this is the feeling of the Secretary and all of those involved, and I think it has seeped down to the regional offices, and I am delighted.

I think because of this, it will work well.

Secretary WEAVER. Thank you, sir.

Mr. TAYLOR. Thank you.

STATUS OF CITIES IN PLANNING

Mr. GIAIMO. I got here a little late, Mr. Chairman. If this is repetitious and already in the record, just tell me and I will drop it.

Of the 75 cities that you selected for planning, have you told us what progress has been made in going from planning to contracts?

Mr. TAYLOR. I have put in the record, Congressman, the number under contract. We have tendered 44 contracts.

Mr. GIAIMO. Forty-four of the seventy-five?

Mr. TAYLOR. Well, it is really 44 of the 75, but the last 12 were announced only 2 weeks ago; so it is 44 of the 63 originally selected.

Mr. GIAMIO. So that means that 44 of them are now ready to start and ready to get their money?

Mr. TAYLOR. Right.

Secretary WEAVER. Some of them have already started.

Mr. TAYLOR. We set up a procedure, sir, whereby the city could come in to us and get a letter, a very simple letter, that said, "Here, you proceed in accordance with an agreed-on figure and we will reimburse you when the contract comes."

With this letter to proceed, the planning has not had to wait for the execution of the contract.

Mr. GIAIMO. What about the balance of the planning cities? How are they coming along?

Mr. TAYLOR. We have had 53 revised work programs.

Secretary WEAVER. I think he mentioned the second group. You mean the second group?

Mr. GIAIMO. No, the first group.

LONGER PLANNING PERIOD NEEDED BY SOME CITIES

Mr. TAYLOR. We have 53 of the 63, and there are 10 that, for one reason or another, some very sound and some reflecting problems in their own community, are taking a little extra time. We have some communities, for example, where I think with great wisdom they have said we do not want to do the revised work program until we have worked out the nature of our relationship with the people in the neighborhood; because if we submit this now, they are going to be suspicious of it. They are not going to work with us. We would prefer to take the extra couple of months and work out the relationship and then come in with the work program.

We have agreed to that.

Secretary WEAVER. I think what needs to be emphasized, and Congressman Boland referred to this, is, first, the extreme difficulty of getting the cities into this, and second, for the cities, once they get into it, to carry out this very delicate relationship of participation; and still it is the city's responsibility.

And this is not easy. It is brand new, it is going to have many variations, and some of the things have been very exciting.

Some of the cities are having great difficulty. And they anticipated it, and we anticipated it. But I think the process itself, if nothing else came out of this, is a very worthwhile one.

Mr. GIAIMO. The local citizens have a voice in the final decisionmaking.

Mr. TAYLOR. The citizens in the model neighborhoods have a voice in the final decisionmaking, and the nature of that voice is negotiated

out locally. But no matter what the relationship between the community and city hall is, we hold city hall responsible.

Mr. GIAIMO. But they have representation on these boards?

Mr. TAYLOR. Yes.

Mr. GIAIMO. And therefore a voice in the decisions?

Mr. TAYLOR. Yes.

DURATION OF PLANNING PERIOD

Mr. BOLAND. May I ask a question with respect to those plans that have been approved?

You say that 44 have been approved, and the funding for these 44, I think you indicated, was about $6 million. These communities will have from 5 to 6 months or more to do their planning. At the end of that period of time do you actually go into the execution of the model cities program?

Mr. TAYLOR. Yes, sir. During this period they have three major things to do.

Mr. BOLAND. During the planning period?

Mr. TAYLOR. During the planning period, and it relates back to their application.

But since they are able to go into more depth, if they find a slight change in direction might make sense, they have that flexibility.

First, they are to understand their problem in depth, agree on it, and develop the strategy. Second, on the basis of that strategy, they are to prepare a 1-year action program, which is what will be carried out in this workyear. Third, they then develop, in less detail, but nonetheless in identifiable form, a time-phased plan showing what they would hope to do next, if they have the money. This would show what they do the next year and the next year, and compete enough so that the Secretary can make a finding that, if carried out, this plan would have substantial impact upon conditions stated in the statutory language.

Mr. EVINS. Mr. Jonas, general questions?

CURRENT STATUS OF PLANNING GRANTS

Mr. JONAS. Yes, one or two. I cannot get it quite clear exactly what the current status of the program is. I see, if I can back up a little bit, the announcement of 75 cities, most of them last November, and 12 since. That means you have approved their plans?

Mr. TAYLOR. No, sir. That meant we had approved their application to proceed with planning.

Mr. JONAS. That is right. Seventy-five applications have been approved. Now, have you disbursed any money, any planning money?

Mr. TAYLOR. Yes, we have.

Mr. JONAS. Have there been any complete plans returned?

Mr. TAYLOR. No, sir, there have been no complete plans returned, because that would take a longer period of time.

Mr. JONAS. You are disbursing the planning money to enable them to proceed with their plans?

Mr. TAYLOR. I believe that we disburse what the city can use a month at a time, in order to avoid the money sitting in the bank there.

Mr. JONAS. What is this 44 figure?

Mr. TAYLOR. Forty-four is the number of cities that have reached the point where we and they can enter a firm contract for a specific amount of planning money with a work program that describes what they will do with that planning money, and a description of the relationship between the citizens and the other elements of the community and city hall.

Mr. JONAS. So you do not have any plan in yet from any city?

Mr. TAYLOR. No, sir. We never anticipated we would have a plan——

Mr. JONAS. I understand. When do you anticipate you will begin getting completed plans?

Mr. TAYLOR. It seems to me that we ought to begin getting completed plans perhaps in June for one or two cities; but basically the plans will be coming in this summer.

Mr. JONAS. Most of the mayors who testified here last year said it would take between 6 and 12 months to complete their planning.

Mr. TAYLOR. That is right.

Mr. JONAS. Do you agree that that is a fair statement?

Mr. TAYLOR. I agree.

Mr. JONAS. Some may move faster than others, but it will be in the range of 6 to 12 months?

Mr. TAYLOR. That is right.

Secretary WEAVER. That is from last November.

DELAY IN SELECTION OF FIRST CITIES

Mr. JONAS. I wish you would tell me why, when you knew you had your planning money in October of 1966, it took you 13 months to select the first group of cities, when you had 93 applications in before May 1, 1967? You knew in October of 1966 that you had $11 million, and you advised the cities to start getting up their plans. However, you did not advise them until sometime in February, as I recall. But 93 of them finally got in under the deadline. Was that May 1 or April 1?

Mr. TAYLOR. May 1.

Secretary WEAVER. It was 193.

Mr. JONAS. 193. Then it took you, May, June, July, August, September, October, and into November before you selected a single city. And then you talk about delay, and the need for speed, and it seems to be implicit in your statement, at least an intention to criticize Congress if it goes a little slow and wants to find something about these plans before we start appropriating hundreds of millions of dollars.

We would like to see you show a little speed, so we can review this program. It has been a year now. And you do not have a single plan here that we can see and know anything about.

Mr. EVINS. It will not be a year since November when the cities were announced.

Mr. JONAS. November of 1966 is when we put the first money up.

Secretary WEAVER. I think I can answer in part, and I will let Secretary Taylor elaborate on this.

In the first place, this is an entirely new concept about which we had to do a lot of homework. The cities had to do a lot of homework, too. It took us months to get the guidelines together.

INVOLVEMENT OF OTHER FEDERAL AGENCIES

Second, this is the first program that I know of this magnitude in the Federal Government which involves four major departments of Government: HEW, Department of Labor, OEO, and ours. That meant that we worked for months in getting the necessary type of coordination and cooperation between departments and agencies.

And this is not an easy task, I can assure you.

We had the secretaries and the administrators of these other departments designate top officials and staff people. We met for literally months with them in order to get criteria, in order to get broad procedures. This was so that we would know that we could get the component parts of this thing put together, because it involves not only HUD money, but is the money from these and other agencies.

Then we had to get out and get this across to the cities, to explain to them what was involved. And all of this took a great deal of time, and all of this took a great deal of effort. All of this was brand-new work.

The cities in turn had to get their own house in order. In many instances we found out there was a sort of a fringe benefit to the program, as I had mayor after mayor say to me that this is a wonderful experience. I have heard this said, "For the first time I have got the board of education working with us. And I met the county guy who runs welfare in my city." We have got them together.

This is a very time-consuming process.

DELAYS IN ANNOUNCEMENT

Mr. JONAS. May I say that you have satisfied me. I think that is a reasonable explanation for your delay in getting your guidelines out, after you knew that the program was going to be funded and the planning money was available.

But you have not touched on the question of what is responsible for the delay after 193 cities turned their applications in, and it took you 7 months to approve them.

Secretary WEAVER. They were not in for 7 months.

Mr. JONAS. They came in during April.

Mr. TAYLOR. They came in May 1, during the last week of April.

Mr. JONAS. May, June, July, August, September, October November. I count 7 months.

Secretary WEAVER. It was not November. It was early November when we made the announcement. Near the end we had a problem. When we were ready to move, there was the problem of a series of very significant city mayoral elections. This delayed it—I purposely delayed during this period, because if the announcement had gotten into that preelection period, it would have been utilized, no matter which way you went. And some of these mayors had elections in your con-

stituencies, and you know exactly what would have happened if we had announced them at that time.

So the delay at the end, the last 2 or 3 weeks, was a delay that I take full responsibility for.

We could have gone 2 or 3 weeks ahead of the time we did go.

Mr. JONAS. I could really, if I wanted to dig them out, cite statements that Mr. Taylor was quoted in June saying: "We are ready to announce them; they will be announced shortly."

Secretary WEAVER. That is unfortunate if Mr. Taylor made those statements, because there was only one person to make the selection, and that was I.

Mr. TAYLOR. Mr. Jonas, I remember those overoptimistic predictions, not that we were ready, but that was our target date. And one of the things that I learned out of that process was that it is easier to do when you are doing it alone than when you are trying to do something that involves the working together of four or five other departments. This became a longer process than I anticipated.

Mr. JONAS. This is what I cannot understand. You had your liaison with the other departments before you issued your guidelines.

Secretary WEAVER. No, sir.

Mr. JONAS. You should have, I may add, if there is a sense of urgency about getting the program running.

Secretary WEAVER. The process of selection involves the other departments, both here in Washington and in the field. We had to set up in the field a staff made from our regional office people, and the regional office people from all of these other departments. We ran into these complications:

We have got different regions. And in some instances, our man would come from Chicago, their man would come from Denver; and we have had to work out this kind of problem.

Then they had to visit every one of these cities. They had to sit down—not only our HUD people but a group of people from these four departments and agencies—they had to sit down locally with the local officials, go over these programs, go over the methods in which they are going to do it, and negotiate with them.

Mr. EVINS. The testimony is that beginning the program has been somewhat time consuming. It is a new program, and you have now gotten organized. You have the cooperation of the cities and the various Government agencies, and you are now, to use an old term "cranked up" and ready to proceed with more dispatch.

Are there any further questions, Mr. Jonas?

Mr. JONAS. Well, I do not think the fact that there were some municipal elections is any excuse. I think there has been some foot-dragging in the Department, and I would like to know why. But I am not going to get any more specific answer.

I think it is very important for us to know these reasons. It will become important when we decide how much money to appropriate, because I am not in favor of piling up a lot of appropriations money downtown that you are not going to be able to spend, particularly at

a time when everybody recognizes that we have got to make some substantial reductions in appropriations.

Mr. TAYLOR. In the history of Federal programs, I do not think this program is going to suffer by comparison, in terms of speed. I would not say that it moved as fast as I wanted it to move, and that is why the optimistic predictions were out. They were in part an effort to create pressure, so that we could move more quickly, as I do sense very deeply the urgency of the situation in the cities.

On the other hand, we did move from the initial appropriation for the program through the development of planning guides, the information to the cities, the development of an absolutely brandnew interagency review process, in approximately 12 months.

We have since moved to where there is a second round of applications in preparation, and they will be able to follow the first in approximately a 6-month interval. And I think that when you recognize that the first time you do something new, the walking-through process does take longer, that it would not really be completely equitable to assume that the second time will take as long.

Mr. EVINS. Mr. Marsh, do you have any general questions?

Mr. MARSH. No. Thank you, Mr. Chairman.

Mr. EVINS. Mr. Giaimo?

NEED TO AVOID CRASH PROGRAM

Mr. GIAIMO. Mr. Chairman, I do not want the record to appear that everyone on this subcommittee is saying to get moving and rush into this thing on a crash basis, because, quite frankly, the way OEO moved in a precipitious manner, I think, contributed toward the failure of that program. I think the model cities program has great promise, and the people are hoping that this will solve some of the problems which exist in these cities. We are not going to solve them all. We do not have the money, for one thing, to solve them all.

And quite frankly, I do not think any of us have all the answers to the problems of the cities.

But if you can make some substantial contribution, you will have made some progress in this direction. It is much more important that you do approach this thing carefully, feeling your way, but with both feet on the ground. So I do not want the record to appear that we want you to not be careful, not be cautious, and not to get this new program off on a sound basis.

STATE INVOLVEMENT IN DIR PROGRAMS

Mr. MARSH. Mr. Chairman, one thing. If the Secretary could do this, on page 4 he mentions the number of States that are involved with their own agencies; and if you could furnish for the record those States?

Mr. TAYLOR. Be very happy to, sir.

(The information follows:)

STATE AGENCIES DESIGNATED BY GOVERNORS TO CARRY OUT THE TITLE VIII PROGRAM FOR COMMUNITY DEVELOPMENT TRAINING AND THE TITLE IX PROGRAMS OF URBAN INFORMATION AND TECHNICAL ASSISTANCE
AS OF MARCH 25, 1968

State	Designated Agency		
	Title VIII & Title IX	Title VIII Only	Title IX Only
Alaska		*Division of Planning & Research Office of the Governor	Local Affairs Agency Office of the Governor
Alabama	None	None	None
Arizona			League of Arizona Cities & Town
Arkansas	Planning Commission		
California		None	League of California Cities
Colorado	Division of Local Government Office of the Governor		
Connecticut	Department of Community Affairs		
Delaware	State Planning Office		

State	Designated Agency		
	Title VIII & Title IX	Title VIII Only	Title IX Only
Florida	Office of the Governor		
Georgia		State Planning Bureau	Georgia Municipal Association
Hawaii	Department of Planning & Economic Development		
Idaho	None	None	None
Illinois		Board of Higher Education	Office of Intergovernmental Cooperation
Indiana	None	None	None
Iowa		State Board of Regents	Office of Planning and Programming
Kansas		None	Department of Economic Developmer
Kentucky	Kentucky Housing and Urban Affairs Program of the Area Development Office Office of the Governor		
Louisiana	Commission on Intergovernmental Relations Office of the Governor		

State	Designated Agency		
	Title VIII & Title IX	Title VIII Only	Title IX Only
Maine	Federal Aid Coordinator Office of the Governor		
Maryland		State Department of Planning	National Relations Officer Office of the Governor
Massachusetts	Division of Urban Renewal Department of Commerce and Development		
Michigan	Office of Planning Coordination, Department of Commerce		
Minnesota	Office of Local & Urban Affairs State Planning Agency		
Mississippi		None	Office of the Governor
Missouri	Department of Community Affairs		
Montana		None	Federal-State Coordinator Office of the Governor
Nebraska	Department of Economic Development		

State	Designated Agency		
	Title VIII & Title IX	Title VIII Only	Title IX Only
Nevada	None	None	None
New Hampshire		None	Office of the Governor
New Jersey	Department of Community Affairs		
New Mexico	State Planning Office		
New York	Local Government Services Office for Local Government		
North Carolina		Department of Conservation and Development	Department of Administration State Planning Task Force
North Dakota	Bureau of Government Affairs University of North Dakota		
Ohio	Bureau of Urban Affairs		
Oklahoma		State Board for Vocational Education	Division of Research and Planning State Industrial Development & Park Department
Oregon	Office of the Governor		

State	Designated Agency		
	Title VIII & Title IX	Title VIII Only	Title IX Only
Pennsylvania	Department of Community Affairs		
Rhode Island	Rhode Island Development Council		
South Carolina	State Planning & Grants, Office of the Governor		
South Dakota	State Planning Agency		
Tennessee		University of Tennessee Government, Industry and Law Center	Office of Urban & Federal Affairs Office of the Governor
Texas	Office of the Governor		
Utah	Office of the State Planning Coordinator, Office of the Governor		
Vermont	Office of Local Affairs, Office of the Governor		
Virginia	Division of Planning Office of Administration		

State	Designated Agency Title VIII & Title IX	Title VIII Only	Title IX Only
Washington	Planning & Community Affairs Agency, Office of the Governor		
West Virginia	Department of Commerce		
Wisconsin	**Department of Local Affairs and Development		
Wyoming	Federal Aid Coordinator Office of the Governor		
District of Columbia	None	None	None
American Samoa	None	None	None
Guam	None	None	None
Puerto Rico	Planning Board Office of the Governor		
Virgin Islands	College of the Virgin Islands		

*Tentative Designation
**Not a designation, point of contact only.

STATE INVOLVEMENT IN THE MODEL CITIES PROGRAM

Virtually every State in the Nation has expressed interest and most of the States have indicated a high degree of committment to the Model City Program. Cities in 47 States submitted applications for Model City Planning Grants. Attached is a list of 35 States (plus Washington, D.C. and Puerto Rico) whose cities have already been awarded a grant to plan a Model Cities Program.

Interagency meetings have been held with Governors and State agency heads of 34 of these States to bring to bear the full coordinated efforts of Federal, State and local government on the pressing human and physical problems that beset our urban centers. It is recognized that the Model Cities Program objective of helping cities and counties to develop their own comprehensive, coordinated programs to improve the quality of living in blighted neighborhoods will succeed only with the help which the State and Federal governments can furnish to local governments.

Organizational plans are being developed at the State level to assure optimum emphasis and coordination of State agencies in support of the Model Cities Program. States are also developing financing methods to assist model cities in concentrating and coordinating State-controlled finances and resources. Liaison personnel have been appointed in all States and all have pledged technical assistance. At least three States are proposing legislative changes affecting Model Cities. These changes are in the area of civil service, land tax assessments, welfare, and enabling legislation for housing authorities, cooperatives, condominiums and Model Cities agencies.

ATTACHMENT

Alabama
Arkansas
California
Colorado
Connecticut
Florida
Georgia
Hawaii
Illinois
Indiana
Iowa
Kansas
Kentucky
Maine
Maryland
Massachusetts
Michigan
Minnesota
Missouri
Montana
New Hampshire
New Jersey
New Mexico
New York
North Carolina
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
Tennessee
Texas
Vermont
Virginia
Washington
District of Columbia
Puerto Rico

Mr. TAYLOR. In Virginia, for example, that office has been most helpful working with the cities.

Mr. EVINS. Mr. Wyman.

BENEFITS TO MODEL CITIES AREAS

Mr. WYMAN. Mr. Secretary, other than the urban renewal aspect of the model cities program, which I think people, generally speaking, can understand, it is pretty obvious, what is the model cities program going to do for the model cities areas, other than add on a percentage of what they already are now presently receiving in money under the supplementary grant formula?

Mr. TAYLOR. We have in our instructions to the cities, Congressman Wyman, set out a priority listing for the uses of the supplementary money, to have it as just an add-on, in the sense that you talked about is the lowest priority. We want them to focus on coming up with new ways of doing things, of coming up with uses for the money that will fill the gaps between programs, and use of the money as leverage money. For example, if they are negotiating with the Board of Education and the Board needs, really needs, to be pushed a little bit in making more effective use of the very substantial local-State money being spent in that area, the model cities money gives the cities some bargaining power to help redirect the way things are done in other institutions so they fit into the overall cities' strategy. Those are the basic uses for the money.

Mr. WYMAN. Take the case of a person who lives in a model city designated area, under conditions that are less than conducive to stability, but in an area that is not designated for urban renewel, so it is not going to be torn down and rebuilt, how is that person going to benefit tangibly from the model cities program in that area?

This is a question that is frequently asked of me. They ask: What is it going to mean?

I am supposed to be able to tell them what it is going to mean. I can tell them about the bricks and mortar, but I have difficulty in showing them, in the bread-and-butter things, what it is going to mean for them. I am asking you if you can point out to me other things, other than an add-on.

If they are receiving a welfare grant now in the form of a check, or if they are receiving other Federal assistance, and are going to receive more of course this will help. Obviously it is more money.

But what other things does your model cities program propose for these people? How about recreational facilities?

Mr. TAYLOR. The city can use this supplementary fund in any set of ways that makes sense.

In many eastern cities we can visualize that they will be using this money in experimental ways to see if they can promote homeownership for people who do not have ownership and who cannot afford to carry ownership unless there is some capital writedown. This will let us see what will happen to the stability of a neighborhood with ownership.

Another very likely use of the money would be to supplement the demolition grant money they can get from renewal, to develop a little

neighborhood park, to make some changes in street patterns, to do the other little things that perhaps are not enough in themselves to justify an urban renewal project, but that yet can make an impact on the neighborhood. We would also expect the funds to be used to help open schools and community centers more hours than the city is accustomed to having them open.

Mr. WYMAN. Are the people living in these areas going to see tangible signs of improved recreational facilities, more light, more space? Are we going to have an answer to the restlessness with this program?

SOCIAL CHANGE IN MODEL NEIGHBORHOODS

Secretary WEAVER. It is not only going to be done on the physical side, Mr. Congressman. Equally, and perhaps more rapidly in some instances, they are going to see great changes in the human and social aspects of their living.

The programs would certainly have to address themselves to training, to employment, to better schools, to the social problems that exist in the area, to develop means whereby people who have not been motivated will become motivated. Just the involvement of these people in doing something for themselves, which is required by citizens' participation, will be the first tangible evidence. They will be involved in a positive way, in a positive program, and a program in which they will have a say as to what it is going to do and how it is going to do it. And, they will participate in the doing.

Mr. EVINS. Mr. Secretary, can it be said that in addition to the bricks and mortar, the physical and social improvements, the participation of the people, and the opening of channels of communication may be greater than the value of the dollars we will be putting therein?

Secretary WEAVER. We would hope that the hopelessness which is so typical of many of these areas would be transformed into participation, and with the participation would come out a new hope, a new involvement, and new point of view.

We would also hope that as we go along on the physical side required by the law, we are going to see that this is happening. We are working with organized labor to facilitate the involvement of these people in the construction and in the social planning, and in the working with the other people in the neighborhoods.

Mr. EVINS. Are you having better communication? It seems that previously the right hand did not know what the left hand was doing.

Secretary WEAVER. We are going to bring the city into the area, as well as the area into the city.

RELOCATION OF MODEL NEIGHBORHOOD RESIDENTS

Mr. WYMAN. In the model cities planning, are you taking any of the people out of the model cities areas and moving them out into other areas?

Secretary WEAVER. There is nothing, per se. However, one of the things that is required here, of course, as it is required in all of our programs, is a program for the execution of a program for relocation.

Some of that relocation will be outside of the areas, if the densities are too high.

Mr. WYMAN. That would be connected with the urban renewal side?

Secretary WEAVER. Yes, in part.

Mr. FARR. Not just urban renewal. The relocation in many cities is caused by the location of highways in the neighborhood or building schools.

OTHER ASSISTANCE PROGRAMS TO STATES AND COMMUNITIES

Mr. EVINS. Mr. Boland referred earlier to the difficult problems presented in this program. In connection with this comment, it says here on page A–1:

> The Department, by direction of the President and the Congress, is determined to strengthen the capacity of State and local governments to identify and face the real issues of urban development, establish priorities, and make commitments of resources for dealing with these problems and needs.

That is a very difficult task, is it not, Mr. Secretary?

Secretary WEAVER. Yes.

Mr. EVINS. We have placed this material in the record. You say on page A–2:

> These three programs—urban information and technical assistance, community development training, and urban fellowships—are all directed to achieving more effective public services by relieving the acute shortage of trained professional and technical manpower. The shortage of specialists in planning, housing, transportation, waste treatment, air pollution, public administration, and in many other fields increases each year.

And you point out that the "program of grants to States to provide information services on urban needs and assistance programs and to enable States to provide technical assistance services to communities under 100,000 population on a whole range of urban needs has two main objectives: (1) to increase State capacity and participation in meeting urban needs." They sometimes lack leadership and technical know-how. Then you say:

> and (2) to make efficient and effective use of scarce highly trained experts in meeting the specialized needs of a great number of communities that would not otherwise have such expertise available.

COMMUNITY DEVELOPMENT TRAINING PROGRAM

My question, sir, arises when you say here that the grants to States for community development training programs are designed to encourage the States to participate in a program to improve the capabilities of State and local public employees and to expand the supply of community development skills. What results are you having in encouraging the States?

Mr. TAYLOR. As I indicated in my statement, sir, we have had a surprising, what is to us a very gratifying, number of expressions of State interest. We have on the community development and training side received seven applications to date, totaling $1.7 million. We estimate that $4.4 million will be the total in applications that we receive against a $3 million appropriation. And we are getting a

tremendous amount of State interest, and very pleased with the quality of what the States are asking of us.

Mr. EVINS. Well, you are encouraged that they are becoming involved and are participating.

Mr. TAYLOR. Yes, sir.

BREAKDOWN OF MODEL CITIES REQUEST

Mr. EVINS. In looking at the breakdown of the model cities appropriations on page A–3, I see that in 1968 we appropriated $12 million for planning. And $12 million was authorized. We appropriated the full amount.

For the model cities program in 1968, $400 million was authorized, and we appropriated one-half of that amount, or $200 million.

For the urban renewal add-on in model cities, $250 million was authorized, and we appropriated $100 million.

So a total for the model cities program of $312 million was appropriated—that was in 1968.

Now for 1969, for the model cities grant program, you are asking for one-half billion dollars. This is authorized. This is the amount that you are requesting in the budget, $500 million.

Under the urban renewal add-on in model cities you are asking for $150 million, which is the full amount that is authorized for urban renewal within model cities. Actually $250 million has been authorized, and we appropriated $100 million last year, so the $150 million requested for this year would exhaust the current authorization.

Secretary WEAVER. Yes, sir.

Mr. EVINS. Now, of the $500 million for the urban renewal addition in model cities only $150 million is authorized, so you are asking for $350 million in the new housing bill.

Secretary WEAVER. In authorization.

Mr. EVINS. It is pointed out that the supplementary grants can begin during the summer of 1968.

Out of the budget proposal of $500 million in 1969, approximately one-half, or $200 to $250 million will be used to round out the programs of the first group of cities.

This has been testified to.

DESCRIPTION OF MODEL CITIES PROGRAM

Mr. EVINS. I note page B–4, in which you have provided the program description:

To expand housing, job, and income opportunities;

To reduce dependence on welfare payments—I hope you can do that.

To improve educational facilities and programs;

To combat disease and ill health;

To reduce the incidence of crime and deliquency;

To enhance recreational and cultural opportunities.

The need for the model cities has been testified to.

On the next page, B–5, you say:

The essence of the model cities program is that it will provide an opportunity to test the effectiveness of a series of projects tailored to local needs. These proj-

ects will have certain things in common. Each will plan carefully, analyzing problems on the basis of data obtained from the individual community. Each will select a geographical area representative of severe urban problems but small enough to achieve impact with limited funds. Each will try to coordinate Federal, State, and local resources. But each will be a locally designed and administered project.

That is a good capsule review.

EXPLANATION OF SUPPLEMENTARY GRANTS

Mr. EVINS. The explanation of supplementary grants is on page B–7:

Supplementary grants are grants which supplement the assistance available under other grant-in-aid programs. The maximum supplementary grant authorized by the Act may not exceed 80 percent of the aggregate amount of non-Federal contributions otherwise required to be made to all projects or activities assisted by Federal grant-in-aid programs which are carried out in connection with the local model city program.

But then you state in the next paragraph:

It will normally be used to carry out nonfederally assisted projects, although it may also be used to provide part of the required local share of the cost of other Federal grant-in-aid programs.

Clarify that language for us, Mr. Taylor. You have the 80–20 formula. Who gets the supplementary grants, and on what basis?

Mr. TAYLOR. The supplementary grant goes to the city as the contracting agency for this program. It goes directly to them. It is to be used for the purposes described in the action program which they have submitted to us, and which has been reviewed and approved.

The money can be used for any purpose, but it is under the control of having been described and justified in a program submitted by the city, and it can be used only for that.

Mr. EVINS. How about nonfederally assisted projects? In other words, you have a list of projects which the city is going to carry out; but you may have a few more over here that are not in the list, and they can use these funds for something that is not in the list.

Mr. TAYLOR. If it does not fit exactly the boundaries.

Mr. EVINS. Generally it does, since they are specifically designated projects.

Mr. TAYLOR. That is right.

Mr. EVINS. But if there is something which develops, where they need this money for a federally assisted project, an exception can be made?

Mr. TAYLOR. That is correct.

Mr. EVINS. Can this supplemental grant also be used as a part of the city's contribution to their 20 percent?

Mr. TAYLOR. Well, it is not to their 20 percent. It may be used as a part of the city's contribution to a Federal grant-in-aid program that is part of the plan—as part of the city's non-Federal contribution. It can be used to supplement the city's contribution.

Mr. EVINS. These agreements or contracts specify for what the supplementary grant is to be used. But there may be some flexibility and exceptions?

Mr. TAYLOR. That is correct.

Mr. EVINS. Are there any further questions, gentlemen, on the urban renewal add-on funding in model cities?

USE OF THE SUPPLEMENTARY GRANT APPROPRIATION

Mr. JONAS. How much of the $200 million in grant money, which you have available, will be applied to the first 75 cities selected? All of it?

Mr. TAYLOR. All of it; yes, sir.

Mr. JONAS. And how much of the $500 million you are asking for this year will be applicable to the first 75 cities for the second stage?

Mr. TAYLOR. We would think that perhaps 50 to 60 percent of it would be applicable.

Mr. JONAS. This is a 5-year program.

Mr. TAYLOR. You said to the second stage, sir.

Mr. JONAS. Well, I meant the second year.

Mr. TAYLOR. Basically, given a possible eligibility of a billion dollars—well, we have made a study, as I indicated on Monday, and found that there is that basic eligibility. We would expect, when the $500 million is appropriated, to say to cities, "Move up from your longer range program those important things that you would have been able to do, and wanted to do, and need to do, but you did not plan for because there was only $200 million appropriated."

So we can speed up the meeting of need, and will not have to wait for the second-year plan to use that money.

Mr. JONAS. Are these plans broken-down proposals, to do so much the first year, so much the second year, so much the third year, and fourth and fifth; or is it an overall total plan that could be speeded up or stretched out?

Mr. TAYLOR. It is an action program for the first year, which we tell them to limit to the amount of money that has been appropriated, because we do not want to encourage them to plan action programs unless the funds to carry them out are there.

That is the 1-year action program.

Then the longer range plan lists a lot of other items and priorities, so that it is possible to move from it down into action on short notice.

Mr. JONAS. One reason we have a little difficulty discussing this plan, and I have difficulty understanding how it will work, is that we have never seen one of these plans. I hate to cause so much delay and encumber the record, but I need to know a little bit more about how these plans operate, before I can vote another billion dollars. That is why I am asking you.

You speak of 1-year action program. Is that part of the 5-year plan?

ONE YEAR AND 5 YEAR PROGRAMS

Mr. TAYLOR. Yes, sir. The plan has three eleemnts: first, the strategy, second, the 1-year action program which is restricted to the funds available and appropriated, and finally the rest of the things that need to be done to meet the statutory objectives listed by priority.

Secretary WEAVER. One of the reasons, sir, that we have to have this approach, and this is something we have to keep in mind—this is

somewhat unique in that all of this plan, the total plan, and the action plan, is not something that is done in city hall behind closed doors. It is something done out in the open. It is done with the people in the neighborhood.

They know what the action plan is. We want to be sure that that action plan can be carried out.

USE OF SUPPLEMENTARY GRANT APPROPRIATION

Mr. JONAS. I understand all of that. What I am trying to do is find out what your spending program is, and when you expect to be ready to disburse this money.

Now you have $200 million in the bank. You have 75 cities selected. Are you going to allocate the entire $200 million to the 75 cities?

Mr. TAYLOR. We are, sir.

Mr. JONAS. You have it reserved and will it be obligated as fast as you sign contracts?

Mr. TAYLOR. Yes, sir.

Mr. JONAS. Remember we are not talking about urban renewal now, just grant money; and you are asking for $500 million more.

Now, how much of that $500 million is to be allocated to the second group of cities, and how much is to be allocated to the first group for the second year of their operation?

Mr. TAYLOR. We would allocate for the second group of cities, as money in the bank against which they should plan, something on the order of $200 million, or about the same amount that we had for the first, because that would be equitable.

Mr. JONAS. Let me understand this.

Mr. TAYLOR. With the remaining $300 million, when the Congress appropriates it, we can say to the cities in the first round—who will need a bit more than the cities in the second round, because, by and large, we got the larger cities; we have a larger universe in terms of population in this first 75 than we will have in the second 75——

Mr. JONAS. But do you plan to use some of the $300 million for the second grant to the original group of cities, some of it?

Mr. TAYLOR. We would hope, if and when the Congress gives us $300 million and recognizes the need in the cities here, to say to them "reopen the first-year action plan—pull down many of the high priority things that you wanted to do, but that you could not, because we told you to plan against only the money in the bank, only the $200 million," and then we would be able to have this money working out in the cities this fiscal year.

Mr. JONAS. How much of the $300 million do you anticipate will be used that way?

Mr. TAYLOR. Substantially all of it, sir.

Mr. JONAS. So we can understand that, based on your estimates, the second group of cities will receive the same initial grant in total now, $200 million, and the remaining $300 million, if you get it, most of it will be used for the benefit of the original group of 75 cities?

Mr. TAYLOR. Yes, sir.

Mr. JONAS. I yield.

Mr. WYMAN. How many cities do you think there is going to be in the second group for the $200 million?

Mr. TAYLOR. Approximately 70.

MODEL CITIES PROGRAM DEMAND

Mr. EVINS. I imagine you made a projection as to how much the overall application requests would total, if they were all supported. Can you give the committee a round figure as to how much these application requests might total?

Mr. TAYLOR. We have made an estimate applying the statutory formula to a variety of Federal grant-in-aid programs going into the first 63 cities. This was a time-consuming thing, and we did not do it for the last 12. They could qualify under the formula, if the money was available, for around $1.1 billion.

Mr. EVINS. Mr. Wyman.

Mr. WYMAN. Essentially the 70 cities in the second group, in comparsion with the 75 cities in the first group, are going to affect about the same number of people; is that not right?

Mr. TAYLOR. No, sir. I think the first group would have the larger number.

Mr. WYMAN. Larger?

Mr. TAYLOR. Yes, sir.

Mr. WYMAN. You are not going to try to do anything, then, in the huge city areas, to speak of?

Mr. TAYLOR. There are not that many huge cities left that have not applied, sir. No city the size of New York or Chicago has not applied. Los Angeles and Houston have indicated interest, but after that the range of cities that are available gets down smaller fast.

This second round will go very heavily to smaller communities.

Mr. JONAS. It runs through my mind that we were talking last year in terms of this first group of cities taking or requiring around $5 billion.

Secretary WEAVER. No, sir.

Mr. TAYLOR. No, sir.

Mr. JONAS. What was the $5 billion?

Secretary WEAVER. The original proposal which the administration made was $2.3 billion. Then we added on $600 million for urban renewal and we got $2.9 billion, as a total cost for the first program, for which we asked for planning funds. Then the second round of planning funds, as you know, came out of the Congress and not out of the administration recommendation.

Mr. JONAS. One other question. You do not ask for any additional planning money?

Secretary WEAVER. No, sir.

Mr. TAYLOR. No, sir.

Mr. JONAS. But you plan to start this program off with 75 plus 70 cities.

Secretary WEAVER. As of this year, yes; I cannot say what will happen in the future.

Mr. JONAS. Do you have any applications, though?
Secretary WEAVER. Beg pardon?

PROJECTIVE APPLICATIONS FOR PLANNING

Mr. JONAS. How does that compare with your projected applications?
Mr. TAYLOR. We project about 200 applications again, Congressman.
Mr. JONAS. In total, including the original?
Mr. TAYLOR. 200 in the second round.
Secretary WEAVER. Some of those may be the same. They may be repeats.
Mr. JONAS. You had 193 original applictaions and you approved 63 of them.
Secretary WEAVER. Seventy-five.
Mr. JONAS. Seventy-five. Are any of those that were not approved coming back in on the second round?
Secretary WEAVER. Yes. We do not know how many, but there are some.
Mr. JONAS. Well, you had an expression of interest in this program from far more than 200 cities. You have had a formal expression of interest in this program from more than 200 cities?
Mr. TAYLOR. We had 193 cities last time, and we have 64 new cities that did not apply the first time that have already submitted letters of intent.
Mr. JONAS. Sixty-four?
Mr. TAYLOR. Sixty-four. So that we are talking about 257 cities. In fact, as I indicated, the letter of intent is not mandatory, so that we expect to get applications from communities that do not file.
Secretary WEAVER. I think apropos of your earlier question, Mr. Jonas, even if there are no more cities selected, this will not mean that the program will not affect cities in general. That is because as we learn and as we get successful experiments going, many of the benefits will be applied elsewhere, even though not under the model cities program per se.
Mr. EVINS. Gentlemen, this committee wants to express its concern that we see some dirt flying and some construction underway. We have been in planning and now we want to see this program move forward because of the crisis in the cities and the challenges this presents.
Mr. GIAIMO. May I ask a question?
Mr. EVINS. Mr. Giaimo.

ROLE OF SMALL CITIES IN MODEL CITIES PROGRAM

Mr. GIAIMO. On page B–10, you have a list of cities. Now, since the crisis is really in our major cities, what compels us to go to some of these real small cities?
Secretary WEAVER. I think the legislative history indicates that we made a commitment. The legislative proposal originally made very specific a pledge that this would be a program which would be well rounded in the sense that it would have cities of all sizes and in as many

areas of the country as possible. There was a commitment for geographic and size distribution.

I will read from the act: "The purposes of this title are to provide additional financial and technical assistance to enable cities of all sizes (with equal regard to the problems of small as well as large cities)," and so on.

It is because of that legislation that we have acted in this way.

Mr. JONAS. It was brought out in the hearings that that would be the policy.

Mr. GIAIMO. I know, but it bothers me a little bit.

Can you tell me about Winooski, Vt.? What is the critical problem up there with 8,000 people?

Mr. TAYLOR. Before I answer specifically with respect to Winooski, I would like to make two more general comments.

First, poverty is poverty wherever it occurs. There may not be the concentration in the small cities; but for those people who are afflicted with lack of opportunity, lack of training, and lack of skills, et cetera, they are unhappy and their city suffers.

The second point I would like to make is that unless we can strengthen our communities throughout the country so that it becomes possible for people to leave the farms and the rural areas to find prosperous, successful, economically sound communities with the kind of facilities that communities should have near them, these people are going to flood into the larger cities, and our problem of meeting the big-city problems will be exacerbated by that in-migration.

There are two strong public policy reasons why we should focus on smaller communities, too.

WINOOSKI, VT.

Mr. GIAIMO. The trouble with that is, you know, that may be the policy of part of the Government, but the Supreme Court has made that function very difficult lately, with the residency laws.

But in Winooski, can you tell me how many poor are there in a population of 8,000?

Mr. TAYLOR. While somebody is getting that for me, let me describe Winooski.

Winooski is next to Burlington. It is an old mill town from which the woolen mills moved a number of years ago. It is a town that is literally down on its heels. It has never participated in any Federal program before, in any HUD program, I know that as a fact.

They have signed their first section 23 leasing contract recently. This town saw the challenge of this program, the opportunity to hit their physical and the social problems; and they pulled themselves together. They had a tremendous number of people out in minus 26° temperature for the organizational meeting of their citizens' participation.

Ten percent of Winooski is foreign born. Two-thirds of the city's residents are under 35. Nineteen percent earn under $3,000 annually. The city has three times the State percentage of adults with no education at all. Sixty percent of the adult population have not completed the eighth grade. The labor force is mainly unskilled or semi-skilled.

Now, what they are hoping to do in Winooski is provide the training, provide the opportunities, so that the people who are there—and this is mainly a French-Canadian population—will stay there and not move down to Boston and New Haven and other places, looking for jobs.

Mr. GIAIMO. The fact of the matter is that many of them in Vermont, New Hampshire, and perhaps Maine, are moving to centers of industry where there is employment and where there is need for them.

Mr. EVINS. Let us recall the words of Daniel Webster, in the famous Dartmouth College case: "It is a small college, and yet there are those who love it."

Mr. GIAIMO. I know the law says that you have to, as the Secretary just read. The mandate of the law is that you have to cover poverty areas where they exist; but the fact is that the crisis really is in our major cities.

It concerns me a little to see a diffusion of money—how much money is going to this town, for example? I am only using this town as an example because it has 8,000 people.

Mr. TAYLOR. In terms of planning money for this town, $78,000.

Mr. GIAIMO. $78,000. You have no way of knowing what their grant money would be eventually?

Mr. TAYLOR. Not yet.

Mr. GIAIMO. I just make the point that I am concerned about the crisis in our large areas, where we have got to make a greater effort.

URBAN INFORMATION AND TECHNICAL ASSISTANCE

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	Grants to States (program costs—funded)		500	3,000
	Change in selected resources [1]		1,700	2,000
10	Total obligations (object class 41.0)		2,200	5,000
	Financing:			
40	New obligational authority (appropriation)		2,200	5,000
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)		2,200	5,000
72	Obligated balance, start of year			1,700
74	Obligated balance, end of year		−1,700	−3,700
90	Expenditures		500	3,000
	Expenditures are distributed as follows:			
01	Out of current authorizations		500	1,300
02	Out of prior authorizations			1,700

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1967, $0; 1968, $1,700,000; 1969, $3,700,000.

Mr. EVINS. Gentlemen, Urban Information and Technical Assistance, pages C–1 through C–5; place them in the record.

(The pages follow:)

URBAN INFORMATION AND TECHNICAL ASSISTANCE

Program Highlights
(dollars in thousands)

	Actual 1967	Estimate 1968	Estimate 1969
Grants to States:			
Number	....	30-35	40-45
Amount	....	$2,200	$5,000

BUDGET REQUEST

The Budget for fiscal year 1969 proposes an appropriation of $5 million. This assumes enactment of legislation providing authority for additional appropriations in 1969.

Introduction

This program is authorized by Title IX of the Demonstration Cities and Metropolitan Development Act of 1966. Its purpose, as expressed in the Act, is "to assist States to make available information and data on urban needs and assistance programs and activities, and to provide technical assistance, to small communities with respect to the solution of urban problems". Small communities are defined in the Act as "communities having populations of less than one hundred thousand according to the most recent decennial census".

The Act authorizes the Secretary to make 50% grants to States and requires, among other things, (1) that a State program assisted under this title shall represent substantially increased or improved activities, (2) that Federal departments and agencies shall cooperate with States in providing information to assist in carrying out the program, and (3) that the Secretary shall seek to ensure the greatest practicable coordination of State urban information and technical assistance programs.

The Act authorized the appropriation of not to exceed $5 million for fiscal year 1968, of which $2.2 million was appropriated. The Budget proposes an appropriation of $5 million in 1969, assuming the enactment of authorizing legislation.

Need for Program

Over 97 per cent of the Nation's units of general local government are under 100,000 in population. These contain over 66 per cent of the total population. These communities share the problems of larger places, but their governments do not have the resources, specialized knowledge, or staff capabilities of larger places.

Success of assistance programs provided by Federal and State governments for solving urban problems depends upon local capabilities. This requires that the public management capabilities of small communities be strengthened and augmented.

Small communities usually lack money to employ experts having the urban skills needed for solving complex urban problems, for laying out effective public service programs and for analyzing and using resources available from other governments.

Local officials often labor without sufficient information about their community and cannot gauge the extent of local problems or the impact of local programs and services. The available specialized data of public and private sources often do not clarify the community's conditions, and the array of Federal, State and other assistance is so great and complex that local officials are unable to identify or use resources available for meeting specific problems.

Title IX was enacted to help small communities overcome such obstacles. Grants to States encourage statewide programs of technical assistance and information needed for identifying community problems and available resources. The program seeks to strengthen local management capabilities and the coordination of local State and Federal resources for solving urban problems. President Johnson's 1967 message on Quality of American Government urged the governors and mayors to utilize this program for establishing State centers for information and technical assistance.

Program Operation

The Department has designed the Title IX program to accomplish the following objectives, consistent with the legislative intent:

1. Contribute to the success of all Federal and State programs for solving urban problems by increasing the knowledge about them and the ability of local officials to employ them.

2. Be a useful instrument for linking many categorical programs through improved management practices at the point of impact, i.e., at the small community level.

3. Help local units shape realistic governmental programs in accord with local needs and objectives and with full awareness of available resources.

4. Help make information and data technology available to small communities on a statewide, coordinated basis.

5. Strengthen the ability of State governments to provide assistance to their small communities.

6. Encourage the coordination of community assistance offered by State agencies, municipal leagues, county officer associations, university bureaus, and others.

7. Contribute to HUD's missions to strengthen local public management capabilities, improve intergovernmental relations, and achieve better coordination of Federal activities affecting communities and the urban dweller.

Title IX operates on the State level through an agency designated by the governor and having responsibility to develop or extend a statewide program of urban information and technical assistance services to small communities.

Flexibility in the legislation enables a State program agency to contract or arrange with other agencies for undertaking components of a State program. This permits States to build on present capabilities of State agencies, university bureaus, and organizations such as municipal leagues. It permits States to develop a new community assistance capability where none now exists, and also enables States to implement this kind of assistance under new State offices or departments of community affairs.

Current Status of the Program

Under Title IX, 54 States and territories are eligible applicants. Upon the availability of the 1968 appropriation, the Department reported the program to the Governors. As of February 1, 1968 a total of 46 have reported interest in the program, 31 Governors had made a State agency designation, and 38 States had indicated a total dollar request of $4,411,000 for initial 12 month programs.

The Department anticipates that 38 States will file applications by the first-year filing deadline of April 15, 1968. Of these, it is expected that approximately 30 can be aided, with first priority given to applicants that provide new State (non-Federal) monies for improved or increased activities.

First year applicants will be funded to meet these objectives:

1. Obtain the greatest possible amount of improved technical assistance to small communities, and of effective methods for providing urban information and resources data;

2. Initiate development of a prototype Statewide urban information system that links local, State and Federal data, and coordinates information services offered by Federal, State, local and private agencies;

3. Give first priority to State applications that provide new non-Federal financial effort to assist small communities meet urban problems, and obtain the greatest multiplier effect of Federal dollar investment;

4. Encourage start-up programs to develop a statewide capability for assisting small communities, and strengthen new State organizational efforts to deal with community affairs through the provision of assistance;

5. Assist States to coordinate operationally similar HUD programs (for Community Development Training under Title VIII, 1964 Housing Act, Urban Planning Assistance under Section 701, 1964 Housing Act, and Title IX) and permit States to file joint or combined applications under such programs;

6. Take advantage of varied experience made possible by the various types of State agencies that may be designated under the legislation. The 31 State agencies designated as of February 1 vary as follows:

State department of community affairs	6
Office of the Governor	8
State planning agency	6
Statewide municipal league	2
University bureau	1
Other State Agency	8

Program in 1969

The Budget request of $5 million for 1969 will (a) allow continuation of the programs aided in 1968 and selective increases; and (b) provide grants to additional States to bring the total number of States being aided to approximately 40-45.

Mr. EVINS. You are asking for $5 million. You tell us here that this is not authorized yet. This is in the proposed new housing bill, so we will have to wait on the housing legislation for this request of $5 million.

COMMUNITY DEVELOPMENT TRAINING PROGRAM

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	Grants to States (program costs, funded)		500	4,700
	Change in selected resources [1]		2,500	2,300
10	Total obligations (object class 41.0)		3,000	7,000
	Financing:			
40	New obligational authority (appropriation)		3,000	7,000
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)		3,000	7,000
72	Obligated balance, start of year			2,500
74	Obligated balance, end of year		−2,500	−4,800
90	Expenditures		500	4,700
	Expenditures are distributed as follows:			
01	Out of current authorizations		500	2,200
02	Out of prior authorizations			2,500

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders. 1967, 0; 1968, $2,500,000. 1969, $4,800,000

Mr. EVINS. Take a look at Community Development Training Programs. We will put in the record pages D–1 through D–6.

(The pages follow:)

COMMUNITY DEVELOPMENT TRAINING PROGRAMS

Program Highlights
(dollars in thousands)

	Actual 1967	Estimate 1968	Estimate 1969
Grants to States:			
Number.....	...	30-35	40-45
Amount.....	...	$3,000	$7,000

BUDGET REQUEST

The Budget for fiscal year 1969 proposes an appropriation of $7 million for matching grants to the States.

Introduction

Title VIII of the Housing Act of 1964 authorizes a program to assist and encourage States, in cooperation with public or private universities and colleges and urban centers, to organize, initiate, develop, and expand programs which will provide special training in skills needed for economic and efficient community development to those technical and professional people who are, or are training to be, employed by a governmental or public body which has responsibility for community development.

The State must provide for contributions from non-Federal sources at least equal to that provided in the Federal grant for the same purpose and for concurrent use. The Act as amended in 1965 authorizes the appropriation of $30 million for grants, of which $3 million was appropriated in 1968 and $7 million is requested for 1969.

The Act provides that not more than 10 percent of the total appropriated for the purpose of the Act may be used for making grants to any one state.

Need for the Program

The effectiveness of community development programs depends upon the skills of the employees of the responsible local public bodies. The States are in a position to evaluate the need for such training and, in cooperation with State universities and other educational institutions, to undertake effective urban development training programs having statewide benefit.

The sound development of our towns and cities raises problems of increasing scale and complexity as their populations and economies rapidly expand. These problems lie in many fields such as neighborhood conservation, code enforcement, waste disposal, data processing and fiscal management. Whatever the problem, the basic responsibility for leadership in its solution ordinarily must rest with the various units of local government. This is true whether the task is one that can be done with local and State resources alone or one that requires Federal assistance.

Each year new statistics are compiled telling the story of the manpower crisis in government. Between 1955 and 1965 employment in State and local governments increased by 3 million, from 4.7 to 7.7 million - or four times the rate of employment in the economy as a whole. From now until 1975 State and local governments will have to recruit at least a quarter a million new administrative, technical, and professional employees a year, excluding teachers, in order to maintain and develop their programs which by 1975 will require a total employment of about 11 million.

These figures reflect the quantity of people needed in State and local governments in the coming years. A second equally important consideration is one of quality. Constant technological change and new methods for dealing with community development problems are placing unrelenting stress on people now employed in government. Present personnel must be brought up to date; not only in their field, but in awareness of the complex, interrelated problems which affect their performance. New problems and new approaches require new skills and current knowledge.

Therefore, there is a crucial need at this time for expanded pre-service and in-service training for public employees in State and local governments. The responsibility for conducting such training must rest with State and local institutions, but Federal financial assistance is necessary if the job is to be done adequately. At relatively small cost a major contribution can be made to the capacity of State and local governments to meet their increasing responsibilities.

Presently, most States and cities do not have resources to meet their training needs. In two recently conducted surveys wide gaps were evident on the State and local level. On the State level, four States had no training programs whatsoever, and in only 16 were training activities sponsored by a central personnel office. The International City Managers' Association (ICMA) discovered that on the local level, only 27 percent of the cities surveyed reported any type of training programs for their

administrative, technical, and professional personnel. Their final conclusion was: "The most significant fact about in-service training programs for municipal government ATP personnel is simply the lack of this training, in terms not only of number of cities but also of the numbers of employees involved and the kinds of training offered." (The Municipal Yearbook 1967)

The need for the program should be related, also, to the effective use of the Federal funds which are allocated to cities, towns, counties, and metropolitan areas--hundreds of millions of dollars in grants by Federal departments and agencies. To a significant degree the end result of these programs, the achievement of Federal objectives, is quite properly, in the hands of local officials. Local administration of these programs is only as good as the people who are carrying them out. This program is designed to augment and upgrade the skills of local officials, now on the job, who are carrying out Federally assisted and related local programs.

Related Programs

The Community Development Training Program (Title VIII) augments and complements other activities of the Department to strengthen the technical capacities of States, counties, and municipalities, such as the programs described below:

a. Fellowships for City Planning and Urban Studies. (Part 2, Title VIII, Housing Act of 1964) The Fellowships Program is intended to expand the supply of scarce professional personnel by assisting students in obtaining graduate degrees in planning and other urban programs. It is Federally administered, with fellowships awarded by the Secretary in cooperation with colleges and universities, and is aimed at students planning to enter public service at the State or local level after completion of their training. The estimate for 1969 is in Section E of this volume.

b. Urban Information and Technical Assistance Programs. This program is described in section C. Grants would be made to the State to establish programs to provide information, statistics and data, and technical assistance to local governments in fields related to urban and community development. This is not a program to train persons planning to enter public service or those already on the job. Rather, it is intended to provide important supporting services to local governments.

c. Urban Planning Assistance Program (Section 701). This program is described in Part 3. The 701 Program stimulates comprehensive urban planning, helps communities attain new development patterns, provides assistance for the solution

of important urban planning problems, and encourages State and local governments to develop planning staffs. The urban planning assistance program does not include training, but supports comprehensive planning through financial assistance for consultative services and physical development activities.

Program Coordination

States are encouraged to coordinate three related HUD programs described above -- The Community Development Training Program, the Urban Information and Technical Assistance Program and Section 701, Urban Planning Program. The parallel and mutually supportive purposes of these programs can help States assure systematic coordination and continuing consideration of urban problems.

Program Operation

Title VIII is a matching grant program for States. An applicant State is required to submit a State plan application setting forth:

(1) the designated agency or officer of the State government to have responsibility for the program.

(2) the manpower needs and the training program formulated to meet these needs, and the objectives to be achieved by the program.

(3) the method by which the required amounts from non-Federal sources will be obtained.

(4) fiscal control and fund accounting procedures.

(5) the method for providing such reports, information, or documentation as may be required by the Secretary.

The State plan requirement allows a State to assay its professional and technical manpower and training needs and design a training program to meet them. The purpose is to enable States to fulfill their unique requirements through a continuous training program which will meet present needs and anticipate those of the future.

With Title VIII assistance, States may develop training programs which encompass inservice training, preservice training and activities related to program development. Based on their demonstration of need and objectives to be accomplished by training activities, each State may provide its own program emphasis. A determination of the cogency of these plans will be based on the States demonstration of need, the States ability to carry out the program, national priorities, and the factors previously mentioned. State plans within these training areas may utilize a variety of forms of training. These training plans might include inservice short courses, workshops and institutions, pre-service programs such as internships and field work programs, as well as other types of training which will fulfill training objectives. Program development activities could include, but are not necessarily limited to, studies, analyses, and evaluations to determine occupational shortages or to obtain other basic data needed to develop a sound realistic training program and in other ways meet public sector manpower needs. In a substantive sense, State plans should accommodate traditional physical development concerns, as well as more recently perceived problems concerning social aspects of community development.

One type of program possible follows the pattern of the "Interns in Community Service" sponsored by the State of New Jersey. This type of program reaches the graduate and undergraduate student. Another approach would be programs to train para-professional personnel for technical jobs in government. These employees will play a vital role in freeing valuable high level personnel from less essential tasks. Some other worthwhile Community Development training efforts might be as follows:

-- Augmenting employee skills in research techniques applicable to urban areas, especially oriented toward diagnosing area or region-wide problems.

-- Implementation of State University Urban Extension programs for developing urban manpower skills.

-- Development and implementation of training techniques for instituting a State trained consultant group to solve problems of small communities.

-- Training for town managers, planning officials, housing agency personnel, and others to become action-oriented generalists' in a broad range of development activities; generalists who could be called upon to suggest and develop specific measures to carry out development programs.

Current Status of the Program

Under Title VIII, all the States, the District of Columbia, Puerto Rico, and the Virgin Islands are eligible to receive grants. Since the passage of the 1968 appropriation for the program, 49 States have shown interest in the program; 36 Governors have designated an official or office to administer the program.

Forty-one States are expected to apply in fiscal year 1968. It is expected that of the approximately 41 States requesting grants approximately 30-35 will receive grants ranging from $20,000 to $300,000.

Program for 1969

In addition to the 30-35 States funded in 1968, it is estimated 10 additional qualified jurisdictions will be grant recipients for 1969, for a total number of 40 to 45.

PROGRAM OBJECTIVES

Mr. EVINS. Last year we appropriated $3 million; next year you are asking for $7 million for matching grants to the States. You say on page D–1:

"Title VIII of the Housing Act of 1964 authorizes a program to assist and encourage States, in cooperation with public or private universities and colleges and urban centers, to organize, initiate, develop, and expand programs which will provide special training in skills needed for economic and efficient community development to those technical and professional people who are, or are training to be, employed by a governmental or public body which has responsibility for community development.

"The State must provide for contributions from non-Federal sources at least equal to that provided in the Federal grant for the same purpose and for concurrent use. The act as amended in 1965 authorizes the appropriation of $30 million for grants, of which $3 million was appropriated in 1968 and $7 million is requested for 1969.

The act provides that not more than 10 percent of the total appropriated for the purpose of the act may be used for making grants to any one State.

So it is disbursed across the 50 States of the Nation.

Do you think you need the full $7 million, Mr. Taylor?

Mr. TAYLOR. Yes, sir.

Mr. EVINS. You had $3 million last year. Could you not get along with about $3 million next year?

Mr. TAYLOR. We will have a demand this year, even though we artificially restricted it.

Mr. EVINS. How many States have shared in this program with the $3 million?

Mr. TAYLOR. We will be granting to about 30, is that not right?

Mr. BECKMAN. Between 30 and 35 States.

Mr. EVINS. Between 30 and 35 of the 50 States have already gotten grants?

Mr. TAYLOR. No, we expect funds——

Mr. EVINS. This is a matching program for training. The question here is not the quantity of people trained but the quality of the people's skills. Constant technological change and new methods for dealing with problems of community development necessitate the need for training personnel.

You say on page D–2:

Between 1955 and 1965 employment in State and local governments increased by 3 million, from 4.7 to 7.7 million or four times the rate of employment in the economy as a whole.

Then you state:

The International City Managers' Association (ICMA) discovered that on the local level, only 27 percent of the cities surveyed reported any type of training programs for their administrative, technical, and professional personnel.

It is fine to have this training, but with the grants that we are providing in our programs, they ought to be able to train their bookkeepers, administrators, computer operators, and firefighters. They should have some local responsibility.

Secretary WEAVER. As I say, Mr. Chairman, we have a concern for this, because many of these people being trained are people carrying

out our programs at the local level. To the degree that they show capacity and dedication and ability, we get more for our dollar; and to the extent that they show a lack of that, we get less for our dollar. Not only do we have administrative problems, but we have also problems of efficiency.

DEMAND FOR PROGRAM IN 1969

Mr. EVINS. On what basis do you determine you need more than twice as much as you had last year?

Secretary WEAVER. The demand.

Mr. EVINS. How did you make this calculation?

Mr. BECKMAN. The demand already for this year's funds is well up toward the amount that has been asked for next year. This newly funded grant program is really getting underway relatively late in the fiscal year, and many of the States legislatures have not had an opportunity to authorize the new matching funds. We expect that next year's demand will be much more of an operational and full-State participation effort.

We also expect close to the full 50 States to participate next year. This year we anticipate 30 to 35.

ESTIMATE OF NUMBER OF PERSONS TRAINED

Mr. BOLAND. Can you indicate the number of people that will be involved in this? I think that would be a better basis of how much you will actually need.

Mr. BECKMAN. In terms of being trained?

Mr. BOLAND. Yes.

Mr. FARR. No; not at this time.

Mr. BOLAND. What about in number of people?

Secretary WEAVER. I do not see any reason why we cannot take those plans we have, and on the basis of population, and State size, project those.

(The information follows:)

ESTIMATE OF NUMBERS OF PERSONS TO RECEIVE TRAINING IN FISCAL YEAR 1968 UNDER THE COMMUNITY DEVELOPMENT TRAINING PROGRAM

The following statements was developed in response to the request for an estimate of the number of persons to be trained by title VIII in its first year of operation. Three million dollars was appropriated for fiscal year 1968.

The program grants funds to States on a matching basis. Each State must contribute an amount at least equal to the Federal share for the new and expanded activities they propose to undertake. Therefore, at least $6 million will be expended this year by 30 to 35 States.

Based on a projection from applications received, approximately 19,000 State and local employees and 1,000 persons planning to enter Government service will be trained through title VIII funds. The training employees will receive ranges from short conferences and seminars to more intensive 3-week courses or midmanagement internships. Preservice training is for the most part 6 months to 1 year internships designed to attract young people to State and local governments.

These figures are preliminary estimates based on the seven formal applications received to date. These applications exhibit a diverse mix of the three elements which can constitute a title VIII State plan application—program development, inservice training, and preservice training. For example, one State proposes to devote 85 percent of its total funds (Federal share and non-Federal match) to inservice training and none directly to program development or preservice train-

ing. Another alloted 45 percent to program development and the balance to other categories of activities. To develop meaningful projections from such data, median figures were derived. From these, it is estimated that 75 percent of the funds would be available for training, 10 percent would be used by States for program development and 15 percent would represent administrative costs. After grants are made, a cutoff date of April 15, 1968, has been established, actual figures will be available from periodic reports required of the applicants.

Mr. BOLAND. I do not think there is any question that this is very important training. This is an area where we get a dearth of education and training. This is precisely the kind of people you need to make the program work. If the State is willing to participate in it on a grant-in-aid basis, then there ought to be a willingness on the part of the Federal Government to contribute as much as they can to train as many as can be trained to help the program work.

Mr. WYMAN. Mr. Boland, I would like to add to that that this is one of the better aspects of this program, this 50–50 matching program. I think if they have a stake riding in there at that level, they are going to be a little more careful.

Mr. TAYLOR. Mr. Boland, with the administrative work, we have set the requirement that this be in addition to what the State had been doing. We are not allowing them to match what they had been doing in the past and pick up 50 percent matching with that. It is an add-on. It is an increase in this function.

Mr. BOLAND. Thank you.

FELLOWSHIPS FOR CITY PLANNING AND URBAN STUDIES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	Fellowship grants (program costs, funded)		348	491
	Change in selected resources [1]	464	152	9
10	Total obligations (object class 41.0)	464	500	500
	Financing:			
16	Comparative transfer to other accounts	30		
25	Unobligated balance lapsing	6		
	New obligational authority	500	500	500
	New obligational authority:			
40	Appropriation		500	500
	Transfer of prior year appropriation to liquidate contract authorization from "Urban Renewal Fund" (Public Law 89–555)	500		
	Relation of obligations to expenditures:			
10	Total obligations	464	500	500
70	Receipts and other offsets (items 11 to 17)	30		
71	Obligations affecting expenditures	494	500	500
72	Obligated balance, start of year		464	616
74	Obligated balance, end of year	−464	−616	−625
90	Expenditures	30	348	491
	Expenditures are distributed as follows:			
01	Out of current authorizations	30		
02	Out of prior authorizations		348	491

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, $0; 1967, $464,000; 1968, $616,000; 1969, $625,000.

Mr. EVINS. Next is the Fellowship Program. Put in the record here pages E–1 through E–7.

(The pages follow:)

FELLOWSHIPS FOR CITY PLANNING AND URBAN STUDIES

Program Highlights
(dollars in thousands)

	Actual 1967	Estimate 1968	Estimate 1969
Fellowships:			
Number	95	100	100
Amount	$464	$500	$500

BUDGET REQUEST

The Budget for fiscal year 1969 proposes an appropriation of $500,000 for fellowship grants.

Introduction

Part 2 of Title VIII of the 1964 Housing Act authorized a program of graduate fellowships in urban planning and related fields. Ninety-five such fellowships were awarded during fiscal year 1967. Approximately 100 awards (including renewals of fellowships for Fellows in 2-year programs) will be made in FY 1968. In making these awards, priority has been given to those fields of study in which there are especially serious urban manpower shortages. Fellowships are awarded, on the basis of ability, for training in public and private nonprofit institutions of higher education having programs of graduate study in the field of city planning or in related fields (including architecture, civil engineering, economics, municipal finance, public administration, and sociology), oriented to training for careers in city and regional planning, housing, urban renewal, and community development. Persons selected are chosen by the Secretary on the basis of ability and upon the recommendation of the Urban Studies Fellowship Advisory Board. The Board is comprised of heads of departments in public and private nonprofit institutions of higher education which provide academic courses related to the fields mentioned above, and of persons from national organizations which are directly concerned with matters relating to city and regional development.

Need for the Program

The effectiveness of Federal, State and local expenditures directed toward the solution of urban problems depends on the availability of an adequate number of competent and trained personnel. Investigations have indicated that there are critical personnel shortages in the fields of urban planning, housing, community development, and city administration. The main purpose of the fellowship program is to increase the supply of trained personnel in these crucial urban manpower areas. A second purpose is to assist in strengthening the urban-oriented programs of colleges and universities throughout the country, thereby promoting the entry of greater numbers of persons into those fields.

The American Society of Planning Officials reported more than 550 unfilled positions for urban planners in city, county, and combined city-county planning agencies, according to a 1966 survey. It estimates that there are approximately three times that number of unfilled positions,altogether, including those in universities, consulting firms, and State and Federal agencies. Furthermore, according to the 1967 Manpower Report of the President, employment needs in State and local government for 1975 are projected to increase nearly 50 per cent over the 1965 level.

The shortage of urban planners is being accentuated by the planning requirements established by the Congress for a growing number of Federal grant-in-aid programs. For example, pursuant to law, the following HUD programs carry comprehensive planning requirements: the open-space land program, program for advance acquisition of land, urban mass transportation program, basic water and sewer facilities grant program, urban renewal program, including the community renewal program, and the Model Cities program.

Programs of other Departments have broadened their planning requirements. The 1962 Highway Act requires that a planning process be in effect in cities of over 50,000 population if they are to be eligible for Federal assistance. The functional planning required under such Federal aid programs as the following intensify the problem: Comprehensive Health Planning (HEW), Hospitals (HEW), Waste Treatment Facilities (HEW), Area Redevelopment (Commerce), Airport Construction (FAA), Civil Works (Army), Outdoor Recreation (Interior), and Comprehensive Area Manpower Planning (Labor). All of these increase the need for persons trained in planning and related fields in State and local governments.

There is a prime need, also, to encourage talented graduate students into fields other than urban planning, such as urban renewal and redevelopment, public administration, housing and land economics, and urban sociology. The need for qualified individuals for the urban public service continues, in part to offset normal turnover and retirements and to meet the demand created by intensified public efforts to deal with urban problems. Even as the number of graduates in these fields increases, the growing need surpasses the output of the schools offering relevantly trained persons.

Relation to Community Development Training Programs (Title VIII)

The training provisions of the Community Development Training Program are aimed both at pre-service and in-service or mid-career training. A separate justification for this program for fiscal year 1969 is on page D-1. Federal grants to the States will enable them, working through universities, colleges, and State facilities, to develop workshops, seminars, training courses, and other programs geared to the needs of public employees. The intent is to upgrade present personnel engaged in urban programs and to train new employees in those specific skills unique to urban development fields.

By contrast, the fellowship program is an effort to attract more young students into full-time graduate programs in urban fields and thereby increase the supply of highly trained personnel. The program is Federally administered in cooperation with universities and colleges. The two programs complement each other by improving the quality of existing personnel and by increasing the number of trained persons in urban programs.

Relation to Other Federal Programs

Other Federal programs administered by other Departments and agencies offer fellowships and assistance in selected fields or areas of study. The National Science Foundation, for example, offers fellowships for research into the sciences at the graduate level. The National Defense Education Act provides support for graduate studies aimed primarily at the training of teachers. While there is some possibility of overlap among these programs, the Fellowships for City Planning and Urban Studies Program is the only one having as its primary purpose the training at the graduate level of persons planning to enter the urban public service.

Program Operation

Fellowships are awarded for study in selected fields having comprehensive programs which give attention to the social aspects of planning and development, which have proven to be increasingly important to the satisfactory solution of urban development problems. Nominating institutions must give assurance that the fellowships will serve to increase the number of outstanding students being trained in the program and will not be substituted for other financial resources available for similar purposes. Nominations are submitted to the Urban Studies Fellowship Advisory Board (described above), and the Secretary makes awards to individuals after consideration of the recommendations of the Board.

The fellowship program, along with providing financial assistance to the student, awards to each university a cost of education allowance of a minimum of up to $1,500 per year.

Awards are announced in the Spring of the year for the academic term beginning the following Fall.

The recipients of awards for the 1967-68 academic year are presently enrolled in 51 programs in 41 institutions. A review of the backgrounds of the Fellows indicates that the program has been successful in the first year in attracting students of extremely high caliber. Almost half the Fellows have some education beyond the bachelor's level, including a number who had successfully completed at least a year of graduate work in urban studies. About two-thirds have some previous work experience. Most have already expressed their commitment to the public service in the field of urban affairs either by working in the field or by contributing their services in urban areas on a volunteer basis.

The 1967-68 Fellows are enrolled in the institutions and programs listed as follows:

Institution	Program
U. of California, Berkeley	City and Regional Planning
U. of California, Los Angeles	Landscape Architecture
U. of Southern California, Los Angeles	1. Urban Administration 2. City and Regional Planning

Institution (cont'd)	Program
Yale University, New Haven	City Planning
The American University, Washington, D. C.	Real Estate and Land Planning and Use
Florida State University, Tallahassee	Urban and Regional Planning
Georgia Institute of Technology, Atlanta	City Planning
U. of Illinois, Urbana	Urban Planning
U. of Chicago, Chicago	Urban Studies
U. of Iowa, Iowa City	Municipal Administration
U. of Kansas, Lawrence	City Management
U. of Maryland, Baltimore	School of Social Work
Massachusetts Institute of Technology, Cambridge	City and Regional Planning
Harvard University, Cambridge	1. City and Regional Planning 2. Urban Public Administration
Brandeis University, Waltham	Social Work-Community Action
Springfield College, Springfield	Community Leadership and Development
University of Michigan, Ann Arbor	City and Regional Planning
Michigan State University East Lansing	Urban Planning and Landscape Architecture
Wayne State University, Detroit	Urban Planning
U. of Minnesota, Minneapolis	Public Administration and Urban Planning
Washington University, St. Louis	1. Architecture and Urban Design 2. Urban Studies
Rutgers, the State University, New Brunswick	City and Regional Planning

Institution (cont'd)	Program
Princeton University, Princeton	Urban Studies
Cornell University, Ithaca	1. Housing and Design 2. City and Regional Planning
Columbia University, New York City	Urban Planning
Hunter College of the City University of New York, New York City	Urban Planning
Pratt Institute, Brooklyn	City and Regional Planning
New York University New York City	Urban Planning
Syracuse University, Syracuse	1. Urban and Regional Planning 2. Urban Public Administration 3. Real Estate and Urban Development
U. of North Carolina, Chapel Hill	City and Regional Planning
Ohio State University, Columbus	City Planning
Western Reserve University Cleveland	Public Management Science
University of Pennsylvania, Philadelphia	1. City and Regional Planning 2. State and Local Government 3. Regional Science
U. of Pittsburgh, Pittsburgh	1. Urban Community Development and Administration 2. Urban Affairs and Regional Planning 3. Urban Renewal and Development
U. of Puerto Rico, Rio Piedras	Planning
U. of Tennessee, Knoxville	Planning

Institution (cont'd)	Program
U. of Texas, Austin	Community and Regional Planning
U. of Washington, Seattle	Urban Planning
U. of Wisconsin, Madison	Urban and Regional Planning
U. of Wisconsin, Milwaukee	Urban Affairs
Virginia Polytechnic Institute, Blacksburg	Urban and Regional Studies

Program for 1969

The Budget proposes an appropriation of $500,000 for fiscal year 1969. This would enable the Secretary to award approximately 100 fellowships to qualified students preparing to enter or to continue graduate programs in the Fall of 1969.

PROGRAM REQUIREMENTS AND BENEFITS

Mr. EVINS. Last year we provided $500,000 and you are asking for the same level of fundings for the fellowship program for 1969.

You show 95 such fellowships awarded during 1967, and approximately 100 awards will be made in 1968.

How many awards do you expect to make in 1969 and what are the results of these fellowship awards?

Mr. TAYLOR. We should be beginning to see the first flow of people into local, State, and Federal Government this year. Most of the graduate programs are 2-year programs. We have funded some people who are in the second year, so they ought to be getting out.

Mr. EVINS. What is the average amount of these fellowships?

Mr. BECKMAN. About $3,000 this year.

Mr. EVINS. Is this $3,000 taking care of all their costs and expenses? Are they devoting full time to their studies?

Mr. BECKMAN. Yes, sir. These are all, in every case, full-time students enrolled in qualified graduate schools of planning, public administration, or urban affairs generally. In addition to the $3,000 there is an allowance for dependents of $500 each for up to two dependents, and an amount does go to the school to help cover some of the cost of training.

Mr. TAYLOR. We funded, sir, our first returning veterans who got out of service. We think this will result in an increasing flow of candidates, as they apply to the schools.

STUDENT COMMITMENT

Mr. WYMAN. Do you get a commitment from these fellows, that they will give us at least 2 or 3 years in what I call the social field, after they get their skill, as a result of this scholarship? Is there any such commitment? You were talking about landscape architecture, and many other things that are all skills at a premium today.

It seems to me if we are going to put a half million in this, we ought to get some kind of commitment to city service.

Do you have such a commitment?

Mr. TAYLOR. No, we do not; although the institutions are asked to nominate only those students interested in pursuing a career in the urban public service.

Mr. BECKMAN. I expect the great bulk of GI scholarships go to undergraduate level.

Mr. EVINS. Could you not encourage these returning veterans to go into municipal training by talking to them and showing them the need?

Mr. JONAS. I think you should check into that. The money under the GI bill does not go to the college, it goes to the individual.

Mr. TAYLOR. We will check that out.

STRENGTHENING COLLEGE URBAN PROGRAMS

Mr. BOLAND. You say:

A second purpose is to assist in strengthening the urban-oriented programs of colleges and universities throughout the country, thereby promoting the entry of greater numbers of persons into those fields.

Are you funding the development of any urban-affairs institutions in this country?

Secretary WEAVER. No; except that under this program we do make a grant to the universities.

Mr. BOLAND. Grants are made to the universities for what purpose?

Mr. TAYLOR. Just for fellowships. Part of the fellowship is administrative support to the college in lieu of tuition and fees.

Mr. WOOD. There are no funds that speak directly to the purpose of strengthening the institutional capacities of the universities, particularly community-oriented colleges to work directly with and to help their city governments.

Mr. EVINS. You figure you can use the full amount. Do you have enough applications for this? And if you have enough applications, are they on the waiting list or do you have to encourage them?

Secretary WEAVER. No; we do not have to encourage them. They are on the waiting list.

EVIDENCE OF COMMITMENT

Mr. GIAIMO. Getting back to the commitment, there is no need for one.

Secretary WEAVER. I would like to check that first. There is also a disinclination to put a "kickup" on these things. If, on the other hand, they are not coming back in to urban fields, I do not think the program is serving its purpose.

We will take a look at this.

Mr. GIAIMO. Is there anything to indicate that the people have been anxious to get into this field?

Secretary WEAVER. I would guess that a large proportion of these are going into public service; and those that are not, for the most part, would be going into service which has a community orientation. A few may be going into consulting firms.

Mr. TAYLOR. We are just now reaching the point where the first year's class is graduating. I think this is the point we can begin checking. We ought to see what the experience is. We have made a deliberate and conscious effort, sir, to keep in touch with the students, feed them information about our programs, and to ask our regional offices—when they are located close by—to invite them in, to encourage them. We will have to see what the payoff is and take a look at what we ought to do.

Mr. BECKMAN. We have also started an active program through our regional offices of encouraging these graduate students to work in cities on community-related-type jobs during the summer. This is getting underway.

Mr. GIAIMO. When you have a class finishing this school, is there any effort being made toward placement?

Mr. BECKMAN. I think the problem really is one of choice. In virtually every one of these graduate areas the shortage is very great. I might read the general categories in which these students are seeking graduate degrees: city and regional planning gets two-thirds of the grants so far, and this is one of the occuptional areas cited as a great shortage category. It is, virtually, totally in the public sector. The next one is urban public administration, which tends to be municipal or

Federal and State employment. The third category is urban affairs, in the political science area, and again tends to be in the public sector; and finally, housing and urban renewal, which is a public program we help support.

Salaries and Expenses

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1967 actual	1968 estimate	1969 estimate
Program by activities:			
1. Model cities program	1,107	2,585	8,380
2. Intergovernmental relations	229	633	1,041
3. Economic and market analysis	281	370	368
4. Executive supervision and services	404	851	451
10 Total costs—obligations (object class 25.3) (payment to "Administrative operations fund")	2,021	4,439	10,240
Financing:			
11 Receipts and reimbursements from: Federal funds	−750	−2,500	−8,380
Proposed reimbursement for civilian pay increase		−80	
16 Comparative transfers from other accounts	−1,271		
New obligational authority		1,859	1,860
New obligational authority:			
40 Appropriation		1,850	1,860
41 Transferred to other accounts		−36	
43 Appropriation (adjusted)		1,814	1,860
44 Proposed supplemental for civilian pay act increases		45	
Relation of obligations to expenditures:			
10 Total obligations	2,021	4,439	10,240
70 Receipts and other offsets (items 11–17)	−2,021	−2,580	−8,380
71 Obligations affecting expenditures		1,859	1,860
90 Expenditures excluding pay increase supplemental		1,814	1,860
91 Expenditures from civilian pay increase supplemental		45	
Expenditures are distributed as follows:			
10 Out of current authorizations		1,859	1,860

Mr. Evins. We will now look at "Salaries and expenses." Gentlemen, we will place in the record pages F–1 through F–10.

(The pages follow:)

SALARIES AND EXPENSES

Appropriation Highlights
(Dollars in thousands)

	Estimate 1968	Estimate 1969	Increase or Decrease
Salaries and expenses, direct appropriation	$1,850	$1,860	+$ 10
Proposed supplemental for civilian pay act (P.L. 90-206)	45	...	- 45
Funds transferred to GSA for space rentals	-36	...	+ 36
Subtotal	1,859	1,860	+ 1
Transfer to "Salaries and expenses," administrative expenses for Model Cities Programs	$2,500	$8,380	+5,880
Proposed supplemental for civilian pay act (P.L. 90-206)	80	...	- 80
Subtotal	2,580	8,380	+5,800
Total appropriation or estimate	4,439	10,240	+5,801

BUDGET REQUEST

The Budget proposes an appropriation of $1,860,000 for "Salaries and expenses, Demonstrations and Intergovernmental Relations" and, in addition, the transfer of $8,380,000 from the appropriation "Model Cities Programs" for administrative expenses, for a total estimate of $10,240,000.

Summary of Budget Request

The Budget proposes a net increase of $5,801,000, of which $5,800,000 is in the transfer for administrative expenses for model cities programs. The increases are distributed as follows:

1. Of the increase in "Salaries and expenses," $60,000 is due to increased civilian pay act costs in fiscal year 1969, offset by decreases resulting mainly from the transfer of research staff to the Office of Urban Technology and Research when that office was established.

2. Of the $5,800,000 increase in the transfer for administrative expenses for the Model Cities Program, $177,000 is for increased civilian pay act costs in fiscal year 1969. An increase of $2,123,000 is proposed for increases in staff, mainly in the Department's regional offices, as cities proceed through the planning and into the execution stages of their programs. An increase of $3,500,000 is proposed for Model Cities program evaluation, program development, and training activities for city demonstration agency personnel.

The total appropriation would provide for staff to carry out the programs under the Assistant Secretary for Demonstrations and Intergovernmental Relations in Washington, D. C. and in the Department's regional offices. Not included is the staff of the immediate office of the Assistant Secretary, which is funded directly from the appropriation "General Administration," described in part 6 of these Justifications.

The activities funded by this total appropriation for fiscal years 1968 and 1969 are shown in the following tabulation.

Activity	Estimate 1968	Estimate 1969	Change
	(in thousands of dollars)		
1. Model Cities program	$2,580	$8,380	+$5,800
2. Intergovernmental relations	638	1,041	+ 403
3. Economic and market analysis	370	368	- 2
4. Executive supervision and services	851	451	- 400
Total	4,439	10,240	+ 5,801

Employment herein, stated in man-year equivalents, reflects the total required to carry out the above activities including administrative and supporting services. Total employment, by organization, is summarized for all units in the Department in part 6 of these Justifications, which describes the Administrative Operations Fund. Pursuant to law, the administrative expenses provided under "Salaries and Expenses, Demonstrations and Intergovernmental Relations" are transferred to the consolidated Administrative Operations Fund.

Explanations of each of the activities and the amounts requested are described in the pages which follow.

Model Cities Program

	Estimate 1968	Estimate 1969	Increase
	(dollars in thousands)		
Obligations	$2,580	$8,380	$5,800
Man Years	179.0	331.0	+ 152.0

The Model Cities Program, described in section B, is administered by the Model Cities Administration under the Assistant Secretary for Demonstrations and Intergovernmental Relations.

During 1969, the Model Cities Administration will be engaged in the following tasks:

A. Completing the processing of applications for planning grants from 200 to 250 cities which applied for the second group of model cities planning grants late in fiscal year 1968.

B. Monitoring, giving technical assistance, assessing information and data, and developing new programs in 130 to 140 cities in various stages of planning and implementation of demonstration programs.

C. Monitoring and analyzing results of a series of evaluation efforts based on these demonstrations programs.

D. Systematically analyzing the information developed from these projects and disseminating it to the country at large.

E. Consolidating the relationships with other Federal agencies to insure thorough review of applications, coordination of monitoring, funding and evaluation, and proper government-wide utilization of knowledge developed in Model Cities projects.

F. Developing and implementing an information system which will serve the management and evaluation needs of each City Demonstration Agency and provide effective data for administrative review and evaluation of the programs.

By the end of FY 1969 Model Cities staff needs will stabilize as personnel complete their efforts on two planning grant cycles and are almost through a first year of program execution.

Central Office Staff

Administration of the program in the central office will involve two major activities: (1) operations and (2) program development and evaluation. The program is supervised by the Director of the Model Cities Administration and a Deputy.

The Division of Program Operations carries out its responsibilities, primarily, through a Desk Officer organization. The six regional Desk Officers and their staff serve as the key Washington operating contact for the Model Cities Program and perform a variety of responsible roles. In the application period for both planning and supplementary grants, workload will concentrate on preparation and interpretation of documents and materials for adequate policy review and selection of grant recipients. The Desk Officer will have basic responsibility for coordinating the presentation of applications for his region and preparing related programs and policy documents.

Subsequent to approval of planning or supplemental grants, the Desk Officers will maintain close surveillance on the general progress of the Model Cities and be the Washington point of contact for monitoring progress of the program objectives. An important part of this role will be the identification of city needs for assistance, and for the identification of program aspects of various city programs which are of national interest.

Responsibility for project monitoring will continue to be gradually decentralized to the regions during 1969 and 1970. The administrative emphasis for the first round of both planning and supplementary grants will necessarily be in Washington because of initial policy development requirements. Regions will participate more fully in the review of requests for planning grants and will assume substantial responsibility for processing of supplementary grants and subsequent routine program management of activities.

This Division will also include a small records, processing, and files unit, which will become a focal point for the control of document flow in the Model Cities Program. Document and internal project status control will be main functions of this section-- an activity that will be increasing substantially by the end of FY 1969. Files and control activities will provide services to the Regional Desk Officers.

The Division of Program Development and Evaluation is responsible for the evaluation of the Model Cities

projects; analysis of the data and information extracted from these efforts; the development, testing out, and application of innovative program ideas; and the dissemination of this intelligence. It designs the evaluation plans, monitors the evaluation effort and develops innovative program ideas based on project cities' experiences and knowledge developed through other programs and special studies.

This Division will also be responsible for developing working relationships with and fostering participation of the programs of other Federal departments and agencies. The Model Cities Program requires a pulling together of Federal urban programs at the Federal and State level, as well as at the local level. Because Federal programs have heretofore operated independently, each has developed its own rules and regulations and funding processes and procedures which make coordinated programming difficult. A goal of the Model Cities Program is to reorient urban programs so that they reinforce and support each other at the local level. This is to be done in a way that will maintain the integrity of individual programs while insuring that at the same time they operate in concert. This effort will involve working out complex problems such as timing of funds, relationships of State plans, and differing administrative requirements.

The Model Cities Program is unusually complex because of the number of programs which must be coordinated by each City Demonstration Agency, the need to combine physical and social planning, and the special requirements of effective citizen participation. This Division will be responsible for planning technical assistance efforts through cooperative interagency efforts, through most effective use of planning funds, and through other resources.

Regional Offices

Working teams have been formed in each Department Regional Office, comprised at this time of about twelve persons each. These teams are the primary and the most vital point of contact with the local Model Cities agencies. They provide the immediate assistance to the cities, participating in the review of applications from the cities,

both for planning grants and for comprehensive programs. Operating under the direction of the Regional Administrators, they provide for liaison with the other Federal agencies participating in the Model Cities Program and provide the central office with data on current progress.

The model city teams in the field will be assisted to a large degree by other regional staffs, mainly in the specialized subject areas existing within the other operating divisions. This will be to ensure, first, a minimum of duplication and, second, an opportunity for review by persons already familiar with problems of slums, housing, planning, etc., existing within the areas under consideration. Other Federal agencies participate in the review of Model Cities applications when the programs of those agencies are involved.

Consistent with the Department's policy of maximum decentralization, the majority of the proposed increase in staff is being assigned to the regional offices.

Program Evaluation

The Model Cities program is a major effort which is designed to demonstrate ways of organizing and coordinating public and private resources to attack the crippling social, economic, political and physical problems of urban decay and blight. Social innovation, new ways of coordinating government services, and the idea of combined physical and social planning--all are being joined with the concentration of private and public resources to challenge the problems of urban living.

A program of the scope and promise of the Model Cities requires serious and responsible evaluation. Set up as a demonstration, it carries the responsibility not only to measure the extent of "success" or "failure" of the program, but also to provide an understanding of the processess by which the program achieves its effects over time. This is necessary for responsible program management and it is also necessary if the experience gained in each of the Model Cities is to benefit other cities and the nation.

The programs developed by Model Cities will be evaluated in a number of ways. Each city will be responsible for continuing planning and evaluation of its own programs. City plans are expected to develop appropriate means for measuring progress towards locally developed goals. In addition, each city will assess the effectiveness of individual programs within the total Model Cities project in each city. Other Federal agencies will be studying the operations of their programs carried out as part of the Model Cities Program.

In addition, a significant effort will also be required from contract resources for evaluation, program development and related activities. This is necessary in order to assure comparability of evaluation efforts among cities, timely and accurate information, and the selective detailed studies to help guide Federal program management.

The following Model Cities contract program is proposed for the 1969 fiscal year:

1.	Program Evaluation	$2,300,000
2.	Program Development	500,000
3.	Data Systems and Analysis	275,000
4.	Program Operations Training	425,000
	Total	$3,500,000

The Model Cities Evaluation Plan

A number of studies are proposed to be conducted under contract. These will enable the Department to fulfill its obligation to monitor the program, assess the accomplishments and disseminate the learnings from the program. These studies are interrelated, but can be divided into three general categories: statistical indicators, changes in institutions, and impact on people.

1. Statistical Indicators - It is essential to collect reliable indicators of change in a number of quantitively measurable neighborhood and citywide conditions. The collections and analysis of recurring statistical measures of the physical, social and economic conditions in the city and model neighborhood will provide one measure of the impact of the program.

2. Changes in Institutions - Most programs that will serve to achieve total Model Cities goals will be administered by local institutions. Because of the importance of institutions for conditions in the model neighborhood, and because of the importance attached to improved coordination in this program, studies of institutions are an important part of the evaluation effort. The Department plans studies of the changes in the decision-making and service delivery arrangements of the institutions that are most significant in the lives of the slum dwellers. The design and pre-test of these studies are under way and will be ready for implementation as cities move from planning to action.

3. Impact on People - Another measure of the program will be an assessment of what happens to the people in the Model City neighborhood. The changes in their conditions of living, their behavior, their attitudes will be assessed from several different perspectives, including from their own, through the eyes of community leaders and by resident observers.

Program Development

The purpose of work undertaken in program development is to reduce the time between the identification of a problem, the development of a successful program to meet the problem, and the implementation of successful programs.

Detailed analysis of particular problem areas, common to a number of cities, will be undertaken. Prototype pro-

grams will be developed where new patterns of intergovernmental cooperation must be established, or where the basic and applied research for program development exceeds the capacity of individual cities. Particularly successful programs will also be evaluated and information about these programs circulated in order to encourage the more rapid spread of promising innovations.

Data and Systems Analysis

Efforts are being made to develop information systems which will meet city and Department needs. Cities require such an information system for planning and responsible program management. The Model Cities program requires a system capable of gathering, storing and retrieving the data to meet our internal information requirements for management, evaluation and research, external data requirements to report to the public and to Congress about the progress of programs, and to report timely and useful information back to the cities. The preliminary work to establish this system is underway and it will be ready to function when the first round of cities starts to implement their action programs. The funds for 1969 in this category will be used to meet special contract costs necessary for general systems design and development.

Program Operations Training

The purpose of program operations training is to inform and to improve the competence of those involved with the Model Cities Programs in the local communities and within the Federal government. This includes conducting conferences and training sessions and developing curricula and training materials. Staff from HUD and cooperating Federal programs will carry a major share of the load for planning training activities. The time pressures of the program and the need to develop higher competence among local and federal staff as quickly as possible will require an additional investment to supplement staff resources by providing training services on a contract basis.

INTERGOVERNMENTAL RELATIONS

	Estimate 1968	Estimate 1969	Increase
	(dollars in thousands)		
Obligations	$638	$1,041	+$408
Man years	43.5	55.0	+ 11.5

This activity supports the Office of Governmental Relations. This Office administers the grant and fellowship programs indicated below and, in addition, carries out general responsibilities associated with achieving greater interagency coordination involving urban programs at the Federal level and greater participation by State governments in the problems of urban communities.

Training, fellowships and technical assistance

A basic task of this Office is to administer the following programs, which are described in greater detail in the sections of Part 4 as indicated:

Urban information and technical assistance -- section C

Community development training programs -- section D

Fellowships for city planning and urban studies -- section E

These programs are designed to assist in developing and training adequate governmental manpower to carry out the programs necessary to alleviate urban problems and assist States in the provision of technical assistance to their smaller communities in all aspects of finance, administration, and program information and coordination.

The administration of the grant programs involves the development of legal, financial, and administrative procedures; review of the State applications in preparation for approval; funding of the grants and fellowships to approved parties; technical assistance to regional offices and grantees in implementation of programs; and evaluation of

approved programs.

In order to assure maximum effectiveness of the three grant programs, staff works with other Federal agencies, State and local governments, universities, organizations of public officials, professional associations, industry groups and others to forecast needs for skilled manpower in urban fields and identify urban information and technical assistance needs of local communities, develop improved programs to meet these needs, and utilize the educational and other resources of all these groups to assist in the implementation of the grant programs.

Intergovernmental Relations

A related and critical need is to implement a Presidential directive calling for increased consultation with heads of State and local governments. It is the President's intent that chief executives of State and local governments be consulted in the formulation of new or significantly modernized systems, procedures and standards in Federal programs, that information affecting fiscal and program planning by the chief executives be furnished to them promptly, and that designation of multi-jurisdictional development areas be undertaken in consultation with them. Effective implementation of these instructions will require the staff to work with officials in the Department in identifying matters appropriate for consultation, setting up meetings and agenda, and in following up to where a subsequent action is required.

This activity includes a variety of other functions important to strengthening the effectiveness of State and local governments in urban development. These include answering inquiries and otherwise providing information on significant State and local developments, including State aids for urban services, councils of governments, and State offices of local affairs, reviewing research and demonstration proposals related to intergovernmental relations, and administering the Intergovernmental Awards Programs.

Urban Program Coordination

The broad urban program coordination mission of the Department, which includes use of Executive Order 11297

(The "Convenor Order") requires an adequate staff of "generalists and specialists" to handle effectively the growing number of tasks which are already underway or for which the Department has a commitment. The nature of this work is such that most of the professional staff must be able to work on a basis of approximate equality with fairly high level policy and technical staffs throughout this Department and other Federal agencies.

There are about fifteen interagency projects currently underway. Among the more significant ones are:

1. Cooperation with the Department of Labor and six other agencies in developing and implementing the Cooperative Area Manpower Planning System.

2. Coordination with other Departments and agencies through the President's Council on Youth Opportunity on program activities for youth for the summer of 1968.

3. Joint examination, with OEO and Labor, of manpower development and training programs operating in conjunction with rehabilitation of substandard housing in order to prepare model neighborhood residents for employment in the expected increased volume of rehabilitation of their neighborhoods.

4. Consideration of possibilities for interagency cooperation in the development in model cities of rat control programs.

5. Assist in the development of Small Business Administration economic development loan applications in 221(d)(3) housing projects through cooperation with sponsors, particularly in Model Cities neighborhoods and arranging for FHA and SBA cooperation in developing joint staff training programs through which this effort can be multiplied.

6. Cooperation with HEW, to provide for inclusion of requirements for adherence to local air pollution standards in HUD grant and mortgage insurance programs.

7. Joint HUD-HEW review of applications, and the relation of health planning to "701" - funded metropolitan area

planning agencies is being undertaken in several regions and negotiations to include health planning as part of the mechanism of comprehensive planning are underway.

8. Providing staff support for the Planning Assistance Requirements Coordinating Committee to achieve coordination of the planning programs of HUD, HEW, Agriculture, Interior, Commerce, Labor, OEO and BOB.

9. Developing a system for establishing, planning and conducting interagency committee and agreement activities and to provide for monitoring and evaluating their effectiveness in terms of the goals and missions of HUD.

The estimate provides, also, for the continued operation and expansion of a Clearinghouse Service which would aid State and local governments to obtain solutions to community and metropolitan development problems. A primary objective of the Clearinghouse Service will be to disseminate as rapidly as possible the findings of research, as well as current program developments, to government officials, universities, and private industry.

Special Contractual Requirements

$270,000 is required to carry out special interagency studies or evaluations having as their aim: (a) the establishment of new careers in housing and renewal for qualified residents of public housing and urban renewal projects; (b) the development of improved ways of delivering already funded social services programs to public housing residents with a high degree of resident participation; (c) to support an estimated 35 problem solving conferences with State and local officials concerned with improved delivery of Federal assistance programs; (d) an independent professional assessment of the quality and effectiveness of programs mounted under the Community Development Training and Urban Information and Technical Assistance Program made to some 40 State governments, including the development and testing of an evaluation technique.

Economic and Market Analysis

	Estimate 1968	Estimate 1969	Increase
	(dollars in thousands)		
Obligations	$370	$368	-$2
Man years	26.5	26.0	-0.5

This activity supports the Office of Economic and Market Analysis, which has the assigned function of providing economic intelligence and analysis for use of the Secretary, the Under Secretary, the Deputy Under Secretary for Policy Analysis and Program Evaluation, and other top officials of the Department. It analyzes the economic and financial aspects of legislative proposals and provides technical advice in matters of national economic import. The subject areas that have to be studied and analyzed include national and local housing markets and needs, capital and mortgage markets, State and local public finance, and the inter-relationships of these and Department programs as they affect the national economy. The office also has responsibility for developing and arranging for the implementation of a Departmental program of comprehensive market analysis.

The office has three principal functions: (1) economic analysis; (2) financial analysis; and (3) market analysis.

The economic analysis responsibilities involve these broad elements:

1. Analyzing and interpreting the significance of general economic developments on housing, land use and development;

2. Analyzing and interpreting the influence of developments in housing, land use, and development on the economy at large;

3. Marshaling and perfecting available information concerning the economics of urban areas, and concerning economic activities involved in all aspects of housing, land use, and development;

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4. Identifying the analytical problems still unsolved in these fields, and devising studies and methodologies to solve these problems with technical rigor and economy.

Among the financial analysis responsibilities of the Office are the preparation of various studies and analyses related to capital and mortgage markets and public finance. These responsibilities include the preparation of (1) periodic appraisals of capital market developments, with particular reference to the availability, flow and use of funds in the mortgage loans and municipal security markets, interest rate trends, changes in other loan terms, and patterns of loan quality, with dependence upon the Departmental data system to provide data when concepts have been worked out and routine data collection can be utilized; (2) studies on the characteristics of mortgage loans in their relationships to rents and housing costs and on the characteristics of municipal bond terms and their effects on local taxes and user charges; (3) analysis of new and proposed financial innovations in the mortgage and municipal markets and changes in the institutional structure of such markets; (4) national studies of the fiscal base of State and local governments, including revenue sources, expenditure patterns, debt burdens and limitations thereof; (5) examination of proposals for new or improved methods of financing housing construction and home ownership; and (6) studies on the impact of national fiscal and monetary policies and developments upon housing and urban development.

The market analysis functions include:

a. Comprehensive market analyses-- to develop policies, standards and procedures for, and the exercise of supervision over, the conduct of comprehensive market analysis to serve Department programs.

b. Technical direction of specific market analysis functions and market analysis related to programs of HUD involving regular review, spot audit, and technical direction of the Regional Directors of Economic and Market Analysis Branches.

c. Identification of and recommendations for Department policy on local "problem" housing markets-- Guidelines and procedures are being completed for identification of special problem housing markets, including overbuilt areas of impending serious surplus due to closedowns of major military or industrial complexes, and areas of serious housing shortage due to the introduction or expansion of major public or private activities.

d. Responsibilities of the Secretary in connection with the rent supplement program-- These responsibilities are essentially of a market analysis nature. They include the following: (1) preparing recommendations to the Secretary for appropriate allocations of rent supplement funds by regions; (2) developing instructions and guidelines for HUD Regional Economic and Market Analysis Branch Directors whereby they can determine the needs for low-rent housing in various localities; and (3) establishing income ceilings for tenant eligibility.

Executive Supervision and Services

	Estimate 1968	Estimate 1969	Increase
	(dollars in thousands)		
Obligations.....	$851	$451	-$400
Man-years	59.0	32.0	- 27.0

This activity supports the Office of Administration under Demonstrations and Intergovernmental Relations and the emergency preparedness functions of the Department, which are under the supervision of the Assistant Secretary for Demonstrations and Intergovernmental Relations.

The emergency preparedness function has been administered by five persons in the central office, and the equivalent of six other full-time employees who are in the

regional offices or who provide supporting services. No increase in this number is proposed in the Budget.

The Office of Administration performs administrative support services for Demonstrations and Intergovernmental Relations. These include the development, preparation, and presentation of the Budget for program and administrative expenses under Demonstrations and Intergovernmental Relations. The Office also handles internal personnel management, and the internal requirements for mail service, records management, and other office services.

Obligations for 1968 include amounts for some of the staff of Office of Urban Technology and Research, funds for which were provided under this appropriation. For 1969 the staff for that office will be funded entirely from the appropriation "Urban Research and Technology" described in part 4 of these Justifications.

TRANSFER FROM MODEL CITIES APPROPRIATION

Mr. EVINS. You are asking for $8,380,000 for model cities, and $1,860,000 for the other programs in demonstrations and intergovernmental relations, for a total in salaries and expenses of $10,240,000.

How much of this amount will be transferred from other funds? Is this to be appropriated on top of the model cities appropriation?

Mr. FRANTZ. The model cities amount is transferred from the model cities appropriation, so it is not additional money.

Mr. EVINS. You are asking for $1,860,000 under salaries and expenses plus a transfer of $8,380,000 from the model cities funds.

Mr. FRANTZ. That is correct.

NEED FOR INCREASE IN MODEL CITIES TRANSFER

Mr. WYMAN. The almost 300-percent increase in administrative expenses in the model cities program, is because of increased participation at the local level?

Mr. TAYLOR. We are doubling the number of cities we have got now. It is a result of our experience, a much firmer insight into the demands for assistance, the need to be close to the city to be supported, and the demand for the kind of skills required.

Mr. WYMAN. Why should the Federal Government pay these salaries? Why should not the cities that are being helped pay them?

Mr. TAYLOR. This amount is not for local salaries. The Federal Government has the responsibility for monitoring and for assistance. The statute provides that we provide technical assistance to the communities. So our regional staff—and most of this increase will be in the region—will be in the skills and bodies that will be working very closely with the cities. Our regional staffs have to give this kind of assistance if the program is going to work. They will have to keep an eye on it, to make sure it is working.

There will be a hard, critical look at what we are doing and how the program is working.

MODEL CITIES PROGRAM EVALUATION

Mr. JONAS. May I ask a question right there?

I do not quite understand how you could go up $5,800,000 in salaries and expenses when you are only planning to add 152 people.

At the regular civil service average, 150 people would not take $5,800,000 in salaries.

Mr. TAYLOR. No, sir. $3.5 million of that is described on page F–8. In other words, we are saying this is an experimental program. This is an attempt on the part of the Congress to see how well various city-related programs work in the cities, understand better the impact of Federal aid and of coordination and a concentration of effort.

Mr. JONAS. You are going to do that evaluating with people, are you not?

CONTRACTS FOR PROGRAM EVALUATION

Mr. TAYLOR. It will be proposed as contracts.

Mr. JONAS. You mean the $3.5 million will be contracted out—with what kind of organization?

Mr. TAYLOR. Well, we will make proposals, offer requests for proposals, and we will have competitve proposals come in to us.

Mr. JONAS. What sort of organizations do you think will be involved?

Mr. TAYLOR. Universities, private research organizations, the urban equivalent of the Institute for Defense Analysis, and that kind of organization.

Mr. WOOD. Essentially, Mr. Jonas, these will be organizations that possess what the Department does not have at the present time, a sufficient number of skilled evaluators and professional people who can measure progress and impact from an objective point of view.

Mr. JONAS. I think it might be a good idea, because it gives an insight into this problem, rather than an in-house one.

Secretary WEAVER. It has a great deal more objectivity. I think it gets more credence, too, because it is not in-house.

INTERGOVERNMENTAL RELATIONS PROGRAM

Mr. EVINS. Mr. Secretary, in your three programs for training, fellowships, and technical assistance, if the full budget amount was approved, it would be $12.5 million, the total amount of the three programs. The administrative cost for the three programs is $1,860,000.

Mr. TAYLOR. No, sir; that also includes the administrative cost of people who meet the nonprogrammatic but still departmental responsibility of the program——

Mr. EVINS. In other words, they have other duties besides the three programs?

Mr. TAYLOR. Yes, sir.

Mr. EVINS. Besides administering these programs, there are other duties, also.

Mr. TAYLOR. In terms of intergovernmental relations.

Mr. EVINS. In the model cities program we are talking about a billion dollars, which includes grants under the urban renewal add on—a billion dollar model cities program.

The administrative costs for model cities is $8,380,000. Does this include the administrative expenses for the urban renewal add-on?

Mr. TAYLOR. No, sir.

MODEL CITIES ADMINISTRATIVE ACTIVITY IN 1969

Mr. EVINS. This is in another Assistant Secretary's office, Renewal and Housing Assistance.

Let's take a look at F–4, to see what we are proposing to do here:

During 1969, the model cities administration will be engaged in the following tasks:

Completing the processing of applications for planning grants from 200 to 250 cities which applied for the second group of model cities planning grants late in fiscal year 1968.

Monitoring, giving technical assistance, assessing information and data, and developing new programs in 130 to 140 cities in various stages of planning and implementation of demonstration programs.

Monitoring and analyzing results of a series of evaluation efforts based on these demonstration programs.

Systematically analyzing the information developed from these projects and disseminating it to the country at large.

Consolidating the relationships with other Federal agencies to insure thorough review of applications, coordination of monitoring, funding and evaluation, and proper Government-wide utilization of knowledge developed in model cities projects;

Developing and implementing an information system which will serve the management and evaluation needs of each city demonstration agency and provide effective data for administrative review and evaluation of the programs.

Now, this is administering the whole program. I suppose a lot of travel is involved in this.

Mr. TAYLOR. It is, indeed, sir.

Mr. EVINS. You go to all the cities and have your experts talk with the people.

Are there any further questions on the model cities program?

PARTICIPATION OF RESIDENTS IN ELECTIONS FOR MODEL CITIES POLICY COMMITTEE

Mr. WYMAN. I wonder if you would update the list of model cities on B–10, and also, if it is possible, would you list for the record the percentage of eligible voters who participated in the model cities council elections, the model city groups?

Mr. TAYLOR. Yes.

Secretary WEAVER. Where they have them.

(Voter participation information follows:)

PARTICIPATION OF RESIDENTS IN ELECTIONS FOR MODEL CITIES POLICY COMMITTEE

Elections have been or will be conducted in approximately half of the model cities. The latest estimate is that 39 of the 75 cities have held, or will hold, elections of various kinds within the next 6 weeks. The electoral process takes a number of different forms; door-to-door solicitation of voter preference (one city); ballot box or voting machines at customary polling places (approximately a fourth of the cities conducting elections); conventions, in the model neighborhood or subneighborhoods, at which citizens vote by secret or open ballot.

The highest proportion of cities conducting elections is in the Northeast; the lowest in the Southwest.

Voter participation has varied from highs of 20 to 25 percent of those eligible at ballot box elections in Des Moines and Dayton to 2 percent at a neighborhood convention in Richmond, Calif. The Department has little hard data on voter turnout at the present time. Most cities seem to be attracting 3 to 10 percent of the eligible voters.

On the basis of initial queries, factors making for more effective elections in model neighborhoods seem to be:

Use of ballot box or voting machine methods, accompanied by publicity and efforts of professional and volunteer organizers;

The clarity of the relationship elected candidates will have with city officials in the planning process;

Participation, encouragement, and technical assistance to candidates from elected city officials;

Existence and aspiration of a well-organized broadly based neighborhood organization or organizations.

One incident in point: In Des Moines, where the turnout was 24.5 percent, Republican and Democratic national committeemen volunteered technical assistance to neighborhood candidates, and the mayor led an election-eve march through the neighborhood.

The Department is planning a deeper analysis of the results of and factors influencing electoral process in several cities.

Mr. WYMAN. I come back to the problem on the floor that we may have, in reference to Mr. Giaimo's question: In these large city areas is the main thrust, it seems to me, of the motivation here. How can we defend keeping this program alive in the face of fiscal crisis? Does it meet the demands that have been encouraged by the model cities concept? Is it an answer to those who are protesting and demonstrating and marching?

Secretary WEAVER. I think this table here would help us in this particular discussion, if I can put my finger on it.

Mr. WYMAN. That is what I wanted. Is there a table in which, by shaded colors, would show how many of the areas that have been, what I call, critical areas, are being affected?

CITY SIZE OF MODEL CITY APPLICANTS

Secretary WEAVER. On page B–12, Mr. Wyman, is shown the number of applications and the cities. And I think in the table it shows that a large number of cities are 100,000 and over.

(The information follows:)

CITIES SELECTED FOR MODEL CITY PLANNING GRANTS

(City populations based on 1965 estimates)

Alabama: Huntsville (127,000).
Arkansas: Texarkana (21,000).
California: Fresno (156,000), Oakland (378,000), and Richmond (83,000).
Colorado: Denver (520,000) and Trinidad (10,000).
Connecticut: Bridgeport (156,000), Hartford (158,000), and New Haven (151,000).
District of Columbia: Washington, D.C. (802,000).
Florida: Dade County (1,064,000) and Tampa (305,000).
Georgia: Athens (43,000), Atlanta (535,000), and Gainesville (18,000).
Hawaii: Honolulu (611,000).
Illinois: Chicago (3,520,000) and East St. Louis (82,000).
Indiana: Gary (179,000).
Iowa: Des Moines (216,000).
Kansas: Wichita (275,000).
Kentucky: Bowling Green (33,000) and Pikeville (5,000).
Maine: Portland (72,000).
Maryland: Baltimore (925,000).
Massachusetts: Boston (616,000), Cambridge (104,000), Lowell (87,000), New Bedford (99,000), Springfield (166,000), and Worcester (187,000).
Michigan: Detroit (1,660,000), Highland Park (36,000), Flint (Genesse County) (375,000), and Saginaw (99,000).
Minnesota: Duluth (104,000) and Minneapolis (465,000).
Missouri: Kansas City (530,000) and St. Louis (710,000).
Montana: Butte (27,000) and Helena (22,000).
New Hampshire: Manchester (90,000).
New Jersey: Hoboken (47,000), Newark (395,000), and Trenton (107,000).
New Mexico: Albuquerque (242,000).
New York: Buffalo (505,000); Cohoes (20,000); Central and East Harlem, South Bronx, and Central Brooklyn, New York City (8,080,000); Poughkeepsie (37,000); and Rochester (305,000).
North Carolina: Charlotte (230,000) and Winston-Salem (139,000).
Ohio: Columbus (540,000), Dayton (260,000), Toledo (354,000)
Oklahoma: Tulsa (280,000), and McAlester (17,000).
Oregon: Portland (380,000).
Pennsylvania: Philadelphia (2,030,000), Pittsburgh (560,000), Reading-Berks County (95,000), and Wilkes Barre (59,000).
Puerto Rico: San Juan (580,000).

Rhode Island: Providence (190,000).
Tennessee: Nashville-Davidson County (261,000) and Smithville-DeKalb County (11,000).
Texas: Eagle Pass (14,000), San Antonio (645,000), Texarkana (32,000), and Waco (105,000).
Vermont: Winooski (8,000).
Virginia: Norfolk (322,000).
Washington: Seattle (565,000).

Mr. WYMAN. I understand that, Mr. Secretary. But I mean of these cities that are being improved, how many are considered to be potentially volatile areas, and how many of these are areas in which there have been riots?

Secretary WEAVER. I have two answers. Off the record.

(Discussion off the record.)

Mr. TAYLOR. In the first 75 cities, sir—this statistic may be of interest—we funded 32 out of the 54 cities in the United States that had a population of 250,000 and over .And in the second 70, it is likely that we will fund more of them, so we will end up in this program, this summer, with substantially the larger percentage of all cities 250,000 and over.

Mr. WYMAN. So this is going to be at least a partial answer, this is a constructive contribution in that we are doing something more for these people in these critical areas?

IMPORTANCE OF CITIZEN INVOLVEMENT

Secretary WEAVER. Where the problems are concentrated.

Mr. WOOD. Even the planning—as I think Mr. Boland said—even the planning gives people involvement and opportunity to articulate what they feel and what they want; and makes I think, the first effective contribution before bricks or mortar or any other changes.

Secretary WEAVER. One of the great problems in these areas has been the fact that the people who are living in the ghettos have a feeling of alienation, a feeling of lack of participation, certainly no feeling of belonging, no feeling of being in the mainstream. And one of the reasons why—in addition to the practical reasons why you have to do it—but one of the other reasons we are so concerned with citizen participation is that this is the quickest, most immediate and most tangible way—and most dangerous way—to get them involved; and once you get them involved, you have to be darn sure you follow up. But once again you do get that involvement.

Mr. BOLAND. That is an excellent statement.

FUTURE FUNDING OF THE MODEL CITIES PROGRAM

Mr. MARSH. Before you leave that, is your plan going through your first 75 cities? Are those applications you had in what you refer to as your first generation applications, and then your second generation applications, is it your plan to work your way through the total 75, or the total 150, or whatever the amount may be, before you come back and add to and supplement the funds for a city that has already received assistance in the first allocation?

Secretary WEAVER. No. I think the record shows that what we are planning on is taking the first 200 million that is already appropriated,

using it for the 75. The 500 million—we would use about 300 million of that, a rough figure, on the first 75, and give the next generation the same we gave the other one, 200; so you would keep abreast and keep moving.

Mr. MARSH. It is not a one-time event, but they move in orderly steps toward a goal that has been decided should be their goal for municipal improvement?

Secretary WEAVER. That is right.

Mr. EVINS. Let us suspend with the model cities program and take up the research program. Gentlemen, we thank you for your presentation.

THURSDAY, MARCH 21, 1968.

URBAN TECHNOLOGY AND RESEARCH

WITNESSES

THOMAS F. ROGERS, DIRECTOR, OFFICE OF URBAN TECHNOLOGY AND RESEARCH

OFFICE OF DIRECTOR

ALBERT WEINSTEIN, ASSISTANT DIRECTOR FOR RESEARCH PLANNING AND COORDINATION
FRANK J. POWELL, RESEARCH ANALYST

OFFICE OF THE SECRETARY

HON. ROBERT C. WEAVER, SECRETARY
ROBERT C. WOOD, UNDER SECRETARY
ASHLEY A. FOARD, OFFICE OF GENERAL COUNSEL
JOHN M. FRANTZ, DEPARTMENTAL BUDGET OFFICER
NATHANIEL J. EISEMAN, DEPUTY DEPARTMENTAL BUDGET OFFICER
HERBERT G. PERSIL, BUDGET ANALYST

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	Contracts, studies, and administration of research (program costs, funded)	720	2,988	7,300
	Change in selected resources [1]	−220	7,012	12,700
10	Total obligations	500	10,000	20,000
	Financing:			
40	New obligational authority (appropriation)	500	10,000	20,000
	Relation of obligations to expenditures:			
71	Total obligations (affecting expenditures)	500	10,000	20,000
72	Obligated balance, start of year	584	364	7,364
74	Obligated balance, end of year	−364	−7,364	−20,064
77	Adjustments in expired accounts	−12		
90	Expenditures	708	3,000	7,300
	Expenditures are distributed as follows:			
01	Out of current authorizations	229	2,636	2,500
02	Out of prior authorizations	478	364	4,800

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, $584,000 (1967 adjustment, −$12,000); 1967, $352,000; 1968, $7,364,000; 1969, $20,064,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
25.1	Other services	546	2,200	5,115
25.2	Services of other agencies	121	528	1,300
25.3	Payment to "Administrative operations fund"	52	260	885
	Total costs, funded	720	2,988	7,300
94.0	Change in selected resources	−220	7,012	12,700
99.0	Total obligations	500	10,000	20,000

Mr. EVINS. The committee will come to order.

We have with us Mr. Thomas F. Rogers, Director, Office of Urban Technology and Research, accompanied by: Mr. Albert Weinstein, Assistant Director for Research Planning and Coordination; and Frank J. Powell, Research Analyst.

BIOGRAPHY OF MR. ROGERS

Mr. Rogers, you are new with the Department. Would you have placed in the record a biographical statement of your education, background, training, and experience? This would be informative.

Mr. ROGERS. I would be pleased to do so.

(The information follows:)

BIOGRAPHIC DATA OF THOMAS F. ROGERS

T. F. Rogers, Director of the Office of Urban Technology and Research in the Office of the Secretary of the Department of Housing and Urban Development, was born in Providence, R.I., on August 11, 1923. He attended elementary and secondary schools there, and received his B. Sc., cum laude, in physics, from Providence College in 1945. In 1949 he was awarded the M.A. degree, in physics, from Boston University.

During his professional career, Mr. Rogers has held industrial, university and Government positions.

Among those held were the following: research associate, the Radio Research Laboratory of Harvard, 1944–45; TV project engineer, the Bell & Howell Co., Chicago, 1945–46; electronic scientist with the U.S. Air Force, Cambridge Research Center, Bedford, Mass., 1945–54; associate group leader with the Lincoln Laboratory, Massachusetts Institute of Technology, Lexington, Mass., 1951–53; laboratory head, U.S. Air Force Cambridge Research Center, Bedford, Mass., 1954–59; head, communications division and member of the steering committee, Lincoln Laboratory, M.I.T., 1959–64.

Early in 1964, Mr. Rogers took leave from M.I.T. to accept an appointment with the Department of Defense as an assistant director (communications and electronics), of Defense research and engineering in the Office of the Secretary of Defense. In 1965 he was promoted to a deputy director (electronics and information systems). In this capacity, he was responsible for managing large research, development, engineering, and systems programs in such areas as electronics, communications, data handling, reconnaissance, and command and control—programs budgeted at billions of dollars during his tenure. In particular, he was instrumental in bringing into being, DOD's satellite communications global network.

Mr. Rogers has received several special awards including the Outstanding Civil Service Performance Award in 1957, a Certificate of Commendation from the Office of the Secretary of the Navy in 1961, and the Meritorious Civilian Service Award from the Secretary of Defense in 1967.

In May 1967, Mr. Rogers was appointed by Secretary Robert C. Weaver as the first Director of the newly created Office of Urban Technology and Research. This office serves as the focal point for the stimulation, coordination, analysis,

and evaluation of all research and development activities related to HUD programs and responsibilities.

His scientific and engineering publications reflect his professional work on various aspects of radiowave propagation, communications, electronic memory devices, ultrasonics and molecular physics.

Mr. Rogers has been a member of several interagency Government groups, including the Aeronautics and Astronautics Coordinating Board (that is, the AACB). He has served on such Government advisory groups as the Communications Satellite Panel of the President's Scientific Advisory Committee, and was a member of the U.S. delegation to the United Nations' Geneva meeting on the Application of Science and Technology for the Benefit of Less Developed Areas.

He is also a member or fellow of several national and international scientific and engineering institutes and societies, a fellow of the Institute of Electrical and Electronics Engineers, and a past member of its board of directors. He is also a member of the Cosmos Club.

Mr. EVINS. Mr. Rogers, if you have a statement, the committee would be pleased to hear you.

GENERAL STATEMENT

Mr. ROGERS. I do. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the committee, I am pleased to make my first active appearance before you today in support of the research, development and demonstration program of the Department of Housing and Urban Development. While I am concerned with all of the Department's scientific and technological programs, and the Department has submitted to you its first Departmentwide research program budget, my emphasis here will be primarily on the requests for an appropriation of $20 million for urban research and technology and $4.5 million for the low-income housing demonstration program.

Appearing with me is Mr. Albert Weinstein, my assistant Director.

Also in attendance is Mr. Frank J. Powell, who is normally on the staff of the National Bureau of Standards, but during this year is assigned to my office as a participant in the Department of Commerce's science and technology fellowship program.

BEGINNING OF RESEARCH PROGRAM

It is not quite a year since Under Secretary Wood, in his testimony before you, requested an appropriation of $20 million for fiscal year 1968: "to begin a serious attempt to bring to bear current techniques of research and development on problem solving in housing and urban development." He observed that: "neither $20 million nor 1 year will suffice to fill this gap, but we believe they will permit us to make a significant beginning in a long neglected field."

With the funds that the Congress appropriated for this program an important beginning, in fact, is being made. Under the circumstances, you will understand that the steps taken have not been giant ones, but they are fundamental ones, and they are beginning to move us ahead.

ORGANIZATION OF OFFICE OF URBAN TECHNOLOGY AND RESEARCH

Subsequent to your hearings related to HUD's research interests last year, the Secretary organized an Office of Urban Technology and

Research, and appointed me as its Director. In this capacity, I report directly to Secretary Weaver and Under Secretary Wood; they expect my office to act as the focal point within the Department for all of its scientific and technological activities.

INVOLVEMENT WITH OTHER FEDERAL AGENCIES

During the past 10 months, the Department, by Executive order, has been made a formal member of the Federal Council on Science and Technology; it has established a nucleus of a professional scientific-engineering-administrative staff; it has begun to install the administrative procedures required by the increased pace and magnitude of its research, development, and demonstration activities; it has been in direct communication with over a dozen other Federal departments and agencies—and agencies in certain cities—to determine the type and extent of their urban related, or potentially urban related, research and development programs; it has worked actively with the President's Committee on Urban Housing, the National Commission on Urban Problems, the President's Committee on Civil Disorders and the President's Task Force on Communications Policy; it has initiated joint studies with the Department of Defense and the Department of Commerce; and, most recently, it has begun to issue requests for proposals to initiate the spending of its fiscal year 1968 R. & D. funds in carefully selected study areas.

As you might well imagine, the Department's scientists and engineers have given the bulk of their attention over the past months to endeavoring to understand—in terms useful to us—our important urban concerns so that we could begin to lay out programs of analysis, experiment, and development that might be expected to address them effectively. We must all appreciate that this will continue to be the most important activity for the staff as it begins to formulate a comprehensive and balanced long-term research and development program.

IMPACT OF CURRENT RESEARCH PROGRAMS

Certain of the research programs supported by fiscal year 1967 and prior year funds have already had a useful impact upon the Department's operating program elements. For instance:

1. We are deeply engaged in learning how to rehabilitate structurally sound tenement buildings in a time short enough to have only a minor influence on the social fiber of the affected households and neighborhood, and of a character that is acceptable to their rent-paying residents;

2. A multiagency program has shown that certain of our very low-income Indian families can be provided with housing that meets their self-determined needs—housing that they are willing to make payments toward and which, indeed, they can help to construct for themselves;

3. We have learned that a detailed and careful analysis of the financial and related characteristics of certain very low-income families who are inherently motivated toward homeownership oftentimes permits them to qualify for such ownership, and to retain their homes once purchased—especially if they are provided some minimal sub-

sequent social assistance in such matters as family financial budgeting during the most difficult early months immediately following purchase; and,

4. We have begun to have both a useful appreciation of the complexities attendant upon building acceptable low-cost housing in our cities, rapidly, and a growing confidence that these complexities can be understood and reduced by innovations in design, in construction techniques, in components and materials, and in administration and organization.

AREAS FOR ATTENTION IN 1969

After very careful study and reflection, we have singled out a very few areas in which to concentrate most of our attention this year. For instance:

1. We are going to mount a relatively large national research and development effort in the area of low-cost housing. We plan to conduct perhaps as many as 20 different, but closely related, experiments concentrated in as many model cities throughout the United States. By means of these experiments we expect to learn, comprehensively, quantitatively, and in detail, of the contemporary factors which affect the cost and time of constructing acceptable low-cost housing in our cities, and we expect thereby to encourage and stimulate large teams of industrial, labor, architectural engineering, and administrative people to search out innovative means for ameliorating the constraints which are found.

2. We plan to utilize the model cities program as a vehicle for studying the process by which the residents, and the appointed and elected officials of our cities, begin to understand their local problems in detail, and to marshal the broad resources of the community—and, indeed, the country—in efforts to solve them. Eventually, we expect that we can begin to conduct fundamental scientific and engineering studies within cities as integral parts of the model cities program.

Of course, other urban problem areas also will receive our attention. In another year or so, I expect that the Department will be able to present to this committee a truly broad and well-balanced program. But this is the year for careful planning, for sharp problem-opportunity identification and selection, and of emphasis on specific projects expected to produce major yields.

Next year's program will build upon this year's experience. In a year's time, we should be well into the construction phase of our low-cost multicity R. & D. effort, and should be receiving very useful information from the earliest model cities on the types of activities to be encouraged in the later model cities—activities of both an operational and a further study nature.

We should be able to profit from those studies that will be completed by the Douglas and Kaiser groups, and the broad studies now being made for the Department by the National Academy of Sciences and the National Academy of Engineering.

Also, the studies now underway related to so-called new cities, and the activities related to the Federal surplus-land program, will give us a better appreciation of the problems and opportunities related to the formation of wholly new communities, and provide us with some useful insight into the practical possibility of testing their

prudent formation and their effective growth by exploiting our scientific knowledge and our technological products. And we will make a determined effort to see how, and under what circumstances, innovative management methods, and associated techniques and hardware, can help the cities with their complex and seemingly ever-growing planning and operating problems.

In summary, then, in my judgment this past year has been a small but sound beginning made by the Department in its endeavors to bring the powerful forces of science and technology to bear upon its grave and pressing urban responsibilities.

With your understanding and support, and that of your colleagues, we will exert our efforts to accelerate our progress during the coming year.

Mr. EVINS. Thank you, Mr. Rogers. That was a very impressive statement.

Mr. Rogers, were you in research before coming with HUD?

Mr. ROGERS. Yes, Mr. Chairman. I have been in research and development activities all of my professional life.

Mr. WOOD. I might interject that we feel very fortunate in persuading Mr. Rogers to join us.

He was a Deputy Director to Dr. Foster, the Director of Defense Research and Engineering in the Office of the Secretary of Defense. He has had broad experience in government, and we persuaded him to stay in, rather than to accept higher compensation in the private sector or in a private research organization that he was then considering.

I think when he submits his biographical statement——

Mr. EVINS. We have asked him to do that.

Mr. Rogers, you mentioned in your statement that you already have contacted 12 Federal departments or agencies that are engaged in research, and you also mentioned private industry and the professional organizations that are engaged in research. You mentioned the Douglas and Kaiser groups, the National Academy of Sciences, and the National Academy of Engineering, as well as building groups and trade groups. What you really want to do is summarized at the top of page 5, where you said, in substance, that you want to find a breakthrough for the bottlenecks.

We are all concerned with having adequate housing. We have our 10-year goal in housing. You want to find the bottleneck and you want to find where we can break through.

I agree that Secretary Weaver should have a top braintrust staff to give him this information. Are you going to do the research, or are you going to contract for it?

RESEARCH BY CONTRACT

Mr. ROGERS. Mr. Chairman, first, we are going to do our best to observe and to analyze to the point where we are confident that we understand the Department's problems.

If you understand the problems, Mr. Chairman, you are sometimes 80 percent of the way toward their solution. Then we will, contract in turn, with the bulk of our resources with the universities, with industry, with the other departments and sometimes with local government people, to see the work, in fact, done.

I do not anticipate for the predictable future that the Department itself will do experimental work or developmental work. I do not see that.

NEEDED LEVEL OF RESEARCH

Mr. EVINS. What is your idea as to the level of research the Department should undertake?

Mr. ROGERS. I do not think it is useful—although I might have been tempted upon coming first to the Department—I do not think it is useful to argue from analogy. One could say, well, there are certain magnitudes of funding in other research program areas. There are two or three things, Mr. Chairman, at this point that make it difficult for us to be confident that we can give you a more specific answer.

One thing that is difficult is that this is a wholly new scientific and, to a very great extent, new technological area. In my view, the country, as yet, does not have the scientific resources or the technological resources required for the type and magnitude of the Department's concerns. It has the potential for them, but it does not have them in hand as yet.

AVAILABILITY OF TECHNOLOGY

Mr. EVINS. We had Mr. Webb of the National Aeronautics and Space Agency here telling us that we have the technology. He is asking for a technology integration budget to tell people how to use it. He said we have done all this research; we have this knowledge; we have the technology—we have wonderful technology—and now it is beginning to be utilized. Every agency, it seems, has its own technology.

Mr. ROGERS. I think that very last remark you made is a most enlightening observation. There is a great deal of difference, Mr. Chairman, between basic research, on the one hand, where you are dealing with fundamental knowledge and the other end of the spectrum, where you are concerned with "hardware."

Now, the kind of "hardware" that the Department of Defense, for instance, would develop to answer a military problem is based upon fundamental knowledge and experiment. But the particular hardware developed is developed to meet the specific operational problems which that Department has.

Now, I can imagine, and perhaps this is what Mr. Webb is implying, I can imagine that all of that knowledge and experimentation is to some extent useful in all fields. And I can imagine that certain of the technological developments, the hardware or the systems, when designed with proper modification, might find uses in the city. But I have reservations about its direct application.

LEVEL OF FUNDING NEEDED BY HUD

Mr. EVINS. You are unable to testify at this time as to what level of research you think HUD should undertake?

Mr. ROGERS. There are two other aspects of this matter. One is the matter of experienced staff and their appreciation of the Departmental problems; and the second, Mr. Chairman, has to do with the rather novel feature of the operational characteristics of the Department.

The Department has a great deal of money which is spent in the public housing area, in planning grants, in mortgage support areas, which we feel, if properly related to "pure" R. & D. moneys, would

give us an "amplification" of the R. & D. moneys in operational program areas. And, until we have had some experience and have observed how effectively we can obtain information, in our operating programs, I would say I am satisfied with the requested level——

NEED FOR ANALYSIS OF RESEARCH INFORMATION

Mr. EVINS. The Department of Defense is in research and they have ambitious goals. A significant part of their budget is for research. There is vast knowledge and experience. I have been sitting on this committee for almost 20 years, and there has been research in public housing; there has been research in urban renewal; there has been research in almost every area of housing; and you have mentioned here that the engineering and the professional institutes also are involved.

I would think that if you could assimilate and collect this knowledge, as the engineering and the scientific professions have done, and digest this for the Secretary, you would be performing for him a most valuable and useful service.

But if you build up a staff for more research on top of the research that has already been done, you are going to get engulfed in research. I do think that the Secretary ought to have a top-level staff to analyze the completed research and to give him the information on this.

Secretary WEAVER. Mr. Chairman, one of the problems I think——

CURRENT FUND LEVEL FOR RESEARCH

Mr. EVINS. You mention in your justification that the current level of research funds was $26.4 million, and you term this a nucleus of research for HUD.

Mr. ROGERS. The word "nucleus" is related to the number of staff that we have. The number of staff that we have now, Mr. Chairman, is only 15 professional people. It is of concern to us that we do have the proper number of professional people to see to it that these moneys are properly spent.

Mr. WOOD. If I could add one thing, Mr. Chairman, I think you have described completely and accurately the first-priority job Mr. Rogers must do. He has to assimilate; he has to correlate. We have to know what Jim Webb is doing. I think it will be useful, and at times necessary, within this $20 million figure to do one or two things.

First, to fill gaps in important areas that are not being worked on; and secondly, to have some leverage money so that we can persuade the operational people.

Secretary WEAVER. I think there is one other thing which Mr. Rogers has alluded to, and I think it is terribly important. When we look at the great technological and scientific advances that have been made, the great breakthroughs in research, in what he calls hardware and what I would call the physical sciences, I think there is a tremendously difficult but important job in learning how to adapt as much of this technology and research as possible to the human problem.

We cannot take this technology without digesting it, because it would digest us if we don't.

Mr. EVINS. My thought was on the need to analyze. I think, as you analyze, you will fill in the gaps.

The committee asked what you think the funding level of research should be at this time.

Mr. ROGERS. You have our best estimate, and we thought very carefully about this, Mr. Chairman.

Mr. EVINS. $20 million and $4.5 million for low-income housing demonstration programs.

Mr. ROGERS. Yes, sir.

RESEARCH AND LOW-COST HOUSING

Mr. GIAIMO. Before you leave the statement, on page 4 you speak of a useful appreciation of the complexities attendant upon building acceptable low-cost housing in our cities. What are you doing about this problem researchwise, as far as talking to the people?

It seems to me one of your big problems is antequated building codes, your relationship with labor, which I think is very significant in this area. What kind of work are you doing in that field?

Mr. ROGERS. Mr. Giaimo, it is very clear to me—it became increasingly clear to me several months ago—that the components and the materials used in the construction process, at this point in time, are the least of our concerns. In the total area of low-cost housing construction, probably the amount of research, technology that has gone on in the components and materials field, is the highest. Rather, we have concerns about construction methods, construction techniques, labor practices, codes, zoning ordinances, the organization of the industry, administration within the cities—and all of these things interact one with the other.

And the operaitonal word here, in my view, in the paragraph to which you referred, is the word "rapidly." If we want to build low-cost housing of acceptable character rapidly, then we must by definition, build innovative housing. The whole construction system is just not able at this point in time to respond rapidly to innovation; the industry, by and large, is not—at least certain parts of it are not—the architect-engineering community is not, the city organizations are not.

Now, we have learned this, I might say, personally—and painfully—we have learned this in some of our low-income housing demonstration activities. We found that by the time we had gotten to the point where we were hammering nails, we had most of the difficulties behind us. So we have concluded that what we must learn to do in the cities today, dynamically—dynamically—is to find out, in fact, what takes place and why, and to try to find this out with very alert, flexible cities, and innovative engineer-architect-industrial groups. Then we will know usefully.

CONTINUED NEED FOR RESEARCH INTO LOW-COST HOUSING

Mr. WYMAN. Mr. Chairman, what additional factors are involved in this kind of situation to find some land and build some housing on it that has adequate sewage, adequate recreation, and so forth, and help toward putting some disadvantaged people into it?

Are you suggesting that maybe the people will not leave? I would think your low-income housing demonstration program would be an example of the problems you have talked about and that you would not need any more research in a low-income housing program. Why do you need more research money at this time?

Mr. ROGERS. Well, it is probably not proper for me to answer a question with a question, but—as a fellow New Englander—why is it we do not have large amounts of low-cost housing being built where it is most needed in our urban regions? Why is it?

Mr. WYMAN. That is a very good question. Why don't we?

Mr. WOOD. Let me expand.

Essentially it is, as you described it, Congressman, a very simple proposition of land, facilities, and housing of a character that people would like and would buy—except when you add three constraints to it: First, we are not starting from scratch; we are dealing with older cities with existing heavy housing investment; old cities where it becomes difficult. For example in Springfield or Boston you have got to decide on whether to continue with the three-decker type of house or not. Second, we are dealing with conditions of high density, so we have second-order consequences. The house puts demands on facilities and on public safety forces, on the education system. Third, we are dealing with areas of high sensitivity. In a sense, we are combining people with the fundamentals of physics and the fundamentals of biology. And, they are people who have emotions and cares.

What Mr. Rogers has experienced in one of his programs was trying to test three variables at once; he is building lightweight lower cost structures, in a city that does not have a building code that invites the use of such lightweight structures, for poor people who were told that they would be built in a hurry. The combination of these three variables makes it worthy of research.

Mr. WYMAN. Just a moment. What do you mean by sensitivity?

Mr. WOOD. When you have high densities, and you are reconstructing or rebuilding a neighborhood, you are doing something to the fabric of that neighborhood. People care about it. You are not just going out to an open field. That is my point: you are changing habit patterns.

EXPO '67 AND HABITAT

Mr. WYMAN. And did you go to Expo '67; did you see the housing up there that was stacked?

Secretary WEAVER. I lived in one.

Mr. WYMAN. That was very expensive, I understand, but it did seem to me it had a lot of light and utility.

Secretary WEAVER. Very innovative, but I think it cost a little over $100,000 a unit in those circumstances.

I might say that now in the District of Columbia through the surplus property disposal program—the same architect who did the project to which you refer is being involved. Is he not, Mr. Rogers?

Mr. ROGERS. Yes.

Secretary WEAVER. We are hoping he will produce lower cost housing units this time.

Mr. WYMAN. Off the record.

(Discussion off the record.)

JUSTIFICATION MATERIAL

Mr. EVINS. Please put into the record here pages A–1 through A–16, and pages B–1 through B–14.

(The pages follow:)

INTRODUCTION

Studies and research concerning housing, metropolitan growth, and other urban problems were authorized in the Housing Act of 1948 and 1956. Additional legislation has authorized studies and demonstrations in discrete areas related to urban renewal, housing, planning, and transportation. Each of these authorizations was granted by the Congress in recognition of the expanding need for new ideas and new approaches to cope with the emerging problems of our urban areas.

The past few years have seen greatly increased recognition given to the need to apply both the methods of scientific inquiry and the techniques and products that can be developed by modern technology to the solution of our many complex, massive, and pressing urban-related problems.

The 89th Congress, when it created the new Department of Housing and Urban Development, called upon the Secretary to "conduct continuing comprehensive studies and to make findings available with respect to problems of housing and urban development"; and subsequently the Demonstration Cities and Metropolitan Development Act of 1966 directed the Secretary to:

(1) "conduct research and studies to test and demonstrate new and improved techniques and methods of applying advances in technology to housing construction, rehabilitation, and maintenance, and to urban development activities; and

(2) "encourage and promote the acceptance and application of new and improved techniques and methods of constructing, rehabilitating and maintaining housing, and the application of advances in technology to urban development activities, by all segments of the housing industry, communities, industries engaged in urban development activities, and the general public."

In response to this charge, the President requested funds to allow the Department to inaugurate a general research and development program in 1967, and the Secretary established an Office of Urban Technology and Research, and selected its head, all before midyear 1967. Also, late in 1967, the Department of Housing and Urban Development, by Executive Order, was made a member of the Federal Council of Science and Technology; the Director of the Office of Urban Technology and Research was appointed as the Department's representative.

The Congress appropriated $10 million for the Department's general research and technology program in fiscal year 1968. Taken together with previously authorized R&D programs in specific areas (e.g., transportation, low-income housing, urban renewal, etc.), the Department's total program

level for urban-related contract and grant research activities approximates $26.4 million in the current fiscal year.

On a comparable basis, the Department's entire research and development program would total $55.4 million for FY-69 of which $20 million would be for the line item "Urban Research and Technology" and $4.5 million for Low-Income Housing Demonstration Grants. These data are shown in detail by Tables I and II.

The Department's new Office of Urban Technology and Research has been assigned a "line" responsibility for the management of specific research and technology programs; but beyond this, and acting in conjunction with the Assistant Secretaries, the Office is expected to serve as a focal point for HUD's entire research, development and demonstration program and for the coordination of that program both within the Department and with other Federal Departments and Agencies.

The Office continues to gather the nucleus of a professional and administrative staff and is initiating fundamental R&D administrative procedures. Appropriate professional personnel have been appointed in each Assistant Secretary's Office to work with the staff of this Office on both the planning and operating levels.

These professional personnel have been working together to plan, in detailed fashion, both for the expenditure of research funds appropriated in 1968 and for the 1969 program-budget outlined herein. Also, in concert, they are arriving at working mechanisms for the administration of the entire Department R&D program. And, a request for procurement has been made to initiate a basic intra-Departmental research information system capable of serving the Department's needs.

In response to a suggestion the Special Assistant to the President for Science and Technology, the Department has taken the initiative to establish contact with the other Federal Departments and Agencies now conducting urban-related research and development programs as a first step toward establishing an inter-Agency "network" to ensure that the results of these programs are truly effective when examined in the context of urban needs. Already, as might be expected, this activity has indentified over 10 Departments and Agencies (including the Departments of Agriculture; Commerce; Health, Education and Welfare; Interior; Justice; the Atomic Energy Commission; the National Astronautics and Space Agency, etc.) with such programs.

The Department has maintained close contact with the President's Committee on Urban Housing, the National Commission on Urban Problems, and elements of the Department of Commerce and the Department of Defense concerned with low-cost housing research and development. Similarly, assistance has been provided to the President's Commission on Civil Disorders in its effort to

identify the sources of urban riots and unrest, and to the President's Task Force on Communications Policy in its concern for new urban-related communications technology and development. It has also worked closely on specific projects with those elements of the Department of Defense which are exploring means of reducing the cost of military family housing.

Development of Department-wide R&D Program

In the context described above, the Department has endeavored to identify the most critical areas, recognizing that the formulation of a truly comprehensive and balanced program will require further study and experience.

The professional R&D staff has been making searching inquiries into the problems facing the Department's operating programs in order to express those of a scientific or a technological nature in useful scientific and engineering terms; to rank-order them in importance and urgency; to try to imagine analytical and/or experimental studies that might be mounted to ameliorate or solve them; and to lay out such programs and projects as would effectively address them.

Two important steps were taken immediately to obtain extra-Departmental assistance in analyzing the broad spectrum of urban problems from a scientific and technological viewpoint:

1. The Rand Corporation was supported in its conduct of two intense summer studies (one in concert with the Department of Transportation) employing both its own staff members and individual experts of appropriate disciplines and experience.

2. The National Academy of Sciences and the National Academy of Engineering agreed to study, deeply, certain of the Department's fundamental research and development goals and needs and to identify broad strategies addressed to harnessing both the social sciences and the physical sciences in a search for solutions to our most pressing urban problems. Here, emphasis on the behavioral and social sciences gives clear formal recognition to the important fact that a comprehensive, objective and quantitative understanding of the basic needs of those of our people who now reside, or will reside, in our urban regions is fundamental to the prompt, effective, and efficient structuring of Federal and local programs addressed to meeting them.

It has been clear for some time that the Federal and local Governments simply do not have available to them a sufficiently large number of sophisticated and disciplined minds capable of studying urban problems truly comprehensively and in such a fashion as to offer prompt and confident assistance to officials responsible for formulating and administering urban-related policy.

Under the direction of the President, planning is well advanced toward the establishment of an Institute of Urban Development. The Institute is visualized as a non-Governmental agency, but one which would maintain continuous relationships with the Government across the areas of national policy involved in the problems of metropolitan and urban areas. It would be so constituted as to be able to draw freely upon the best talent available in private enterprise, the public administration, and the academic community.

The Department expects the Institute to be a resource of critical importance in carrying out its programs of research in urban-related problems. However, the extent to which it may be timely and feasible to allocate funds from appropriations for 1968 and 1969 for studies and investigations to be carried out through the Institute cannot be determined at this point.

As a result of very careful thought, the following areas thus far have been judged to be of such over-riding importance as to warrant the greatest and most immediate R&D attention:

a. Volume production of low-cost housing

b. Study of the social and behavioral problems related to the provision of housing to low income families

c. Improvement of urban mass transportation

d. Development of the Model Cities program

e. Exploitation of the Federal surplus urban land program

f. Establishment of an effective information exchange network

While there are, of course, many other urban problems areas that clearly require early study, and a substantial number of them will receive such study in 1968 and 1969, these are those ones which have been selected to receive the greatest early emphasis.

Low-cost housing. Learning how to reduce the cost of producing, and the time to produce that volume of housing that must be provided for our lower-income families must be one of our greatest concerns. The President is requesting Congressional approval for Federal financial assistance to bring about a number of family units over the next decade that, at today's prices, would involve billions of construction dollars. Clearly, even a relatively small fractional reduction in the cost will result in a very large absolute saving of our nation's assets. And, at least equally important, it should allow more of our poorly-housed families to obtain

adequate housing at an early date. In our view, the initial and long-term cost of family housing can be reduced by marshalling truly sophisticated management, engineering, construction and research activities in an organized way and on a large and consistent scale. Our present housing research and development programs are being focussed to that end. A broad and diverse experimental program is being inaugurated using current funds, the results of which, along with other parallel analytical studies, will form the basis for the establishment of major experimental-operational programs in 1969.

Problems of low-income families. The ability to produce large volumes of attractive low-cost housing will not, in itself, allow our lower-income families to be adequately housed. At present, many of our people are not "acceptable risks" to those who might loan them the money required; many require assistance of various types to prepare them for living in, purchasing, and paying for, new homes; many need assistance of various types during transitional periods associated with neighborhood construction activities and family relocation; etc. And, there are many legal, administrative and other problems that must be solved in the cities in order to make suitable homes usefully and directly available, and our research programs will address these non-technological aspects of the housing problem area.

Urban mass transportation.

In accordance with the President's Reorganization Plan Number 2 of 1968, this Department and the Department of Transportation will jointly develop a research and development program covering areas of common interest to the two Departments which concern the role of urban transportation within the total urban complex. The details with respect to the actual allocation of effort will be worked out between the two Departments as this joint program is developed.

Model Cities Program. The Model Cities program offers the nation a unique opportunity to identify, clearly, basic urban problems in many of our cities in terms of the goals which their residents set for themselves, to approach their solution in a flexible and innovative manner, and to manage the experiments generated by the cities which are required to obtain such solutions with sophisticated contemporary management tools. This year, a study of the planning process itself has been inaugurated, as will be a program for assessing, as comprehensively, objectively and quantitatively as we know how, the impact of the program "inputs" into the model neighborhoods upon their residents and the institutions which serve them.

It is clear that the cities, the Department, and the scientists, engineers, and managers who are--and will become--associated with this novel and very important national urban program have much to learn. We must begin to lay a firm base of knowledge and experience this year and, next, expand our studies as rapidly, broadly and prudently as this base allows.

Federal surplus land. The Federal surplus land program offers a most useful early and realistic opportunity to begin to plan for the development

of wholly new communities--communities which can be developed in such a fashion as to address the attainment of important social goals in a clearly conscious and determined manner. All of our present scientific knowledge and technological achievements, derived from whatever source of study and experience, can be explored for exploitation in the planning for these communities, in their construction, and in the eventual "measurement" of the satisfaction which they ultimately will provide to the residents therein and to their neighbors. The Department will work with those cities--beginning with the District of Columbia in its development of the Ft. Lincoln site--in or near which such land packets are identified, to ensure that they may proceed with the development thereof in an innovative manner, and with the assurance that our nation's scientific and technical professional talents will be made available to them.

The fruits of Departmental studies now underway at some of our leading Universities--studies concerned with new community development and experimental cities--will be available for the instruction and guidance of these cities, and the best of the experimental housing design and construction methods now being developed by the Department will be available for the use of the cities. Again, as in the case of transportaion, model cities and low-cost housing, the analytical, experimental, and developmental studies now underway, and to be initiated in 1968, will yield the results necessary to allow the Department to form a confident basis for larger efforts in 1969.

Dissemination of research information. Finally, the Department must prompt the broad and rapid dissemination or urban-related research and development information among the Federal Departments and Agencies, among the professional workers, i.e., the scientists, engineers, architects, etc. in industry, the Universities and various non-profit organizations, and among the potential ultimate "consumers": the local governments and their consultants and contractors. A beginning is being made in 1968, taking care to mesh such activities with the information sources and networks of other Departments and Agencies and to take full advantage of the procedures and techniques developed especially by the Department of Commerce, the Department of Defense, the Smithsonian Institute and the National Aeronautics and Space Administration.

By 1969, the Department should be in a position to begin work on a truly comprehensive and modern information distribution system that should eventually be able to knit together all of the nations "sources" and "sinks" of urban-related research, development, and engineering information.

Total Budget for R&D

Of great concern to the Department, during the past year, has been the identification not only of those of its important problems that could be successfully attacked with the tools of science and technology, but the determination of a reasonable distribution of funds among the various authorized programs in order to lay out an overall coherent approach to their solution.

Tables I and II on the page which follow summarize the total program amounts for research, development and demonstrations in the Department. The amounts include activities directly administered by the Office of Urban Technology and Research as well as those administered by the Assistant Secretaries in charge of operating programs.

Table I

Program Levels of Studies, Research, Development and Demonstrations, Department of Housing and Urban Development

	Actual FY 1967	Estimate FY 1968	Estimate FY 1969
	(in thousands of dollars)		
Activities administered by Office of Urban Technology and Research:			
Urban research and technology.....	$500	$10,000	$20,000
Low-income housing demonstrations (sec. 207).....	1,500	2,000	4,496
Urban renewal demonstrations (sec. 314)	649	1,500	1,500
Urban planning studies, research and demonstrations (sec. 701(b)).....	1,650	2,250	2,750
Public works planning surveys.....	...	100	100
Open space land programs--studies and publications.....	49	50	50
Subtotal.....	4,348	15,900	28,896
Activities administered by other Assistant Secretaries:			
Urban transportation programs, research, development & demonstrations	9,040	10,000	25,000
Open space land programs--demonstrations	990	...	1,000
Technical studies--FHA.....	307	490	500
TOTAL PROGRAM.....	14,685	26,390	55,396

Table II
Program Levels of Studies, Research, Development and Demonstration Programs
by Program Categories and Fund Sources

Category and Fund Source	Actual FY 1967	Estimate FY 1968	Estimate FY 1969
	(in thousands of dollars)		
I. HOUSING			
Urban Research and Technology	$500	$5,000	$7,500
Low-income Housing Demonstration (Sec. 207)	1,500	2,000	4,496
Urban Renewal Demonstration (Sec. 314)	180	350	450
Technical Studies-FHA	307	490	500
Subtotal	2,487	7,840	12,946
II. LAND USE AND COMMUNITY ENVIRONMENT			
Urban Research and Technology	...	2,000	4,000
Urban Renewal Demonstrations (Sec. 314)	120	600	870
Urban Planning Research and Demonstrations (Sec. 701(b))	520	900	1,120
Open Space Studies (Sec. 708)	49	50	50
Open Space & Urban Beautification Demonstrations (Sec. 706)	990	...	1,000
Subtotal	1,679	3,550	7,040
III. PUBLIC FACILITIES AND SERVICES			
Urban Research and Technology	...	500	1,000
Urban Mass Transportation Research, Development, and Demonstrations (Sec. 6)	7,030	10,000	25,000
New Systems Studies (Sec. 6)	2,010	...	...
Public Works Planning Surveys (Sec. 702)	...	100	100
Urban Planning Research & Demonstrations (Sec. 701(b))	...	150	200
Subtotal	9,040	10,750	26,300

	Actual FY 1967	Estimate FY 1968	Estimate FY 1969
	(in thousands of dollars)		
IV. ASSISTANCE TO LOCAL GOVERNMENTS IN EFFICIENT ADMINISTRATION			
Urban Research and Technology	...	$800	$2,500
Urban Renewal Demonstrations (Sec. 314)	$350	250	180
Urban Planning Research & Demonstrations (Sec. 701(b))	780	1,000	680
Subtotal	1,130	2,050	3,360
V. MANAGEMENT OF URBAN PROGRAMS AND RESOURCES			
Urban Research and Technology	...	1,700	5,000
Urban Renewal Demonstrations (Sec. 314)	...	300	...
Urban Planning Research & Demonstrations (701(b))	350	200	750
Subtotal	350	2,200	5,750
TOTAL PROGRAM	14,685	26,390	55,396

The foregoing tables do not include certain special studies for which balances of appropriations are available in 1968 and 1969. These are the studies now being carried out by the National Commission on Urban Problems and those under the Natural Disaster Study. The study of earthquake insurance feasibility, performed under the latter, is in its final stages, and the report to Congress required by the law will be submitted during fiscal year 1969.

These tables also do not reveal the total magnitude of the research effort in that they do not reflect the non-Federal contributions (as under the urban renewal demonstration or the low-income housing demonstration grant programs) nor the participation by related Federal programs, such as the experimental housing program carried out by the Federal Housing Administration. Nor do these tables show the Department's increasing efforts to integrate imaginative and innovative measures into ongoing programs.

R&D Administered by Office of Urban Technology and Research

The following programs of studies, research and demonstrations are administered by the Office of Urban Technology and Research:

Urban Research and Technology
Low Income Housing Demonstrations (Section 207)
Urban Renewal Demonstrations (Section 314)
Urban Planning Studies, Research and Demonstrations (Section 701(b))
Public Works Planning Surveys
Open Space Land Programs--Studies & Publications

Explanation for the appropriations requested under items "Urban research and technology" and "Low Income Housing Demonstration Grants" will be found in the sections following this Introduction.

Urban Renewal Demonstrations (Section 314)

	Actual 1967	Estimate 1968	Estimate 1969
	(dollars in thousands)		
Contract Approvals			
Number	6	15	20
Amount	$649	$1,500	$1,500

The urban renewal demonstrations program was authorized by section 314 of the Housing Act of 1954, as amended. It is administered by the Office of Urban Technology and Research from funds available under the regular urban renewal programs.

The program was created in response to a need to learn more about what is required to make programs for slum prevention and elimination more effective. This need was specifically identified in the 1953 report of the President's Advisory Committee on Government Housing Policies and Programs. Since the initiation of the section 314 program it has been noted that, as new techniques were developed for solving problems associated with the prevention and elimination of slums and blight, fresh approaches had to be devised to cope with newly emerging problems.

Urban renewal is an extremely complicated urban activity involving many variables, some of which still remain to be identified qualitatively and quantitatively. As a result, many of the current efforts to develop improved methods for undertaking renewal have led to an increase in the demand for more research to deal with the problems caused by such efforts.

Current program. The large number, approximately 80, urban renewal demonstration projects now active, reflect the complexity of the Title I Urban Renewal Program and the evolving role the program has played in influencing the development and redevelopment of our urban areas.

Final project reports have been published on 37 projects. These range from reports onphysical accomplishments to purely academic analysis of renewal problems. The subjects dealt with range from those of almost universal appeal, such as citizen participation in renewal, to those of interest only to a specialist, such as record-keeping techniques for a code enforcement program. Major additions to the literature on housing and planning have resulted from the demonstrations undertaken with section 314 assistance.

A number of projects have had significant impact on state and local governments. Recently, for example, the creation of a new Department of Community Affairs in the State of Connecticut was attributed directly to an urban renewal demonstration grant to that State.

The program has resulted in changes in HUD policies in showing how certain changes can improve the quality and hasten the execution of local renewal programs.

Program, 1969. During Fiscal Year 1969 (to the extent that suitable applications can be encouraged) urban renewal demonstrations and reports will be addressed to the problems associated with: residential

rehabilitation in urban renewal areas and model neighborhoods; displacement of families and businesses by public progams; urban design; and developing techniques for measuring the impact of local renewal programs on adjacent areas.

The complete explanation for urban renewal programs will be found in Part 2, section B of these Justifications.

Urban Planning Research and Demonstrations (Section 701(b))

Contract Approvals	Actual 1967	Estimate 1968	Estimate 1969
	(dollars in thousands)		
Number	33	45	65
Amount	$1,650	$2,250	$2,750

The Urban Planning Research and Demonstration Program is authorized in Section 701(b) of the Housing Act of 1954, as amended. Enacted in 1965, the legislation provides that up to five percent of funds appropriated for Section 701 Urban Planning Assistance may be used for studies, research, and demonstrations for the development and improvement of techniques and methods for comprehensive planning, and for the advancement of the other purposes of Section 701. In 1966, Section 701(b) was amended to include use of the funds for grants to assist in studies relating to needed revisions in State statutes which create, govern or control local governments and local government operations.

The program is aimed at improving the methods and techniques of comprehensive planning. It addresses problems of land use, land use controls, quality of urban development, concepts and tools necessary to measure changes in the urban environment, long-range fiscal plans, capital improvements programming, intergovernmental relations, and aid to local governments in efficient administration.

Program Accomplishments

1) Information on the present nature and effectiveness of long-range planning activity in the 50 State governments is being gathered.

2) Data from attempted solutions to problems in intergovernmental relations are being collected and analysed.

3) The "state-of-the-art" in land use modelling, both conceptually and in actual applications, has been identified.

4) Problems and opportunities in designing a new town are being identified.

5) Major problems of State and local governments in meeting manpower requirements for urban planning and urban program administration are being identified.

6) In order to minimize development costs by viewing alternatives, forecasts have been made of the results in urban growth of various land use patterns.

Program for 1969

1) Studies are to be conducted to provide transfers of methods from other disciplines to urban planning and urban administration.

2) Model state enabling legislation, and model interjurisdictional agreements are to be developed.

3) "Social indicators" to provide measures of change in the urban environment are to be developed.

4) Effective land use controls are to be developed.

5) New towns studies are to be continued.

The complete explanation for the Urban Planning Assistance grant appropriation will be found in Part 3, section B of these Justifications.

Public Works Planning Surveys

	Actual 1967	Estimate 1968	Estimate 1969
	(dollars in thousands)		
Contract Approvals			
Number	...	1	1
Amount	...	$100	$100

Section 702(f) of the Housing Act of 1954 authorizes the use of $100,000 annually from the revolving fund for Public Works Planning for surveys on the status and current volume of State and local public works planning, and for surveys of estimated requirements for State and local public works.

A reliable up-to-date census of current and proposed State and local public works expenditures is required in order to estimate funding for future Federally assisted public works programs.

A complete analysis of census data will be made to ascertain long-range public works requirements.

The explanation of the public works planning program will be found in Part 3, section C of these Justifications.

Open Space Land Programs--Studies and Publications

	Actual 1967	Estimate 1968	Estimate 1969
	(dollars in thousands)		
Contract Approvals			
Number	20	5	15
Amount	$49	$50	$50

Section 708 of the Housing Act of 1961, as amended, authorizes the use of $50,000 from amounts for grants for open space land programs to undertake studies and publish information which will help carry out the purposes of the open space programs.

In 1967 this program supported two studies of open space preservation techniques. The results of these studies will be used to develop future open space programs. In 1968 and 1969 this program expects to receive the results of the studies initiated in 1967, and to fund further studies on the basis of the results of the earlier studies.

The complete explanation of the Open Space Land Programs will be found in Part 3, section F of these Justifications.

URBAN RESEARCH AND TECHNOLOGY

Program Highlights
(dollars in thousands)

Program Level by Category:	Actual 1967	Estimate 1968	Estimate 1969
I. Housing	$430	$5,000	$7,500
II. Land use and community environment	...	2,000	4,000
III. Public facilities and services	...	500	1,000
IV. Assistance to local governments in efficient administration	...	800	2,500
V. Management of departmental programs and resources	70	1,700	5,000
Total program	500	10,000	20,000

BUDGET REQUEST

This request is for an appropriation of $20,000,000 for contracts, studies and administration of research programs. Projects in this Program will be developed throughout the Department, i.e., by the Office of Urban Technology and Research and by the indicated Assistant Secretaries' Offices.

Introduction

The 89th Congress, when it created the new Department of Housing and Urban Development, called upon the Secretary to "conduct continuing comprehensive studies and to make findings available with respect to problems of housing and urban development." Emphasis on urban research was greatly broadened in the Demonstration Cities and Metropolitan Development Act of 1966, which directed the Secretary to:

"(1) conduct research and studies to test and demonstrate new and improved techniques and methods of applying advances in technology to housing construction, rehabilitation, and maintenance, and to urban development activities; and

(2) encourage and promote the acceptance and application of new and improved techniques and methods of constructing, rehabilitating, and maintaining housing, and the application of advances in technology to

urban development activities, by all segments of the housing industry, communities, industries engaged in urban development activities, and the general public." (Sec. 1010)

In order to achieve the national goals of an ordered and high quality development of our urban areas, a variety of basic physical, social, and organizational problems must be solved. Few of these problems can be solved without obtaining new knowledge or developing new technology. This needed innovation can be obtained efficiently and rapidly only through a comprehensive and coherent research and development program directed at the most critical issues in those basic areas which determine urban development. Of these areas, the ones which are the direct responsibility of the Department of Housing and Urban Development are (A) Housing, (B) Land Use and Community Environment, (C) Public Facilities and Services, and (D) Efficient Administration in Local Governments. In addition, the Department's overall programs and resources must be used efficiently and prudently.

The following pages describe some of the more critical problems in each of these areas, and further illuminate the need for research and development therein. Finally, in each of these areas, the accomplishments expected of the FY 67-68 research, development, and demonstration effort are described, as are those expected to be accomplished with the requested FY-69 funds.

The more critical problems:

I. Housing

1. The existing housing supply for lower income families in our large urban areas, already inadequate, is deteriorating more rapidly than new housing for this group is being made available.

2. Our lower income families cannot be housed adequately at prices they can afford to pay, or without a truly massive Federal subsidy to assist them.

3. Truly rapid and widespread production of low-cost housing for lower income families cannot be realized until new cost-saving design, construction, and administrative techniques are developed and perfected.

4. The rapid production of acceptable low-cost housing is hampered by our lack of contemporary, quantitative and objective knowledge of the various constraints that inhibit the utilization of new cost-reductive technology in urban areas.

5. Many lower income families are denied the opportunities for home ownership under existing urban situations and housing programs.

6. Lack of specific information on the basic housing requirements of lower income families, as related to their socio-economic

needs, prevents complete utilization of presently available housing programs for these families.

7. The displacement of neighborhood residents and businesses by various public action programs can cause social upheavals that cannot be coped with adequately by existing social institutions (organizations and programs).

8. Many property owners, at present, have no protection from major economic loss caused by unpredictable earthquakes.

9. Persons housed near airports may encounter hardships and suffer economic loss caused by aircraft noise.

10. Better data on housing markets and mortgage financing is needed, especially for lower-cost housing, to ensure a prompt and appropriate adjustment of the Department's mortgage and housing practices to changing conditions and needs.

II. Land Use and Community Environment

1. Definitions, standards and techniques for the useful measurement of the quality of the urban environment, and changes thereto, are inadequate.

2. Present techniques for controlling land use have proved unable to prevent urban decay and to foster sound new development. Many of today's incentives, or the lack thereof, for land development have resulted in the retention of slums, in urban sprawl, and generally inefficient land use patterns.

3. The existing public controls on the urban development process are oftentimes ineffective; the haphazard and frequently deleterious patterns of new development, the rapidly increasing costs of land on the fringe of urban development, and the overloading of some city systems (e.g. transportation) have sharpened the need for more effective long-range planning and public administration.

4. There is little opportunity to experiment with, and to develop innovative techniques for financing, land assembly and construction on a truly large scale.

III. Public Facilities and Services

1. The effective utility of physical transportation has been increasingly compromised in the urban areas as a consequence of an excess of automobiles on the city streets and inadequate public transit. The results have been growing congestion, accidents and air pollution, and a reduction in effective

mobility; further, people in cities most in need of this mobility for employment are often those for whom it is least available.

2. The type, magnitude, the rate of information required to carry out the public and private functions of urban life are tremendous and growing rapidly; our presently available technology is already heavily burdened, and its potential for useful application to the solution of grave social ills is hardly realized.

3. The capacity to plan, design, and engineer water supply distribution, collection and treatment facilities in the urban area is inadequate to meet growing urban needs promptly, efficiently and economically.

4. The methods of waste disposal and sewage collection and treatment facilities have changed very little over the past quarter century, and these methods are so inefficient that they are generating increasing air, land, and water pollution, and the related costs to service the urban area adequately are rising rapidly.

5. Planning for public facilities is not usually undertaken in the context of comprehensive planning for a community's future. For example, technical aspects of water quality and location of resources frequently are not integrated with planning for land use.

IV. Assistance to Local Governments in Efficient Administration

1. The demands which our contemporary urban society place upon city, state, and regional administration, already grave and complex, are growing rapidly.

2. Local governments do not make full use of modern management and administrative techniques for planning the development of, and operating, the services required by today's residents of our urban areas.

3. Local governments do not have the information and the professional staff available to them that are required to take advantage of sophisticated contemporary planning and management tools.

4. The planning function is not effectively utilized as a tool in the decision-making process.

V. Management of Departmental Programs and Resources

The Department's Office of Urban Technology and Research must be provided with the funds necessary to carry out those activities required to meet its responsibilities. These include:

1. Acting as the focal point of all research, technological, and demonstration matters of concern to the Department, and serving as the principal source of advice on such matters to the Secretary's Office and the Offices of the Assistant Secretaries.

2. The development and support of a competent professional staff qualified to conceive, conduct, administer and manage research and technology programs.

3. The development of a comprehensive and coherent research and development program.

4. The development of procedures to assure effective interchange of information and cooperation amongst all the Federal Departments and Agencies who support research and technology activities in urban-related fields.

Program Administrative Policies

The basic administrative policy under this program is to contract for research and development through competitive bids submitted in response to requests for proposals. This policy, by soliciting the best organizational and professional capability in the country to undertake the work required, enables the Department to concentrate its R&D activities upon identifying the problem areas of critical importance, determining the adequacy of the R&D program results, and influencing the Department's operating program policies and practices in the light of these results.

A fraction of the funds available will be transferred to other Government Departments and Agencies either to support joint R&D efforts administered there, or to take advantage of their unique professional capabilities.

Both sole source procurements and individual grants of a relatively small individual fund level will be used, upon occasion, to take advantage of unique professional capabilities.

Program Accomplishments

I. Housing

1. Following are some highlights of completed work:

   a. New construction materials, components, and techniques now under development should allow somewhat more efficient and economical multi-family structures, acceptable in character to lower income families, to be built in the next year.

   b. Rehabilitation of a relatively small number of existing housing units in a few large urban areas - particularly New York City - has been accomplished economically enough to allow lower income families to rent, or purchase, better housing in their present neighborhoods. The results obtained in these early programs have

been sufficiently encouraging to warrant inauguration of broader experimental-operational programs in Boston, Chicago, and Pittsburgh within the past six months.

c. An improvement in the collection and analysis of data pertaining to the quality of housing was achieved. Perhaps the most significant improvement was the development of a method which may make possible a quantitative and objective determination of where complete redevelopment is necessary and where rehabilitation and other renewal processes can be used to maintain neighborhoods in satisfactory condition. A fuller understanding of legal techniques of advance acquisition of land for public improvements was obtained. Studies of inflation in land prices in Philadelphia and Los Angeles also were undertaken in this period.

2. Following are some examples of work underway:

a. A major national in-city, experimental low-cost housing research and development effort has begun. This work will involve many variegated low-cost experimental housing projects, both new construction and rehabilitation, concentrating in perhaps 20 Model Cities - all in a related professional fashion. The objective is to learn, in quantitative, objective, and comprehensive detail, of the contemporary inhibitions to the rapid introduction of low-cost (i.e. by definition, innovative) housing into our cities - and to learn usefully by conducting the experiments in the cities themselves. Emphasis is on the maximum use of the design and construction techniques and building technology now at hand to provide, rapidly and efficiently, housing that is safe, sanitary, low-cost, and meets the "user needs" of our lower income families. From this large study are expected to come knowledge of the true utility and value of our innovations, improved procedures within the city governments, identification of costly constraints, methods for involving the community and its lower income people, and methods for determining basic user needs.

b. Several sets of preliminary plans and specifications of modern innovative types of housing and land use will be obtained from the most advanced architectural, engineering, and construction talent available in the nation for possible use in a mutually compatible urban design of a 20-acre site development in the District ofColumbia, i.e., the so-called Fort Lincoln site. The impact of these studies as the pioneering effort in the Federal surplus lands program could be very significant since a major attempt is expected to be made, nationally, to satisfy low-cost housing and other important social goals while maintaining essential health and safety housing standards.

c. The adequacy of presently available low-cost housing performance standards will be examined in an organized and comprehensive way,

in order to estimate the time, and cost of developing the additional standards required, and to attempt to rank order those not now available in terms of their value, i.e., their presumed impact upon construction costs. Successful development of such performance standards could open the way for introducing cost-reduction innovations into the design of low-cost housing.

d. Innovative demolition methods using controlled explosive techniques will be explored. If successful, these methods could provide the country with cheaper, more rapid and safe methods for the removal of obsolete structures.

e. Improved information concerning housing markets through surveys undertaken by the Census Bureau will be sought. Also, we expect to improve, substantially, information about the sources and terms of financing multifamily residential buildings. The results of this improvement will better prepare the Department to make recommendations for action in the event of any deterioration in the multifamily construction market.

II. Land Use and Community Environment

1. There has been no work completed formally under the P.P.B.S. category, under this appropriation, since work only began with funds appropriated in FY-68.

2. Following are some examples of work underway:

a. The state-of-the-art in the development and use of land use models for analysis and project of future land use will be identified through reports prepared by the National Academy of Sciences.

b. Various techniques for involving residents of Model Neighborhoods in renewal planning will be explored to ascertain the most effective means currently available. Practices in land acquisition and disposition techniques will be studied. Models for scheduling public improvements efficiently both in renewal programs and in Model Cities will be developed.

c. A comprehensive, up-to-date treatise on zoning and zoning law will be prepared. Zoning ordinances, still the principal means of local land use control, will be analysed in the framework of current development and planning problems.

d. The development of an urban design component as an addition to an existing comprehensive plan will be undertaken. Alternative schemes will be considered and implementation measures will be developed.

III. Public Facilities and Services

1. There has been no work completed formally under this P.P.B.S. category, under this appropriation, since work only began with funds appropriated in FY-68.

2. Following are some examples of work underway:

   a. Those aspects of water resource provision that need the greatest improvement are being ascertained in consert with the other Agencies of the Federal Government who have water resource programs.

   b. Two major analyses are underway in the field of communications. One will analyze the existing capabilities in communications and attempt to project, over the next five to ten years, what new communications capabilities may emerge. The second will examine the nature of urban operations for which information exchange is most significant, and attempt to relate improved communications to the efficiency of the conduct of those functions.

   c. The development of pressurized sewer systems with grinder pumps will be pressed. If successful, they could reduce the cost and increase the efficiency of liquid waste disposal. A systems analysis will be done on the whole solid waste disposal problem in urban areas to determine where, and in what elements, technological advances can be made quickly and with the highest "pay-off".

   d. Analysis is being carried out to define those public safety service areas of particular relevance to the Department's responsibilities, and to identify those methods and devices which, if developed, would increase the effectiveness and speed of response of public agencies to emergency situations.

IV. Assistance to Local Government in Efficient Administration

1. There has been no work completed formally under this P.P.B.S. category under this appropriation, since work only began with funds appropriated in FY-68.

2. Following are some examples of work underway:

   a. Reports on innovative uses of Federal aids to improve slum neighborhoods will be disseminated widely to acquaint local governments with the most productive and up-to-date techniques currently being applied.

   b. A comprehensive report on the use of contemporary automated data processing techniques for urban planning in metropolitan areas will be completed.

c. A study to develop information concerning the present configuration of urban planning and administration-related public sector employment, including expected changes, changes in needed skills, and identification of problems local and state governments have in meeting their manpower needs, will be completed.

d. Data and information will be developed concerning the kinds of users of urban information and the kinds of information they require.

e. Case studies of successful metropolitan planning efforts will be conducted as part of the development of more information concerning problems in intergovernmental relations for metropolitan planning.

f. Current methods and techniques for comprehensive planning that are least satisfactory in providing adequate and quantitative bases for decision-making will be identified. Methods and techniques developed in other fields will be studied for their adaptability to urban planning and administration.

V. Management of Departmental Programs and Resources

1. The following highlights are items of completed work:

a. To assist the Department in the design of a comprehensive research and development program, the Department entered into a contract with the Rand Corporation. Initiated in June 1967, it assisted in the conduct of an intensive summer study to identify those urban issues amenable to scientific study and to make recommendations concerning the more important areas of research in support of the Department's missions. Participants included Rand professional staff, representatives of this and other Federal Departments, and national urban specialists from various universities and other organizations. Their initial recommendations were made to the Department in the fall of 1967 and have had an important influence in shaping certain portions of the FY-68 program and the FY-69 budget request.

2. Following are some examples of work underway:

a. A contract with the National Academy of Sciences and the National Academy of Engineering was entered into in June 1967. Two parallel committees have been established within the National Research Council, the operating arm of the two Academies. One, in the Division of Engineering, will suggest ways by which new urban technologies can be developed and put to use in the cities by industry. The other, in the Division of Behavioral Sciences, will concern itself with the social, economic, and institutional elements relevant to the planning of urban research and development programs and the strengthening of urban research capabilities.

b. Under the direction of the President, planning is well advanced toward the establishment of an Institute of Urban Development. The Institute is visualized as a non-Governmental agency, but one which would maintain continuous relationships with the Government across the areas of national policy involved in the problems of metropolitan and urban areas. It would be so constituted as to be able to draw freely upon the best talent available in private enterprise, the public administration, and the academic community. The Department expects the Institute to be a resource of critical importance in carrying out its programs of research in urban related problems. However, the extent to which it may be timely and feasible to allocate funds from appropriations for 1968 and 1969 for studies and investigations to be carried out through the Institute cannot be determined at this point.

c. To achieve an interchange of information leading toward increased cooperation in urban-related R&D activities, systematic discussions with representatives of some dozen Federal Departments and Agencies were initiated in FY-68. These meetings have resulted in initial exchanges of information, and have laid the foundation for the development of a system for the systematic exchange and dissemination of information on urban-related research activities within the Federal Government.

d. The Department is allocating a substantial fraction of its research resources - knowledge, experience, manpower, and money - to studies associated with the Model Cities Program, since it is a major, critical and unique national experimental program. These studies, which are now being designed, will encourage the conduct of fundamental social experiments, illuminate the more preferable administrative and management techniques, assist in measuring the impact of the program on the model neighborhood, its residents, and the institutions which serve it, and will provide the Secretary with information for his use in evaluating various parts of the Model Cities Program.

Program Plans for FY-69

Undoubtedly, as this very new program develops in the next few months, some emphasis will change, and new scientific and technological opportunities will be taken up. As of now, though, our judgment is that the funds requested for FY-69 will be used broadly, to support the following activities:

I. Housing

1. The major experimental in-city low-cost housing research and development effort will be continued and expanded.

2. A number of very large low-cost housing experimental-operational projects will be mounted in the public housing, Federal mortgage support and (by the Department of Defense, in cooperation with H.U.D.) the military family housing areas. Perhaps as many as thousands of family units will be involved. The volume, magnitude, and character of this effort will be determined on the basis of broad studies of the constraints to the creation of very large volume, coherent, housing "markets," and the results of the (above) FY '68-'69 national in-city experimental program.

3. Expanding and extending more opportunities for home ownership will be emphasized in research studies directed toward (a) determining the acceptable characteristics of housing as related directly to family social and economic needs, (b) methods of qualifying more lower-income families as mortgage credit risks, (c) finding acceptable economical methods whereby families could retain their housing in times of financial crises, (d) determining areas where insurance programs and the financial market can better serve the lower income homeowner, and (e) studying alternative methods of home ownership, to serve the housing needs of a wider variety of the lower-income population.

4. More extensive data on the housing being added to the nation's supply, and on housing market operations, will be obtained. The data will be analyzed through the continuation of past surveys of the number and price distribution of new one-family homes sold, and remaining unsold, each month; of the occupants of new units; of the rate at which new rental units are absorbed by the market; and of unit-size preference among prospective occupants of new housing developments.

   Improved data on mortgage finance will be obtained through a quarterly survey of mortgage company lending activity, and a quarterly survey of mortgage lending by private pension funds and public retirement funds.

   Finally, improved understanding of the effects of taxes and tax policies on housing will be sought through studies of the impact of property taxes on slum properties; of the effects of tax incentives on urban renewal; and of the extent to which tax considerations influence builder decisions.

II. Land Use and Community Environment

1. Development of "social indicators" will be pursued to provide a better basis from which to estimate the costs (both dollar and non-dollar) of alternative solutions to various urban problems.

2. "New town" studies will be continued - and depending upon the results of these studies, our experience with the Federal surplus land program, and other factors, perhaps, the identification of early experiments therewith.

3. The possibility of developing more effective land use controls will continue to be explored.

III. Public Facilities and Services

1. The Department will concentrate its activities in the water resource area in four high priority areas: (1) analysis of the needs and uses for water in the metropolitan area; (2) development of improved methods for water resource planning in the metropolitan areas; (3) development of new systems of water distribution and collection; and (4) analysis of flood hazards in urban areas and the development of methods for control and protection.

2. Three communications areas will be studied: (1) the general operational (functional) and technical requirements for communication in the urban area; (2) the information magnitude, rate, and content required for carrying out those urban functions; and (3) determining the broad technology that will be needed to make large scale communications innovations possible.

3. Pressure sewer systems should be brought to prototype development and engineering test for FY-69. New methods of solid waste combustion will be explored emphasizing those that may provide economical disposal without air pollution.

IV. Assistance to Local Governments in Efficient Administration

1. Information developed by the urban manpower studies initiated in FY-'68 should provide a sound initial basis for changes and improvements in the operating programs during FY-'69. The studies may also indicate the needsfor additional specialized studies of problems and needs in the urban manpower area.

2. The information gained in FY-'67 and -'68 concerning problems and activities in intergovernmental relations should provide a base for the development of models of effective State enabling legislation, inter-jurisdictional agreements, and joint project approaches.

3. Studies of the transfer of methods and techniques from other areas and disciplines to urban planning and administration will be broadened. These would include studies of computer-based modeling and simulation techniques. If indicated, experimental programs will be initiated.

4. Further analysis of the effects of Federally-supported comprehensive planning programs will be made, as will the effectiveness of planning undertaken with such support.

5. Studies will be undertaken of the kinds of planning that should be required by the Federal Government as prerequisites to grants for the construction of facilities and operations of programs.

V. Management of Departmental Programs and Resources

The Department will continue to exchange information with other Departments and Agencies in the conduct and support of urban research. Where appropriate, it will cooperate with these Departments and Agencies in carrying out specific research and development tasks. It will continue its activities directed to the design of a comprehensive urban research and development program, and will continue to solicit the advice of appropriate organizations and individuals for this purpose. It will continue to participate in and to support the further development of the Urban Institute. Finally, the Department will continue to sponsor studies designed to produce information of use to the Secretary in evaluating the Department's various operating programs--especially the Model Cities Program.

VI. Office of Urban Technology and Research

Funds made available in this appropriation would include support for the staff and staff-related activities of the Office of Urban Technology and Research. This staff is responsible for conceiving, designing and administering specific research programs in a "line" fashion, as well as relating and integrating all the research efforts of the Department. The programs directly administered include many of those supported under the budget line item "Urban Research and Technology," the Low-Income Housing Demonstration Program (207), the Urban Renewal Demonstration Grant Program (Section 311), the Urban Planning Studies Research and Demonstration Program (Section 701-b), and the Open Space Land Studies Program. The professional staff also participate in scientific and technical inter-Departmental and inter-Agency groups and international committees.

Since the creation of the Office of Urban Technology and Research by a Secretarial Order in May 1967, the Secretary has selected and appointed a former Deputy Director of Defense Research and Engineering of the Office of the Secretary of Defense to be the Director of the newly created office, and a nucleus of a staff, drawn primarily from other offices within the Department, has been formed. The addition of professional from industry,

university and other government Agencies has brought the total professional staff of the Office to the level of 16 at the end of calendar year 1967.

This very small staff has directed its efforts to the sharpened administration of existing projects and to laying the administration and substantive foundation for a more extensive and comprehensive Departmental R&D program. Its current size severely constrains its ability to administer the existing programs effectively and to conceive that coherent technical program of such greater magnitude which is essential to meeting the very broad spectrum of urban problems found by the Department.

At present, the technical fields represented on the Office staff are only partially responsive to the scope and magnitude of its responsibilities. In the fields of social and behavioral science there are no, and in city and regional technological activities only one, full time professional as yet employed. It is of crucial importance that in FY-'69 areas of the staff capability be broadened and augmented in depth. Highly qualified personnel, trained and experienced in the conception of broad scientific technical programs, the scientifically precise specification of project, and their effective admimistration must be added. In order to see that the ten's of millions of dollars expected to be appropriated for R&D activities are effectively and prudently expended, expanded involvement in R&D activities with other Federal Departments and Agencies and an increasing effort in the international domain--both in order to take full advantage of scientific and technical efforts and accomplishments outside of H.U.D.--will require further staff support.

To accomplish these objectives, it is planned to augment the Office's current (March 1968) total staff of 25 to a level of 35 by the end of FY-'68. Careful and systematic expansion is planned to continue, to increase the total staff strength to a level of 60 by the end of FY-'69.

Low-Income Housing Demonstration Program

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	Demonstration grants (program costs, funded)	2,282	1,800	3,800
	Change in selected resources [1]	−782	200	696
10	Total obligations (object class 41.0)	1,500	2,000	4,496
	Financing:			
16	Comparative transfer to other accounts	75		
17	Recovery of prior year obligations	−308		
21.49	Unobligated balance available, start of year: Contract authorization	−7,688	−6,497	−4,496
24.49	Unobligated balance available, end of year: Contract authorization	6,496	4,496	
40	New obligational authority (appropriation)	75		
	Relation of obligations to expenditures:			
10	Total obligations	1,500	2,000	4,496
70	Receipts and other offsets (items 11–17)	75		
71	Obligations affecting expenditures	1,575	2,000	4,496
72	Obligated balance, start of year	3,874	2,784	2,984
74	Obligated balance, end of year	−2,784	−2,984	−3,680
77	Adjustments in expired accounts	−308		
90	Expenditures	2,357	1,800	3,800
	Expenditures are distributed as follows:			
01	Out of current authorizations	75		
02	Out of prior authorizations	2,282	1,800	3,800

STATUS OF UNFUNDED CONTRACT AUTHORIZATION (IN THOUSANDS OF DOLLARS)

Unfunded balance, start of year	7,688	6,496	4,496
Decrease of funded contract authority	308		
Unfunded balance, end of year	−6,496	−4,496	
Appropriation to liquidate contract authorization	1,500	2,000	4,496

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, $3,874,000 (1967 adjustments, −$308,000); 1967, $2,784,000; 1968, $2,984,000; 1969, $3,680,000.

Mr. Evins. We will place in the record pages C–1, C–2, and C–3, which pertain to the low-income-housing demonstration program.

(The pages follow:)

LOW INCOME HOUSING DEMONSTRATION PROGRAM

Program Highlights
(dollars in thousands)

	Actual FY-1967	Estimate FY-1968	Estimate FY-1969
	(dollars in thousands)		
Contract Approvals			
Number	4	4	15
Amount	$1,500	$2,000	$4,500
Projects in execution, end of year	43	30	30
Completions or terminations during the year	3	17	15

BUDGET REQUEST

This request is for an appropriation of $4,500,000 for the low-income housing demonstration program for project grants.

Introduction

Grants not to exceed a total of $15 million are authorized by Section 207 of the Housing Act of 1961, as amended, for developing and demonstrating new or improved means of providing housing for low-income families and eligible handicapped persons.

Funds under enacted and proposed appropriation language have been available for new project commitments, and unobligated balances have lapsed at the close of each fiscal year. The status of contract authorization and the utilization of appropriations enacted or recommended are shown above. The proposed appropriation would liquidate the balance of contract authorization under existing legislation.

Program Administrative Policies

Research grants are awarded under the Low-Income Housing Demonstration Program to assist non-profit institutions, local housing authorities, educational institutions, public and private corporations, and similar bodies in conducting studies to test new or improved means of providing housing for lower income and handicapped persons and families. The Program encourages and supports research studies which are directed to this purpose and which can have a broad range of applicability. One hundred percent funding is available to eligible grantees.

A most critical issue in housing is how to supply adequate, economically supportable, housing to the millions of families living in substandard units throughout the country. The major impact of the LIHD Program has been that of helping to define and remove some of the existing barriers that have restricted the lower income population from being adequately housed. It is a program of maximum flexibility and it has been able to make its maximum contribution through its ability to experiment, very broadly, in the field of low cost housing for the lower-income population.

Following are some highlights of completed work and work under way:

Projects funded under the LIHD Program have produced, within a relatively short period of time, useful knowledge concerning some of the existing inhibitions that prevent many of our lower-income population from being adequately housed. The innovative approaches to housing low income persons that have been taken under this program have supplied basic information fundamental to the development and guidance of broader housing programs. Such information has been particularly helpful to the rent supplement legislation, some of the changes which have taken place in the opening up of mortgage credit to prospective low income homeowners, rehabilitation and preservation of housing in older urban areas and the involvement of non-profit groups in the housing market.

Forty-six projects, in thirty localities in twenty different States and the District of Columbia have been funded since the initiation of this Program. A study which involved housing large low income families eligible for public housing outside of the public housing complex led to implementation of the Section 23 Public Housing Leasing Program now in effect. A study involving self-help new home construction for very low income Indian families has led to adoption of this program by the Local Housing Authority for four hundred other Indian families whose annual incomes are $1,500 or less. A study of different mortgage credit criteria for potential lower income homeowners has helped in reorienting certain governmental mortgage credit procedures and in re-examinating the capabilities of certain lower-income families as homeowners. Rehabilitation studies, which also actively involved private industry, have indicated that rehabilitation can be an efficient, practical, and effective means of housing lower income families with a minimum of relocation.

Projects undertaken involved reducing the cost of housing, increasing the opportunities for home ownership, providing a broader choice of housing accommodations, and utilizing different types of subsidies, self-help programs, and counseling services related to housing.

New methods of design and construction and technological developments in industry for new construction and rehabilitation have been utilized in projects which were directed toward reducing cost. The rehabilitation projects undertaken offer great promise for producing relatively large quantities of housing, rapidly, with little dislocation of the present tenants, and with only small increases in housing expenses.

Projects aimed at wider utilization of existing housing facilities have enabled different income groups to be housed in similar environments. The elderly, the large family, the handicapped, the very low income families, and other socially disadvantaged have been accommodated through different project approaches and studies.

Program Plans for FY-69

The Program for FY-1969 would provide for the approval of fifteen new projects and the completion or termination of fifteen projects. At the end of the year, some thirty projects would still be in progress.

The LIHD Program, in full conjunction with the housing R&D program being developed under the Housing category of the Urban Research and Technology Program, would concentrate its efforts on "engineering" and "demonstrating," innovative low-cost housing procedures, techniques, materials, components, etc. in the cities, and on a sufficient scale to make a significant material impact. At this time, it would depend upon using new components, material and techniques which have already been developed by other programs, agencies, groups or individuals.

Studies of new cost-reductive technology projects will be undertaken nationally. New technological advances successfully developed during 1968 to increase the production of housing at a reduced cost would be started on a much larger scale.

Expanding and extending more opportunities for home ownership to lower income families also will have a very high priority. Research studies will include those for (a) determining acceptable characteristics of housing as related to family social and economic needs, (b) methods of improving the mortgage credit risks of lower-income families, (c) finding acceptable, economical methods whereby families could maintain their housing in times of financial crisis, (d) determining areas where insurance programs and the financial market can better serve the lower income homeowner and (e) trying alternative methods of home ownership.

Self-help rehabilitation studies are to be undertaken which will focus on the development of techniques that can be used in prefabrication and finishing of housing units by the tenants and owners. The maximum use of self-help labor for varied aspects of rehabilitation including final maintenance and management of the housing units in rental projects and the maintenance of privately owned dwellings is to be emphasized.

The specialized housing needs of the elderly, the handicapped, the large very low-income family, and the human problems in relocation are critical areas towards which studies are to be directed.

Mr. EVINS. We appropriated $2 million for this last year. You are asking for $4.5 million.

How much of an unappropriated balance do you have?

Mr. FRANTZ. That $4.5 million would exhaust the balance.

Mr. EVINS. This is the full balance of the authorization?

Mr. FRANTZ. Yes.

Mr. EVINS. What is going to be the nature of the demonstration programs?

Mr. ROGERS. These low-income-housing demonstration projects, Mr. Chairman, will proceed, in many cases very closely coupled to the housing activities that will go on in the urban research and technology program.

Here I should say that, in addition, what we will do is to emphasize those socially related housing projects that have to do, perhaps, with a family's ability to pay for housing. We are going to try to emphasize studies that we trust will lead to more opportunities for howeownership, and so forth.

Mr. EVINS. You had 43 such projects in 1967. You estimate 30 projects in 1968. What is going to be the number of projects next year that you have not already accomplished? Are they going to be a duplication?

Mr. ROGERS. Certainly not. I am very sensitive to that. I assure you that shall not happen.

TYPES OF LOW-INCOME HOUSING DEMONSTRATION PROJECTS

Mr. EVINS. Do you want to list some of these projects for the record?

Mr. ROGERS. I would be pleased to.

(The material follows:)

The types of low-income housing demonstration projects that could be undertaken during fiscal year 1969 would include:

1. Continuation of the development of new technology for reducing the cost of housing for lower income families. Both new construction and rehabilitation methods would be pursued. This activity would support and supplement that undertaken under the urban technology and research line item of our budget request.

2. Continuation of studies to determine acceptable characteristics of housing as they relate to particular family social and economic needs.

3. Exploration of methods of (a) improving the ability of low-income families to become acceptable mortgage-credit risks, (b) helping them to maintain housing in times of economic crisis, and (c) aiding them to satisfy their special needs after they are housed.

4. Conduct of special housing related studies directed toward developing improved methods of housing very low income families and the special housing needs of the elderly and handicapped persons.

5. Conduct of studies of the needs of nonprofit sponsors of low- and moderate-income housing and the methods and costs of meeting their needs.

Mr. EVINS. Thank you, gentlemen.

FRIDAY, MARCH 22, 1968.

DEPARTMENTAL MANAGEMENT

WITNESSES

HON. ROBERT C. WEAVER, SECRETARY
ROBERT C. WOOD, UNDER SECRETARY
WILLIAM B. ROSS, DEPUTY UNDER SECRETARY
DWIGHT A. INK, ASSISTANT SECRETARY FOR ADMINISTRATION
ASHLEY A. FOARD, DEPUTY GENERAL COUNSEL
EDWARD H. BAXTER, REGIONAL ADMINISTRATOR, REGION III (ATLANTA)
ARTHUR L. TACKMAN, DIRECTOR, OFFICE OF PERSONNEL
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NATHANIEL J. EISEMAN, DEPUTY DIRECTOR, OFFICE OF BUDGET
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PETER LEWIS, DEPUTY ASSISTANT SECRETARY, METROPOLITAN DEVELOPMENT
HOWARD J. WHARTON, DEPUTY ASSISTANT SECRETARY, RENEWAL AND HOUSING
DAVID B. CARLSON, DEPUTY TO ASSISTANT SECRETARY, DEMONSTRATIONS AND INTERGOVERNMENTAL RELATIONS
ELLEN D. SECHLER, ASSISTANT DIRECTOR, ADMINISTRATION DIVISION RENEWAL AND HOUSING ASSISTANCE

Mr. EVINS. The committee will come to order. We will resume our hearings this morning with the Department of Housing and Urban Development. We are going to be concerned with the justification for departmental management.

We have the distinguished Secretary Robert C. Weaver, Under Secretary Robert C. Wood—this makes a good team—William B. Ross, Deputy Under Secretary, and their associates with us.

Mr. Secretary, we are always pleased to hear you. Do you have a further statement for us?

Secretary WEAVER. Mr. Chairman and members of the committee, I had not intended to make a formal statement for you this morning, and I shall keep this one brief. I do think it worthwhile, however, to give this committee a general summary of my point of view concerning staffing and operating expenses for the Department, which is our subject matter today.

I am well aware, Mr. Chairman, that there is a strong economy mood currently prevalent. The Congress is deeply concerned about holding down Government expenditures. So is the President. So for that matter, am I—although my responsibilities lie in an area where we greatly need to spend not less, but more.

I am aware too, gentlemen, that Government employment figures have a certain symbolic importance in the public mind in connection with the whole idea of waste versus economy. Few people realize what a small part of their Government's total budget goes for civilian employment in nondefense activities—or how much of that employment,

like the postal service or like the FHA and FNMA in our own Department, is self-supporting or virtually so, at least from the taxpayers' standpoint. So I am keenly aware that it is not easy for this committee to support increase in employment at this time and in this atmosphere.

To put the matter in perspective, I would like to remind the committee that the authorized staff strength of the Department of Housing and Urban Development this year is only a little more than 10 percent above what it was in 1965 when the Department was established. In 1965—

There was no rent supplement program;

There was no coordinated research program, though there were some of the elements of one in activities scattered throughout the Department.

There was no program of grants for neighborhood facilities, or for urban parks and open space, or for beautification, or for urban fellowships; or for grants to States for urban information and technical services.

There was no model cities program.

And, of course, there was no Department to serve as the focal point for the expanding impact on the Federal Government of the problems of our cities.

What I have said speaks only to totally new programs and activities. I have not mentioned the diversification of the FHA's activity and impact; the expansion of public housing and the development of new approaches; the growth in volume and in complexity and in importance of our urban renewal efforts; and the almost unbelieveable increase in the total involvement of the Department in the problems of our urban society. I speak here not so much of financial involvement, though that is significant, as problem involvement, and the workload that implies—in seeking to understand, in dealing with Members of Congress, with the Governors of the States, with mayors, with organizations of a hundred different kinds, and with people of all sorts and descriptions.

Turning more specifically to the justifications before you this morning, we are requesting employment increases in all these parts of the Department—excluding, for this purpose, FHA and FNMA—of 761 in 1969 over 1968. I recognize that this is a significant increase. It is not my purpose to play it down, or suggest to you that it is a matter of little moment. Quite the contrary.

You have been over these programs one by one during the week. I think the workloads and program maturity as we have projected them fully support these increases. But that is not the whole point.

In my judgment, Mr. Chairman and gentlemen, we need to strengthen our capabilities throughout the Department. I am not speaking solely of capacity to plan, develop, manage, and control programs, although that is obviously very important. I am speaking also of our capacity to meet and to work with the officials of our local communities—to visit their areas—to see and become familiar with and understand their problems, to give timely attention to their inquiries and their applications, based on understanding and not merely on paper review. I am speaking of more and closer attention, as the

chairman has often emphasized, to the problems of our smaller cities and towns, and I mention this not simply because he is the chairman but because he is quite right.

The thought that I would leave with you, Mr. Chairman, is that even if there were no increases in workload projected for our individual operating programs in this budget—and as you know, there are many—I would be before this committee this morning proposing a substantial increase in employment for the coming year: a smaller increase, no doubt, but still a substantial one. I hope your committee will look at the problem from this point of view when you come to act on these budget estimates.

APPROPRIATION STRUCTURE

Mr. Evins. Thank you, Mr. Secretary. As always, you have made a very fine statement.

We have looked over your entire budget during the week, both day and night. You stated that since the Department was elevated to Cabinet level from the old Housing and Home Finance Agency, there has only been about a 10-percent increase in authorized staff strength. Then you enumerate the series of new laws and new programs that have been put in operation since that time. I think this is a very good summary.

Gentlemen, I want to go first to tab F, appropriation structure. I think this ties in for better understanding of the Department's budget.

The Secretary says in the justification there has been a restructure in the new department, and since that time a further reorganization has been made to establish a new office of urban technology and research. This office has been added since last year.

All funds available to the Department are provided under six major headings, as follows:

Renewal and housing assistance; metropolitan development; demonstrations and intergovernmental relations; urban technology and research; mortgage credit; departmental management.

We are discussing this morning departmental management, No. 6, and two overall funds.

As I understand it, Mr. Secretary, in each one we appropriate money for administrative purposes. This goes into an administrative operations fund, and the administrative expenses are drawn from this operating fund. We appropriate administrative expenses to each of the six and this is put in one fund.

Secretary Weaver. Yes, sir.

ADMINISTRATIVE OPERATIONS FUND

Mr. Evins. There are two departmental management appropriations—general administration, which is the Secretary's office, and then regional management and services. Then you also have a working capital fund.

In order to facilitate the internal administration of departmental staff expenses, the Housing Act of 1948 authorizes the Secretary to consolidate into a single administrative expense fund all moneys made

available for the administrative expenses of the Department. This is done by advancing money into the administrative operations fund, which is used to administer all departmental staff activities except for FNMA and FHA.

Your proposed changes in appropriation structure include providing for staff expense in connection with research in the appropriation for urban research and technology.

An additional activity is proposed to be added under general administration. This is called the manpower management programs and you are requesting $1,510,000. This will provide separate funding for the purpose of recruiting secretaries and housing interns during the summer months.

Mr. Frantz, tell us about this new activity.

MANPOWER MANAGEMENT PROGRAMS

Mr. FRANTZ. Mr. Chairman, this is an effort to put in one place for the consideration of the committee——

Mr. EVINS. You have $1,510,000 to recruit trainees and secretaries?

Mr. FRANTZ. There are two broad categories of people. One, of course, is secretarial replacements because, as you well know, there is very heavy turnover in skilled secretarial staff everywhere in Washington. The other is professional trainees in all of the skills we require at the college-graduate level.

Mr. EVINS. Are you going to be recruiting these separately from your regular recruiting program?

Mr. FRANTZ. In a sense it is separate; sir, because what we try to do is get the cream of the crop at the end of the school year.

Mr. EVINS. We all want the cream of the crop.

Mr. FRANTZ. They come in for a formal training period. At the beginning of that training period we do not necessarily know in what part of the Department they may eventually work.

Mr. BOLAND. How do you do it now?

Mr. INK. I want to stress this is not the additional cost for the recruiting; this is to pay these people during the training period. We found, as Mr. Franz has indicated, in order to get an adequate number of secretaries and in order to bring in the young people from the college campus that we think we need, the people that are outstanding, who we think can move ahead in the Department, we have had to have a special program.

In the case of the interns, Mr. Tackman, our personnel director, has developed ways in which they are rotated during their early experience with the Department. This enables them to become acquainted with more than just one part of the Department.

One of our problems in the past has been that the people do not have a broad enough view of the various elements of the urban problem. This gives us an opportunity to expose them to a number of areas.

Mr. EVINS. What has been the result of your urban intern program?

Mr. INK. The experience has been very good. I will let Mr. Tackman speak to the statistics. They have been much sought after in the

program areas, and some of the interns that came in several years ago are extremely——

Mr. EVINS. They are in the Department?

Mr. INK. They are all in the Department.

Mr. EVINS. Can you give us some statistics?

Mr. TACKMAN. There were 485 last year. We have had, over the years, a retention rate of between 68 and 72 percent.

Secretary WEAVER. This gives us flexibility.

Mr. EVINS. After training them, you can find out where their adaptability lies?

Secretary WEAVER. That is right.

ORGANIZATIONAL CHANGES

Mr. EVINS. On page F–3 you list organizational changes. You mention: the Office of Urban Technology and Research has been established; a labor relation staff has been established; the former intergroup relation staff and the equal-opportunity standards and regulations staff have been combined in the Office of Equal Opportunity; a regional support staff has been established.

What is your Office of Equal Opportunity? Is this for personnel?

Secretary WEAVER. Well, it is for personnel, it is to make sure the Executive orders which bans discrimination in employment and title IV of the Civil Rights Act of 1964 are carried out.

Mr. EVINS. They supervise the other offices to see that equal opportunity is granted in employment?

Secretary WEAVER. And in the program operations.

Mr. EVINS. What is your regional support staff that has been established?

Secretary WEAVER. This is in Washington. This is a small staff of five people. It becomes the communications center between Washington and the field, so that when we get material going out to the field there is one place where everybody has to flow. It serves the field. When the field people come in, they want certain services. This is very small but it is strategic.

Mr. EVINS. Telephone calls and mail are cleared through this. Normally that is the Secretary's function. Off the record.

(Discussion off the record.)

OFFICE OF THE GENERAL COUNSEL

Mr. EVINS. Here is your central office legal staff. Before, you had lawyers in all of the elements of the Department; now you have an Office of General Counsel.

Secretary WEAVER. We consolidated them all.

Mr. EVINS. I think we asked a few years ago why you had lawyers in every staff and not in one general counsel's office. I think that it was a wise move to consolidate them. I commend you for it. We have subsequently found from press releases that 300 attorneys are going to be giving free legal services.

Secretary WEAVER. They are doing that on their own time.

Mr. EVINS. How many lawyers are there in the General Counsel's Office?

Mr. FOARD. In the Washington office there are 132.

Mr. EVINS. How many in the field under the General Counsel?

Mr. FOARD. Approximately 180 professionals.

Mr. EVINS. We are always for the lawyers.

Secretary WEAVER. Many of these, of course, are doing quasi-administrative work, closings and other things of that sort, rather than simply advisory and giving legal opinions.

Mr. FRANTZ. Mr. Secretary, I do not think that is a professional way of describing it for a lawyer.

Secretary WEAVER. What I am trying to make is a differentation between the General Counsel who gives me a legal opinion and the fellows doing the closings, which is a different type of activity.

Mr. EVINS. Have you too many lawyers over there?

Mr. FOARD. We do not have enough, I can testify. We are trying to recruit lawyers to fill vacancies, and I am particularly knowledgeable of shortage in the Washington office.

Mr. EVINS. You have a good pool since you consolidated them together there?

Mr. FOARD. Yes, we have, and we think that is increasing efficiency and making it unnecessary to have as many as we would otherwise have. However, we are still short. There are a number of functions that we should be performing that we are not able to do with our present staff of lawyers, particularly in the field of legal research.

We service the whole department, but we have an extremely small staff for legal research at the present time. There are still vacancies in the jobs which we have set up under our reorganization—vacancies in some of the responsible top jobs.

Mr. EVINS. You recruit the young lawyers and train them to become specialists in metropolitan law?

Mr. FOARD. Yes, We have good prospects of getting some additional capable young lawyers at the end of this college year.

Mr. WOOD. I would add, the reorganization of the Office of General Counsel took place late in our major efforts of consolidation. Mr. Foard is correct; we in effect in the early years of the department held down this staff to a point where a number of vacancies occurred. We have only begun to move to fill those in recent months.

AUTOMATED DATA PROCESSING

Mr. EVINS. Another structural change is that the automatic data processing activities have been centralized in a new office of automatic data processing systems management and operations.

Mr. INK. This is simply a consolidation.

Mr. EVINS. Does that bring about less personnel?

Mr. INK. What it does is several things.

First of all, when we will all be moving into the new building, it would not make any sense at all to have computer operations in different parts of the new building. We can physically consolidate the work and the people.

Secondly, by this group's consolidation, we have been able to head the operation with an individual that we do not think we could otherwise have attracted.

Mr. EVINS. I think you ought to consolidate into one automatic processing division within the department in your new office building. I commend this, but it seems to me when you do these things the personnel increases. This ought to provide more efficiency.

ECONOMIC ANALYSIS—REGIONAL OFFICES

Let's look at your economic analysis function. Tell us what structural changes you made here.

Mr. WHARTON. Mr. Chairman, this consolidation involves about two people in the central office and approximately 20 people that were in the regional housing assistance office now going into the regional administrator's direct staff. This is a very small shift in the people doing this work.

Secretary WEAVER. It means we can consolidate these services, particularly in the field where we were having different staffs handling the same data for different programs. Now we are getting one staff handling those data and who will handle them for several programs.

Mr. EVINS. Could that be handled in the automatic data processing office?

Secretary WEAVER. No, sir; this is a market analysis operation not adaptable to automatic data processing.

Mr. EVINS. What do you analyze in this section?

Secretary WEAVER. Mainly the housing market.

Mr. EVINS. How many houses are for sale and how many are available?

Secretary WEAVER. And what the program impact will be and so forth. To give an example, in our leasing program we have a regulation that there has to be at least a 3-percent vacancy rate so you will not have inflationary pressures from the leasing.

Mr. EVINS. Where there are a large number of vacancies you do not build as much housing as where it is overcrowded?

Secretary WEAVER. Here we pull this all together so that instead of having the same data analyzed by three different people for three different programs, we get one analysis.

Mr. FRANTZ. We need the information not only on the vacancies as a gross lump figure, but the availability at different rental levels.

Mr. EVINS. Where you concentrate most of your housing then is in the areas where there is overpopulation and lack of adequate housing?

Secretary WEAVER. Yes.

Mr. EVINS. And if you find a lot of vacancies, you do not do much building in that area?

Secretary WEAVER. That is right.

OFFICE OF BUSINESS PARTICIPATION

Mr. EVINS. I note an office of business participation has been established.

Secretary WEAVER. This is a very small office that has been established. We have two professionals in it now.

Over the last few years we have been increasingly involved in encouraging and inviting private enterprise to get into the programs of urban housing. A tremendous number have expressed an interest; in

order that this interest will not go unanswered, we set up a small group which will maintain contact with these people who are interested and direct them throughout the Department to where they can get quick answers to their questions and where the operating areas will be informed of their interest and their availability. It is really a service.

Mr. EVINS. This is an information office for business inquiries?

Secretary WEAVER. It will never be large but it is very basic, I think.

JUSTIFICATION MATERIAL

Mr. EVINS. We will place F–1, 2, and 3 in the record.

(The pages follow:)

APPROPRIATION STRUCTURE

OVERALL ORGANIZATION AND ORDER OF APPROPRIATIONS

In the fiscal year 1968 budget a major realinement of the appropriation structure for operating expenses was made in order that the budget and the appropriation structure should reflect, to the extent possible, the organization and structure of the new Department. Since that time, a further organization has been made to establish a new Office of Urban Technology and Research. The budget proposes to add a new heading to reflect this current organization. All funds available to the Department would be grouped wide under six major headings as follows:

1. Renewal and Housing Assistance.
2. Metropolitan Development.
3. Demonstrations and Intergovernmental Relations.
4. Urban Technology and Research.
5. Mortgage Credit.
6. Departmental Management.

The justifications for the Department are also grouped into these categories.

To facilitate determinations on staff expenses, the related administrative expenses are included in the justification volume with each of these elements. There are two general management appropriations—general administration and regional management and services—which are included under the category department management along with the administrative operations fund, a central management fund, the Department's new working capital fund, and certain other general items. These appropriations and funds are explained later in this part.

In addition to the direct program expenses, each administrative expense appropriation item is charged for certain supporting services, primarily for central service activites. For purposes of efficiency and economy, many Departmental common services have been consolidated. However, the various appropriations contain amounts necessary to provide for these services since they are still required to operate the programs. These amounts have been determined in advance as the program's fair share of the total costs involved.

Administrative operations fund.—In order to facilitate the internal administration of departmental staff expenses, the Housing Act of 1948 (12 U.S.C. 1701 (c) (3)), authorizes the Secretary to consolidate into a single administrative expense fund all moneys made available for the administrative expenses of the Department. This is done by advancing money into the administrative operations fund, which is used to administer all departmental staff activities except for those in the Federal Housing Administration and the Federal National Mortgage Association. All administrative funds provided in salary and expense appropriations, as well as funds provided from limitations on the use of corporate funds and from reimbursements, are paid into this fund and are administered as one account. In addition, the Federal Housing Administration and Federal National Mortgage Association advance funds in order to provide for some overall departmental expenses applicable to their programs. An identification of operations under and financing of this fund is included under the title administrative operations fund in section E of this book.

Proposed changes in appropriation structure, fiscal year 1969.—Changes in appropriation structure are proposed as follows:

1. It is proposed to include staff expense in connection with research in the appropriation for urban research and technology, rather than in the appropriation for salaries and expenses, demonstrations and intergovernmental relations. This is part of a regrouping of research funds to include them under a separate major heading in the budget. It is felt that this aspect of the Department's program has great future potential, and should receive more emphasis. Shifting the related administrative expenses is part of this regrouping, but it is also important from another standpoint. That is, there is often a choice to make between performing research in-house versus contracting it out. This choice is importantly affected by a variety of factors and should not be inhibited by a fixed limit upon employment of research personnel. This appropriation structure improves freedom to make choices on the basis of valid criteria relating to the merits of each case.

2. An additional activity is proposed to be added under general administration. The amount proposed for this activity, which is called manpower management programs, is $1,510,000. This will provide separate funding for the purpose of recruiting secretaries and housing interns during the summer months. These young people are available, for the most part, only upon June graduation from high schools and colleges. If they are not recruited at that time it becomes extremely difficult to find replacements for vacancies which occur during the remainder of the fiscal year.

ORGANIZATIONAL CHANGES AFFECTING FINANCIAL STRUCTURE

Several organizational changes have been made which affect the financing of operating expenses under the Department's administrative operations fund. There are listed below:

(*a*) An Office of urban technology and research has been established. In 1969 this Office will be financed from the appropriation for urban research and technology, as explained above.

(*b*) A labor relations staff has been established, to be financed in 1969 from the General Administration appropriation.

(*c*) The former intergroup relations staff and the equal opportunity standards and regulations staff have been combined in a new Office of Equal Opportunity. This Office is financed from the General Administration appropriation.

(*d*) A regional support staff has been established, financed from General Administration.

(*e*) Central office legal staff has been grouped together in the Office of General Counsel. Employees transferred to the Office continue to be financed from the same appropriations which previously financed them.

(*f*) Automatic data processing activities have been centralized in a new Office of Automatic Data Processing Systems Management and Operations. Employees transferred to the Office continue to be financed from the same appropriations which previously financed them. Effective July 1, 1968, separate accounting is proposed to be established to record services furnished to each ordering office, under the working capital fund.

(*g*) Economic analysis functions of the Program Reservations and Income Limits Branch of Housing Assistance Offices in the field have been transferred to the Economic and Market Analysts Branch of the Program Coordination and Services Division. Employees transferred continue to be financed from the same appropriations which previously financed them.

(*h*) An Office of Business Participation has been established, to be financed from the General Administration appropriation.

SUMMARY OF DEPARTMENTAL MANAGEMENT REQUEST

Mr. EVINS. Under your summary of management expenses there is one general administration item of $8 million requested and another for regional management of $8,925,000. Those two are $16,925,000, and beyond that you are asking for $2 million for your working capital fund, which is a total of $18,925,000.

Secretary WEAVER. Yes.

Mr. EVINS. We will place the table in the record. No. 1 is the general administration; that is, the Secretary's primary advisory staff and the central office in Washington.

No. 2 is the regional management and services in the field offices.

(The table follows:)

SUMMARY OF APPROPRIATIONS

The following table shows the actual and proposed appropriations under the "Department management" title.

[Dollars in thousands]

	Estimate, 1968	Estimate, 1969
General administration	$4,107	$8,000
Regional management and services	5,412	8,925
Payment of participation sales insufficiencies (related to justifications for FNMA)	7,928	
Working capital fund (transfer authorization in 1968)	(1,500)	2,000
Total	17,447	18,925

REGIONAL MANAGEMENT AND SERVICES

Mr. EVINS. How many regional offices do you have?

Secretary WEAVER. Seven.

Mr. EVINS. The two primary functions under this appropriation are overall supervision in regional offices and coordinated administration of the Department programs in the field.

On page 4 is included, among these services, economic and market analysis in the field. Also included are: field administration of the urban planning assistance programs, field administration of the workable programs, field administration of comprehensive planning requirements, and field administration of the departmentwide relocation requirements?

ADMINISTRATIVE OPERATIONS FUND

Mr. EVINS. Central Services and Administration. In the Department's budget are included two central funds.

The general operations is the receiving account?

Mr. FRANTZ. Yes.

Mr. EVINS. From all the eight appropriations?

Mr. FRANTZ. That is it.

Mr. EVINS. And the working capital fund is for the printing presses?

Secretary WEAVER. Yes, and other service operations.

WORKING CAPITAL FUND

Mr. EVINS. On page 5 it shows you the working capital fund. The statute authorizes this.

As stated in the law, the purpose is for expenses necessary for maintenance and operation of such common administrative services

as he—the Secretary—shall find to be desirable in the interests of economy and efficiency.

Mr. Secretary, I believe you are emphasizing that efficiency more than you are the economy.

Secretary WEAVER. They are closely related, sir.

NEW OFFICE BUILDING

Mr. EVINS. The latter part of fiscal 1968 will see the Department moving from 20 buildings into its own new building. That is the showcase.

Secretary WEAVER. I might say, Mr. Chairman, that between now and the time the building is open we would like to invite the members of this committee which made the building available to us to have an inspection of it. I think you will find it rather interesting.

Mr. BOLAND. What shape is it in now to see?

Secretary WEAVER. It is almost in acceptable condition. I would say within the next fortnight.

Mr. EVINS. Mr. Secretary, we will accept your invitation.

Mr. JONAS. We understand you have a beautiful view of the river from every executive office, and all of these curving corridors.

Secretary WEAVER. And it is the least expensive building that has been built.

Mr. JONAS. That is what GSA says.

Secretary WEAVER. It just does not look like an office building.

Mr. INK. The windows are high enough so people cannot see out of them while they are sitting.

Mr. JONAS. In GSA you had a terrace.

Mr. EVINS. We are glad to have a permanent home. We think this is appropriate for a Cabinet level department.

Mr. INK. We think it will help a lot in efficiency of the operation.

Secretary WEAVER. As a matter of fact, there are some of these changes and consolidations you will notice we are just making now, and we are timing them with the new building which gives the physical setting in which to do this. You just could not have done it without the building.

WORKING CAPITAL FUND—FUNCTIONS

Mr. EVINS. We share with you the pride in your new building.

Initially the working capital fund was for printing and reproduction, central supply, communications, and graphic services. Now you have added the automatic data processing services.

Secretary WEAVER. That will be the first thing to go into the new building, the automatic data processing.

Mr. EVINS. Administrative operations fund we have discussed. They all go into it except FHA and Federal National Mortgage Association.

At A–6 is a small table which consolidates it all. We inserted that in the record a moment ago. General administration goes up from

$4,107,000 to $8 million, nearly double. Regional management goes from $5.4 million to $8,925,000, and then you have the working capital fund, $2 million. You are asking for a total of $18,925,000.

If you include FNMA in 1968, your increase is not as great. That is pretty good figuring.

Mr. JONAS. I do not understand that. The increase would be greater if you excluded FNMA.

Mr. FRANTZ. It is my frank opinion that FNMA line does not belong there, and with your permission I will take it out next year.

Mr. JONAS. It does not belong unless you have it on both sides because it contemplates a change in the law.

Mr. FRANTZ. I do not think it really belongs even on both sides. It happens it is printed under this title in the budget and that is why it is here. It should not be here.

Mr. EVINS. How much is the increase?

Mr. FRANTZ. It is proposed to be an indefinite appropriation in 1969 and the figure does not really belong in there.

Mr. JONAS. The column on the left for 1968 would be $9 million as contrasted with $18 million?

Mr. FRANTZ. Yes.

WORKING CAPITAL FUND FINANCING

Mr. EVINS. Did you not build this working capital fund from transfers from other funds? Why can you not transfer another $500,000 and have $2 million by transfers?

Secretary WEAVER. I do not think we can operate that way.

Mr. EVINS. You did in the past.

Mr. FRANTZ. Speaking of the $2 million working capital.

Mr. EVINS. A million five.

Mr. FRANTZ. That was already made this year, the million five.

Mr. EVINS. Was this not from transfers from other funds?

Mr. FRANTZ. Yes.

Mr. EVINS. So we have not yet appropriated directly to the working capital fund?

Mr. FRANTZ. That is correct.

Mr. EVINS. This is the first year. How much do you have in the fund?

Mr. FRANTZ. The fund has not actually been established as of this date. We have a million and a half available for this fund.

Mr. EVINS. You have a million and a half in the fund?

Mr. FRANTZ. Yes, sir.

Mr. EVINS. And you want to appropriate $2 million more, which will be $3½ million?

Mr. FRANTZ. Yes.

Mr. INK. We want to establish this coincident to moving into the new building where we bring everything together physically and operate it as a business proposition.

Mr. FRANTZ. Let me make one point clear, Mr. Chairman.

The appropriation for working capital for 1969, the $2 million, insofar as it would pick up the ADP equipment, is mainly to put into

the fund the capital for future replacement, which it would have had if the equipment had been in the working capital fund from the beginning. Otherwise at some time we would have to seek an appropriation for the purchase of equipment. There would be no expenditure; this is just a bookkeeping credit to the fund. There would be no funds taken out of the Treasury because of this appropriation until such time as you have to replace the equipment, which we do not contemplate doing in 1969.

Mr. EVINS. Why not request funds for replacement when needed?

Mr. FRANTZ. I think the theory of the statute, Mr. Chairman, is that you should charge for services on the basis of cost which includes depreciation of equipment, and therefore restore funds to the fund so it can make replacements out of its own resources. Otherwise, what you would be billing for the services of the working capital fund would be less than cost with depreciation.

Mr. WOOD. Are the items that they identify here not those of routine recurring basic equipment and activities necessary to the establishment? And I take it your thrust here is to maintain the best business practices of depreciation allowances for replacement.

Mr. FRANTZ. Which would include charges for depreciation on the equipment; yes, rather than waiting to appropriate it at the future date. It can be done either way. Authorizing legislation contemplates depreciation on a current basis.

Secretary WEAVER. When you establish these services, we operate them and then we charge for it and we still have the funds. They have to pay as they go along; then we get reimbursed for it afterward. So we get pro rata cost for the actual cost of material, depreciation, labor, et cetera.

REQUESTED INSERTS

Mr. EVINS. Gentlemen, to me the structural changes into six major departments is understandable, and your budgets for administrative operation in the central office and in the field with one fund is, to me, reasonably understandable. We can go into greater detail with each, but at this point I would ask you to insert in the record a table of administrative and nonadministrative expenses by appropriation and limitation item for the Department for the years 1967, 1968, and 1969, as we had in our report last year. This gives an overall picture.

Also include a table of obligating authority, carryover balances, and expenditures by appropriation items, including the trust funds. Some are not included here, also a table reconciling to the subcommittee print.

I want you to also include a table of your supergrades in the Department, 16, 17, and 18.

Mr. FRANTZ. Yes, sir.

Mr. JONAS. Would you supply the table that brings it up to date, showing public housing activities? I mentioned this yesterday.

Mr. FRANTZ. The table showing annual contributions and residual receipts, by year?

Mr. JONAS. Yes. You have it up through last year. Just add 1 year to it and put it in the record.

Mr. FRANTZ. You would rather have that in the section on public housing or where do you wish it?

Mr. JONAS. I guess it would be just as well to have it here with the other tables.

Mr. FRANTZ. Surely.

(The information follows:)

ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES

ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSES FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

	Availability, 1967	Availability, 1968 [1]	Budget estimate, 1969
Renewal and housing assistance:			
Salaries and expenses	$29,943,000	$32,493,000	$36,360,000
Housing for the elderly or handicapped	1,232,000	1,272,000	1,282,000
College housing loans	2,089,000	2,275,000	2,285,000
Total	33,264,000	36,040,000	39,927,000
Metropolitan development:			
Salaries and expenses	6,264,000	6,226,000	8,700,000
Public facility loans	1,205,000	1,227,000	1,235,000
Revolving fund (liquidating programs)	110,000	100,000	104,000
Total	7,579,000	7,553,000	10,039,000
Demonstrations and intergovernmental relations:			
Salaries and expenses	1,271,000	1,859,000	1,860,000
Model cities programs	750,000	2,580,000	8,380,000
Total	2,021,000	4,439,000	10,240,000
Departmental management:			
General administration	4,014,000	4,107,000	8,000,000
Regional management and services	4,001,000	5,412,000	8,925,000
Total	8,015,000	9,519,000	16,925,000
Urban research and technology [2]	52,000	260,000	885,000
Total, appropriations and limitations	50,931,000	57,811,000	78,016,000
Mortgage credit:			
FHA rent supplements	900,000	1,100,000	1,600,000
FHA administrative expenses	10,650,000	11,000,000	11,950,000
FHA nonadministrative expenses	85,000,000	87,000,000	95,600,000
FNMA administrative expenses	9,931,000	9,940,000	10,340,000
Total	106,481,000	109,040,000	119,490,000
Reimbursements and working funds (net)	7,626,000	9,447,000	8,855,000
Grand total, administrative and nonadministrative expenses	165,038,000	176,298,000	206,361,000

[1] Includes pending supplementals for Pay Act costs.
[2] Reimbursable from appropriation without specific limitation.

Carryovers and Expenditures

FISCAL YEAR 1969 OUTLAYS AND BALANCES

[In thousands of dollars]

Appropriation or fund	1969 appropriation request	Carryover into 1969				Estimated 1969 outlay			Carryover (out of 1969)			
		Unobligated balance [1]			Obligated balance	From prior year funds	From 1969 funds	Total	Unobligated balance			Obligated balance
		Reserved	Unreserved	Total					Reserved	Unreserved	Total	
RENEWAL AND HOUSING ASSISTANCE												
Grants for neighborhood facilities	40,000	18,169		18,169	24,997	32,000		32,000	23,169		23,169	27,997
Alaska housing	1,000						1,000	1,000				
Salaries and expenses	36,360						36,360	36,360				
Urban renewal programs:												
Enacted 1969 appropriation	750,000											
Proposed appropriation for model cities.	500,000	[2] 1,697,981		[2] 1,697,981	2,786,881	700,000		700,000	[2] 2,147,981		[2] 2,147,981	2,886,881
Advance appropriations for 1970	(1,400,000)	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]
Loans and planning advances			172,320	172,320	568,048	11,000		11,000		93,599	93,599	635,769
Rehabilitation loan fund			23,905	23,905	3,845	18,500		18,500		5,736	5,736	3,514
Low rent public housing:												
Annual contributions	358,000				128,512	119,512	209,406	328,918				139,594
Loan fund [4]			1,296,105	[5] 1,296,105	191,464	−8,663		−8,663		1,313,499	1,313,499	200,483
Housing for the elderly or handicapped:												
Appropriation to fund	[6]											
Participation sales insufficiency appropriation.	3,260	81,625	10,374	[5] 91,999	97,529	93,037		93,037	76,625		76,625	87,476
Collect housing loans	[7]											
Participation sales insufficiency appropriation.	[8] 63,291	240,999	2,033,247	[5] 2,274,246	283,645	326,214		326,214	291,000	2,542,230	2,833,230	232,148

METROPOLITAN DEVELOPMENT												
Urban planning grants	55,000				56,939	46,000		46,000				65,939
Open space land programs	85,000		323	[9] 323	124,391	60,000		60,000		323	[9] 323	149,391
Grants for basic water and sewer facilities	150,000	46,948		46,948	222,361	130,000		130,000	46,948		46,948	242,361
Grants to aid advance acquisition of land			3,000	3,000	1,970	500		500				4,470
Salaries and expenses	8,700						8,700	8,700				
Public works planning fund		2,598	394	2,992	14,140	2,040		2,040	2,598	304	2,902	12,190
Urban mass transportation:												
Grants:												
Enacted 1969 appropriation	175,000											
Additional appropriation for 1969	15,000		170	170	292,724	150,000		150,000		170	170	332,724
Advance appropriation for 1970	(230,000)	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Loans			58,753	58,753		−390		−390		59,143	59,143	
Public facility loans	[10]											
Participation sales insufficiency appropriation	[11] 4,430	8,748	317,432	[5] 326,180	120,941	53,309	1,098	54,407	8,748	358,919	367,667	106,762
Liquidating programs			2,561	[5] 2,561	16	−599		−599		1,167	1,167	9
Investment in flood indemnity operations			500,000	500,000						500,000	500,000	
DEMONSTRATIONS AND INTER-GOVERNMENTAL RELATIONS												
Model cities program	500,000	147,500		147,500	49,768	197,268	52,732	250,000				447,268
Urban renewal add-on	[12] (500,000)	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Urban information and technical assistance	5,000				1,700	1,700	1,300	3,000				3,700
Community development training programs	7,000				2,500	2,500	2,200	4,700				4,800
Fellowships for city planning and urban studies	500				616	491		491				625
Salaries and expenses	1,860						1,860	1,860				
URBAN TECHNOLOGY AND RESEARCH												
Urban research and technology	20,000				7,364	4,800	2,500	7,300				20,064
Low income housing demonstrations	4,496			[9]	2,984	2,984	816	3,800				3,680
Special studies			295	295	100	395		395				
Housing studies [13]			2,500	2,500						2,500	2,500	

CARRYOVERS AND EXPENDITURES—Continued

FISCAL YEAR 1969 OUTLAYS AND BALANCES

[In thousands of dollars]

Appropriation or fund	1969 appropriation request	Carryover into 1969				Estimated 1969 outlay			Carryover (out of 1969)			
		Unobligated balance [1]			Obligated balance	From prior year funds	From 1969 funds	Total	Unobligated balance			Obligated balance
		Reserved	Unreserved	Total					Reserved	Unreserved	Total	
MORTGAGE CREDIT												
Federal Housing Administration												
Rent supplement program	16,600				589	589	15,511	16,100				1,089
Community disposal operations fund			1,293	[3] 1,293	197	−8,142		−8,142		935	935	197
Federal Housing Administration fund		[4] 1,100,783		1,100,783	−24,839	26,122		26,122	[4] 1,074,357		1,074,357	−24,535
Federal National Mortgage Association												
Loans to secondary market operations fund			2,406,000	2,406,000		28,000		28,000		2,378,000	2,378,000	
Special assistance functions	([2])	1,404,283	1,175,379	[5] 2,579,662	787,811	430,600		430,600	1,534,283	1,906,539	3,440,822	630,251
Management and liquidating functions	([6])			([7])	25,630	25,630	28,870	54,500				31,365
Participation sales fund		[17] 576,909		576,909	85,909	−206,190		−206,190	[17] 903,112		903,112	112,927
Secondary market operations (trust fund)			2,181,081	2,181,081	337,683	590,000		590,000		1,830,981	1,830,981	228,783
DEPARTMENTAL MANAGEMENT												
General administration	8,000						8,000	8,000				
Regional management and services	8,925						8,925	8,925				
Administrative operations fund					200	200	−3,245	−3,045				3,245
Working capital fund	2,000		881	881	369	−87	287	200		2,509	2,509	541

LEGISLATIVE PROGRAM												
Areawide development grants	10,000						3,000	3,000				7,000
HUD legislation	30,000						14,000	14,000				16,000
Subtotal, Department of Housing and Urban Development	2,859,422	5,326,543	10,186,013	15,512,556	6,196,984	2,829,320	393,320	3,222,640	6,108,821	10,996,554	17,105,375	6,614,708
Adjustment for interfund transaction and applicable receipts from the public								−6,738				
Total, department of housing and urban development	2,859,422	5,326,543	10,186,013	15,512,556	6,196,984	2,829,320	393,320	3,215,902	6,108,821	10,996,554	17,105,375	6,614,708
Advance appropriations for fiscal year 1970	(1,630,000)	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]

[1] Excludes unused balances of 1968 participation sales authorizations.
[2] Represents balances of contract authorization, not all of which has been appropriated for.
[3] Not applicable.
[4] Loan fund balances are dependent on proposed legislation pending in HUD Act of 1968.
[5] Portion of unobligated balance to be transferred to other accounts.
[6] No appropriation is being requested. However, a participation sales authorization of $25,000,000 is being requested. This amount is needed to provide the funds necessary for the program level.
[7] $300,000,000 borrowing authority becoming available. In addition, a participation sales authorization of $285,000,000 is being requested.
[8] Includes $12,061,000 from permanent indefinite appropriation for 1967 sales and $51,230,000 proposed in 1969 for 1968 and 1969 sales.
[9] Excludes unappropriated portion of contract authorization.
[10] A participation sales authorization of $80,000,000 is being requested.
[11] Includes $1,305,000 from permanent indefinite appropriation for 1967 sales and $3,125,000 proposed in 1969 for 1968 and 1969 sales.
[12] Appropriation and balances included within urban renewal programs.
[13] Reflects unused contract authorization.
[14] Represents primarily FHA insurance reserves for future expenses and loans.
[15] Participation sales authorization of $655,000,000 is being requested. In addition $525,000,000 borrowing authorization becoming available.
[16] Participation sales authorization of $550,000,000 is being requested.
[17] Reserves for retirement of participation certificates.

RECONCILIATION OF TOTALS OF ESTIMATES AND APPROPRIATIONS FOR 1967, 1968, AND 1969 IN 1969 SUBCOMMITTEE PRINT

	1967 appropriations	1968 appropriations	1969 estimates
Totals in appropriation table in HUD justifications (pt. 1, p. B-5)	$1,482,080	$1,941,521	$2,859,422
Deduct indefinite insufficiency appropriation from 1967 authorization [1]	−1,883	−12,064	−13,366
Deduct proposed 1968 Pay Act supplementals not included in subcommittee print		−1,415	
Proposed 1967 and 1968 public housing supplementals not included in subcommittee print		−30,042	
City planning fellowships not counted as 1967 appropriation in subcommittee print due to transfer language	−500		
Urban renewal advance appropriation:			
1967 appropriated in 1966	−725,000		
1968 appropriated in 1967	+750,000	−750,000	
1969 appropriated in 1968		+750,000	−750,000
1970 proposed in 1969			+1,400,000
Urban transportation advance appropriation:			
1967 appropriated in 1966	−130,000		
1968 appropriated in 1967	+125,000	−125,000	
1969 appropriated in 1968		+175,000	−175,000
1970 proposed in 1969			+230,000
Proposed legislation not included in subcommittee print totals:			
HUD legislation			−30,000
MD incentive grants			−10,000
Totals in subcommittee print	1,499,697	1,948,000	3,511,056

[1] Subcommittee print totals include the amounts of definite insufficiency appropriations. Appropriations out of enacted indefinite appropriation for 1967 sales are not included. For 1969 estimates, subcommittee print includes $57,615,000 proposed indefinite for 1968 and 1969 sales.

SUPERGRADES

Classification Act Positions (Quota)

Office of the Secretary

GS–18

Assistant to the Secretary for Congressional Services.

GS–17

Executive Assistant to the Secretary.
Director of Public Affairs.
Director, Inspection Division.
Director, Office of Equal Opportunity.
Assistant to the Under Secretary.
Director, Program Analysis and Evaluation Staff.

GS–16

Director of Regional Support.
Special Assistant for Labor Relations.
Deputy Director of Public Affairs.
Deputy Assistant to the Secretary for Congressional Services.
Director, Division of International Affairs.
Deputy Director, Inspection Division.
Director, Data Systems Development Staff.
Director, Planning, Programing, and Budgeting Systems Staff.
Director, Statistical Reports and Analysis Staff.

National Commission on Urban Problems

GS–18

Executive Director, National Commission on Urban Problems.

GS–17

Adviser to the Commission for Low Cost Housing (Deputy Executive Director).

GS–16

Assistant to Commission for Demography and Local Revenues.

General Counsel

GS–18

Deputy General Counsel.

GS–17

Associate General Counsel (Legislation and Policy Regulations).
General Counsel (FHA).

GS–16

Assistant General Counsel for Operations.
Assistant General Counsel for Federal Legislation.
Assistant General Counsel for Model Cities and Interprogram Functions.
Associate General Counsel (FHA).
General Counsel (FNMA).
Chief Counsel, RAA.
Chief Counsel, HAA.
Chief Counsel, MD.

Assistant Secretary for Administration

GS–18

Deputy Assistant Secretary for Administration.

GS–17

Director, Financial Systems and Services.
Director, Office of Management and Organization.
Director of Personnel.
Director, Division of Budget and Management.

GS–16

Director of Audit.
Budget Officer.
Director, Office of General Services.
Deputy Director of Personnel.
Director, Office of ADP Systems Management and Operations.

Assistant Secretary for Mortgage Credit and FHA Commissioner

GS–17

Executive Assistant Commissioner.
Assistant Commissioner for Technical Standards.
Assistant Commissioner for Multifamily Housing.
Assistant Commissioner for Field Operations.
Assistant Commissioner for Programs.
Assistant Commissioner for Property Disposition.

GS–16

Assistant Commissioner for Administration.
Assistant Commissioner-Comptroller.
Assistant Commissioner for Home Mortgages.
Assistant Commissioner for Property Improvement.
Deputy Assistant Commissioner for Technical Standards.
Deputy Assistant Commissioner for Multifamily Housing.
Deputy Assistant Commissioner for Programs.
Regional Operations Commissioner, FHA.
Regional Operations Commissioner, FHA.
Regional Operations Commissioner, FHA.
Regional Operations Commissioner, FHA.
Regional Operations Commissioner, FHA.
Director, Project Mortgage Servicing Division.

Federal National Mortgage Association

GS–17

Executive Vice President.

GS–16

Secretary-Treasurer.
Vice President.
Vice President (Fiscal Management).

Assistant Secretary for Renewal and Housing Assistance

GS–18

Deputy Assistant Secretary.

GS–17

General Deputy, Renewal Assistance Administration.
General Deputy, Housing Assistance Administration.
Director, Office of Community Development.

GS–16

Deputy Director, Office of Community Development.
Director, Operational Services Division.
Director, Plans, Programs and Evaluation Staff.
Director, Program Management Division.
Director, Neighborhood Programs Division.
Director, Rehabilitation and Codes Division.
Director, Redevelopment Division.
Assistant to the Assistant Secretary for Problems of the Elderly and Handicapped.
Director, Tenant Services Division, HAA.
Director, Production Division, HAA.

Assistant Secretary for Metropolitan Development

GS–18

Deputy Assistant Secretary.

GS–17

Deputy Director, Office of Transportation.

GS–16

Director, Engineering Standards Staff.
Director, Division of Public Facility Grants, MD.
General Deputy, Land and Facilities Development Administration.
Director, Plans, Programs and Evaluation Staff.
Director, Division of Project Development.
Director, Division of Metropolitan Area Analysis.
Director, Division of Planning Assistance.

Assistant Secretary for Urban Program Coordination

GS–17

Deputy for Demonstration and Intergovernmental Relations.
Deputy Director, Model Cities Administration.
Director, Economic and Market Analysis.
Assistant Director for Program Development and Evaluation.
Deputy Director, Office of Intergovernmental Relations and Urban Program Coordination.

GS–16

Assistant Director for Technical Review and Assistance.
Assistant Director for Federal Agency Liaison.
Assistant Director for Urban Policy Coordination.
Chief, Economic Studies.

Regional Offices

GS–18

Regional Administrator, Region I.
Regional Administrator, Region IV.

GS–17

Regional Administrator, Region II.
Regional Administrator, Region III.
Regional Administrator, Region V.
Regional Administrator, Region VI.
Deputy Regional Administrator, Region I.

GS–16

Regional Administrator, Region VII.
Deputy Regional Administrator, Region III.
Deputy Regional Administrator, Region II.
Deputy Regional Administrator, Region IV.
Deputy Regional Administrator, Region V.
Assistant Regional Administrator for RA, Region VI.
Assistant Regional Administrator for Program Coordination and Services, Region VI.
Assistant Regional Administrator for Renewal Assistance, Region I.
Assistant Regional Administrator for Renewal Assistance, Region IV.
Assistant Regional Administrator for Housing Assistance, Region I.
Assistant Regional Administrator for FHA, Region I.

CLASSIFICATION ACT POSITIONS (NONQUOTA)

GS–18

Director, Office of Urban Technology and Research, Office of the Secretary.

GS–17

Assistant Director for Research Planning and Coordination, Office of Urban Technology and Research, Office of the Secretary.

GS–16

Director, New Systems Study Project, UTA.
Director of Technology, Office of Urban Technology and Research.
Director, Architectual Division, FHA.

PUBLIC HOUSING CONTRIBUTIONS

LOW RENT PUBLIC HOUSING PROGRAM

SUMMARY COMPARISON OF ANNUAL CONTRIBUTIONS FROM INCEPTION THROUGH JUNE 30, 1969

Fiscal year	Number of units	Fixed annual contributions	Amount available to reduce annual contributions	Accrued annual contributions	Percent of fixed annual contributions	Total for elderly and displacees	Grand total of accrued contributions	Average annual contributions per unit
1941	23,783	$4,747,176		$4,747,176	100.0		$4,747,176	$199.60
1942	68,459	11,258,951	$1,333,060	9,925,891	88.2		9,925,891	144.99
1943	89,240	13,049,252	3,166,370	9,882,882	75.7		9,882,882	110.74
1944	101,951	14,436,885	4,305,888	10,129,997	70.2		10,129,997	99.36
1945	141,596	21,132,572	12,410,272	8,722,300	41.3		8,722,300	61.60
1946	144,035	21,115,314	13,978,579	7,136,735	33.8		7,136,735	49.53
1947	144,035	21,044,261	15,377,631	5,666,630	26.9		5,666,630	39.33
1948	144,603	21,044,002	17,103,597	3,940,405	18.7		3,940,405	27.25
1949	145,785	21,325,747	17,082,754	4,242,993	19.9		4,242,993	29.10
1950	146,549	21,321,123	15,105,911	6,215,212	29.2		6,215,212	42.41
1951	145,703	21,407,822	14,221,701	7,186,121	33.6		7,186,121	49.32
1952	156,034	26,215,103	13,649,116	12,565,987	47.9		12,565,987	80.51
1953	204,815	45,091,505	19,212,357	25,879,148	57.4		25,879,148	126.35
1954	259,116	67,844,328	23,376,836	44,467,492	65.5		44,467,492	171.61
1955	304,383	91,133,962	24,548,099	66,585,863	73.1		66,585,863	218.76
1956	343,907	107,933,030	26,202,984	81,730,046	75.7		81,730,046	237.65
1957	365,896	116,685,509	26,050,696	90,634,813	77.7		90,634,813	247.71
1958	374,172	121,213,830	22,429,416	98,784,414	81.4		98,784,414	264.01
1959	401,467	133,106,635	17,739,971	115,366,664	86.7		115,366,664	287.36
1960	425,850	147,523,103	16,338,787	131,184,316	88.9		131,184,316	308.05
1961	465,481	166,360,866	21,038,913	145,321,953	87.4		145,321,953	312.20
1962	482,714	177,688,594	20,710,651	156,977,943	88.3	$2,329,640	159,307,583	330.02
1963	511,047	192,858,982	20,925,771	171,933,211	89.1	4,548,949	176,482,160	345.33
1964	539,841	211,479,468	25,024,891	186,454,577	88.2	4,441,532	190,896,109	353.62
1965	577,347	238,260,239	25,586,405	212,673,834	89.3	5,242,325	217,916,159	377.44
1966	608,554	256,672,714	29,589,402	227,083,312	88.5	4,917,522	232,000,834	381.23
1967	643,245	282,159,512	28,756,853	253,402,659	89.8	7,638,871	261,041,530	405.02
Subtotal		2,574,110,485	475,267,911	2,098,842,574		29,118,839	2,127,961,413	
Estimates:								
1968	689,235	319,389,652	30,149,610	289,240,042	90.6	9,000,000	299,240,042	434.16
Modernization		1,000,000		1,000,000				
1969	758,735	375,242,848	36,027,111	339,215,737	90.6	10,000,000	358,215,737	472.12
Modernization		9,000,000		9,000,000				
Total		3,278,742,985	541,444,632	2,727,298,353		48,118,839	2,785,417,192	

General Administration

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	1. General departmental administration	4,014	4,107	6,490
	2. Manpower management programs			1,510
10	Total costs—obligations (object class 25.3) (Payment to "Administrative operations fund")	4,014	4,107	8,000
	Financing:			
16	Comparative transfers from other accounts	−4,104		
	New obligational authority		4,107	8,000
	New obligational authority:			
40	Appropriation		4,000	8,000
41	Transferred to other accounts		−28	
43	Appropriation (adjusted)		3,972	8,000
44	Proposed supplemental for civilian pay increases		135	
	Relation of obligations to expenditures:			
10	Total obligations	4,014	4,107	8,000
70	Receipts and other offsets (items 11 to 17)	−4,014		
71	Obligations affecting expenditures		4,107	8,000
90	Expenditures excluding pay increase supplemental		3,972	8,000
91	Expenditures from civilian pay act supplemental		135	
	Expenditures are distributed as follows:			
01	Out of current authorizations		4,107	8,000

Mr. Evins. Gentlemen, we will take a look at general administration and the increases there.

The first says $271,000 is used for the Pay Act. Were you able to absorb any of the Pay Act last year, Mr. Frantz?

Mr. Frantz. Yes, sir.

PAY ACT COSTS AND ABSORPTION

Mr. Wiecking, do you have the Department figures on that?

Mr. Wiecking. On the pay costs, the total absorption runs $3.5 million out of total costs of $5 million.

Mr. Evins. This is for 1968?

Mr. Wiecking. Yes, sir.

Mr. Evins. And out of the $5 million you are able to absorb $3.5 million?

Mr. Wiecking. Yes.

Mr. Frantz. $3.5 million.

Mr. Evins. What is the prospect for 1969 as to how much you can absorb?

Mr. Wiecking. We do not know yet precisely what the Pay Act for 1969 is going to say.

Mr. Evins. It is signed into law. You have a 1968 raise and a 1969 raise.

Mr. Wiecking. The provision of the law as passed provides there has to be a subsequent action to fix the rates.

Mr. Evins. Isn't it already settled?

Mr. Ross. The rates are still being determined administratively, are they not, Mr. Chairman, under that law? There has been an announcement of a tentative level.

Mr. Evins. Thus far you are unable to determine how much you might be able to absorb. You absorbed $3.5 million out of the $5 million for last year.

Mr. Ross. Yes.

OTHER GENERAL ADMINISTRATION

Mr. EVINS. The next item is $2,306,000, excluding Pay Act costs, for 63 additional employees for General Administration. This is in the Secretary's Office.

The next item of increase is $1,451,000, excluding Pay Act costs, for 450 part-year positions. Is that how many you recruit every year, 450 summer employees?

Mr. FRANTZ. This is the manpower management thing we discussed a few minutes ago.

Mr. EVINS. How many did you recruit last year?

Mr. FRANTZ. We recruited about 485 last year.

Secretary WEAVER. It is getting harder and harder to recruit them.

Mr. INK. We are concerned going into the new building that some of the secretaries that have been with us will not make the move with us, and we are going to have quite a time recruiting for the first few months.

Secretary WEAVER. One of the reasons a secretary works in a particular agency is because of its location; you change the location, you get a bigger turnover.

GENERAL DEPARTMENTAL ADMINISTRATION

Mr. EVINS. You have other attractive features.

General Administration goes up from $4,107,000 to $6,490,000, which is a $2,383,000 increase.

Mr. Frantz, you did not show what the situation was in 1967. How much did 1968 go up over 1967?

Mr. FRANTZ. Mr. Chairman, I have not put 1967 figures in here anywhere because of the fact that there have been so many organizational shifts.

Mr. EVINS. That is normal, isn't it?

Mr. FRANTZ. Yes, sir; that is normal practice, and I would hope to be back to it next year. But there have been so many changes and shifts in personnel from different parts of the organization that it really would strain our ingenuity to try to find a 1967 figure which was at all comparable.

Mr. EVINS. You can show the growth and the details. We realize you are consolidating. Even so, I think you ought to show them.

Mr. FRANTZ. In the table you asked for we will show the 1967 figures, but I will have footnotes to show they are not comparable to 1968.

Mr. EVINS. The manpower program is $1.5 million?

Mr. FRANTZ. Yes.

Mr. EVINS. You have not had that in the past?

Secretary WEAVER. No, sir.

JUSTIFICATION MATERIAL

Mr. EVINS. The personnel increase is shown. Sixty-three in the Secretary's office is indicated.

Put pages B–4 through B–14 in the record.

(The pages follow:)

General Administration

General Departmental Administration

This activity funds those offices which are concerned with the direction and coordination of the Department's activities at the top echelon. This generally involves those activities which are department-wide in scope, which represent major segments of the Department's programs, or which do not fall exclusively within the province of a specific major function. An explanation of the work of the offices financed from the General Administration appropriation and the need for the requested increases follow.

Immediate Office of the Secretary

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	30	30	...

The Secretary, as head of the Department and as a Cabinet Member, advises the President with respect to Federal programs and activities relating to housing and urban development. He exercises leadership at the direction of the President in coordinating Federal activities affecting housing and urban development. He assures administration of the Department's programs in a manner consistent with administration policies. He formulates recommendations for basic policies in the field of housing and urban development for such things as the legislative program, the State of the Union Message and the President's Budget Message. He works with the Executive Office of the President and with other Federal agencies in keeping economic and fiscal policies in housing and urban development consistent with other economic and fiscal policies of the Government.

He is responsible for developing programs leading to the improvement and beautification of our cities and encouraging solutions to problems of urban areas. He meets with mayors and other local officials; and assists the President in achieving maximum coordination among the various Federal activities which have a major effect upon urban, suburban or metropolitan development.

The Secretary meets with and interprets Government housing programs to organizations and officials representing builders, lenders, and other facets of the housing industry, local government officials, labor and minority groups, and social service organization. He is assisted in the responsibilities by a small staff.

In addition to the Secretary and his immediate secretarial staff, this group includes persons who carry out a variety of specialized staff activities which, by their very nature, require the personal attention of the Secretary. These are handled by individuals of special or unique qualifications, usually employed under the title of special assistant, who are authorized to represent the Secretary personally.

Immediate Office of the Under Secretary

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	15	16	+1

The Under Secretary, with his staff, assists the Secretary in the discharge of his responsibilities, and serves as Acting Secretary in the absence of the Secretary. An increase of one is proposed for fiscal year 1969 because of the increasingly heavy problems of oversight which this entails.

Deputy Under Secretary for Policy Analysis and Program Evaluation

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	35	45	+10

The Deputy Under Secretary for Policy Analysis and Program Evaluation advises the Secretary and Under Secretary with respect to program formulation and evaluation. He and his staff analyze and make recommendations regarding national housing and community development goals and program policies and objectives. He is responsible for the planning-programming-budgeting system for the Department. In addition, this staff develops the Department's policies with respect to the accumulation of data and the design of an effective data system to serve the Department's needs. The function of assembling and interpreting statistical data for Department use has also been assigned to this staff.

The Budget for 1969 proposes an increase of 10 persons--6 professional and 4 clerical. This increase is necessary to meet the needs for (1) an increased program analysis and evaluation capability to cope with the growing problems of the cities as they relate to the more diversified and expanded programs of HUD and other Federal agencies; and (2) handling an increased volume of housing and urban data and program statistics.

Labor Relation Staff

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	10	13	+3

The Director with the assistance of his staff serves as principal policy adviser and consultant to the Secretary on labor regulations, labor conditions, wage matters, relations with organized labor and related labor relations activities.

An increased staff of three is needed to fully perform the mission of the staff by bringing about full consistency among the functions of the several Assistant Secretaries in discharging their enforcement responsibilities; establishing Department-wide policies, standards, techniques, and procedures for effectively implementing the labor relations program; and providing centralized liaison with the Department of Labor and other Federal departments.

Regional Support Staff

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	5	5	...

This staff provides special advice and assistance to the Secretary, Under Secretary, and Assistant Secretaries on regional affairs. It serves as a channel of communication between the Regional Administrators and the headquarters staff on matters which require special attention or action by the Secretary.

Congressional Services Staff

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	15	15	...

This staff provides advice and assistance to the Secretary and his staff on Congressional relations.

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Office of Equal Opportunity

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	19	23	+4

The Director is the principal adviser to the Secretary with respect to minority group relations. He and his staff have primary responsibility for developing standards, regulations, and procedures for carrying out the Executive Orders on equal opportunity in housing and equal opportunity in employment, and title VI of the Civil Rights Act of 1964. They provide functional supervision with regard to these activities within the Department, including the Regional offices, to assure full participation and compliance.

This staff increase of four will provide for adequate Departmental oversight for an expanded equal opportunity and civil rights program in fiscal year 1969. Other staff increases for this purpose are included in the estimates for the Inspection Division and the Regional Offices. This increase results from the following factors:

1. Increasing tendency of minority persons to bring complaints to agencies of government;

2. More thorough implementation of affirmative action requirements with respect to construction contractors and subcontractors, pursuant to Executive Order 11246 and regulations of the Secretary of Labor;

3. Trend toward pre-award rather than preconstruction affirmative action requirements affecting construction contractors and subcontractors in localities designated by the Office of Federal Contract Compliance, by HUD, or by a Federal Executive Board. This requirement has already been imposed in several metropolitan areas. The pre-award requirement involves from two to three times more man-hours per case than the preconstruction requirement;

4. Impending issuance by the Labor Department of an amended regulation under Executive Order 11246 requiring recipients of Federal financial assistance to conduct affirmative

action programs to eliminate discrimination with respect to their own employees. This (as with 2, above) will require HUD evaluation of written programs and accomplishments, and will result in additional employee complaints which will be processed by HUD; and

5. Increased compliance emphasis in housing and housing-related matters.

Division of International Affairs

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	8	8	...

The staff advises and assists the Secretary with respect to the international activities of the Department (excluding employment financed by the Agency for International Development). It acts as liaison with other agencies in connection with international programs of housing and urban development and includes the performance of services requested and financed by the Agency for International Development.

Division of Inspection

	June 30 Employment		
Staff	Estimate 1968	Estimate 1969	Increase
Director's Office.....	15	15	...
Investigations Branch.....	7	7	...
Examination Branch.....	7	7	...
Civil Rights Inspection Branch	13	20	+7
Security Branch.....	7	7	...
Field Offices - Civil Rights..	...	28	+28
Field Offices - Other.....	31	31	...
Total	80	115	+35

The Division of Inspection is responsible for the development and administration of a program to maintain the integrity of the Department's programs and activities. This Division includes four branches: an Examination Branch to make periodic and special examinations to detect maladministration; a Civil Rights Branch to make investigations of civil rights complaints under title VI of the Civil Rights Act of 1964, and to make investigations and inspections relating to the various Executive Orders on this subject; a Security Branch to perform security functions for the Department on a centralized basis; and an Investigations Branch to initiate, make, and report on other investigations.

Director's Staff. This staff performs all the supervisory, administrative and supporting duties for the Division, including its field staff located in the regional offices. The mail and file room controls and services over 22,000 files, maintains a data bank on over 300,000 individuals and firms connected in anyway with an investigation or inspection, and processes 25,000 pieces of correspondence a year, including 3,500 investigative reports from the Federal Bureau of Investigation.

Investigations Branch. The Branch is located primarily in the HUD regional offices with a small supporting staff in Washington. Each regional office staff, headed by a Field Director, is responsible for maintaining the integrity of Department programs and activities, except as covered by other branches, and for maintaining liaison with all HUD program and administrative officials, with the U. S. Attorneys, the Federal Bureau of Investigation, and with other Government agencies and law enforcement officials.

Examination Branch. The Branch is responsible for the conduct of a program to provide Department management with continuous information and advice on the effectiveness of integrity safeguards in policies, procedures, and program administration. The many and varied programs of the Department and the huge sums of money involved make constant vigilance necessary to maintain integrity of operations.

Civil Rights Inspection Branch. The Branch conducts investigations of complaints or noncompliance under title VI of the Civil Rights Act of 1964, and the executive orders on civil rights and equal opportunity under government contracts and Federally-assisted construction contracts.

The Branch is responsible for conducting systematic compliance inspections of tract and multi-family developments in FHA after partial occupancy is achieved. It also undertakes reviews of management brokers and their practices, and conducts periodic and systematic compliance checks on all other HUD-assisted projects such as urban renewal and low rent public housing for compliance under title VI.

Adequate performance of civil rights responsibilities requires a sharp increase in staff of the Inspcetion Division. The Division is required to (a) investigate complaints under title VI of the Civil Rights Act of 1964, Executive Order 11246 concerning equal opportunity under Government and Government-assisted contracts, and equal opportunity in Federal employment, and (b) inspect occupancy patterns in Federally-assisted housing under Executive Order 11063. HUD has over 15,000 recipients covered by title VI, over 40,000 construction contracts covered by Executive Order 11246, and a currently undetermined number covered by Executive Order 11063. This workload will be conducted on a selective enforcement or sample basis with the staff requested.

Office of Business Participation

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	2	4	+2

In February 1968 a small office was established in the Office of the Secretary to serve as a focal point to secure the active cooperation of the business, industrial and financial communities in meeting national housing and urban development goals. The office develops innovative plans and programs to attract business interests as partners in HUD activities, and develops procedures and methods for effective coordination between governmental and private sector efforts.

Office of General Counsel

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	238	246	+8
Less: portion financed from other funds.....	178	181	+3
Employment financed from General Administration....	60	65	+5

The General Counsel is the principal legal adviser of the Secretary and the chief law officer of the Department. He and his staff provide legal opinions on basic legal problems in programs and activities of the Department and provide legal counsel and assistance in the development of the Department's policies and programs. The Office of General Counsel provides centralized legal services to all organizational elements of the Department within a framework designed to assure the provision of such services to the staff of the Department on a responsible and timely basis.

The Office of General Counsel prepares and clears proposed and pending Federal legislation, and serves as the central point of contact for the Department with respect to proposed State and local legislation, preparing or reviewing such proposed legislation on request. The staff prepares or reviews public regulations, delegations of authority, administrative orders, and other legal instruments and provides oversight, coordination, and policy guidance for legal work performed in field offices.

The Budget for 1969 proposes an increase of 5 positions under this appropriation due to the continuing growth in HUD responsibilities and programs.

Immediate Offices of the Assistant Secretaries

Staff	June 30 Employment Estimate 1968	Estimate 1969	Increase
Renewal and Housing Assistance	11	12	+1
Metropolitan Development.....	16	16	...
Demonstrations and Intergovernmental Relations.....	11	13	+2
Mortgage Credit.....	5	5	...
Administration.....	8	8	...

Each Assistant Secretary is the principal adviser to the Secretary for the programs and functions under his direction, and directs and coordinates the Department's activities with respect to his respective programs and functions. Included within the immediate staff of each Assistant Secretary funded from this appropriation are the Assistant Secretary, his Deputy, and their immediate clerical staff and special assistants. Administrative support staffs and other supporting units responsible to each assistant secretary are not funded from this appropriation, but are included with the appropriation for salaries and expenses for each program area. This appropriation funds the top echelon in each Assistant Secretary's organization.

Small increases are requested to meet the additional oversight needs connected with program increases requested for model cities, urban renewal and low rent public housing.

Budget Request for Manpower Management Programs

This is a new activity which is proposed to be added under General Administration in the amount of $1,510,000. This will provide separate funding for the purpose of recruiting secretaries and housing interns during the Summer months. These young people are available, for the most part, only upon graduation from high schools and colleges. If they are not recruited at that time it becomes extremely difficult to find replacements for vacancies which occur during the remainder of the fiscal year.

The amount requested will provide for hiring 250 housing interns, to be in training assignments for an average of six months; and 200 secretarial reserve, to be in temporary assignments for an average of six months. In both cases, as soon as employees are placed in permanent assignments they will be charged to other funds.

These programs are designed to meet two significant staffing objectives:

1. To provide on a planned and systematic basis a steady flow of able, young talent into professional and management positions in the Department.

2. To overcome the problem of a scarcity of skilled manpower for secretarial and clerical positions in the Washington, D. C. area.

Urban Intern Program. This program provides an input into the work force of recent college graduates of superior talent who have specialized in appropriate disciplines. The program is designed to allow recruitment and employment when the graduates are available (i.e. end of school-year June and July). The interns participate in a one-year training program which involves them in the specifics of HUD operations and programs.

Secretarial Reserve Program. The Washington area represents a unique problem in the employment of stenographers and typists. By far the largest employer is the Federal Government, and an adequate number of stenographers and typists to meet the demand has not been available for a number of years. Local high schools and business schools cannot meet the needs. As a result, it is desirable and necessary to recruit outside the Washington metropolitan area for these candidates. From a policy standpoint employment opportunities for such positions at the seat of government should be available to applicants from all 50 States. It is also a fact that trained stenographers and typists are available in significant numbers only in June, upon their graduation.

Therefore, sound manpower planning dictates that arrangements be made for the employment of these people at the time they are available--in the Summer--in significant numbers to provide a reserve for replacement as needs develop during the balance of the year.

Planning Concept. The planning for the manpower programs provides for:

1. Projecting requirements two years in advance during the annual review of long and short-term manpower needs on an occupational and program basis.

2. Establishing the principle that these manpower programs are for replacements of present staff. The number requested are therefore based on the employment level and separation experience of the past fiscal year; in this case, Fiscal Year 1967.

3. Establishing a planning formula for such manpower which will be followed in future years. This formula states that 30% of professional and management separations will be filled with interns and 40% secretarial separations in the Washington office will be filled with Secretarial Reserve.

4. Employment of Interns and Secretarial Reserve in addition to ceilings on permanent employment.

5. Inclusion of funds in the Department's appropriation to pay the cost of salaries for the first six months of employment. By setting aside funds for these programs, more effective training and placement can be achieved. All Interns and Secretarial Reserve will be absorbed into permanent ceilings as vacancies occur.

Planning for FY 1969 (based on 1967 turnover)

	Management and Professional Staff (FY 1967 Experience)	Secretarial Staff in Washington Office (FY 1967 Experience)
Average Employment....	8,580	2,022
Number of Separations	835	500
Separation Rate.....	10%	25%

Urban Intern Formula:

Thirty percent (30%) of 835 Professional separations or 250 vacancies will be filled with Interns in FY 1969. Funds requested for first six months of employment - $910,000 for personal services.

Secretarial Reserve Formula:

Forty percent (40%) of 500 Secretarial separations in the Washington office or 200 vacancies will be filled with Secretarial Reserve in FY 1969. Funds requested for first six months of employment - $465,000 for personal services.

Regional Management and Services

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	1. Supervision of regional activities	1,530	1,532	3,915
	2. Program coordination and services	2,471	3,880	5,010
10	Total costs—obligations (object class 25.3) (payment to "Administrative operations fund")	4,001	5,412	8,925
	Financing:			
16	Comparative transfers from other accounts	−4,001		
	New obligational authority		5,412	8,925
	New obligational authority:			
40	Appropriation		5,300	8,925
41	Transferred to other accounts		−48	
43	Appropriation (adjusted)		5,252	8,925
44	Proposed supplemental for civilian pay act increases		160	
	Relation of obligations to expenditures:			
10	Total obligations	4,001	5,412	8,925
70	Receipts and other offsets (items 11–17)	−4,001		
71	Obligations affecting expenditures		5,412	8,925
90	Expenditures excluding pay increase supplemental		5,252	8,925
91	Expenditures from civilian pay act supplemental		160	
	Expenditures are distributed as follows:			
01	Out of current authorizations		5,412	8,925

Mr. Evins. Let's look at regional management. The first increase there is for Pay Act, $322,000. The second increase is $2,301,000, excluding Pay Act, for 170 additional employees in the field services. Your overall costs in the field go up from $5,400,000 to $8,925,000, a $3,513,000 increase.

HUD GENERALISTS AND METROPOLITAN EXPEDITERS

Mr. Marsh. What happened to the proposal on metropolitan expediters. Are there any included in this budget?

Secretary Weaver. No, sir.

Mr. Boland. They were deleted by a language change.

Mr. Frantz. Yes, sir.

Mr. Boland. You did not need them any more because you did not request authority for them.

Mr. Frantz. That is correct.

Mr. Ink. We are providing service out of the regional office and some of the increase here is to enable us to do that.

Mr. Boland. I think you have to do that because these programs are so complex that the cities cannot understand them. The only way they can is by giving them proper coordination.

Mr. Evins. We will look at page C–3. You have 75 HUD generalists. These are not the expediters, are they?

Secretary Weaver. No. They will do some of the services that were involved, but they will be of a different type. They will be tied in much more closely as an integral part of the regional staff. They will operate primarily out of the region. It will be primarily information centers and people who will be knowledgeable about what is going on in several localities. So there will be one point where first the regional adminis-

trator can find out what is going on, and secondly, where the locality can come in and find out what is going on.

Mr. WOOD. Previously most of the contacts Mr. Boland spoke of were by specialists from one program or another and a mayor would see a series of people for particular parts of the program. This way we hope we can tell the community the total array of programs and allow him to respond in a general way.

Secretary WEAVER. These will not be operating people in the sense of processing applications and so forth. They will be people there to give information and get some direction in the total impact of the department.

Mr. EVINS. Mr. Baxter, how many employees do you have in your office that go out in the field and contact the mayors and officials?

Mr. BAXTER. We have five program people on the metropolitan development program. We have a field operations staff in urban renewal which is composed of about a little over 30, 30 to 35 people, who go out into the field. But as has been pointed out, they go out on special program activities. We do not have any at that point who are generalists as such.

Mr. EVINS. You have five specialists in metropolitan matters and 35 specialists in other programs. Are these upper grades?

Mr. INK. No, sir.

Mr. EVINS. One fellow specializes in corporate law practice and another in criminal law, but a generalist would be knowledgeable in all phases.

Mr. INK. This is an individual, Mr. Chairman, who is in a geographic area. As the Secretary said, he would not be dealing with one city but with an area.

Mr. EVINS. He would be concerned with the general picture in the whole area?

Mr. INK. Yes, sir; and when there was a need for moving ahead with a specific project or specialty information, he would then draw in the specialists Mr. Baxter talked about from metropolitan development, or from housing, or from urban renewal. We have had probably more complaints from local officials and mayors in this area than any other in that they deal with so many different specialists. If there were people who they could talk to who knew the various programs, not only in the department but how they related to those of other departments, it would save a great deal of time on their part.

Secretary WEAVER. Roughly answering your earlier question, this would not work out mathematically exactly, but provide about 10 positions in each of the seven regions now. Some would get more than 10 and some would get less. This is detailed on C–17, C–18, and C–19, describing in detail what these generalists would do and how they would operate.

JUSTIFICATION MATERIAL

Mr. EVINS. We will place pages C–15, C–16, C–17, C–18, and C–19 in the record at this point.

(The pages follow:)

Regional Management and Services

Economic and Market Analysis Branch (excluding reorganization transfers made or to be made from Housing Assistance Offices)

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	37	39	+2

The Economic and Market Analysis Branch is the principal provider of economic advice to the Regional Administrator and his staff. It carries out all economic and market analysis reviews and studies required by the Regional Administrator and his program directors and assures a prompt flow of services to all Regional program directors except for those functions performed by the Market Analysis and Research Section in FHA's central office Research and Statistics Division. The EMAB staff is responsible for providing all market analysis services required to support program coordination which includes working with the Market Analysis and Research Section of FHA.

Increased staffing for Regional Economic and Market Analysis Branches in the field is required to do the work which will result from both the enlargement and the increased complexity of the programs for which they are responsible. The new kinds of assignments with their more comprehensive coverage and with their multiple-program considerations will require additional people and skills to do the required work.

Under the Model Cities Programs, in addition, the expertise of field stationed personnel of the Branch is available to assist in the evaluation of proposals which are made by applicant localities.

Workable Program Branch

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	60	65	+5

The Workable Program Branch in each regional office is responsible for determining the acceptability of local workable programs for community improvement. It is responsible for providing advice and technical assistance to participating localities in developing and updating workable programs and comprehensive systems of codes and ordinances. This includes necessary guidance for accomplishing the scheduled improvements.

Basically, a workable program is a local plan of action to combine public and private efforts and resources for effectively dealing with problems of existing slums and for preventing the spread of these areas or the development of blight and slum conditions in other areas. The activities scheduled in the workable program must include development of a comprehensive community plan, neighborhood analyses, the existence or development of an adequate local administrative organization to accomplish the identified objectives, analyses relating financing needs to resources, existence or provision of housing for displaced families, and a method for citizen participation in planning, scheduling and carrying out the activities included in the program.

Existence of a workable program, endorsed by the local governing body and certified by HUD as acceptable, is prerequisite to obtaining certain financial assistance. This includes grants for urban renewal projects and low-rent public housing and special FHA mortgage insurance of multi-family housing under Section 221 (d)(3), all housing insured under Section 220, and rent supplements in most cases. To assure that satisfactory progress is made by the locality in implementing the plans and scheduled activities of the workable programs, the Department's certification of acceptability extends only one year, except for small communities under 10,000 where certifications are granted for two years. Certifications are not reissued unless satisfactory progress has been made.

These performance requirements are of great importance in assuring continuity of local effort and acceptance of responsibility for action which will result in progress toward the stated objectives. Workable programs are not acceptable unless the applicant community has adopted an adequate minimum standards housing code for which there exists an effective enforcement program. This element of local effort has been an important part of earlier workable programs and most participating communities have complied with the new requirement.

The Housing and Urban Development Act of 1965 included the requirement that the Department must formally determine that a community's workable program is of sufficient scope and content to furnish a basis for evaluating the need for urban renewal projects it proposes to undertake and that such urban renewal projects are in accord with the workable program.

In addition to overall supervision and guidance of workable program activities in the regional offices and participating localities, the staff of the Workable Program Branch performs the technical review of the following elements of Workable Program submissions: (1) the citizen participation, codes and ordinances, and administrative organization elements of Workable Programs, and (2) the adequacy of local comprehensive systems of codes and ordinances in complying with prerequisites for urban renewal assistance.

The table below shows the status of WPFCI's at the end of the current and budget years.

Workable Programs	Estimate 1968	Estimate 1969
In effect:		
Initial certifications	385	385
Recertifications	800	850
Total in effect	1,185	1,235
Recertifications in process	450	475
Total participating localities	1,635	1,710

HUD Generalists

Staff	June 30 Employment Estimate 1968	Estimate 1969
Professional	..	50
Clerical	..	25
Total	..	75

As the number and scope of HUD programs have grown, the necessity for coordinating them with each other has grown proportionately. Similarly, it has become increasingly necessary to see that HUD programs are properly coordinated with assistance being provided by other Federal agencies for related urban development purposes.

There has been no specific staff in the HUD Regional Offices assigned the responsibility for these important functions. To fill this gap, the Department is establishing a small group of so-called "HUD Generalists" in each Regional Office. This staff will operate within the framework of the Program Coordination and Services Division whose other functions also involve requirements for inter-program coordination and services.

The functions of the HUD Generalists are oriented to the needs of the HUD Regional Office for better information and advice with regard to the entire span of HUD program interests in given cities and metropolitan areas. Depending on the size of area assigned and the concentration of its workload, the Generalists would be stationed in the Regional Office or at an outside location to minimize travel costs. They will advise and assist cities in the appropriate use of HUD program assistance in the same way as other HUD programs representatives do for specific programs. They will not, however, serve in a locality representative capacity.

The function of the HUD generalist is distinct from the Metropolitan Expediter concept contained in Title II of the Demonstration Cities and Metropolitan Development Act of 1966. During the consideration of the fiscal 1968 budget program, the Congress declined to approve the Department's request for initial funding of the Expediter program. Instead, the House Committee report recommended that the basic functions should be performed by staff attached to the HUD Regional Offices and responsible to the Regional Administrators. This approach is at the heart of the current proposal.

HUD Generalists will perform the following functions with regard to assigned geographical areas:

1. Serve as a central source of HUD Regional Office information, advice, and assistance for program applicants and participants, representatives of State and local governments, community groups, and private individuals with respect to HUD programs and related programs of other Federal departments and agencies;

2. Keep currently informed on requests for HUD assistance from localities within their assigned areas and on the status of on-going programs in that locality, and review and advise the Regional Administrator and other Regional officials on their interrelationships from the standpoint of need, timing, and the capacity of localities to properly absorb and manage additional program aid;

3. Review the status of HUD programs in their assigned areas in relation to programs of other Federal agencies, and advise the Regional Administrator and other Regional officials of the impact of such activities on requests for HUD program aids; and

4. Advise the Regional Administrator of potential or actual problems of an interprogram nature arising in particular localities, and assist in providing the Regional Administrator with information and advice to provide a sounder basis for reaching judgments on prudent allocation of scarce HUD program resources in relation to competing demands.

The total of 75 persons requested for this function will provide an average of 10 positions for each of the 7 regional offices with approximately two-thirds for professional staff and one-third for secretarial staff.

The individuals selected for these assignments would have to be thoroughly grounded in all HUD program activity and would probably be selected from senior professional staff with the necessary experience and training.

GENERALISTS DISTINGUISHED FROM METROPOLITAN EXPEDITERS

Mr. EVINS. Are these 75 generalists that you are requesting to be put in the seven regional offices about the same thing as the housing expediters that were not approved previously?

Secretary WEAVER. No, sir.

Mr. EVINS. What is the difference? The housing expediter was confined to one purpose.

Mr. INK. Also dealing with one city. And this is an individual who is an extension of the regional office, he is out of the regional office, generally, not always, located in the regional office.

Mr. EVINS. He is concerned with the whole area and knowledgeable in all of the fields?

Mr. INK. Yes; he is concerned with the whole area and knowledgeable in all of the fields.

We did try to reflect in this what we thought the committee had in mind last year when it said, in eliminating metropolitan expediters, the committee did not want us to eliminate the kind of service that the regional offices should provide the local communities.

Mr. EVINS. Mr. Baxter is very knowledgeable, but he is too tied down with administration to be able to advise and he needs missionaries; is that right?

Secretary WEAVER. In addition, he also needs somebody. When he gets a problem in Memphis, let us say, he can call on this generalist and he will know what is going on in Memphis and will be able to give Mr. Baxter the total picture so when he starts looking at either the total picture or any segment of the picture, he will do it in the framework of knowledge and understanding about what is going on there as far as HUD is concerned across the board.

Mr. EVINS. Mr. Marsh.

Mr. MARSH. The Chair asked the question I had in mind, to distinguish between the expediter and generalist.

In salary, how do these two compare? What was the proposed salary for the expediter and for the generalist?

Mr. INK. The salary of an expediter was generally a 14 or 15. I believe there was one contemplated at 13 who would move into the 14 level. The salary grade for the generalists we would expect to be somewhat less, but not greatly less.

Mr. MARSH. I notice on page 17 actually 25 of the 75 generalists are really clerical.

Mr. INK. Yes; that is correct.

Secretary WEAVER. Fifty generalists and twenty-five supporting people.

Mr. MARSH. Fifty generalists and twenty-five administrative or clerical type to assist them?

Mr. FRANTZ. Yes; 75 people in the activity.

TITLE OF HUD REPRESENTATIVES

Mr. MARSH. I think a question will occur on the floor as to similarities between the generalists and expediters. Might they better be called coordinators?

Mr. EVINS. As I understand, the housing expediter was assigned to the city.

Mr. FRANTZ. Yes.

Mr. EVINS. And this one is assigned to the entire region.

Secretary WEAVER. And each one of these professional people—the 50 generalists—each one will not have a particular city alone, it may have several cities. It may have two or three large cities and five or six smaller cities.

Mr. BAXTER. This would provide really only about one for a State in our region. We have eight States. If we got eight professionals and maybe two clerical people for the region, it would only give us really about one for each State within the region.

NEED FOR HUD REPRESENTATIVES

Mr. JONAS. This strikes me as being just an additional set of employees for your regional operation. You have been doing this same thing before and now you want to have one more person who will have the primary responsibility of handling most of the problems. Is that not the size of it?

Secretary WEAVER. No, sir; I do not think that would be.

Mr. JONAS. This is not creating any new activity; is it?

Secretary WEAVER. It is in a way. It is creating a new capacity to carry out an activity which we have been nibbling at in the past. In some instances we do it.

Mr. JONAS. If you had enough people in the regional offices you would not have to have this generalist, you would assign these additional duties?

Secretary WEAVER. This is a different type of person from the persons we have been having. We have had program people primarily in the regional offices up to this time. What we are trying to do is now get people who will be multiprogram—but not operational—informational, and people who can assist in coordination.

Mr. JONAS. I do not believe you can get anybody that has that much knowledge. You do not even have people in your own office who know the entire Department program.

Secretary WEAVER. I think we have a few.

Mr. JONAS. Very few. You bring different people here.

Secretary WEAVER. They are dealing with operational problems. These people will not be.

Mr. JONAS. I was trying to help you out. It did not seem to me you were doing anything here but adding 70 people and consolidating problems that maybe two or three people have been handling here before.

Secretary WEAVER. I would let Mr. Baxter speak to that.

Mr. BAXTER. I think it meets a very definite need.

Mr. JONAS. That is not the subject of our discussion. It is not whether they are needed or not whether it is a new activity and you could not handle it if you had enough people in regions without calling them generalists.

Mr. BAXTER. I think what we would do is take strong people that we already have in program activities and cross train them in other program activities and make generalists of them, and we would hire additional people at a lower level to fill in in the specialized program activities.

Mr. INK. I agree with Mr. Jonas, though I do not think we hold any brief for the term or the title. We have, on a temporary basis, tried to use some program people in the way Mr. Baxter is indicating. We have encountered two problems in doing that on any large scale: One, it has been difficult for them to continue to carry out the in-department work on the program areas they are expected to because these other things drain time away from them, more technical programmatic problems.

And, second, there is some understandable thinking on the part of other program people, both in the cities and in the regional offices, that a man out of the urban renewal, for example, who is trying to do this probably gives more attention to urban renewal when he is talking to a mayor than he does to public housing.

FUNCTIONS OF HUD REPRESENTATIVES

Mr. JONAS. I think you are going to find that you are going to consolidate these activities, you haven't enough manpower. One per State won't scratch the surface. All he will be able to do will be to coordinate the activities in a couple of cities, and that will be all, much less than a State with 2 or 3 million people in it and scores of cities.

Secretary WEAVER. I don't think his function is to coordinate as much as to——

Mr. JONAS Answer questions. A few years ago we had only one or two cities in my whole State that were involved in public housing. Now every municipality is interested in public housing. They all want to start a program. Not only are they interested in all of these, but also the other grant programs. You are not going to be able to handle those problems with one person per State.

Secretary WEAVER. I think what we have in mind is that we should——

Mr. JONAS. Of course, you have to start off walking.

Secretary WEAVER. This will be our first pass at it, to have one man who will know what programs there are in each of the cities, in the area that he has jurisdiction over. He would not know in depth all of the problems of each of those programs but he would know what the programs were, he would know where urban renewal is being operated, where public housing is in the same city, where there is a planning grant in that State, for open space, beautification, et cetera. So when we begin to look at the applications as they come in, they would be first analyzed from the point of view that we are adding this new increment to a program of this type. He would not be able to tell you what the problem is with public housing per se, that would still be the operational people.

Mr. BOLAND. He would direct the people to the people who know?

Secretary WEAVER. That is right.

Mr. EVINS. As I understand it, these people would be trouble-shooters.

Mr. MARSH. Can we come up with a better job title for these people? "Generalists" is confusing and somewhat misleading, and likely to be misunderstood.

Mr. EVINS. We understand they want 75 generalists.

Secretary WEAVER. I think you have a point there. I think that was your point also, Mr. Jonas, that we should have a better title.

EQUAL EMPLOYMENT AND INTERGROUP RELATIONS

Mr. EVINS. Equal employment and intergroup relations functions goes up from 70 to 220, a 150 increase. What will this group do?

Secretary WEAVER. This group will be in the field to handle two types of activities. The biggest of those would be those which relate to title VI of the Civil Rights Act of 1964 and the three Executive orders that have to do with the programing. They would also spend quite a bit of time on our new requirements for equal employment opportunity under the contracts which we now have, precontract sessions, and work out the plans for equal employment in construction. They would also, of course, be concerned with equal employment opportunity within the Department itself. The amount of work that is involved in this has gone up by leaps and bounds over the last few years. We just are absolutely incapable of carrying out our responsibilities here. We are getting a tremendous amount of contact on this. We have under supervision some 62,000 contracts this year.

Mr. EVINS. This function applies to building a housing project or an urban renewal program, to see that equal employment opportunities were provided for labor working in this area.

Secretary WEAVER. That is part of it. Also to see that the questions of site selection and other parts which are covered by title VI are carried out; to see that under the FHA program open occupancy is a reality as well as something that is in the letter of our regulations reflected in the housing Executive order.

REGIONAL OFFICE SUPERVISION AND DIRECTION

Mr. EVINS. You are asking for an increase from 80 to 100 in supervision.

Secretary WEAVER. They are in the general supervision of the activities in the operation of the regional offices across the board, in the general administration of the offices. These are specialized people in the specialized area.

Mr. EVINS. Would these people be in all your regional offices?

Secretary WEAVER. Yes, sir.

Mr. EVINS. Are you having more problems in one area than in another in this particular field?

Secretary WEAVER. The problems more or less reflect the population involved rather than the locations. There are different types of problems but they are pretty universal.

REGIONAL PLANNING BRANCH

Mr. EVINS. In your planning branch you want to go up from 86 to 116. That is a 30 increase.

Secretary WEAVER. Yes, sir. That is due to two reasons.

Mr. INK. This is the 701 area where we are very much concerned that we just have not been able to carry out that program and administer it the way we feel it ought to be administered.

Secretary WEAVER. As you know, Mr. Chairman, here we have a 701 program which is growing in scope and in the number and different types of customers with whom we are dealing. This involves the supervision and not the carrying out of the planning, per se. The carrying out of the planning, obviously, is done by the locality but we do finance it, in large degree. This is where the supervision is necessary.

Mr. INK. This is one of the areas in which increasingly we are giving attention to the middle and smaller sized communities, an area in which we want to move forward during the coming year with a good deal of emphasis.

Mr. FRANTZ. In addition, this is the group which has to coordinate the application of statutory planning requirements in eight programs, which are listed on page C–8. There has to be a single, balanced approach.

JUSTIFICATION MATERIAL

Mr. EVINS. Let's place pages C–7 through C–14 into the record at this point.

(The pages follow:)

It is proposed that the equal opportunity staff in each of the six Regions other than Puerto Rico be increased to an average of 36 positions. Some adjustments would be made within the average to account for the difference in program volume. Of the 36 positions, 12 would be clerical. The professionals would include the Assistant to the Regional Administrator for Equal Opportunity and his Deputy. Of the remaining professionals, 60% would be primarily engaged in program servicing in the area of equal opportunity pursuant to Title VI of the Civil Rights Act of 1964, the Executive Order on Equal Opportunity in Housing, and certain other HUD non-discrimination requirements. The incumbents of these positions would be engaged to some extent in compliance activities as is currently done. The remaining 40% of the professional group would be primarily engaged in equal employment opportunity compliance.

Program Coordination and Services Divisions

The work of the offices financed under this activity and the need for the increases requested follow:

Office of the Director

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	40	45	+5

Each Regional Office of the Department has a Program Coordination and Services Division headed by an Assistant Regional Administrator reporting to the Regional Administrator. The Assistant Regional Administrator is aided by a small staff. This small staff provides processing and control services for the Division, and assists him in his general supervision and coordination responsibilities. An increase of five people is requested to handle the increased activities of this office.

The requirements of the component branches of the Division are as follows:

Planning Branch

	Estimate 1968	Estimate 1969	Increase
June 30 employment.....	86	116	+30

Increased staff for the Planning Branches is required to meet the increased complexity and enlargement of the programs and workload pertaining to comprehensive, metropolitan and community planning.

The Planning Branch, under a Director, provides the principal advice to the Regional Administrator and other Regional staff on matters pertaining to comprehensive planning, metropolitan planning, and community planning. This includes the quality of urban design represented in such planning. The Branch coordinates Regional Office activities with respect to related planning functions. It provides direction and leadership in the planning aspects of all Departmental programs. The Director represents the Department in providing for liaison and coordination in planning activities with the field offices of other Federal departments and agencies. He also represents the Department and the Regional Administrator at meetings with State, interstate, regional, metropolitan, and local planning agencies and organizations.

Planning Branch Functions. The functions of the Planning Branch can be grouped into two categories: (1) Administration of Planning Requirements for Department Programs in the field, and (2) Administration in the Field of the Urban Planning Grants Program.

1. Administration of Planning Requirements. The Urban Mass Transportation Act of 1964, the Housing and Urban Development Act of 1965 and the Demonstration Cities and Metropolitan Development Act of 1966 established comprehensive planning and programming requirements as a prerequisite to Federal assistance under several HUD programs, as follows:

a. Grants for Water and Sewer Facilities

b. Grants for Neighborhood Facilities

c. Grants to Aid Advance Acquisition of Land

d. Open Space Land, Urban Beautification and Historic Preservation

e. FHA Mortgage Insurance for Land Development

f. Urban Mass Transportation

g. Model Cities Program

h. College Housing (Student Nurse and Intern Housing)

In addition to the above statutory planning requirements, planning consideration must be taken into account in connection with the Urban Renewal Program and in connection with the Workable Program for Community Improvement, which is a prerequisite to assistance under the Public Housing and Urban Renewal Programs. Under the advances for Public Works Planning Program, the Planning Branch administratively assesses local and areawide planning and the relationship of public facility proposals.

The comprehensive planning requirements of HUD and other Federal programs are designed and administered to:

a. Help accomplish the specific purpose of efficient and orderly development of facilities assisted by the Federal Government;

b. Coordinate Federal programs with each other and with State, local and private development activity; and

c. Assist individual urban areas and communities to achieve their development objectives.

The Planning Branch is responsible for administering or advising on all comprehensive planning requirements of HUD programs and programs of other Federal agencies for which HUD has an assigned responsibility. It provides technical assistance and advice to States, local communities and regional organizations on methods of organizing and scheduling planning and development operations, and directing applications for planning and development assistance to Federal agencies and private financial institutions. The Branch works closely with the heads of program units in the Regional Office and with appropriate field staffs of other Federal agencies to assure the achievement of sound planning programs through which all resources of the Department can be directed toward common goals.

Planning requirements are broadly applicable throughout HUD programs. The existence of one staff assures the consistent and uniform application of planning requirements and eliminates duplication of effort which would otherwise be necessary if planning requirements administration were generally distributed among a number of program units. The consolidated planning requirements responsibilities of the Regional Planning Branch eliminates travel to the same urban area by staff of different programs for the same basic purpose. It also eliminates conflicting determinations of planning adequacy for the same urban area under different programs. The local community or area, by participating in one program and meeting its planning requirements, is better able to meet the related planning requirements of another program.

The functions of the Planning Branch and the assistance provided to communities are essentially similar under the water and sewer, open space land and other programs with planning requirements, but particular actions needed in a given community or area vary widely. In many cases, the staff must assist in the establishment of new planning organizations and provide guidance in working out problems of staffing, funding, and preparation of work programs as well as initially bringing together the appropriate local and State officials of the several communities and agencies involved in an area.

The following table reflects the increased applications for assistance during the current and budget years for which the Planning Branch will require increased staff.

Programs	Estimate 1968	Estimate 1969
Grants for water and sewer facilities..	2,000 1/	2,500 1/
Grants for neighborhood facilities.....	320	320
Grants to aid advance acquisition of land.....	17	40
Open space land programs.....	860	1,045
FHA mortgage insurance for land development (lots).....	20,000	100,000
Urban transportation programs.....	115	145
Advances for public works planning.....	750	700
Workable program for community improvement.....	1,185 2/	1,235 2/
Urban renewal grants - Survey and planning.....	295	350
Loan and grant.....	160	200

1/ Preliminary inquiries and applications.

2/ Initial certifications and recertifications.

2. Urban Planning Grants (701). The Urban Planning Grants Program was authorized by Section 701 of the Housing Act of 1954, as amended. Federal grants are made to assist States, counties, local governments and areawide planning agencies in:

a. Solving planning problems resulting from increasing population concentration in metropolitan and other urban areas, including smaller communities;

b. Facilitating and promoting comprehensive planning for urban development on a continuing basis by such governments; and

c. Encouraging such governments to establish, improve and maintain planning staffs.

Planning work assisted under the program includes comprehensive land use planning to guide residential, industrial and commercial development. It also includes the planning of the general location of transportation and other facilities such as schools, utilities and recreational facilities. Comprehensive planning may also include studies of economic trends and forecasts, and social conditions affecting the area. To be comprehensive, the planning process must be broadly based upon the needs of all the people within a planning area.

Assistance is provided for community-wide surveys of historic sites and structures to serve as the basis for effective, local programs of historic preservation.

A period of several years is required to develop and integrate all the components of a comprehensive development plan, especially for complex metropolitan areas and States. Such a plan must be periodically revised to reflect changing conditions and objectives. Further, the process of planning includes more than the preparation of a plan; it entails activities to implement the plan such as annual programming of public works and the continuing review of proposed land subdivisions and zoning changes. The support for comprehensive planning must be maintained at a level to assure the continuity of the process or much of the previous investment may be wasted.

Formal procedures have also been initiated with the following agencies to make 701 program assistance available to meet part of their comprehensive planning needs: Economic Development Administration for preparation of overall economic development programs; Bureau of Outdoor Recreation for preparation of state-wide recreation plans; Bureau of Land Management for preparation of local comprehensive plans and zoning ordinances; and Bureau of Indian Affairs for preparation of general plans for Indian reservations and communities within them. Liaison is maintained with other agencies, including the Army Corps of Engineers, Office of Economic Opportunity, Appalachian Regional Commission, and the Departments of Labor, Justice, Health, Education, and Welfare, the Department of Agriculture, National Park Service and The Water Resources Council.

One of the principal functions of comprehensive planning and programming is coordination. The Urban Planning Grants program is the Federal government's principal means of helping to coordinate the many activities affecting the development of States, metropolitan areas and communities. A comprehensive plan describing the broad design for growth in an area also indicates the general location and relationships of proposed public facilities such as streets, schools, water and sewer lines, and parks. Many of these kinds of facilities are supported under Federal loan and grant programs.

The existence of a program of comprehensive planning provides assurance to Federal agencies that a grant to aid one governmental function is coordinated both intra-and intergovernmentally. It also gives assurance that long-term development objectives have been considered rather than supporting projects of limited or temporary value.

Applications for grant assistance under the program are processed by the Planning Branch. For all new proposals, Branch staff meets with applicants to discuss work programs in advance of formal application submittal. For major and complex work programs, more than one such conference is occasionally required. These pre-application conferences are designed to expedite the formal review of the application by legal, fiscal, and planning staff. New processing procedures have been initiated this year to hasten application approvals and to keep the localities informed on the status of their applications.

Special emphasis will be given to post-approval activity. Additional staff for the Planning Branch will enable the Department to better supervise contract activities with planning agencies following their submission of Quarterly Progress Reports and requests for partial payment on the grant; final review of the project completion report prior to request for final audit; review of two-year follow-up reports on development activities undertaken by the community following completion of the planning contract; and, visits to the planning agency and/or community to observe progress.

The table below indicates workload incident to the processing of applications and contract administration during the current and budget years which will require increased staff in 1969 to handle the expected applications and contracts.

Application and Contract Workload

Stages	Estimate 1968	Estimate 1969
Applications		
On hand, start of year	263	297
Received	1,225	1,480
Approved	900	980
Withdrawn or rejected	291	329
On hand, end of year	297	468
Contracts		
In process, start of year	1,934	2,490
Approvals	900	980
Completions	344	545
In process, end of year	2,490	2,925

Relocation Branch

	Estimate 1968	Estimate 1969	Increase
June 30 employment	77	82	+5

The Regional Relocation Branches are responsible for the relocation and rehousing aspects of all programs of the Department and for providing liaison and coordination of community-wide matters with the field offices of other departments and agencies. In addition to urban renewal projects, the following programs within the Department now provide for relocation payments to those displaced while some of these require that local bodies participating in the program provide counseling and other services to ease displacement hardships:

Low Rent Public Housing
Urban Renewal:
  Code Enforcement Programs
  Demolition Grants
Neighborhood Facilities Grants
Model Cities Programs
Urban Parks
Mass Transportation
Public Facility Loans
Water and Sewer Grants
Advance Acquisition of Land

The relocation staff reviews local proposals for participation in these programs and workable programs submissions to assure the adequacy of the relocation and rehousing plans and resources. Staff in these branches also provide advice and guidance, either directly or through consultation with program staff representatives, where needed by communities in planning and carrying out relocation programs and in providing social service assistance in affected neighborhoods. They must be knowlegeable as to the current adequacy and quality of local operations for the listed programs, including practices with respect to making relocation payments. This is accomplished through the review of periodic reports from local agencies and Department market analysis and program staffs, as well as through personal inspections in the localities where they are considered necessary to determine that statutory and Departmental requirements are being met.

Because of additional legislative requirements and widening acceptance of responsibility in the local communities in the past few years, the workload of this staff has risen significantly and this trend will accelerate as new programs begin operations on a volume basis and other programs become involved due to new relocation requirements. Relocation adjustment payments are available to families, elderly individuals and low-income businesses; and there is a concentration of effort to provide more timely and broader coverage of relocation services in urban renewal and code enforcement areas. More effort also has been focused on helping with social and similar problems of those displaced so that they can respond to maintenance responsibilities and neighborhood concern which are so important in the physical and social improvement of neighborhoods.

Relocation activities in urban renewal areas are expected to continue as the largest workload factor for some time. Displacement due to activities will not be on the same scale of magnitude in other programs as in urban renewal projects, but there will be some need for relocation in all of the activities listed.

REGIONAL MANAGEMENT EMPLOYMENT

Mr. EVINS. Gentlemen, your chart on C–3 shows you the increase by functions and in the field. Insert that in the record at this point.

(The chart follows:)

Staff	June 30 employment		
	Estimate, 1968	Estimate, 1969	Proposed increase
Office of the Regional Administrator:			
Equal employment and intergroup relations functions	70	220	+150
Supervision and direction	80	100	+20
Subtotal, Office of the Regional Administrator	150	320	+170
Program Coordination and Services Division:			
Office of the Director	40	45	+5
Planning Branch	86	116	+30
Relocation Branch	77	82	+5
Economic and Market Analysis Branch (excludes reorganization transfers made or to be made from Housing Assistance Office)	37	39	+2
Workable Program Branch	60	65	+5
HUD generalists		75	+75
Subtotal, Program Coordination and Services Division	300	422	+122
Total, gross	450	742	+292
Less staff funded from other sources:			
FHA (for equal opportunity functions)	20		−20
Salaries and expenses, DIR (for coordination at the local level)	12		−12
Net total, regional mangement and services	418	742	+324

EXECUTIVE ORDERS

Mr. JONAS. Refresh my memory; what is this Executive order applicable to?

Secretary WEAVER. Executive Order 11063 covers all FHA-insured housing which was insured after November of 1962.

Mr. JONAS. How does it cover FHA; I mean, as a practical matter?

Secretary WEAVER. It simply says that any FHA-insured loan on a property means that that property must be open occupancy and nondiscrimination in the occupancy.

Mr. JONAS. Yes, but do you make a commitment?

Mr. FOARD. The grantee of the loan, the recipient of the loan contracts that in the future if he sells the property or leases it, it will be on an open occupancy housing basis.

Secretary WEAVER. When the developer sells or leases it, it has to be on an open housing basis.

Mr. JONAS. When does he make that commitment? Does he make it in writing in his application?

Secretary WEAVER. With the insurance applicaton of the mortgage.

Mr. FOARD. Yes, it is in connection with a commitment and the insurance endorsement.

Secretary WEAVER. When the insurance is endorsed.

Mr. FOARD. Yes.

Mr. JONAS. I want to see how it operates as a practical matter, because you have an enforcement problem. Is it written into the in-

denture, the deed of trust? Is it added as a condition somewhere? Is it a covenant running with the land?

Mr. FOARD. It is not a covenant running with the land, but there are public regulations which are applicable to the builders and to the mortgagees, and they are all notified of the provisions.

Mr. JONAS. I just wanted to know how you intend to implement it as a matter of practice.

Secretary WEAVER. In two ways. In the first place, any aggrieved person who says that he has been discriminated against in a property which is covered, we have, of course, the responsiblity of investigating that complaint and attempting to adjust it if the facts stand up.

Mr. JONAS. You have to have more than an Executive order to be binding on the individual. He has to be committed in some way to this.

Secretary WEAVER. He has signed, he has made a commitment.

Mr. JONAS. In his application for the FHA insurance, or where? How does he make it?

Secretary WEAVER. At what stage, I don't know.

Mr. JONAS. Does he sign a separate agreement?

Mr. FOARD. Yes. It is done along with the application for the commitment. The mortgagee is obligated when his application for an insurance commitment is approved. He is required to get an agreement from the mortgagor or developer to administer and deal with the property in accordance with the regulations.

Mr. JONAS. It covers FHA-insured properties and it covers what else, this Executive order?

Secretary WEAVER. The Executive order covers all of our programs, but it is particularly and uniquely applicable to FHA insurance because other programs are also covered by title VI which was subsequently passed. The title VI has more teeth in it, therefore that is the more applicable one as to the other programs. You will recall title VI excludes mortgage insurance. So the Executive order covers mortgage insurance.

RELATIONSHIP TO LABOR DEPARTMENT

Mr. JONAS. I have one other question. You are asking for additional people to enforce equal employment opportunities and you relate that to housing construction?

Secretary WEAVER. Yes.

Mr. JONAS. But isn't the Department of Labor already in that, and don't they have regulations and aren't they enforcing them?

Secretary WEAVER. They have the responsibility for overseeing the enforcement of that, but in the regulations which they have, they have a series of requirements, where the contractor and the Government agencies and whoever is building it have to have precontract meetings where they will outline a program to implement, to make sure that there will be training and there will be employment. It is the responsibility of the agency which makes the loan or makes the grant to carry out those functions. This is where the burden hits us as far as personnel is concerned.

Mr. JONAS. I don't know that that necessarily follows, Dr. Weaver, because right now the Department is enforcing those provisions on construction projects that are not related to family housing where Federal funds are involved, military construction projects, and it is not the Department of Defense that is supervising but the Department of Labor.

Secretary WEAVER. They supervise, but the departments that are involved have to do the work. Let me give you an example. In the mass transit program on BART, which is the Bay Area Rapid Transit Authority, a very large contract as you know; there were a series of conferences involving the contractor, the subcontractors, BART and ourselves. We had to plan those series of conferences, man them, get agreements, work out the program; they helped, but we had to be there to take the main burden of that particular proposition. You have the same thing, don't you, Mr. Baxter?

Mr. BAXTER. Yes, sir. Under the Department of Labor regulations, the responsibility for the supervision of construction and for equal employment aspects of it are the responsibility of the agency which is assisting the financing of the project.

Mr. EVINS. The one who does the financing has the responsibility.

Mr. JONAS. I don't think that follows across the board. That may be so in your case.

Secretary WEAVER. It certainly is in our case, because it is killing us as far as not being able to supply the manpower we want, to see the job done.

Mr. JONAS. Is that applicable to the Post Office Department?

Secretary WEAVER. I don't know.

Mr. JONAS. I think the Department of Labor is the one charged with the enforcement.

Secretary WEAVER. I think the General Services Administration, in connection with the Post Office Department, is direct Government spending. That is under one set of regulations which are quite different from a loan or a grant where the contract is made by a local public agency, not directly by the Federal Government.

Mr. JONAS. I am inclined to believe the Department of Labor has a great many people involved in this work. It may be they are getting you to do a lot of their work for them.

Secretary WEAVER. Under the Executive order, as I recall it, doesn't that responsibility impinge upon us?

Mr. FOARD. We have definite responsibility under it, yes.

Mr. JONAS. Where did you get it? From the Department of Labor?

Mr. FOARD. From the Executive order.

Secretary WEAVER. The Executive order. They have the supervisory capacity here.

EXECUTIVE ORDER 11246

Mr. EVINS. Why don't you supply the Executive order for the record at this point?

(The information follows:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Reprinted from Federal Register, 30 F.R. 12319-25
September 28, 1965

Title 3—THE PRESIDENT

Executive Order 11246

EQUAL EMPLOYMENT OPPORTUNITY

Under and by virtue of the authority vested in me as President of the United States by the Constitution and statutes of the United States, it is ordered as follows:

PART I—NONDISCRIMINATION IN GOVERNMENT EMPLOYMENT

SECTION 101. It is the policy of the Government of the United States to provide equal opportunity in Federal employment for all qualified persons, to prohibit discrimination in employment because of race, creed, color, or national origin, and to promote the full realization of equal employment opportunity through a positive, continuing program in each executive department and agency. The policy of equal opportunity applies to every aspect of Federal employment policy and practice.

SEC. 102. The head of each executive department and agency shall establish and maintain a positive program of equal employment opportunity for all civilian employees and applicants for employment within his jurisdiction in accordance with the policy set forth in Section 101.

SEC. 103. The Civil Service Commission shall supervise and provide leadership and guidance in the conduct of equal employment opportunity programs for the civilian employees of and applications for employment within the executive departments and agencies and shall review agency program accomplishments periodically. In order to facilitate the achievement of a model program for equal employment opportunity in the Federal service, the Commission may consult from time to time with such individuals, groups, or organizations as may be of assistance in improving the Federal program and realizing the objectives of this Part.

SEC. 104. The Civil Service Commission shall provide for the prompt, fair, and impartial consideration of all complaints of discrimination in Federal employment on the basis of race, creed, color, or national origin. Procedures for the consideration of complaints shall include at least one impartial review within the executive department or agency and shall provide for appeal to the Civil Service Commission.

SEC. 105. The Civil Service Commission shall issue such regulations, orders, and instructions as it deems necessary and appropriate to carry out its responsibilities under this Part, and the head of each executive department and agency shall comply with the regulations, orders, and instructions issued by the Commission under this Part.

PART II—NONDISCRIMINATION IN EMPLOYMENT BY GOVERNMENT CONTRACTORS AND SUBCONTRACTORS

SUBPART A—DUTIES OF THE SECRETARY OF LABOR

SEC. 201. The Secretary of Labor shall be responsible for the administration of Parts II and III of this Order and shall adopt such rules and regulations and issue such orders as he deems necessary and appropriate to achieve the purposes thereof.

SEC. 202. Except in contracts exempted in accordance with Section 204 of this Order, all Government contracting agencies shall include in every Government contract hereafter entered into the following provisions:

"During the performance of this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the contractor's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 11246 of Sept. 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

"(5) The contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of Sept. 24, 1965, and such other sanctions may be imposed and remedies invoked* as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

"(7) The contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of Sept. 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: *Provided, however*, That in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

SEC. 203. (a) Each contractor having a contract containing the provisions prescribed in Section 202 shall file, and shall cause each of his subcontractors to file, Compliance Reports with the contracting agency or the Secretary of Labor as may be directed. Compliance Reports shall be filed within such times and shall contain such information as to the practices, policies, programs, and employment policies, programs, and employment statistics of the contractor and each subcontractor, and shall be in such form, as the Secretary of Labor may prescribe.

(b) Bidders or prospective contractors or subcontractors may be required to state whether they have participated in any previous contract subject to the provisions of this Order, or any preceding similar Executive order, and in that event to submit, on behalf of themselves and their proposed subcontractors, Compliance Reports prior to or as an initial part of their bid or negotiation of a contract.

(c) Whenever the contractor or subcontractor has a collective bargaining agreement or other contract or understanding with a labor union or an agency referring workers or providing or supervising

*Corrected to read "invoked". In the original text the word "involved" was printed in error.

apprenticeship or training for such workers, the Compliance Report shall include such information as to such labor union's or agency's practices and policies affecting compliance as the Secretary of Labor may prescribe: *Provided*, That to the extent such information is within the exclusive possession of a labor union or an agency referring workers or providing or supervising apprenticeship or training and such labor union or agency shall refuse to furnish such information to the contractor, the contractor shall so certify to the contracting agency as part of its Compliance Report and shall set forth what efforts he has made to obtain such information.

(d) The contracting agency or the Secretary of Labor may direct that any bidder or prospective contractor or subcontractor shall submit, as part of his Compliance Report, a statement in writing, signed by an authorized officer or agent on behalf of any labor union or any agency referring workers or providing or supervising apprenticeship or other training, with which the bidder or prospective contractor deals, with supporting information, to the effect that the signer's practices and policies do not discriminate on the grounds of race, color, creed, or national origin, and that the signer either will affirmatively cooperate in the implementation of the policy and provisions of this Order or that it consents and agrees that recruitment, employment, and the terms and conditions of employment under the proposed contract shall be in accordance with the purposes and provisions of the Order. In the event that the union, or the agency shall refuse to execute such a statement, the Compliance Report shall so certify and set forth what efforts have been made to secure such a statement and such additional factual material as the contracting agency or the Secretary of Labor may require.

SEC. 204. The Secretary of Labor may, when he deems that special circumstances in the national interest so require, exempt a contracting agency from the requirement of including any or all of the provisions of Section 202 of this Order in any specific contract, subcontract, or purchase order. The Secretary of Labor may, by rule or regulation, also exempt certain classes of contracts, subcontracts, or purchase orders (1) whenever work is to be or has been performed outside the United States and no recruitment of workers within the limits of the United States is involved; (2) for standard commercial supplies or raw materials; (3) involving less than specified amounts of money or specified numbers of workers; or (4) to the extent that they involve subcontracts below a specified tier. The Secretary of Labor may also provide, by rule, regulation, or order, for the exemption of facilities of a contractor which are in all respects separate and distinct from activities of the contractor related to the performance of the contract: *Provided*, That such an exemption will not interfere with or impede the effectuation of the purposes of this Order: *And provided further*, That in the absence of such an exemption all facilities shall be covered by the provisions of this Order.

SUBPART C—POWERS AND DUTIES OF THE SECRETARY OF LABOR AND THE CONTRACTING AGENCIES

SEC. 205. Each contracting agency shall be primarily responsible for obtaining compliance with the rules, regulations, and orders of the Secretary of Labor with respect to contracts entered into by such agency or its contractors. All contracting agencies shall comply with the rules of the Secretary of Labor in discharging their primary responsibility for securing compliance with the provisions of contracts and otherwise with the terms of this Order and of the rules, regulations, and orders of the Secretary of Labor issued pursuant to this Order. They are directed to cooperate with the Secretary of Labor and to furnish the Secretary of Labor such information and assistance as he may require in the performance of his functions under this Order. They are further directed to appoint or designate, from among the agency's personnel, compliance officers. It shall be the duty of such officers to seek compliance with the objectives of this Order by conference, conciliation, mediation, or persuasion.

SEC. 206. (a) The Secretary of Labor may investigate the employment practices of any Government contractor or subcontractor,

or initiate such investigation by the appropriate contracting agency, to determine whether or not the contractual provisions specified in Section 202 of this Order have been violated. Such investigation shall be conducted in accordance with the procedures established by the Secretary of Labor and the investigating agency shall report to the Secretary of Labor any action taken or recommended.

(b) The Secretay of Labor may receive and investigate or cause to be investigated complaints by employees or prospective employees of a Government contractor or subcontractor which allege discrimination contrary to the contractual provisions specified in Section 202 of this Order. If this investigation is conducted for the Secretary of Labor by a contracting agency, that agency shall report to the Secretary what action has been taken or is recommended with regard to such complaints.

SEC. 207. The Secretary of Labor shall use his best efforts, directly and through contracting agencies, other interested Federal, State, and local agencies, contractors, and all other available instrumentalities to cause any labor union engaged in work under Government contracts or any agency referring workers or providing or supervising apprenticeship or training for or in the course of such work to cooperate in the implementation of the purposes of this Order. The Secretary of Labor shall, in appropriate cases, notify the Equal Employment Opportunity Commission, the Department of Justice, or other appropriate Federal agencies whenever it has reason to believe that the practices of any such labor organization or agency violate Title VI or Title VII of the Civil Rights Act of 1964 or other provision of Federal law.

SEC. 208. (a) The Secretary of Labor, or any agency, officer, or employee in the executive branch of the Government designated by rule, regulation, or order of the Secretary, may hold such hearings, public or private, as the Secretary may deem advisable for compliance, enforcement, or educational purposes.

(b) The Secretary of Labor may hold, or cause to be held, hearings in accordance with Subsection (a) of this Section prior to imposing, ordering, or recommending the imposition of penalties and sanctions under this Order. No order for debarment of any contractor from further Government contracts under Section 209(a)(6) shall be made without affording the contractor an opportunity for a hearing.

SUBPART D—SANCTIONS AND PENALTIES

SEC. 209. (a) In accordance with such rules, regulations, or orders as the Secretary of Labor may issue or adopt, the Secretary or the appropriate contracting agency may:

(1) Publish, or cause to be published, the names of contractors or unions which it has concluded have complied or have failed to comply with the provisions of this Order or of the rules, regulations, and orders of the Secretary of Labor.

(2) Recommend to the Department of Justice that, in cases in which there is substantial or material violation or the threat of substantial or material violation of the contractual provisions set forth in Section 202 of this Order, appropriate proceedings be brought to enforce those provisions, including the enjoining, within the limitations of applicable law, of organizations, individuals, or groups who prevent directly or indirectly, or seek to prevent directly or indirectly, compliance with the provisions of this Order.

(3) Recommend to the Equal Employment Opportunity Commission or the Department of Justice that appropriate proceedings be instituted under Title VII of the Civil Rights Act of 1964.

(4) Recommend to the Department of Justice that criminal proceedings be brought for the furnishing of false information to any contracting agency or to the Secretary of Labor as the case may be.

(5) Cancel, terminate, suspend, or cause to be cancelled, terminated, or suspended, any contract, or any portion or portions thereof, for failure of the contractor or subcontractor to comply with the non-

discrimination provisions of the contract. Contracts may be cancelled, terminated, or suspended absolutely or continuance of contracts may be conditioned upon a program for future compliance approved by the contracting agency.

(6) Provide that any contracting agency shall refrain from entering into further contracts, or extensions or other modifications of existing contracts, with any noncomplying contractor, until such contractor has satisfied the Secretary of Labor that such contractor has established and will carry out personnel and employment policies in compliance with the provisions of this Order.

(b) Under rules and regulations prescribed by the Secretary of Labor, each contracting agency shall make reasonable efforts within a reasonable time limitation to secure compliance with the contract provisions of this Order by methods of conference, conciliation, mediation, and persuasion before proceedings shall be instituted under Subsection (a)(2) of this Section, or before a contract shall be cancelled or terminated in whole or in part under Subsection (a)(5) of this Section for failure of a contractor or subcontractor to comply with the contract provisions of this Order.

SEC. 210. Any contracting agency taking any action authorized by this Subpart, whether on its own motion, or as directed by the Secretary of Labor, or under the rules and regulations of the Secretary, shall promptly notify the Secretary of such action. Whenever the Secretary of Labor makes a determination under this Section, he shall promptly notify the appropriate contracting agency of the action recommended. The agency shall take such action and shall report the results thereof to the Secretary of Labor within such time as the Secretary shall specify.

SEC. 211. If the Secretary shall so direct, contracting agencies shall not enter into contracts with any bidder or prospective contractor unless the bidder or prospective contractor has satisfactorily complied with the provisions of this Order or submits a program for compliance acceptable to the Secretary of Labor or, if the Secretary so authorizes, to the contracting agency.

SEC. 212. Whenever a contracting agency cancels or terminates a contract, or whenever a contractor has been debarred from further Government contracts, under Section 209(a)(6) because of noncompliance with the contract provisions with regard to nondiscrimination, the Secretary of Labor, or the contracting agency involved, shall promptly notify the Comptroller General of the United States. Any such debarment may be rescinded by the Secretary of Labor or by the contracting agency which imposed the sanction.

SUBPART E—CERTIFICATES OF MERIT

SEC. 213. The Secretary of Labor may provide for issuance of a United States Government Certificate of Merit to employers or labor unions, or other agencies which are or may hereafter be engaged in work under Government contracts, if the Secretary is satisfied that the personnel and employment practices of the employer, or that the personnel, training, apprenticeship, membership, grievance and representation, upgrading, and other practices and policies of the labor union or other agency conform to the purposes and provisions of this Order.

SEC. 214. Any Certificate of Merit may at any time be suspended or revoked by the Secretary of Labor if the holder thereof, in the judgment of the Secretary, has failed to comply with the provisions of this Order.

SEC. 215. The Secretary of Labor may provide for the exemption of any employer, labor union, or other agency from any reporting requirements imposed under or pursuant to this Order if such employer, labor union, or other agency has been awarded a Certificate of Merit which has not been suspended or revoked.

PART III—NONDISCRIMINATION PROVISIONS IN FEDERALLY ASSISTED CONSTRUCTION CONTRACTS

SEC. 301. Each executive department and agency which administers a program involving Federal financial assistance shall require as a condition for the approval of any grant, contract, loan, insurance, or guarantee thereunder, which may involve a construction contract, that the applicant for Federal assistance undertake and agree to incorporate, or cause to be incorporated, into all construction contracts paid for in whole or in part with funds obtained from the Federal Government or borrowed on the credit of the Federal Government pursuant to such grant, contract, loan, insurance, or guarantee, or undertaken pursuant to any Federal program involving such grant, contract, loan, insurance, or guarantee, the provisions prescribed for Government contracts by Section 202* of this Order or such modification thereof, preserving in substance the contractor's obligations thereunder, as may be approved by the Secretary of Labor, together with such additional provisions as the Secretary deems appropriate to establish and protect the interest of the United States in the enforcement of those obligations. Each such applicant shall also undertake and agree (1) to assist and cooperate actively with the administering department or agency and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with those contract provisions and with the rules, regulations, and relevant orders of the Secretary, (2) to obtain and to furnish to the administering department or agency and to the Secretary of Labor such information as they may require for the supervision of such compliance, (3) to carry out sanctions and penalties for violation of such obligations imposed upon contractors and subcontractors by the Secretary of Labor or the administering department or agency pursuant to Part II, Subpart D, of this Order, and (4) to refrain from entering into any contract subject to this Order, or extension or other modification of such a contract with a contractor debarred from Government contracts under Part II, Subpart D, of this Order.

SEC. 302. (a) "Construction contract" as used in this Order means any contract for the construction, rehabilitation, alteration, conversion, extension, or repair of buildings, highways, or other improvements to real property.

(b) The provisions of Part II of this Order shall apply to such construction contracts, and for purposes of such application the administering department or agency shall be considered the contracting agency referred to therein.

(c) The term "applicant" as used in this Order means an applicant for Federal assistance or, as determined by agency regulation, other program participant, with respect to whom an application for any grant, contract, loan, insurance, or guarantee is not finally acted upon prior to the effective date of this Part, and it includes such an applicant after he becomes a recipient of such Federal assistance.

SEC. 303. (a) Each administering department and agency shall be responsible for obtaining the compliance of such applicants with their undertakings under this Order. Each administering department and agency is directed to cooperate with the Secretary of Labor, and to furnish the Secretary such information and assistance as he may require in the performance of his functions under this Order.

(b) In the event an applicant fails and refuses to comply with his undertakings, the administering department or agency may take any or all of the following actions: (1) cancel, terminate, or suspend in whole or in part the agreement, contract, or other arrangement with such applicant with respect to which the failure and refusal occurred; (2) refrain from extending any further assistance to the applicant under the program with respect to which the failure or refusal occurred until satisfactory assurance of future compliance has been received from such applicant; and (3) refer the case to the Department of Justice for appropriate legal proceedings.

* Corrected to read "Section 202". In the original text "Section 203" was printed in error.

(c) Any action with respect to an applicant pursuant to Subsection (b) shall be taken in conformity with Section 602 of the Civil Rights Act of 1964 (and the regulations of the administering department or agency issued thereunder), to the extent applicable. In no case shall action be taken with respect to an applicant pursuant to Clause (1) or (2) of Subsection (b) without notice and opportunity for hearing before the administering department or agency.

SEC. 304. Any executive department or agency which imposes by rule, regulation, or order requirements of nondiscrimination in employment, other than requirements imposed pursuant to this Order, may delegate to the Secretary of Labor by agreement such responsibilities with respect to compliance standards, reports, and procedures as would tend to bring the administration of such requirements into conformity with the administration of requirements imposed under this Order: *Provided*, That actions to effect compliance by recipients of Federal financial assistance with requirements imposed pursuant to Title VI of the Civil Rights Act of 1964 shall be taken in conformity with the procedures and limitations prescribed in Section 602 thereof and the regulations of the administering department or agency issued thereunder.

PART IV—MISCELLANEOUS

SEC. 401. The Secretary of Labor may delegate to any officer, agency, or employee in the Executive branch of the Government, any function or duty of the Secretary under Parts II and III of this Order, except authority to promulgate rules and regulations of a general nature.

SEC. 402. The Secretary of Labor shall provide administrative support for the execution of the program known as the "Plans for Progress."

SEC. 403. (a) Executive Orders Nos. 10590 (January 19, 1955), 10722 (August 5, 1957), 10925 (March 6, 1961), 11114 (June 22, 1963), and 11162 (July 28, 1964), are hereby superseded and the President's Committee on Equal Employment Opportunity established by Executive Order No. 10925 is hereby abolished. All records and property in the custody of the Committee shall be transferred to the Civil Service Commission and the Secretary of Labor, as appropriate.

(b) Nothing in this Order shall be deemed to relieve any person of any obligation assumed or imposed under or pursuant to any Executive Order superseded by this Order. All rules, regulations, orders, instructions, designations, and other directives issued by the President's Committee on Equal Employment Opportunity and those issued by the heads of various departments or agencies under or pursuant to any of the Executive orders superseded by this Order, shall, to the extent that they are not inconsistent with this Order, remain in full force and effect unless and until revoked or superseded by appropriate authority. References in such directives to provisions of the superseded orders shall be deemed to be references to the comparable provisions of this Order.

SEC. 404. The General Services Administration shall take appropriate action to revise the standard Government contract forms to accord with the provisions of this Order and of the rules and regulations of the Secretary of Labor.

SEC. 405. This Order shall become effective thirty days after the date of this Order.

LYNDON B. JOHNSON

THE WHITE HOUSE,
September 24, 1965.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Reprinted from Federal Register, 32 F.R. 14303-04
October 17, 1967

Title 3—THE PRESIDENT

Executive Order 11375

AMENDING EXECUTIVE ORDER NO 11246, RELATING TO EQUAL EMPLOYMENT OPPORTUNITY

It is the policy of the United States Government to provide equal opportunity in Federal employment and in employment by Federal contractors on the basis of merit and without discrimination because of race, color, religion, sex or national origin.

The Congress, by enacting Title VII of the Civil Rights Act of 1964, enunciated a national policy of equal employment opportunity in private employment, without discrimination because of race, color, religion, sex or national origin.

Executive Order No. 11246 [1] of September 24, 1965, carried forward a program of equal employment opportunity in Government employment, employment by Federal contractors and subcontractors and employment under Federally assisted construction contracts regardless of race, creed, color or national origin.

It is desirable that the equal employment opportunity programs provided for in Executive Order No. 11246 expressly embrace discrimination on account of sex.

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States by the Constitution and statutes of the United States, it is ordered that Executive Order No. 11246 of September 24, 1965, be amended as follows:

(1) Section 101 of Part I, concerning nondiscrimination in Government employment, is revised to read as follows:

"SEC. 101. It is the policy of the Government of the United States to provide equal opportunity in Federal employment for all qualified persons, to prohibit discrimination in employment because of race, color, religion, sex or national origin, and to promote the full realization of equal employment opportunity through a positive, continuing program in each executive department and agency. The policy of equal opportunity applies to every aspect of Federal employment policy and practice."

(2) Section 104 of Part I is revised to read as follows:

"SEC. 104. The Civil Service Commission shall provide for the prompt, fair, and impartial consideration of all complaints of discrimination in Federal employment on the basis of race, color, religion, sex or national origin. Procedures for the consideration of complaints shall include at least one impartial review within the executive department or agency and shall provide for appeal to the Civil Service Commission."

(3) Paragraphs (1) and (2) of the quoted required contract provisions in section 202 of Part II, concerning nondiscrimination in employment by Government contractors and subcontractors, are revised to read as follows:

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[1] 30 F.R. 12319; 3 CFR, 1964–1965 Comp., p. 339.

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin." (4) Section 203 (d) of Part II is revised to read as follows:

"(d) The contracting agency or the Secretary of Labor may direct that any bidder or prospective contractor or subcontractor shall submit, as part of his Compliance Report, a statement in writing, signed by an authorized officer or agent on behalf of any labor union or any agency referring workers or providing or supervising apprenticeship or other training, with which the bidder or prospective contractor deals, with supporting information, to the effect that the signer's practices and policies do not discriminate on the grounds of race, color, religion, sex or national origin, and that the signer either will affirmatively cooperate in the implementation of the policy and provisions of this order or that it consents and agrees that recruitment, employment, and the terms and conditions of employment under the proposed contract shall be in accordance with the purposes and provisions of the order. In the event that the union, or the agency shall refuse to execute such a statement, the Compliance Report shall so certify and set forth what efforts have been made to secure such a statement and such additional factual material as the contracting agency or the Secretary of Labor may require."

The amendments to Part I shall be effective 30 days after the date of this order. The amendments to Part II shall be effective one year after the date of this order.

LYNDON B. JOHNSON

THE WHITE HOUSE,
October 13, 1967.

STATEMENT FROM OFFICE OF FEDERAL CONTRACT COMPLIANCE

Mr. FOARD. In connection with the Executive order on housing (Executive Order 11063), it also covers any housing in urban renewal areas and housing that is assisted under our other programs. There we do have some additional machinery for enforcement. As to housing in urban renewal areas, we have a covenant running with the land.

Mr. JONAS. At this point, when you insert the Executive order, will you get a statement from the Department of Labor showing how many people they have got working in this field?

Secretary WEAVER. We will ask them for it.

Mr. JONAS. They will give it to you. All you have to do is call up your counterpart there.

Mr. FRANTZ. I will call my counterpart, Mr. Jonas.

Mr JONAS. We can get it, but we have so many things to dig up and we haven't got quite as many people on the staff here.

(The information follows:)

STATEMENT BY EDWARD C. SYLVESTER, JR., DIRECTOR, OFFICE OF FEDERAL CONTRACT COMPLIANCE

Federal Contract Compliance Program

Mr. Chairman, members of the committee, I am pleased to present the budget request of the Office of Federal Contract Compliance which administers Executive Order 11246, parts II and III, and also the budget request for administrative support for the plans for progress program, authorized by part IV of that same Executive order. Government contractors and subcontractors, including those for federally assisted construction projects, are required by the order not to discriminate on the basis of race, creed, color or national origin and must take "affirmative action" to insure equal employment opportunity.

The amount requested for the federal contract compliance program is $750,000 and 47 full-time positions, which is an increase of $287,000 and 18 positions over fiscal year 1968. The President has amended the Executive order to include sex discrimination effective October 13, 1968. Most of the requested increase is to implement this new and important requirement.

As you know, the Office of Federal Contract Compliance provides Federal policy; assists and guides Federal contracting agencies and contractors; develops procedures for the optimum overall use of agency resources; monitors contracting agency compliance programs for adequancy and consistency; and coordinates with the Equal Employment Opportunity Commission and other related governmental and private agencies and interested parties to carry out the objectives of the Executive order with fair and uniform treatment of contractors and their employees.

This Office also provides certain essential services for the contracting agencies to carry out their responsibilities. These services include: development of compliance officer training programs in cooperation with the Civil Service Commission; coordination of regional compliance programs involving many agencies; assignment of contractors to agencies for compliance responsibility (frequently, several agencies have contracts with the same contractor); management of the statistical reporting system; establishment of Government-wide priorities; and, holding hearings to determine compliance and/or sanctions.

During the past 2 years this program has moved steadily from an educational and voluntary compliance activity to one of the enforcement of Federal contracts. This principle has taken hold within the contracting agencies and among Federal contractors, and the results in providing equal employment opportunity are impressive.

The coverage continues to increase from 156,600 facilities and sites in fiscal year 1967 to 219,500 in fiscal year 1968 and estimated at 225,000 in fiscal year 1969. These increases are the result of more systematic identification of contractors and broader interpretations of the regulations. However, as significant as these increase are to workload, the inclusion of "sex discrimination" and the

greater complexity of racial discrimination problems as we now find them are more meaningful. Overt discrimination is declining but structural impediments to equal employment opportunity remain and are more damaging due to their broader impact. Problems involving seniority, transfer rights, upgrading and testing require substantial staff time to develop equitable solutions. It should be pointed out that underemployment is a significant factor in urban unrest.

The increase in funds and positions requested in this budget will permit the continuation of a broad effective program but will meet only between one-third and one-half of our identified workload.

The amount requested for administrative support of the plans for progress program is $232,000 and 12 full-time positions, which is an increase of $44,000 from fiscal year 1968. This increase is to provide for greater program continuity through upgrading staff and some greater program activity.

ACTIVITY 1. OFFICE OF THE DIRECTOR OF FEDERAL CONTRACT COMPLIANCE (1968, $463,000, POSITIONS, 29; 1969, $750,000, POSITIONS, 47)

Narrative description of program

The Office of Federal Contract Compliance administers a Governmentwide enforcement program authorized by Executive Order 11246 which requires equal employment opportunity of Government contractors and subcontractors. The program is based on the following:

(*a*) "Affirmative action" by contractors to ensure that minorities (of race, color, creed, and national origin) have job and promotional opportunities commensurate with their abilities;

(*b*) The systematic review of contractors' employment policies and practices to ensure compliance and to assist and guide contractors as appropriate;

(*c*) Servicing complaints of noncompliance;

(*d*) Insuring that Government policies and practices are objective and consistent among contracting agencies and contractors;

(*e*) Coordinating with other interested Federal agencies to minimize duplication and maintain the optimum uniformity; and

(*f*) Consulting with the labor movement, the business community, community and civil rights groups, and other parties regarding programs and policies.

During the past 2 years, the Contract Compliance activity throughout the Government has moved from an essentially voluntary and educational program to one of enforcing Government contracts on a broad scale. The emphasis has been placed on the resolution of equal employment opportunity problems or assurances of compliance before contracts are awarded.

It is clear that there is need for more Federal activity in employment discrimination problems. The primary focus in the past has been on hiring; however, upgrading of employees has become a greater problem. It should be noted that underemployment is a significant factor in the cause of unrest in urban centers. There is also a bonus in upgrading employees since lower vacated skilled jobs then become available to those with limited skills and/or work experience. Although progress is being made in increasing opportunities for American minorities, the opportunity gap, relative to whites, is still widening.

The President recently amended Executive Order 11246 to add discrimination because of sex. The amendment becomes effective in October 1968. It will thereafter be required that complaints of sex discrimination be investigated, conciliated and resolved. Policies and procedure will have to be developed for handling this additional responsibility.

The Office of the Solicitor provides the wide range of essential legal services related to this program. It assists in drafting regulations for publication in the Federal Register and provides legal technical services related to the publication; prepares orders for issuance by the Secretary of Labor and the Director of the Office of Federal Contract Compliance to contracting agencies; assures the legal adequacy of compliance procedures in enforcement manuals, internal directives and preaward guidelines; reviews compliance case files to determine the appropriateness of the institutions of procedures leading to sanctions.

The Solicitor's Office also provides legal assistance and representation for informal and formal hearings, including the preparation and presentation of the entire Government case and all other legal services necessary to administrative

litigation; participates with the Department of Justice in the preparation of the presentation of the Government's case in judicial litigation arising under the program; and provides legal advice and interpretations of the Executive order and the implementing regulations to departmental officials of contracting agencies, Government contractors and subcontractors and the general public.

Numerous success stories during fiscal year 1967 make clear the effectiveness of this program and undoubtedly signify a multiplier effect that has not yet been measured. An ordinary example is that of a building materials manufacturer, having analyzed the skills of his Negro employees following an informal hearing, promoted in a year's time 275 who had been passed over; or the Negro seamstress in a bag plant who was fired because she properly complained of discrimination and was offered reinstatement and given back pay of $600 including vacation pay; or contractor's commitments to employ 112 minorities out of a total of 475 highly paid building tradesmen in northeast Ohio. These kinds of successes also extend to the problems of Mexican-Americans of the Southwest.

In 1967, coverage of the Executive order expanded very significantly, almost doubling, as a result of broader interpretations of the rules and regulations and more systematic identification of contractors by the contracting agencies.

Nonconstruction program.—The reorientation of the entire program to preaward compliance on a broad scale demands greater review of contracting agency activity as well as increases the number of contractors and facilities requiring review. Additionally, since 1967, the number of nonconstruction facilities subject to the order has increased from 105,600 to 170,000, and the number of contractors identified has increased from 15,000 to 57,000.

In 1968, new policies and procedures will be implemented to meet the growing demands on the Office of Federal Contract Compliance to effectively monitor agency programs and compliance reviews to ensure fair and equal treatment of employees and employers alike.

This Office also coordinates programs with the Equal Employment Opportunity Commission to provide a unified and consistent Government approach to certain industrial or regional problems. Typical of this kind of activity is one now underway in the textile industry of North and South Carolina which employs about 383,000, including less than 8 percent Negroes. Although total employment is expected to decline slightly, the annual turnover of about 38,000 jobs ought to provide opportunity for employment equality. Negroes comprise 22 percent of all employed workers in North Carolina, and 39 percent in South Carolina. Programs of this kind involve penetrating studies of the specific problems, in-depth compliance reviews by one or more contracting agencies, and constant communication and review to ensure that consistency of standards are enforced.

Construction program.—The credibility of Federal efforts in equal employment opportunity, particularly in the urban centers, suffers as much from the limited participation of minorities in the better paying construction trades as from any other single factor. The problem, which is less a matter of discrimination than lack of affirmative action, can be partially met by more effective and wider compliance in the construction industry.

Closely coordinated multiagency areawide compliance activity is essential to produce meaningful results in the construction industry. This is due to the prevalence of the hiring hall referral system and the frequent and irregular changes in contractors' and subcontractors' work forces.

In 1967, successful programs in Cleveland, St. Louis, and San Francisco Bay area have clearly demonstrated the validity of this technique. In all these areas, there have been substantial increases in minority employment in the better paying crafts.

In 1968, this approach will be modified by developing programs which include assigning certain area compliance responsibilities to a single agency and then extending these programs to other cities having significant federally assisted construction. Every major urban center should have such a program.

Changes for 1969

Mandatory changes amount to (p. OFCC–8)	+$18,700
Financing changes amout to (p. OFCC–8)	−1,200
Programs changes amount to	+269,500
Positions	+18

Proposal.—To provide for the continuation of an effective compliance program and for the institution of programs regarding sex discrimination, in accordance with Executive Order 11246.

The need.—Broader interpretation of the rules and regulations and more systematic identification of contractors by contracting agencies places greater demands on the Office of Federal Contract Compliance. The Executive order was also recently amended by the President to add discrimination because of sex. The amendment becomes effective in October 1968, and thereafter it will be required that complaints of sex discrimination be investigated conciliated, and resolved.

The program.—As imporant as significant increases in numerical indicators of workload, is the fact that providing equal employment opportunity is becoming more and more complex. Overt discrimination is rapidly declining, but many structural impediments to equal opportunity remain and are more damaging due to their broader impact. Problems involving seniority, transfer rights, testing and others, for which there is limited precedent and experience will require substantial staff time to develop equitable solutions. These solutions will have considerable significance and will shape future policy.

New rules and regulations which will further increase the coverage of the Executive order, as well as provide tighter procedures by contracting agencies, are being issued. Also being developed are new policies to overcome the impediments of structural discrimination, archaic personnel systems, and testing. A prime objective in 1969 will be the successful implementations of these rules and policies which will benefit thousands of minority applicants and employees.

A body of new policies and procedures must also be developed in 1969 to meet the additional responsibilities placed upon this office with the recent sex discrimination amendment to the Executive order. Inquiries have already been received from women's groups.

It is estimated that in 1969 the workload demands will be up about one-half over 1968, including contractor reporting on 100,000 facilities which will get varying degrees of review and surveillance by contracting agencies. The number of racial complaint investigations is expected to remain at about 375. One reason for the latter is the effectiveness of compliance reviews which eliminate the cause of complaints and afford broader relief. Although individual complaints of racial discrimination remain relatively low and stable, general group complaints are increasing and will continue to, as knowledge of our successes gets around.

Base:	
Positions	29
Estimated cost	$463,000
Additional cost:	
Positions	18
Man-years	16.2
Estimated cost	$287,000

Basis for the estimate

Based partly on the experience of the Equal Opportunity Commission, where sex discrimination complaints make up about one-third of the total number of 13,000 complaints received, it is estimated that the demands on the Office of Federal Contract Compliance will increase about one-third due to this added responsibility. Complaints are conservatively estimated to rise almost tenfold over the present level of racial complaints. Sex discrimination problems require proportionally more legal support than racial discrimination due to the numerous State and local government and Federal laws dealing with employment of women.

The following table shows significant numerical increases in identified Government-wide workload for 1968 and 1969. These increases alone do not reflect the total additional workload. The greater complexity of problems involved

and greater public interest in solutions add considerably to the real total workload.

	Fiscal year 1966 actual	Fiscal year 1967 actual	Fiscal year 1968 estimate	Fiscal year 1969 estimate
Federal contract compliance:				
Compliance reviews performed (non construction)	9,132	15,000	16,000	22,800
			(40,000)	(57,000)
Number of corporate conciliation conferences held	732	1,000	1,050	1,700
			(1,400)	(2,300)
Preaward reviews performed for supply contracts	114	500	675	1,050
			(900)	(1,400)
Preaward conferences performed for construction contracts	501	1,500	2,400	3,150
			(3,200)	(4,200)
Construction sites on which regular surveillance performed			21,720	21,720
	(47,647)	(51,000)	(54,300)	(54,300)
Number of hearings held by the Office of Federal Contract Compliance	32	50	60	90
			(80)	(120)
Number of complaints processed	216	283	375	3,375
Total number of facilities and sites subject to order	99,367	156,600	219,500	225,000
Significant cases having Office of Federal Contract Compliance involvement which affect development of policies and precedent		20	30	120
Legal services:				
Investigation files reviewed and screened		30	50	90
Hearings (Includes attorney investigations, preparation for formal and informal hearings)		20	25	60
Conciliation conferences (preparation and participation)		6	12	30
Litigation		1	2	5

Note: Figures in parentheses represent totals for complete coverage of workload.

SUMMARY OF NEW POSITIONS

	Number	Grade	Amount
Activity 1. Office of Federal Contract Compliance:			
Assistan Director of Compliance	1	GS–15	$18,404
Associate olicitor	1	GS–15	18,404
Deputy associate olicitor	1	GS–15	18,404
Senior compliance officer	2	GS–15	36,808
Do	2	GS–14	31,682
Assistant compliance officer	4	GS–13	54,028
Attorney	1	GS–13	13,507
Assistant compliance officer	1	GS–12	11,461
Secretary	2	GS–6	12,274
Do	3	GS–5	16,695
Total	18		231,667
Activity 3. Civil rights compliance (Title VI):			
Director of Program Development and Review	1	GS–15	18,404
Director of Compliance	1	GS–15	18,404
Assistant Director or Program Development and Review	1	GS–14	15,841
Assistant Director of Compliance	1	GS–14	15,841
Compliance Officer	5	GS–13	67,535
Attorney	2	GS–12	22,922
Compliance Officer	10	GS–12	114,610
Attorney	1	GS–11	9,657
Compliance Officer	10	GS–11	96,570
Attorney	3	GS–9	24,162
Administrative assistant	1	GS–9	8,054
Secretary	3	GS–6	18,411
Secretary	4	GS–5	22,260
Clerk-stenographer	3	GS–4	14,985
Clerk-typist	4	GS–4	19,980
Clerk-typist	2	GS–3	8,932
Total	52		496,568
Grand total	70		728,235

JUSTIFICATION MATERIAL

Mr. EVINS. Let's place in the record pages C–1 through C–6. (The pages follow:)

Department of Housing and Urban Development

REGIONAL MANAGEMENT AND SERVICES

Appropriation Highlights
(in thousands)

	Estimate 1968	Estimate 1969	Increase or Decrease
Appropriation enacted or proposed...	$5,300	$8,925	+$3,625
Proposed supplemental for pay act increases.....	160	...	-160
Funds transferred to GSA for space rental.....	-48	...	+48
Total appropriation or estimate	5,412	8,925	+3,513

BUDGET REQUEST

An appropriation of $8,925,000 for Regional Management and Services activities.

Summary of the Budget Request

The appropriation of $8,925,000 requested for 1969 represents an increase of $3,513,000 over funds estimated to be available for obligation in FY 1968. The increase is distributed as follows:

1. An increase of $162,000 for increased pay act costs pursuant to P.L. 90-206, taking into account the supplemental appropriation of $160,000 requested for FY 1968. The total for these mandatory pay act costs is $322,000.

2. An increase of $2,301,000 (excluding increased pay act costs) for increased expenses of Supervision of Regional Activities to provide 170 additional employees needed to provide adequate staff services for the seven Regional Administrators and to conduct necessary functions with respect to civil rights and equal employment opportunity requirements in the various regions.

3. An increase of $1,050,000 for increased expenses of Program Coordination and Services to provide 122 additional employees to be assigned among the sevel Regional Offices to give necessary coordination to housing and development programs. Workload generated from the requirements of approximately 1,700 localities will be processed by the Program Coordination and Services staff by the end of fiscal 1969.

   This includes a staff of 75 HUD Generalists to coordinate and unify program action at the local level. As the number and scope of HUD programs have grown, the necessity for coordinating them with each other has grown proportionately. The Department feels it is essential that the Regional Administrator know what HUD is doing, as a whole in each community, and that he have more staff assistance to help him coordinate the activities of his various separate program specialists at the local level for this purpose.

Budget Program

This appropriation funds the major portion of administrative expenses of management and program coordination in the Regional Offices of the Department. The estimate provides for employment and related costs of the Offices of the Regional Administrator and for Program Coordination and Services Divisions, as follows (in thousands):

	Estimate 1968	Estimate 1969	Proposed Increase
Supervision of regional activities.....	$1,532,000	$3,915,000	+$2,383,000
Program coordination and services.....	3,880,000	5,010,000	+ 1,130,000
Total	5,412,000	8,925,000	+ 3,513,000

Detailed employment estimates for Regional Management and Services in the sevel Regional Offices of the Department follow:

Staff	June 30 Employment Estimate 1968	Estimate 1969	Proposed Increase
Office of the Regional Administrator			
Equal employment and intergroup relations functions	70	220	+150
Supervision and direction	80	100	+ 20
Subtotal - Office of the Regional Administrator	150	320	+170
Program Coordination and Services Division			
Office of the Director	40	45	+5
Planning Branch	86	116	+30
Relocation Branch	77	82	+5
Economic and Market Analysis Branch (Excludes reorganization transfers made or to be made from Housing Assistance Office)	37	39	+2
Workable Program Branch	60	65	+5
HUD Generalists	...	75	+75
Subtotal - Program Coordination and Services Division	300	422	+122
Total - Gross	450	742	+292
Less staff funded from other sources:			
FHA (for equal opportunity functions)	20	...	-20
Salaries and expenses, DIR (for coordination at the local level)	12	...	-12
Net Total - Regional Management and Services	418	742	+324

The Office of the Regional Administrator performs necessary functions involved in the supervision and direction of regional activities. This includes functions related to civil rights and equal employment opportunity under the Civil Rights Act of 1964 and the various executive orders relating to this subject.

The Program Coordination and Services Division performs consolidated program services necessary and common to the coordinated administration of all Departmental programs at the regional level. This division is responsible to the Regional Administrator for a number of program operations which are common to the functional responsibilities of the various Assistant Secretaries. Close association is maintained, however, with the appropriate Central Office coordinating organization.

Supervision of Regional Activities

The work of the organizations financed under this activity and the need for the increases requested follow:

Office of the Regional Administrator

	June 30 Employment		
	Estimate 1968	Estimate 1969	Increase
Equal opportunity and inter-group relations functions...	70	220	+150
Supervision and direction.....	80	100	+ 20
Total	150	320	+170

Virtually all of the programs of the Department are administered on a decentralized basis through the Department's Regional Offices, under the direction of Regional Administrators. The Regional Administrator is responsible to the Secretary for the execution of Department programs, the overall management of the Department regional program and the supervision and direction of regional office staff.

The Regional Administrator represents the Department within his Region for both operational and coordinating purposes. He speaks for the Secretary and other top officials of the Department in dealing with field officials of other Departments and agencies on all matters involving relationships of their urban programs to HUD programs and activities. The growing need for close coordination between the urban oriented programs of agencies such as Office of Economic Opportunity, Health Education and Welfare, Interior, Commerce, and others, has increased greatly the workload of the Regional Administrator and his immediate staff. He represents the Department on the Federal Executive Board, a group established to help coordinate Federal actions at the regional level, and participates in various activities of the Board designed to help coordinate urban programs.

A primary function of the Regional Administrator is to serve as principal liaison among States, localities, and other government units on matters involving more than one program or requiring Departmental level participation and coordination. It is in this area that the Regional Administrator makes his greatest contribution to the important concepts underlying the organization of the Department. Strong coordination and representation of the Department's programs at the field level where operations are conducted is essential to the objective of providing cities with a unified package of interrelated programs which can serve the total needs of urban development.

The principal organization to help the Regional Administrator meet this objective is the Program Coordination and Service Division. This Division performs review and coordinating services for regional offices activities which are common to several programs. It brings information and problems to the Regional Administrator's attention which he uses to assure that HUD operations are performed in a coordinated and consistent manner to meet locality needs. In 1969 it is proposed to give the Regional Administrator more staff assistance for this function. Justification for this additional staff requirement is included below under the Program Coordination and Services Division.

The responsibilities of Regional Administrators for supervision and direction of HUD operations in the Regions have been increased many-fold by the consolidation within the Regional Office of the formerly independent Housing Assistance and Federal Housing regional staffs. The purpose of this consolidation, which is to assure a coordinated approach of all HUD programs to community problems, is achieved through Regional Administrator review and approval of projects and functions having interprogram relationships.

The new Model Cities Program, which brings together all of the aids needed by a city to upgrade neighborhoods, is conducted in the Regional Offices by a Director reporting to the Regional Administrator. He insures that all of the activities of the Regional Office are involved in a way and on a schedule necessary for the successful administration of the program.

The Regional Administrator is assisted in carrying out these functions by a Deputy Regional Administrator and a small staff of secretarial and specialist aides. An increase in employment of twenty is needed to provide adequate staff services necessary to perform these vital functions.

Equal Opportunity Functions

Special additional emphasis will be needed in 1969 for civil rights and equal employment opportunity functions. This includes additional servicing of the model cities program, as well as other programs. Increased workload is expected to result from the following externally imposed factors; as well as from increased emphasis on the part of HUD:

1. Increasing tendency of minority persons to bring complaints to agencies of government;

2. More thorough implementation of affirmative action requirements with respect to construction contractors and subcontractors, pursuant to Executive Order 11246 and regulations of the Secretary of Labor; and

3. Impending issuance by the Labor Department of an amended regulation under Executive Order 11246 requiring recipients of Federal financial assistance to conduct affirmative programs to eliminate discrimination with respect to their own employees. This will require HUD evaluation of written programs and accomplishments, and will result in additional employee complaints which will be processed by HUD.

The increased workload is also the result of the trend toward pre-award rather than preconstruction affirmative action requirements, affecting construction contractors and subcontractors in localities designated by the Office of Federal Contract Compliance, by HUD, or by a Federal Executive Board. The pre-award requirement involves from two to three times more man-hours per case than the preconstruction requirements.

It is proposed that the equal opportunity staff in each of the six Regions other than Puerto Rico be increased to an average of 36 positions. Some adjustments would be made within the average to account for the difference in program volume. Of the 36 positions, 12 would be clerical. The professionals would include the Assistant to the Regional Administrator for Equal Opportunity and his Deputy. Of the remaining professionals, 60% would be primarily engaged in program servicing in the area of equal opportunity pursuant to Title VI of the Civil Rights Act of 1964, the Executive Order on Equal Opportunity in Housing, and certain other HUD non-discrimination requirements. The incumbents of these positions would be engaged to some extent in compliance activities as is currently done. The remaining 40% of the professional group would be primarily engaged in equal employment opportunity compliance.

Working Capital Fund

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	Operating costs funded:			
	Printing and reproduction services		427	1,734
	Central supply services		319	1,063
	Communication services		168	732
	Data processing services			2,357
	Graphic services		56	277
	Adjustment for conversion of accrued annual leave assumed to a funded basis		196	147
	Total operating costs, funded		1,166	6,310
	Capital outlay, funded: Purchase of equipment:			
	Printing and reproduction services		165	13
	Central supply services		79	
	Communicaton services		13	
	Data processing services			287
	Total capital outlay, funded		257	300
	Total program costs, funded		1,423	6,610
	Change in selected resources [1]		200	250
10	Total obligations		1,623	6,860
	Financing:			
11	Receipts and reimbusements from: Federal funds:			
	Printing and reproduction services		−450	−1,760
	Central supply services		−329	−1,074
	Communication services		−169	−733
	Data processing services			−2,644
	Graphic services		−56	−277
21	Unobligated balance available, start of year			−881
22	Unobligated balance transferred from other accounts		−1,500	
24	Unobligated balance available end of year		881	2,509
40	New obligational authority (appropriation)			2,000
	Relation of obligations to expenditures:			
10	Total obligations		1,623	6,860
70	Receipts and other offsets (items 11–17)		−1,004	−6,488
71	Obligations affecting expenditures		619	372
72	Obligated balance, start of year			369
74	Obligated balance, end of year		−369	−541
90	Expenditures		250	200
	Expenditures are distributed as follows:			
01	Out of current authority			287
02	Out of prior authority		250	−87

[1] Balances of selected resources are identified on the statement of financial condition.

REVENUE, EXPENSE, AND RETAINED EARNINGS

[In thousands of dollars]

	1967 actual	1968 estimate	1969 estimate
Printing and reproduction services:			
Revenue		450	1,760
Expense		450	1,760
Net operating income or loss			
Central supply services:			
Revenue		329	1,074
Expense		329	1,074
Net operating income or loss			
Communication services:			
Revenue		169	733
Expense		169	733
Net operating income or loss			
Data processing services:			
Revenue			2,644
Expense			2,644
Net operating income or loss			
Graphic services:			
Revenue		56	277
Expense		56	277
Net operoting income or loss			
Analysis of retained earnings:			
Retained earnings, start of year			
Adjustment for conversion of accrued annual leave assumed to a funded dasis		−196	−147
Transfer from capital to fund accrued annual leave		196	147
Retained earnings, end of year			

FINANCIAL CONDITION

[In thousands of dollars]

Assets:			
Treasury balance		1,250	3,050
Accounts receivable		50	252
Supplies on hand [1]		100	150
Fixed assets (net)		276	251
Total assets		1,676	3,703
Liabilities: Accounts payable and other accrued liabilities		319	493
Government equity:			
Noninterest bearing:			
Start of year			1,357
Unobligated balance transferred from other accounts		1,500	
Appropriation during year			2,000
Donated assets, net		53	
Transfer to deficit to fund accrued annual leave		−196	−147
End of year		1,357	3,210
Retained earnings			
Total Government equity		1,357	3,210

ANALYSIS OF GOVERNMENT EQUITY (IN THOUSANDS OF DOLLARS)

Unpaid undelivered orders [1]	100	300
Unobligated balance	881	2,509
Invested capital and earnings	376	401
Total Government equity	1,357	3,210

[1] The changes in these items are reflected on the program and financing schedule.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
11.1	Personnel compensation: Permanent positions		753	3,694
12.0	Personnel benefits		56	277
21.0	Travel and transportation of persons		2	17
22.0	Transportation of things		2	15
23.0	Rent, communications, and utilities		28	390
24.0	Printing and reproduction		58	800
25.1	Other services		25	350
26.0	Supplies and materials		46	620
31.0	Equipment		257	300
92.0	Undistributed: Costs for accrued annual leave assumed		196	147
	Total costs		1,423	6,610
94.0	Change in selected resources		200	250
99.0	Total obligations		1,623	6,860

PERSONNEL SUMMARY

Total number of permanent positions	262	530
Average number of all employees	60	530
Average GS grade	6.0	5.5
Average GS salary	$6,971	$6,617
Average salary of ungraded positions	$6,701	$6,701

Mr. EVINS. Looking at working capital fund. You are asking for a new appropriation of $2 million to provide equipment and finance data processing services, which we have discussed. Your table shows that it goes up from $1,500,000 to $2 million. This will give you a program level of $6.6 million.

Mr. FRANTZ. In operating services, yes. Of course, that is not financed from the capital, that is financed from the accounts of the Department purchasing the services.

Mr. EVINS. Your expenditures for equipment are $200,000? Is that what you project for the next year?

Mr. FRANTZ. No, sir. Expenditures here is in a technical budget sense.

Mr. EVINS. You transferred $1,500,000 into this working capital fund which under statute the Secretary is authorized to establish. Now, you want to appropriate $2 million by direct appropriation to the fund for the first time. This would seem to me to be $3.5 million in the fund. How much have you drawn down from the fund for purposes of equipment or otherwise?

Mr. FRANTZ. Mr. Chairman, your statement is a little anticipatory, because we have not actually started the fund as yet. We expect to do so during the balance of this year.

Mr. EVINS. You have found a cushion where you could transfer $1,500,000 into it, and you want to appropriate another $2 million into it.

Mr. FRANTZ. The $1,500,000 was provided for the first four functions which were to be incorporated into the fund. Those are listed at the top of page 3.

The first four at the top of the page; printing and reproduction, central supply services, communication services, graphic services, those four were to be capitalized with the $1,500,000 which is the first year's capital.

Mr. EVINS. The $1,500,000 capitalizes the first four. You want the $2 million to use for data processing?

DATA PROCESSING FUNCTIONS

Mr. FRANTZ. That is right; to add data processing to the fund next year.

Mr. EVINS. You already have how much investment in data processing equipment?

Mr. FRANTZ. The acquisition cost of the equipment that the fund will take over is $1,805,000.

Mr. EVINS. You have been depreciating that, haven't you?

Mr. FRANTZ. Yes, sir. You see, this appropriation would restore the accumulated depreciation which would otherwise be unfunded—depreciation that has already been realized.

Mr. EVINS. Is most of this to reimburse FHA for depreciated equipment?

Mr. FRANTZ. Not most of it, no, sir; a portion of it is to reimburse FHA for the present book value of the equipment. But we would not pay FHA for the depreciation that has already occurred.

Mr. EVINS. How much do you propose to pay FHA?

Mr. FRANTZ. $287,000 is the estimated book value.

Mr. EVINS. With all the services you provide for FHA, they couldn't give you this old equipment?

Mr. FRANTZ. Well, if we simply took over the equipmnet without reimbursement, Mr. Evins, from an accounting standpoint it would show as a capital loss to the insurance funds.

Mr. EVINS. We are all for the data processing, but I am not sure that you have to have $2 million to turn over to the FHA when we have given them a generous limitation.

Secretary WEAVER. We are not turning $2 million over to them, sir. We are simply trying to keep them actuarially and accountingly whole in this process.

BASIC LEGISLATION

Mr. EVINS. There is the legal basis for it on pages D–5 and D–6. Place these in the record.

(The pages follow:)

WORKING CAPITAL FUND

The estimated costs for these services are consistent with amounts included in the supporting programs of the Department. It should be noted, in this connection, that the funds to purchase these services are—and will continue to be—included in budgets for the organizations concerned and are subjected to congressional approval as part of the process of appropriating funds for the administration of the various programs of the Department. The working capital

fund serves merely as a means for providing, on a centralized and more efficient basis, the several services which would be purchased in any event. The provision of these services through the working capital fund in no manner increases the costs involved or otherwise provides additional funding for these purchases.

The total number of permanent employees at June 30, 1968 and 1969, to support these central services are estimated at 262 and 530, respectively. The total for 1969 includes 268 employees for the proposed transfer in 1969 of central data processing services to the working capital fund. These transfers have been reflected in the "administrative operations fund" discussed in section E of this volume.

Basic legislation

Section 7(f) of the Department of Housing and Urban Development Act of 1965 (79 Stat. 670) provides that:

"The Secretary is authorized to establish a working capital fund, to be available without fiscal year limitation, for expenses necessary for the maintenance and operation of such common administrative services as he shall find to be desirable in the interest of economy and efficiency in the Department, including such services as a central supply service for stationery and other supplies and equipment for which adequate stocks may be obtained to meet in whole or in part the requirements of the Department and its agencies; central messenger, mail, telephone, and other communication services; office space; central services for document reproductions and for graphics and visual aids; and a central library service. In addition to amounts appropriated to provide capital for said fund, which appropriations are hereby authorized, the fund shall be capitalized by transfer to it of any such stocks of supplies and equipment on hand or on order as the Secretary shall direct. Such fund shall be reimbursed from available funds of agencies and offices in the Department for which services are performed at rates which will return in full all expenses of operation, including reserves for accrued annual leave and for depreciation of equipment."

Administrative Operations Fund

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Program by activities:			
	1. Renewal and housing assistance programs	38,673	42,098	46,995
	2. Metropolitan development programs	7,894	8,263	10,905
	3. Demonstrations and intergovernmental relations programs	2,021	4,439	7,740
	4. Urban technology and research coordination	52	260	885
	5. Mortgage credit programs	739	1,154	1,485
	6. General departmental programs	9,070	10,657	18,289
	7. Services performed for other agencies	5,991	6,821	4,290
	Total program costs, funded [1]	64,440	73,692	90,589
	Change in selected resources [2]	400	200	3,245
10	Total obligations	64,840	73,892	93,834
	Financing:			
	Receipts and reimbursements from:			
11	Federal funds	−64,707	−73,312	−93,074
13	Trust funds	−133	−580	−760
	New obligational authority			
	Relation of obligations to expenditures:			
10	Total obligations	64,840	73,892	93,834
70	Receipts and other offsets (items 11–17)	−64,840	−73,892	−93,834
71	Obligations affecting expenditures			
72	Obligated balance, start of year			200
74	Obligated balance, end of year		−200	−3,245
90	Expenditures		−200	−3,045
	Expenditures are distributed as follows:			
01	Out of current authorizations		−200	−3,245
02	Out of prior authorizations			200

[1] Includes capital outlay as follows: 1967, $715,000; 1968, $283,000; 1969, $863,000.

[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1966, $525,000 (1967 adjustments, −$312,000); 1967, $613,000; 1968, $813,000; 1969, $4,058,000.

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

		1967 actual	1968 estimate	1969 estimate
	Personnel compensations.			
11.1	Permanent positions	49,726	56,495	65,542
11.3	Positions other than permanent	409	666	2,706
11.5	Other personnel compensation	280	300	600
11.8	Special personal service payments	7		
	Total personnel compensation	50,422	57,461	68,848
12.0	Personnel benefits	3,782	4,310	5,164
21.0	Travel and transportation of persons	3,222	2,852	4,035
22.0	Transportation of things	101	110	125
23.0	Rent, communications, and utilities	3,826	5,000	4,600
24.0	Printing and reproduction	399	685	969
25.1	Other services	1,138	1,314	2,408
25.2	Services of other agencies	462	1,000	2,800
26.0	Supplies and materials	385	510	575
31.0	Equipment	699	450	1,065
41.0	Grants, subsidies, and contributions	3		
42.0	Insurance claims	1		
	Total costs	64,440	73,692	90,589
94.0	Change in selected resources	400	200	3,245
99.0	Total obligations	64,840	73,892	93,834

PERSONNEL SUMMARY

	1967 actual	1968 estimate	1969 estimate
Total number of permanent positions	5,380	5,860	6,779
Full-time equivalent of other positions	124	125	549
Average number of all employees	4,911	5,745	6,559
Average GS grade	8.9	9.0	9.0
Average GS salary	$9,851	$10,301	$10,301
Average salary of ungraded positions	$6,405	$6,730	$6,730

Mr. EVINS. On page E–1 you say:

The administration operations fund was established effective July 1, 1967, to provide for the most efficient and orderly administration of funds for staff and operating expenses of the Department.

No appropriation is required for this fund. You show the administrative operating fund and a recap of HUD as a whole on page E–2.

This goes up from $73 million to $93,834,000.

Mr. FRANTZ. Yes, sir.

Mr. EVINS. That is what we indicated earlier; appropriations to the individual departments go into this fund?

Mr. FRANTZ. Right.

Mr. EVINS. But the total appropriations in each of the separate constituent departments makes your overall appropriation in this fund, not direct to the fund but to the departments. In addition to the funds advanced or allocated to the Department under interagency agreement by other Federal departments and agencies pursuant to the Economy Act and similar statutes, this category of funds includes funds derived from fixed fees assessed against the beneficiaries of several departmental programs for provision of engineering inspection, audit, and project representation.

Tell us what that is, Mr. Frantz.

NONADMINISTRATIVE EXPENSES

Mr. FRANTZ. The fixed fees referred to, Mr. Chairman, apply to a number of our programs, and just off the top of my head here are some: Public housing, urban renewal, college housing, public-facili-

ties loans, and several others. These are fees which are paid by the grantee or the recipient of the loan which are part of the project cost and which go to defray part of the cost of the Government in supervising the actual execution of the project, both with respect to fiscal audit of the books of the project and with respect to physical supervision.

Mr. EVINS. The fees for FHA and FNMA are not included in this particular budget?

Mr. FRANTZ. That is correct.

Mr. EVINS. In those two departments they take care of their own operations because of the fees and the income derived?

Mr. FRANTZ. That is correct. The fee is charged by FHA.

Mr. EVINS. They are not part of this?

Mr. FRANTZ. Correct.

Mr. EVINS. Tell us what these fees are.

Mr. FRANTZ. As I described them, in our several programs, urban renewal programs is perhaps the simplest one, part of the cost of an urban renewal project is a fee which the project pays the Government for its expenses of supervision and audit of the project, carrying out of the project. In effect, it makes the project carry a portion of the expense of the program.

Mr. INK. This, of course, has been the case all along.

Mr. FRANTZ. Oh, yes.

Mr. INK. It is continuing.

Secretary WEAVER. It does not change; it just gives us a receptacle into which all of these are put and may show.

Mr. FRANTZ. This, in effect, provides for some local share in the administrative cost of the project.

Mr. EVINS. How much do these fees amount to, dollarwise, in round figures? Are they on page E–2?

Mr. FRANTZ. Yes; they are. The line, "Nonadministrative Expenses," in 1969 of $8,645,000 is almost entirely those fees.

JUSTIFICATION MATERIAL

Mr. EVINS. Put your tables on pages E–2 and E–5, 6 and 7 into the record.

(The pages follow:)

TABLE I.—SOURCES OF FUNDS FOR STAFF EXPENSES

[In thousands of dollars]

	Actual, 1967	Estimate, 1968	Estimate, 1969
Administrative operations fund:			
Appropriations:			
Salaries and expenses, renewal and housing assistance	29,943	32,493	36,360
Salaries and expenses, metropolitan development	6,264	6,226	8,700
Salaries and expenses, demonstrations and intergovernmental relations	2,021	4,439	10,240
Administrative expenses, model cities program included above	(750)	(2,580)	(8,380)
Administrative expenses, urban research and technology	52	260	885
General administration	4,014	4,107	8,000
Regional management and services	4,001	5,412	8,925
Subtotal, appropriations	46,295	52,937	73,110
Limitations on administrative expenses:			
Housing for the elderly and handicapped	1,232	1,272	1,282
College housing	2,089	2,275	2,285
Public facility loans	1,205	1,227	1,235
Revolving fund (liquidating programs)	110	100	104
Subtotal, limitations on administrative expenses	4,636	4,874	4,906
Reimbursements, etc.:			
Nonadministrative expenses	5,386	6,990	8,645
Federal Housing Administration	6,275	6,521	6,787
Federal National Mortgage Association	8	113	176
Other reimbursements	2,240	2,457	210
Subtotal, reimbursements, etc	13,909	16,081	15,818
Total, administrative operations fund	64,840	73,892	93,834

TABLE II.—EMPLOYMENT AND PERSONAL SERVICES COST BY ORGANIZATION UNIT

[Dollars in thousands]

Organization unit	Estimate 1968			Estimate 1969		
	Average employment	Personal services cost	June 30 employment (full time)	Average employment	Personal services cost	June 30 employment (full time)
Office of the Secretary:						
Immediate office	32.0	$448	30	33.0	$482	30
Under Secretary	15.0	195	15	17.0	238	16
Deputy Under Secretary	33.0	455	35	41.0	585	45
Labor relations staff	7.0	95	10	11.5	150	13
Regional support staff	5.5	80	5	5.0	65	5
Congressional services staff	15.0	160	15	15.0	170	15
Office of Equal Opportunity	17.5	210	19	21.5	260	23
Division of International Affairs	27.0	290	24	24.0	275	24
Division of Public Affairs	61.0	740	52	52.0	655	52
Inspection Division	79.0	940	80	100.0	1,215	115
Office of Business Participation	1.0	12	2	3.0	35	4
Subtotal, Office of the Secretary	293.0	3,625	287	323.0	4,130	342
Office of the General Counsel	232.0	2,840	238	242.0	3,060	246
Office of Urban Technology and Research	24.0	310	35	52.0	665	60
Renewal and Housing Assistance:						
Assistant Secretary	11.0	135	11	12.0	150	12
RHA staff offices	137.0	1,590	142	140.0	1,641	145
Renewal Assistance Administration	126.5	1,466	135	137.0	1,740	140
Housing Assistance Administration	184.5	2,139	189	192.0	2,242	196
Subtotal, Renewal and Housing Assistance	459.0	5,330	477	481.0	5,773	493
Metropolitan Development:						
Assistant Secretary	13.0	180	16	15.0	210	16
MD staff offices	68.4	777	64	70.9	834	78
Planning Standards and Coordination	46.8	544	44	52.1	624	57
Urban Transportation Administration	49.0	569	46	60.3	722	66
Land and Facilities Development Administration	63.8	730	61	63.7	750	68
Subtotal, Metropolitan Development	241.0	2,800	231	262.0	3,140	285

TABLE II.—EMPLOYMENT AND PERSONAL SERVICES COST BY ORGANIZATION UNIT—Continued

Organization unit	Estimate 1968			Estimate 1969		
	Average employment	Personal services cost	June 30 employment (full time)	Average employment	Personal services cost	June 30 employment (full time)
Demonstrations and Intergovernmental Relations:						
Assistant Secretary	10.5	120	11	13.0	150	13
DIR staff offices	19.5	280	15	25.0	330	30
Governmental relations	43.5	560	37	45.0	600	50
Model Cities Administration	64.0	880	68	89.0	1,185	103
Economic and Market Analysis	16.5	210	14	20.0	265	24
Subtotal, Demonstrations and Intergovernmental Relations	154.0	2,050	145	192.0	2,530	220
Mortgage Credit (Assistant Secretary)	5.0	90	5	5.5	115	5
Administration:						
Assistant Secretary	8.0	130	8	8.5	130	8
Office of Audit	299.0	3,395	310	327.0	3,750	335
Office of ADP Systems Management and Operations	249.0	1,785	247	265.0	1,915	260
Office of Budget	33.0	385	34	39.0	425	42
Office of Financial Systems and Services	170.0	1,545	170	174.0	1,555	175
Office of Management	20.0	300	21	24.0	365	25
Office of General Services	341.0	2,720	328	386.0	3,200	332
Office of Personnel	69.0	825	69	75.0	900	80
Deduct staff funded in working capital fund	−60.0	−809	−262	−530.0	−3,971	−520
Subtotal, Administration	1,129.0	10,276	925	768.5	8,269	737
Manpower management programs:						
Urban interns and secretarial reserve				225.0	1,375	
Other	54.0	255		247.0	1,358	
Total, departmental staff	2,591.0	27,576	2,343	2,798.0	30,415	2,388
Departmental regional offices:						
Regional Administrator	154.0	1,910	150	252.0	3,250	320
Program Coordination and Services	293.0	3,130	300	375.0	4,220	422
Regional Counsel	250.0	2,665	250	263.0	2,940	275
Administration	287.0	2,365	285	310.0	2,690	325
Model Cities staff	74.0	980	90	134.0	1,895	150
Assistant regional administrators:						
Federal Housing Administration	84.0	1,160	95	95.0	1,285	95
Renewal assistance	817.0	8,530	890	953.0	10,515	985
Metropolitan development	332.0	3,430	345	382.0	4,220	405
Housing assistance	903.0	10,025	977	1,077.0	12,582	1,121
Total, regional offices	3,194.0	34,195	3,382	3,841.0	43,597	4,098
Total	5,785.0	61,771	5,725	6,639.0	74,012	6,486

AO FUND EMPLOYMENT

Mr. Evins. Also add a table which we talked about earlier for a comparison with 1967.

Mr. Frantz. Yes, sir.

(The information follows:)

Explanatory Note.—Detailed figures of average employment and personal services cost for fiscal year 1967 cannot be directly compared with those estimated for fiscal years 1968 and 1969 because of numerous organization changes affecting both central office and regional office staffs, resulting in transfers of functions and employees (together with associated personal services costs) within the Department and between this Department and others, cost of pay increases effective during fiscal year 1968, and other factors. Full-time June 30 employment for fiscal year 1967, however, has been adjusted to the extent feasible for comparability with the estimate for fiscal years 1968 and 1969.

EMPLOYMENT AND PERSONAL SERVICES COST BY ORGANIZATION UNIT

[Dollar amounts in thousands]

Organization unit	1967 [1]			Estimate, 1968			Estimate, 1969		
	Average employment	Personal services cost	June 30 employment (full time)	Average employment	Personal services cost	June 30 employment (full time)	Average employment	Personal services cost	June 30 employment (full time)
Office of the Secretary:									
Immediate Office	32.2	$407	21	32.0	$448	30	33.0	$482	30
Under Secretary	15.0	189	16	15.0	195	15	17.0	238	16
Deputy Under Secretary	28.7	390	32	33.0	455	35	41.0	585	45
Labor Relations Staff	4.4	45	9	7.0	95	10	11.5	150	13
Regional Support Staff	4.0	50	3	5.5	80	5	5.0	65	5
Congressional Services Staff	12.8	131	13	15.0	160	15	15.0	170	15
Office of Equal Opportunity	14.5	193	18	17.5	210	19	21.5	260	23
Division of International Affairs	29.3	370	29	27.0	290	24	24.0	275	24
Division of Public Affairs	57.2	686	64	61.0	740	52	52.0	655	52
Inspection Division	58.9	673	69	79.0	940	80	100.0	1,215	115
Office of Business Participation				1.0	12	2	3.0	35	4
Subtotal, Office of the Secretary	257.0	3,134	274	293.0	3,625	287	323.0	4,130	342
Office of the General Counsel	48.2	589	219	232.0	2,840	238	242.0	3,060	246
Office of Urban Technology and Research	11.0	120	16	24.0	310	35	52.0	665	60
Renewal and housing assistance:									
Assistant Secretary	8.7	125	10	11.0	135	11	12.0	150	12
RHA staff offices	76.0	924	145	137.0	1,590	142	140.0	1,641	145
Renewal Assistance Administration	122.7	1,558	118	126.5	1,466	135	137.0	1,740	140
Housing Assistance Administration	255.2	2,744	143	184.5	2,139	189	192.0	2,242	196
Subtotal, renewal and housing assistance	462.6	5,351	416	459.0	5,330	477	481.0	5,773	493
Metropolitan development:									
Assistant Secretary	8.9	121	15	13.0	180	16	15.0	210	16
Metropolitan development staff offices	85.1	873	68	68.4	777	64	70.9	834	78
Planning standards and coordination	23.6	291	36	46.8	544	44	52.1	624	57
Urban Transportation Administration	24.1	324	31	49.0	569	46	60.3	722	66
Land and Facilities Development Administration	40.8	598	49	63.8	730	61	63.7	750	68
Subtotal, metropolitan development	182.5	2,207	199	241.0	2,800	231	262.0	3,140	285

See footnote at end of table.

EMPLOYMENT AND PERSONAL SERVICES COST BY ORGANIZATION UNIT

[Dollar amounts in thousands]

Organization unit	1967 [1]			Estimate, 1968			Estimate, 1969		
	Average employment	Personal services cost	June 30 employment (full time)	Average employment	Personal services cost	June 30 employment (full time)	Average employment	Personal services cost	June 30 employment (full time)
Demonstrations and intergovernmental relations:									
Assistant Secretary	7.5	99	11	10.5	120	11	13.0	150	13
DIR staff offices	9.2	115	31	19.5	280	15	25.0	330	30
Governmental relations	15.1	185	43	43.5	560	37	45.0	600	50
Model Cities Administration	36.5	457	65	64.0	880	68	89.0	1,185	103
Economic and market analysis	14.3	207	16	16.5	210	14	20.0	265	24
Subtotal, demonstrations and intergovernmental relations	82.6	1,063	166	154.0	2,050	145	192.0	2,530	220
Mortgage credit (Assistant Secretary)	1.0	29	1	5.0	90	5	5.5	115	5
Administration:									
Assistant Secretary	9.7	136	8	8.0	130	8	8.5	130	8
Office of Audit	235.5	2,567	302	299.0	3,395	310	327.0	3,750	335
Office of ADP Systems Management and Operations			222	249.0	1,785	247	265.0	1,915	260
Office of Budget	26.0	297	33	33.0	385	34	39.0	425	42
Office of Financial Systems and Services	85.6	785	148	170.0	1,545	170	174.0	1,555	175
Office of Management	14.3	205	19	20.0	300	21	24.0	365	25
Office of General Services	161.7	1,327	338	341.0	2,720	328	386.0	3,200	332
Office of Personnel	80.7	755	127	69.0	825	69	75.0	900	80
Deduct staff funded in working capital fund				−60.0	−809	−262	−530.0	−3,971	−520
Subtotal, administration	613.5	6,072	1,197	1,129.0	10,276	925	768.5	8,269	737

Manpower management programs:									
Urban interns and secretarial reserve							225.0	1,375	
Other	49.4	296		54.0	255		247.0	1,358	
Total, Departmental Staff	1,707.8	18.861	2,488	2,591.0	27,576	2,343	2,798.0	30,415	2,388
Departmental regional offices:									
Regional Administrator	120.3	1,460	156	154.0	1,910	150	252.0	3,250	320
Program coordination and services	203.8	2,217	276	293.0	3,130	300	375.0	4,220	422
Regional counsel	210.9	2,254	265	250.0	2,665	250	263.0	2,940	275
Administration	261.1	2,026	292	287.0	2,365	285	310.0	2,690	325
Model Cities Staff	16.7	183	50	74.0	980	90	134.0	1,895	150
Assistant Regional Administrators:									
Federal Housing Administration			75	84.0	1,160	95	95.0	1,285	95
Renewal assistance	831.4	8,660	808	817.0	8,530	890	953.0	10,515	985
Metropolitan development	502.7	5,232	348	332.0	3,430	345	382.0	4,220	405
Housing assistance	932.9	10,651	872	903.0	10,025	977	1,077.0	12,582	1,121
Total, regional offices	3,079.8	32,683	3,142	3,194.0	34,195	3,382	3,841.0	43,597	4,098
Total	4,787.6	51,544	5,630	5,785.0	61,771	5,725	6,639.0	74,012	6,486

[1] See explanatory note at the head of this table.

Mr. FRANTZ. Again I will have to subject that to the same footnote that the figures will not be comparable from year to year.

OTHER OBJECTS

Mr. EVINS. Special program contracts go up from $1,015,000 to $6,050,000.

Mr. INK. The largest area there is one which I believe was covered in earlier hearings in the demonstrations and intergovernmental relations, $3.77 million, for the purpose of evaluating model cities programing. Another item of considerable size which we think is extremely important is $750,000 estimated for the cost of help we feel we need now in modernizing and bringing together a more unified accounting system for the Department. We are working now with a kind of piecemeal system inherited from the HHFA which had a series of different systems. It is extremely difficult to make good cost comparisons from one area into another, and we are in dire need of modernizing and getting a more effective and more efficient accounting system. Those are the two biggest items. There are others described on pages E–12 and E–13.

Mr. EVINS. Place pages E–8 through E–17 into the record.

(The pages follow:)

OTHER OBJECTS OF EXPENSE

		Estimate, 1968	Estimate, 1969
21	Travel and transportation of persons	$2,852,000	$4,035,000
22	Transportation of things	110,000	150,000
23	Rent, communications, and utilities	5,000,000	5,050,000
24	Printing and reproduction	685,000	969,000
25	Other services	2,514,000	7,978,000
26	Supplies and materials	510,000	575,000
31	Equipment	450,000	1,065,000
	Total, other objects	12,121,000	19,822,000

TRAVEL AND TRANSPORTATION OF PERSONS (OBJECT CLASS 21)

	Estimate, 1968	Estimate, 1969
Personnel travel	$2,660,000	$3,700,000
GSA motor pool costs, etc	192,000	335,000
Total, travel	2,852,000	4,035,000

Personnel travel costs estimated for fiscal year 1969 are based upon a requirement of approximately $600 per man-year of employment. This catagory of expense includes transportation cost in common carrier, mileage expenses for employees traveling in privately owned automobiles, per diem allowances, and miscellaneous expenses reimbursable to the traveller (local taxicab fares, etc.).

The budget estimate is based upon departmental experience of approximately $40 per day (including all costs) for each day of personnel travel status; this averages the daily costs of slightly over $20 for situations in which travel is almost constant and stays at each location are relatively protracted, and those in which occasional trips of very short duration are required at costs approximating $100 per day. At the $40 average, the travel estimates for fiscal years 1968 and 1969, respectively, would provide for 66,000 and 92,000 days in travel status; or permit an increase from 12.5 to 14.0 days in travel status per man-year of employment.

The increase in travel days per man-year of employment and in the funds requested for personnel travel is believed necessary in order to provide more effective service to participants in departmental programs and provide necessary supervision of all departmental activities.

The budgeted increase in GSA motor pool costs is entirely related to regional operations and the need for continuing supervision projects and programs in the field.

TRANSPORTATION OF THINGS (OBJECT CLASS 22)

	Estimate, 1968	Estimate, 1969
Rental of GSA trucks	$3,000	$3,000
Transportation of household goods	73,000	112,000
Shipment of supplies and materials	34,000	35,000
Total, transportation	110,000	150,000

Increased employment in 1969 will require an increase in expenses for movement of household goods A small increase is also estimated for shipment of a larger volume of supplies and materials not locally available.

RENT, COMMUNICATIONS, AND UTILITIES (OBJECT CLASS 23)

	Estimate, 1968	Estimate, 1969
Rental of real estate: Payment to GSA for general-purpose office space—		
Acquired in 1968 and prior	$1,204,000	$512,200
Acquired in 1969		240,200
Local telephone service	750,000	780,000
Long-distance telephone service:		
Federal telecommunications system	1,103,000	1,268,600
Commercial service	30,000	34,000
Other:		
Reimbursement to Post Office Department	1,335,000	1,560,000
Telegraph, cable, etc	30,000	30,000
Machine rentals	548,000	625,000
Total, rent, etc	5,000,000	5,050,000

The estimate includes funds required for payment to the General Services Administration for reimbursement of the costs of office space acquired for the Department and its components. Amounts budgeted for fiscal year 1969 include funds which, pursuant to the provisions of the Independent Offices Appropriation Act of 1965 (Public Law 88–507), are anticipated for appropriation transfer and will appear thereafter in the regular budget estimates of the Public Buildings Service. The estimate for fiscal year 1969 contemplates acquisition of approximately 68,640 square feet of general-purpose office space at an annual average rental cost of $5 per square foot, to be occupied for seven-tenths of the fiscal year. This estimate would provide an average of 120 square feet for 522 added employees in the field. The new HUD building will provide adequate space for the additional employees requested in the Washington, D.C., metropolitan area.

Telephone service is provided generally through reimbursement to the General Services Administration. Local telephone costs are estimated at an average of approximately $115 per man-year of employment. Long-distance service through the Government-wide Federal Telecommunications System is estimated on the basis of information furnished by GSA.

Payments to the Post Office Department are made under contract to cover the costs of all mail service. The amount of the annual payment is based upon negotiated estimates of mail volume during the year and is consistent with the contract now in effect for fiscal year 1968. This estimate also includes funds to cover the postal rate increase which was effective in January 1968. Estimates for telegraph, cable, and machine rentals are consistent with recent operating experience.

PRINTING AND REPRODUCTION (OBJECT CLASS 24)

	Estimate, 1968	Estimate, 1969
Manual series, procedures, and related issuances	$110,000	$225,000
Technical and statistical issuances	30,000	34,000
Printed forms, stationery, etc	113,000	165,000
Tabulating forms and cards	67,000	70,000
Publications	215,000	275,000
Other printing and reproduction	150,000	200,000
Total, printing and reproduction	685,000	969,000

This object class includes the cost of contractual printing and reproduction services performed by the Government Printing Office and its subsidiaries, other Federal printing plants, and commercial sources as authorized. The increase budgeted for fiscal year 1969 would provide for the operating requirements of new programs and for major revision of existing materials and forms consistent with reorganization of the Department and realinement of its major programs, and provide for additional informational materials in various technical guides and related publications.

OTHER SERVICES (OBJECT CLASS 25)

	Estimate, 1968	Estimate, 1 969
Moving, space rearrangement, maintenance	$250,000	$250,000
Automatic data processing services	250,000	350,000
Employee training program	110,000	300,000
Public information materials	250,000	378,000
Special program contracts	1,015,000	6,050,000
Other contractual services	639,000	650,000
Total, other services	2,514,000	7,978,000

This object class covers a broad variety of services purchased or contracted for in the furtherance of departmental programs, to a large extent under arrangements with other Federal agencies requiring reimbursement for costs incurred in providing the requested service.

The estimate provides for anticipated costs in connection with consolidation in the new departmental headquarters building in Washington, D.C., as well as modifications to existing space in the field to accommodate staff in the most effective manner.

Funds would be provided in the budget estimate for procurement of specialized data processing services required for the model cities and intergovernmental relations programs in those cases where the Department's consolidated ADP installation cannot provide the service.

The training program for Department employees contemplated in the 1969 budget provides for major in-service training efforts in executive development designed to increase operational efficiency and effectiveness. The plan includes participation in the Civil Service Commission executive seminar program, Brookings Institution conferences and similar programs; for middle management and professional training, including specialized courses on automatic data processing, financial management, and other aspects of public administration, urban planning, appraisal techniques, and other technical skills; and a wide variety of training efforts for new employees both in the secretarial and clerical fields and in career and occupational training for professional employees. The Department training program also includes a number of special training programs for young people, including the disadvantaged.

Some increase is budgeted for informational and educational aids in furtherance of the Department's programs for increasing public information about the Department and the many substantive methods by which authorized programs can contribute to solution of urban problems.

SPECIAL PROGRAM CONTRACTS

The budget estimate for fiscal year 1968 provides $6,050,000 for a wide variety of contractual services directly related to the administration of departmental programs, as follows:

Renewal and housing assistance, $355,000

Services are provided in connection with actuarial determinations required for local agency pension plans funded in part from Federal contributions; audit of the accounts of low rent housing fund by the General Accounting Office pursuant to law; advice concerning the educational status of applicant institutions for college housing loans by Office of Education; and a nonrecurring cost of approximately $175,000 for assistance in the complete recasting of the manual of procedures used by local housing authorities.

Metropolitan development, $275,000

Contractual studies to be procured from educational institutions and from recognized nonprofit institutions related to the administration of programs of metropolitan development and metropolitan planning, including the present state and future prospects for water resource development as it may affect urban growth and planning; relating the costs of existing Federal governmental programs to the benefits derived by the Federal taxpayer and by the local communities; the influence of Federal decisions concerning the financing of local public works and facilities upon policy decisions and land-use and zoning findings of State and local governmental bodies; and improvement of the information now available to program managers and to applicants on the overall effects of present tendencies in metropolitan growth and development and of alternative approaches to financing both by local bodies and the Federal Government

Demonstrations and intergovernmental relations, $3,770,000

These requirements are more fully discussed in the justification on pages F–8 through F–10 and F–14 of book 4.

A program of the scope and promise of the model cities requires serious and responsible evaluation. Set up as a demonstration, it carries the responsibility not only to measure the extent of success or failure of the program, but also to provide an understanding of the processes by which the program achieves its effects over time. This is necessary for responsible program management and it is also necessary if the experience gained in each of the model cities is to benefit other cities and the Nation.

The programs developed by model cities will be evaluated in a number of ways. Each city will be responsible for continuing planning and evaluation of its own programs. City plans are expected to develop appropriate means for measuring progress toward locally developed goals. In addition, each city will assess the effectiveness of individual programs within the total model cities project in each city. Other Federal agencies will be studying the operations of their programs carried out as part of the model cities program.

In addition, a significant effort will also be required from contract resources for evaluation, program development, and related activities. This is necessary in order to assure comparability of evaluation efforts among cities, timely and accurate information, and the selective detailed studies to help guide Federal program management.

The model cities evaluation plan ($2,300,000).—A number of studies are proposed to be conducted under contract. These will enable the Department to fulfill its obligation to monitor the program, assess the accomplishments, and disseminate the learnings from the program. These studies are interrelated, but can be divided into three general categories: statistical indicators, changes in institutions, and impact on people.

Program development ($500,000).—The purpose of work undertaken in program development is to reduce the time between the identification of a problem, the development of a successful program to meet the problem, and the diffusion of successful programs. Detailed analysis of particular problem areas, common to a number of cities, will be undertaken. Prototype programs will be developed where new patterns of intergovernmental cooperation must be established, or where the basic and applied research for program development exceeds the capacity of individual cities. Particularly successful programs will also be evaluated and information about these programs circulated in order to encourage the more rapid spread of promising innovations.

Data and systems analysis ($275,000).—Efforts are being made to develop information systems which will meet city and Department needs. Cities require such an information system for planning and responsible program management. The model cities program requires a system capable of gathering, storing, and retriev-

ing the data to meet internal information requirements for management, evaluation and research, external data requirements to report to the public and to Congress about the progress of programs, and to report timely and useful information back to the cities.

Program operations training ($425,000).—The purpose of program operations training is to inform and to improve the competence of those involved with the model cities programs in the local communities and within the Federal Government. This includes conducting conferences and training sessions and developing curricula and training materials. Staff from HUD and cooperating Federal programs will carry a major share of the load for planning training activities. The time pressures of the program and the need to develop new complex skills among local and Federal staff as quickly as possible will require an additional investment to supplement staff resources by providing training services on a contract basis.

In addition to contractural requirements for the model cities program, $270,000 is requested to carry out special interagency studies or evaluations having as their aim: (a) the establishment of new careers in housing and renewal for qualified residents of public housing and urban renewal projects, including the development of model training curricula; (b) the development of improved ways of delivering already funded social services programs to public housing residents with a high degree of resident participation; (c) to support an estimated 35 problem-solving conferences with State and local officials concerned with improved delivery of Federal assistance programs; and (d) an independent professional assessment of the quality and effectiveness of programs mounted under the community development training and urban information and technical assistance program made to some 40 State governments, including the development and testing of an evaluation technique.

General administration, $1,650,000

Contractual undertakings representing the needs for independent professional advice on administrative problems and techniques at less cost than employment of full-time Government staff in the areas of: (a) financial systems development ($750,000) for identifying the needs for detailed cost information, the most informative ordering of such information, strengthening procedures and methods for protection of the Federal interest and Federal funds, integration of the accounting, budgeting, and PPBS data, and informative reporting; (b) keypunching and machine time beyond the capabilities of the departmental ADP facility until such time as additional equipment and facilities have been delivered; (c) provision of a uniform classification system for the three departmental libraries now being consolidated into a single operation; (d) development of two special projects in the area of program and administrative management and control related to field processing of applications and financial documents in departmental regional offices and to functions, responsibilities, and costs of departmental engineering staffs. In addition, the Department contributes to the support of interagency boards and commissions under the provisions of 31 United States Code 691.

A very large number of miscellaneous items—mostly of very small size—fall in this object class. The estimate for "other contractual services" is based upon recent experience.

Supplies and materials (Object class 26)

Estimate 1968	$510,000
Estimate 1969	575,000

Estimated costs for supplies and materials are based upon past experience and current expenditures, averaging approximately $80 per man-year of employment.

EQUIPMENT (OBJECT CLASS 31)

	Estimate, 1968	Estimate, 1969
Equipment for new employees	$155,000	$560,000
Replacement and other	295,000	505,000
Total, equipment	450,000	1,065,000

Equipment for initial outfitting of new employees is estimated to average $550 per employee, providing basic furniture and standard office machines and furnishing for 1,017 new employees. Stocks of unassigned equipment have been reduced to the lowest feasible level in anticipation of the impending move to new headquarters in the Washington, D.C., metropolitan area. Replacement and other equipment costs are estimated on the basis $77 per man-year of employment.

APPROPRIATION LANGUAGE CHANGES

Mr. EVINS. We have already looked at your appropriation structure. Just a quick look at your appropriation language.

You want to include Alaska housing and you want to delete housing for the elderly and handicapped because it is funded from participation certificates. You also want deletion of the 50-percent cost-sharing in the open space land programs. Why is this?

OPEN SPACE DEMONSTRATION PROGRAM

Mr. FRANTZ. Mr. Chairman, you will remember that under the statue a demonstration project under the open space or beautification program can go to as high as 90 percent Federal share. The committee put in language last year limiting to 50 percent the Federal share on any project.

Mr. EVINS. A lot of people thought that if you are going to buy them land that they ought to pay half of it; but your idea is that since it is just a demonstration, the Federal Government ought to pick up the tab?

Mr. FRANTZ. Well, our feeling was that without the additional Federal share the unusual features that go to make up a project that might have demonstration value would probably, generally, just not be put forward by the local applicants. Our experience has confirmed this.

Mr. BOLAND. That wouldn't necessarily follow.

Mr. FRANTZ. We have had no applications.

Mr. BOLAND. Because an open space land program gives the opportunity for a local community to come in and buy up some open space that may be available, to be preserved for the future. Most communities are interested in this. Why have a demonstration project at all? I don't know of any community that is interested in preserving open space for the future that would not be perfectly satisfied with a 50-percent contribution. I don't think you need a demonstration program.

Mr. LEWIS. The demonstration projects we look upon as projects that may be saving the Federal Government some money in the long run.

Mr. BOLAND. What do you demonstrate with them?

Mr. LEWIS. For example, if we want to find a cheaper way of providing park furniture—benches, lighting—it is unfair to have a single community take the risk that the material might not hold up.

Mr. BOLAND. Do you provide for the lighting and the park benches?

Mr. LEWIS. We were talking about demonstration programs which covers a wide variety of techniques and materials and does not cover just the acquisition of the open space site.

Mr. BOLAND. Under this demonstration program you would grant 90 percent of the cost of purchasing open space in a particular com-

munity. You would provide 90 percent and the local community would provide 10 percent to develop a demonstration program?

Mr. LEWIS. Were it clearly a demonstration with applicability.

Mr. FRANTZ. The statutory authority is up to 90 percent.

Mr. BOLAND. Yes, I understand it is up to 90.

Mr. EVINS. It is not mandatory.

Mr. BOLAND. No, it is not mandatory, but I am sure the Department would be quite willing to give 90 percent in many cases.

Mr. EVINS. If the city wants to develop a park, I think they will put up a little money for it.

Secretary WEAVER. There is no question about that. The only question is whether or not it is desirable, and we think it is—and we think it is economically desirable as well—that there should be some new approaches tried out in order to help us to be able to make more effective the limited amount of funds—we already have a limited amount—for the open space program. This means demonstration, experiment, it means taking some risks, doing something more than just planning.

Mr. EVINS. They can make the priority decision as to what is in the public interest. Gentlemen, the Congress passes thousands of projects in the public works authorization. I once said to the Corps of Engineers: On what basis do you move forward with certain projects while others remain on the shelf? They said: The public interest. If the local people want it, these are the ones we move on.

DEMONSTRATION PROJECTS

Mr. BOLAND. How many demonstration projects do you have? You say that this severely limits the effectiveness of the demonstration program and, in fact, has prevented the making of any demonstration grants so far this year. How many did you make last year?

Mr. LEWIS. We had four demonstrations in 1967.

Mr. BOLAND. What did you have prior to that time?

Mr. LEWIS. I would have to supply that figure.

Mr. BOLAND. Where were the four? Put the information into the record.

Mr. LEWIS. I will supply that.

(The information follows:)

TITLE VII DEMONSTRATION PROGRAM

History

Enacted in 1965 to permit demonstration projects in urban beautification only. Amended in 1966 to broaden authority for demonstrations to cover open space programs and historic preservation.

Original authorization was $5 million increased to $10 million in 1966. Appropriation requested: $1 million.

Purpose

Demonstration projects are limited to activities and problem areas having nationwide significance, in which the experience gained by one community in solving a problem will be shared broadly with other jurisdictions.

Demonstration projects are normally conceived and developed by individual local communities, and are designed to solve a specific local problem in ways that are new and potentially useful to others. A major feature of a demonstration project is a concurrent study of the problem and its solution, as it is being worked out by the community, and subsequent publication of the results for distribution to other communities having similar problems.

The goals of the Department in administering the demonstration programs are—

(1) to test innovative techniques for increased efficiency and economy;

(2) to assist communities in experimenting with problems that would not otherwise be explored because of limited local resources;

(3) to focus Federal resources on particularly difficult, unsolved or neglected areas and subjects relating to title VII;

(4) to help smaller cities and towns solve problems using technologies usually available only to the largest or most affluent communities;

(5) to communicate new techniques and concepts nationally through successful case studies combined with on-the-ground hardware; and

(6) to provide incentive for expanded private and industrial participation in the design and use of new materials and techniques.

Approved demonstrations

Five demonstration projects have been funded to date. All are limited to urban beautification activities because they were all considered before the authority was broadened to cover open space and historic preservation. None involves any land acquisition; three of the projects are specifically geared to innovations that would make it possible to better utilize land already in public ownership for recreation and park purposes. The following paragraphs describe the five demonstration projects, the first of which was approved in fiscal year 1966 and the other four in 1967.

1. *To demonstrate that the area under elevated transit structures need not be a blighting influence on residential neighborhoods.*—A grant of $447,953 to the Bay Area Rapid Transit District for the design and development of a 2.7 mile linear park strip directly under the elevated rail rapid transit structure in the East San Francisco Bay area: Involves no land purchase. The demonstration will result in the development of concepts and techniques adaptable for other transit systems, in addition to on-site improvements. A preliminary report will be published later this year, with final completion paralleling the construction program for the BARTD system.

The demonstration is the first of its kind in the Nation and is planned to provide programed alternatives to the normal pattern of decay, blight, and endless refuse that is typical beneath elevated transportation structures. The demonstration area is in densely built-up residential neighborhoods, where the potential damages from failure to solve this problem would be many times the total investment in the project.

2. *To demonstrate the feasibility of portable playgrounds and parks on city-owned (tax delinquent) land in low-income residential neighborhoods.*—A grant of $449,580 to the city of New York covering site selection, design, and construction of park and playground equipment and facilities embodying an entirely new concept in land use and design: Utilizing vacant land already in public ownership, much of it on city rolls for nonpayment of taxes, new portable parks will permit the temporary use of sites whose land use may change by eliminating much of the underground costs of typical parks and playgrounds. In conventional systems about 40 percent of park development costs are underground (such as the cement blocks to support swings, slides, and other equipment). In the demonstration, new technology is being developed to eliminate virtually all underground costs. Involves no land acquisition and will permit the utilization of land now piled high with junk and refuse or otherwise not usable.

The demonstration has, in addition, sought in-depth neighborhood involvement in site selection and planning, and will attempt through neighborhood organization to assist in long-term maintenance and care of the site.

Site selection, design and equipment fabrication are completed. The 10 sites will be completed and in operation this summer; a final report on the demonstration will be published by fall.

3. *To demonstrate how abandoned, derelict, publicly owned cemeteries can be redeveloped into usable and tasteful parks.*—A grant of $133,474 to the city of Pulaski, Tenn., for the design and redevelopment of old, derelict city-owned cemetery in the city. Now totally useless as a cemetery, with headstones broken and scattered (the last burial took place before 1900), the site will be tastefully redeveloped as a park that retains the memorial character of the site. No graves will be disturbed or moved. Involves no land acquisition. When completed, the demonstration will make a new park asset out of a currently unusable piece of public land with a potentially blighting influence on the town and neighborhood.

The demonstration project includes a detailed examination of the scope of similar problems involving publicly owned cemeteries in other cities; a study of the complex legal issues involved in reuse; and model techniques for solving this difficult and often controversial land use probem. Many cities, both large and small, share this problem.

Since announcement of the demonstration project, numerous city officials from other communities have expressed interest in the project in hopes the results of this project will be applicable to similar problems in their community.

This project is scheduled for completion by the fall of 1968.

4. *To demonstrate how small towns can improve their physical appearance without large public expenditures through municipal codes.*—A $41,850 grant to the University of Arkansas to survey the experience of several small towns and prepare a how-to-do-it manual of model codes, enforcement standards, and procedures, and alternatives for action to facilitate improvements in physical appearance and design among communities not capable of large public investment programs. Involves no land acquisition or construction. The demonstration is aimed at providing for smaller communities range of alternatives, based on actual experience, that will make possible improvements in each community by guiding private investment through code requirements. The manual will be be completed in 1968 and made available to small communities throughout the Nation.

5. *To demonstrate improved systems for urban signs and lighting.*—A $368,712 grant to the Boston (Mass.) Redevelopment Authority to develop improved systems of public signs and lighting. Factors of legibility, esthetics, cost, and location will be systematically studied and pilot installations made on publicly owned land under a variety of environmental situations throughout the Boston area. The project will result on a set of model codes, prototype specificatons, and systems designs, for distribution and use by other cities. Involves no land acquisition. Project is scheduled for completion in early 1969.

Projects planned or under consideration

The Department has under consideration several title VII demonstration projects that would continue the program for focusing on major problems of open space, beautification, and historic preservation. Among projects now being studied are the first that would involve open space and historic preservation, under the expanded authority authorized by the Congress in 1966.

1. *To demonstrate the systematic large scale use of less-than-fee techniques in land purchases to preserve open space.*—There is almost no experience in the United States with the purchase of less than fee in the preservation of urban open spaces. Examples of scenic easements, conservation easements, and similar land use controls are scattered and small in scope, and largely confined to rural lands.

The potential savings from more widespread use of purchasing less than fee are large; land could stay on the tax rolls; and public budgets for open space could be made substantially more efficient.

In this demonstration the Department would propose, if possible, to share 50 percent of the costs of any less-than-fee acquisitions, plus all of the costs of the concurrent study and publication. It is Department policy to fund no more than 50 percent of any land acquisitions (either fee or less than fee) undertaken with demonstration authority, but to fund the bulk of related study costs. For projects involving large study costs and small acquisition costs, the authority to make grants up to 90 percent of total costs is essential, even though Federal contribution toward land acquisition will not exceed the regular 50-percent level typical of other grants under the program.

2. *To demonstrate how spaces in the interior of densely built up city blocks can be utilized for public open space in lieu of demolition to create needed recreational areas.*—In many central cities, older residential neighborhoods consist of houses constructed around the periphery of a block, with a central core area of alleys and other spaces that are largely derelict and unused. Some of this land is public, some private.

The proposed demonstration would seek to develop means for the development and utilization of such space as neighborhood open space, through joint public and private investments. The project might involve some acquisition of easements or leases to facilitate public improvements; it would involve strong involvement of local residents, and seek to encourage needed private rehabilitation

and investment in adjoining houses. The demonstration would also seek to involve close coordination of such environmental improvements with other public services in the community—code enforcement, housing rehabilitation, and so forth.

3. *To demonstrate the feasibility of historic preservation through donated or low-cost facade easements.*—Many communities throughout the Nation are establishing so-called historic areas and districts—collections of homes or neighborhoods having notable historic or architectural value and continuity. Old Alexandria, Virginia, and the Georgetown area of Washington, D.C., are examples of already successful such areas.

Historic districts zoning, which has served as the principal device for public support of such areas has practical and legal limits of effectiveness, especially where zoning is traditionally weak or where more rigorous public controls are necessary. The purchase or donation of so-called facade easements is a practical, but largely unused alternative, that does not involve public ownership of large numbers of buildings or structures.

The proposed demonstration would test the feasibility of systematically using facade easements as a construction and design control for historic preservation districts, where local governments have established such goals for their community. The demonstration would develop model legal instruments, ordinances, policies, and procedures to facilitate facade easements.

Use of the 90 percent authority

Authorization to make grants under title VII for the $1 million demonstration program up to 90 percent of total project costs is essential if the demonstration program is to be effective. Authorization to make grants above the regular 50-percent level permits the Federal Government to pay most of the costs of individual projects associated with the study and dissemination of the idea which the demonstration seeks to make available to others. Without authority to exceed the normal 50 percent Federal contribution, local governments must agree to share the costs of telling others about the project. Most communities cannot or will not assume that burden.

The Department does not intend to utilize the 90-percent flexibility in all cases. Grants toward land acquisition will normally not exceed 50 percent of costs. Without the 90-percent authority almost no projects that do not involve land acquisition can hope to succeed, since few communities will invest heavily in demonstrations whose payoff will be largely assigned to other applications.

Mr. BOLAND. Add the cost, the Federal cost.

Mr. LEWIS. Yes, sir.

Secretary WEAVER. And we will include a slight description.

Mr. FRANTZ. I think that was the first year for the program, but I will check that.

Mr. BOLAND. Why four? When was this authorized?

Mr. ROSS. The amendment for the demonstration was in the 1966 act, the Open Space Land Act.

Mr. BOLAND. The amendment was in 1966?

Mr. ROSS. I believe it was; yes.

Mr. EVINS. Mr. Secretary, you used the phrase "To help use." We want to help you, Mr. Secretary, but my thought was why not let the cities help themselves. Your program should generate the initiative, general local pride, local interest, and local participation.

Secretary WEAVER. Right. The only point is——

Mr. EVINS. If they want it bad enough, let them put up some money.

Secretary WEAVER. Insofar as the general program, insofar as what Mr. Boland is talking about where they want a park or open space, it is perfectly obvious they ought to put up 50 percent and this is what is in the law and what we accept. We do feel, however, there are instances where by taking some new approaches and trying out some new methods—I think the proof of this will be in the type of demonstration that we can supply, to see if you gentlemen think it is worth-

while, and I think you will. If you do, then we feel this ought to be financed.

Mr. BOLAND. Fine.

OTHER LANGUAGE CHANGES

Mr. EVINS. Next you want to eliminate the language on the expediters. Next is to delete the provision for review of applications by area-wide planning agencies under section 204. Then you want to provide for payment of participation sales insufficiencies. You state that because of variations in the timing of sales as well as variations in the rate of interest it is not possible to estimate the amount of the insufficiency with any certain accuracy.

Mr. FRANTZ. Yes.

PARTICIPATION SALES INSUFFICIENCIES

Mr. EVINS. I think that is one of the compelling reasons for the open end.

Mr. JONAS. But it is a fact that with the limitation we made last year you didn't even use all of that.

Mr. FRANTZ. That is true; yes.

Mr. JONAS. It didn't really handicap you last year to put a definite appropriation in the bill.

Mr. FRANTZ. I don't know that I could say that. It did handicap us in the sense of not having enought money—I should say it did not handicap us in that respect, but it did handicap this method of financing in the sense of leaving open a doubt in the mind of participation certificate holders as to future payments, as to where this money is going to come from, and when.

Mr. EVINS. You point out on the next page that the true point of control on the amount of insufficiencies is not the insufficiency appropriation itself but the sales authorization.

Mr. FRANTZ. Yes.

Mr. EVINS. When the Appropriations Committee sets the limit on the amount of participation sales, that is the control. They cannot sell more than that.

Then you want to set up the working capital fund which we talked about.

Mr. FRANTZ. Yes.

INVESTIGATIVE STAFF REPORT

Mr. EVINS. The report which our investigative staff made said:

> HUD is not too concerned on how the cities use the grant funds to finance local programs. HUD contends that the disposition of these funds is a local rather than a Federal responsibility.

It says you turn the money over to them and just let them use it as they want.

Secretary WEAVER. I think this is a question of judgment and of degree. It seems to me that there are two extremes. One extreme would be the one where we would do what that implies, just give it

to them, turn it over; the other would be where we would make a contract with the city and then just sit down and look over their shoulder every minute. I think what we have to do is somewhere in between there. I think one of the prices that you pay, potential price that you pay for the idea of decentralization of local control is there are going to be times when something goes wrong. I just saw somebody the other day, in one of the agencies dealing with us, got into some difficulty about some cash. Now, I am sure we could have gotten enough auditors, if we had enough personnel, and have prevented that, but I am also sure that too much of this would have stifled local initiative and many of the localities just aren't going to take that sort of thing. So I think inherent in the type of activity which we have, one of multilevels of government and one of coordination between and cooperation between local and Federal Government, that this is a risk that you take. I know from our point of view we are going to be criticized if we oversupervise, we are going to be criticized every time something goes wrong that we did not supervise enough.

As I said in another context earlier, it is much easier to decide Monday morning that you should not have thrown that pass in the fourth quarter. When you are out there quarterbacking you are under an entirely different set of circumstances. I don't say this could not be true, but I would certainly think any statement of that sort would have to be justified by setting forth the criteria and the value judgments on which it is based.

Mr. EVINS. If the Secretary is overzealous he would be criticized, if he is not active he would be criticized. I think you have a good balance here.

Mr. BOLAND. I think so. I think that is one of the beefs of the local communities, oversupervision.

Secretary WEAVER. Sure. We get this redtape argument thrown at us all the time.

Mr. BOLAND. Yes, all the time.

Secretary WEAVER. We get it even from our best friends, this criticism.

Mr. BOLAND. We get it, too.

Mr. EVINS. Mr. Baxter, did you have a statement?

Mr. BAXTER. I was going to make the statement that the Secretary just made, that we get the other kind of criticism from the local level that we sometimes supervise a little too much.

Mr. EVINS. A little too zealous.

Mr. BAXTER. But we do try to hit a happy medium on it.

Mr. EVINS. Mr. Secretary and members of your staff, we hope that these reviews are helpful. They are certainly intended to be constructive.

Mr. BOLAND. They are certainly necessary.

Mr. EVINS. They are part of the process.

Mr. BOLAND. As I have always done, I want to compliment this agency. I think this Department has done a fantastic job of bringing together numerous programs under very difficult circumstances. I think you do a very fine job and I thank all of you.

Secretary WEAVER. Thank you.

Mr. EVINS. Mr. Jonas?

Mr. JONAS. No questions. I have enjoyed the week.
Mr. EVINS. You join also in the bouquets?
Mr. JONAS. Yes.
Mr. EVINS. Thank you, gentlemen, very much.

WEDNESDAY, MARCH 27, 1968.

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

HON. CARL STOKES, MAYOR OF CLEVELAND, OHIO
HON. M. C. BENTON, MAYOR OF WINSTON-SALEM, N.C.
HON. JOSEPH McDOWELL, MAYOR OF KANSAS CITY, KANS.
HON. FLOYD HYDE, MAYOR OF FRESNO, CALIF.
HON. LEONARD ROGERS, MAYOR OF KNOXVILLE, TENN.
HON. IVAN ALLEN, MAYOR OF ATLANTA, GA.
HON. CLYDE ANDREWS, MAYOR OF MARIANNA, ARK.

Mr. EVINS. The committee will come to order, gentlemen.

The Subcommitee on Independent Offices and the Department of Housing and Urban Development has had extensive hearings on the several programs of HUD for the cities, and this committee thought it wise and appropriate that we call in a representative number of mayors across the country, from all sections, to get their views freely expressed on these programs.

We are delighted that you have come, gentlemen. Tell us your views on the various HUD programs, how they can be made to work, and what your problems are in your relationships with the Federal Government. We know you have problems in the cities and we wish you success in their solution. We know that money is not the answer to all the problems but sometimes appropriations can be of some help.

We will recognize these mayors as they are listed here. Mayor Carl Stokes of Cleveland, Ohio. Mayor, it is nice to see you and we would be pleased to hear you. Do you have a statement for the committee?

Mr. MINSHALL. Before Mr. Stokes proceeds I would like to make a comment, if I may.

Mr. EVINS. Surely. We have a very able and distinguished member of this committee from Ohio, Mr. Minshall, an expert on aviation and municipal problems. We think highly of him on this committee. He is a very valued member of this committee. If Mr. Minshall has further words, he may proceed.

Mr. MINSHALL. I want to thank you for your very kind comments.

I do want to welcome all these mayors to Washington, and especially Mayor Stokes from Cleveland. I want to also thank the chairman for giving me the opportunity of extending the invitation to Mayor Stokes to appear before this subcommittee. I know that the information he will give us will be very helpful. We are interested primarily, as the

Mayor knows, in getting these programs to work and we hope that you can accomplish just that.

All that we have on the subcommittee, Mr. Chairman, is some very humble advice. Other than that, it is just money. We will help you all we can and we wish you Godspeed, Mr. Mayor.

Thank you, Mr. Chairman.

Mr. EVINS. Mayor Stokes.

STATEMENT OF HON. CARL STOKES, MAYOR, CITY OF CLEVELAND, OHIO

Mayor STOKES. Mr. Chairman and members of the committee: Let me first express my own personal appreciation and that, I know, of my fellow mayors who are here, for the subcommittee giving us a chance to come and just chat with you informally about what, in fact, the relationship is of money to our problems.

Now, as the chair had indicated earlier, the problems that we are facing are not ones that money alone can solve. Money can help us solve them. We are trying, at least on the local level, in every community, and particularly in Cleveland, to do our maximum to try to raise the money funds ourselves. For instance, in the city of Cleveland we are nearing our maximum ability in raising property taxes. I would want to say to you that, along with some other confessions that I am going to make about my city, I think that there are some things we can do for ourselves in Cleveland that we are not doing. One of the things is in the area of taxes other than property tax. We have gone about as far as we can on our property taxes but we can do more and can do better by use of the income tax that is available to us. I want you to know that I have before our city council right now a request to increase our own income tax so that we, in fact, will be doing more ourselves. I want you to know that I recognize that obligation on the part of our city. When we come to the Federal Government we ought to be in a position to say that we have done as much as we can on the local level.

Now, if I may, let me go over just five items in the appropriation report for which I feel full appropriations are absolutely imperative and essential if we are going to cure these problems. I do it from the basis of the city of Cleveland.

In the area of public housing in my town where we have some 810,000 population, we have, by count, at least 50,000 substandard dwellings. To go along with that, although they are not necessarily correlated, we have over 50,000 people, composed mostly of mothers and children, who are in need of public housing. I think the committee is well aware that throughout the country and over the history of public housing the performance has not been the most that can be desired. For instance, in 30 years in Cleveland we have only built 7,500 units. Well, we could use 25,000 units right now, tomorrow.

For the families about which I am talking only public housing can meet their needs because of the economic status of these people.

One thing we are trying to do in Cleveland is: We have a public housing board on which five persons have been serving from 5 years to 25 years. Two of them resigned and I appointed two really dedicated, committed people. They are now conducting a nationwide search for a new executive director. We are going to instill dynamism, to the

extent possible, in public housing in the city of Cleveland. To do that, obviously and necessarily we are going to need money appropriations at the maximum.

Let me go quickly to the second area about which there is, I understand, some concern on the part of some of the Members of Congress. That is in the area of rent supplements.

I want to say that because of the urban crisis that is reflected in Cleveland, as it is elsewhere, we now find all kinds of groups interested in housing and willing to get involved in it personally, themselves, who never were before. We find on the part of our business groups, who only had given nominal attention to housing before, a recognition that this is one of the basic factors that something has to be done about. We have, for instance, in our city, five banks that have pooled together their funds to provide a revolving fund for the construction and rehabilitation of low-income housing. We have such groups as the Interfaith Housing Corp. which is essentially a Jewish and Protestant group coming together to pool their resources to try to work in this area. We have an association called HOPE, essentially Protestant. I can, through you, express our appreciation to Congress because HOPE got the first rent supplement to the nation, amounting to some $100,000 and their project is going well. In addition, the Catholic Archdiocese has personally committed itself to a $5 million program. It has already appropriated some $500,000 in this regard.

The exciting thing about it to me is that the different kinds of groups from the private sector, that never before had been involved in this problem in the central city, now are getting involved. They have to know, however, that once they get started on plans that there is going to be available the kind of Federal moneys necessary to, in fact, make their involvement a reality.

Thirdly, let me touch on the area of urban renewal, the need for its maximum appropriation.

In Cleveland alone, if we were able to have available to us the amount of money that, in fact, we have the capability to carry out programs for, we would be talking about a minimum amount of $50 million. Our downtown program, the Tremont area near the West Side, the Glenville project, University-Euclid, and Erieview. I am just talking about the first phases of these different programs.

Let me candidly confess to you that we have had in the past an urban renewal program of which we are not proud. We overextended ourselves. We did not have the capacity to carry out the programs for which we were authorized and we wound up with a situation that Congressman Minshall and myself and none of the citizenry in Cleveland have been proud of. Just as in public housing, we have taken a new approach on this. We conducted a 3-month nationwide search to find our urban renewal director. I went to the city council and got his salary ban raised so that he now earns $5,000 more than I earn myself. This is the kind of commitment we have about having a real professional to demonstrate and to exercise the capability to carry out this program. We are now, with Director Green and the staff he is assembling, unquestionably able, given the additional funding necessary, to carry out the projects that we presently have. In my own case in Cleveland, for instance, I am not asking for new programs, new projects. Rather, I recognize our responsibility to carry out an ambi-

tious program that we already have and that has not been successfully completed.

Fourthly, let me just touch on model cities. In relationship to the model cities program, Cleveland's history once again is one of which I am not proud. We were rejected on the first round of model cities. Since I have been in office, in November, we have had a group working to come up with an imaginative, innovative program and we will be submitting it by the April 15 deadline.

In this regard, our proposed model cities plan covers about seven wards and includes about 6 percent of the city's population. I will be talking, in other words, of about 47,000 people. It stretches almost from the foot of Lake Erie across to where our industrial valley begins, East 55th Street, Congressman Minshall. Now, we will go from Ed Turk's ward down by the lake, taking in part of the downtown area, right across to the far boundaries of Mr. Carr's 17th ward. In part of it we are going to what is called the University-Euclid area wherein our complex of Case Western Reserve University, Art Museum, Health Museum—we probably have a complex of the greatest number of diverse cultural, educational, and health institutions anywhere in the country. This includes, by the way, Boston or any of our California areas.

Now, one of the things that we feel basic about is the need for full appropriations for model cities. If we, in fact, are funded (let's assume that Cleveland's application is accepted), at about $238,000 for planning; if we go out into the model city area, and do the citizen participation required and that we want to do; and if for 12 months we do the planning, then if at the end of that 12-month period we turn around and there aren't any funds for implementation, this will become a major illustration of frustrated hopes on the part of people in the inner city. This has already reflected itself, for instance, in the recent Commission on Civil Disorders report. The model cities program focuses almost entirely on citizen participation. I am telling you that I just shudder, as I approach the April 15 deadline in the submission of our plan, that if we are then funded and we involve our community (as I would be determined to do, even as we are involving them in the application itself), and then turn around 12 months later and there aren't any funds for implementation, just the reaction of it, gentlemen, is something that I know would be catastrophic.

Finally, let me just touch on neighborhood centers or, as they are called in the bill, neighborhood facilities.

We have one center in our now well known Hough area that is under construction. It is going to be available to the citizens this summer. It as a multipurpose center. Once again I hate to join other people who are always saying we need more but, God knows, people just arent's going to come to city hall. It is hard to get them to go to agencies as such. If they are really to be provided a service for which they do not have the sophistication or the motivation or the belief in city hall, to go where they not only can get help—and the fact is that they need help—we should provide help for them. This is the great argument for neighborhood facilities—to go to the people. It is basic; we need one, Congressman, over in the Tremont area, the near west side. We need one out in Glenville. There is not a health center there. Now, in the Mount Pleasant-Lee-Harvard area which encompasses over 100,000

people on the East Side, there isn't even a health center out there. Any of the people there who want to get any of the city's services would have to travel down to the lower Buckeye area or far over on Miles Avenue around 126th Street. There just isn't anything out there. The problems of transportation are great and they argue for these neighborhood facilities.

I guess, just like any other mayor, I could tell you that we could use 10 of them, but I would say that we can demonstrate without any problem that five such centers are needed urgently. The need for them can be demonstrated beyond possibility of anyone refuting it. Those are the five areas of basic concern that I want to stress, and hopefully, the subcommittee would see fit to make the full funding for these programs.

I can tell you, as I read the Kerner Report, without getting involved in their much-publicized white racism aspect—and it is too bad that the report which is so full of meat and good findings is only being talked about because of one sentence. I am telling you, at least in my city, that unless we are able, under the present programs, to have the funding to make demonstrable impact and progress in these areas—and this whole thing about racism has nothing to do with it—we then have a serious problem. I am talking about a health center in Mount Pleasant, about a whole area that is involved in trying to renew itself.

I am talking about rehabilitating homes, putting some tot-lots in, that kind of day-to-day thing. That is the kind of thing that I say, that if I cannot undertake them in Cleveland, if we can't do that throughout the country, we may not be able to aovid that possible problem this summer.

FEDERAL ASSISTANCE FOR CERTAIN HUD PROGRAMS

Mr. Evins. Mr. Mayor, we thank you for a very fine and very impressive statement. I like your comments regarding local participation, local contribution and local initiative. We all recognize there are massive problems in the city today. This committee is well aware of them. We have heard much testimony and we are convinced that they can't all be solved here in Washington and they can't be solved by money alone. This committee wants to be generous and we want to help, but it is going to take local leadership. We think you are going to provide that local leadership in your area.

Now, regarding urban renewal, we have had testimony here that you had a very ambitious program in Cleveland, it was the biggest of any city in the Nation. It was so ambitious that, as you recognize, it did not succeed. It has had to be refined. I understand now it is getting back on the track.

For the record, at this point in the field of public housing which we have had for 30 years or more now, there are 712,000 units throughout the country in occupancy. They are asking for 75,000 more units for 1969, so that at the end of 1969 there will be 787,000 public housing units. We are approaching 1 million public housing units in the United States.

The annual Federal contribution for public housing has been about $265 to $275 million a year. In 1969 the total contract contributions to public housing will be $358 million.

For urban renewal—we have been funding this on an advance basis—we have provided $750 million a year for several years. The cumulative grants approved total $6,966 million by 1968, plus they are asking for $1,249 million in 1969, for a total cumulative urban renewal grant figure of $8,215 million through 1969. This involves 2,620 projects. This committee takes a great deal of pride in the contribution that we have made and that the Congress has made. But the press continues to say that the Congress is doing nothing.

We feel the record should show that $8,215 million has been provided for urban renewal throughout the country.

In the new rent supplement program through 1968 we will have approved $42 million in contract authority and in 1969 they are asking for $65 million more. There hasn't been a figure decided upon but if the full amount were approved it would be a total of $107 million, and this program is only 2 or 3 years old. This program is designed to utilize private initiative and private ownership, where the properties remain on the tax rolls in the communities.

I want to thank you for your statement which was very impressive.

Mr. Minshall?

Mr. MINSHALL. Mr. Chairman, I would like to commend Mayor Stokes on an excellent statement. You have done yourself proud. I know that the committee will gain much from what you have told us this morning.

Mr. Mayor, I presume you are familiar with the General Accounting Office report about the Department of Housing and Urban Development in Cleveland, Ohio.

Mayor STOKES. Back in September of 1967?

Mr. MINSHALL. No. I am referring to the report of January 9 of this year.

Mayor STOKES. Yes.

Mr. MINSHALL. I am sure that should be a guide for your future plans in Cleveland. You have a tremendous problem ahead of you. As you are well aware, a year ago last February I attempted to get this program off dead center when the Housing Department, Dr. Weaver, came up with his 16-point letter that has since been rescinded. I am glad to see that this program is progressing. I hope that you will carry it on to its proper end. We here in Washington, of course, as the Chairman has told you, are operating under very austere budget limitations. We will make very effort to give our worldwide commitments every consideration along with our domestic concerns.

Of course, our primary concern is the taxpayer of America. But again I want to commend you on a very fine statement.

Mayor STOKES. Thank you.

Mr. MINSHALL. We wish you well for the future.

Mr. EVINS. Thank you, Mr. Minshall.

Mr. Boland, do you have any questions?

PRIORITY OF HOUSING PROGRAMS

Mr. BOLAND. I want to join with the Chairman and Mr. Minshall in complimenting Mayor Stokes on his appearance and his statement. There isn't any question about the fact that the mayors of large cities perhaps are facing one of the most difficult problems that any other

segment or level or our society has to face. I think perhaps because of that experience, their knowledge is extremely important to those of us who do appropriate for the programs that are essential if we are going to avoid some of the catastrophic occurrences that have occurred and will occur in the future.

Mayor Stokes, if you were to put a priority on any particular program, the most important program in helping to meet the problems of the cities, what would you say it would be?

Mayor STOKES. Housing.

Mr. BOLAND. I would agree. The chairman has given some impressive figures on what has been done in public housing over the years and what has been done in urban renewal and what will be done in model cities. I am sure that many of these programs will be carried out and funded. I hope they will be sufficiently funded.

Public housing, as I understand it, started some time before I came to Congress. It was started in the United States by the Housing Act of 1937 which provided for low-rent public housing. Seven hundred eighty-seven thousand public housing units sounds good if you say it fast. But you should apply the 787,000 units to the real need of this Nation. The testimony that has been developed by this committee over the years, and again this year, indicates that there are some 8.5 million substandard houses in the United States. I have sat in this committee for some years now. Public housing has not been very well accepted by the Congress nor has it been by this committee in some instances, some time ago. There has been an improvement in providing for particular units over the years but, at least from my sitting on this committee and sitting in the Congress, we have had some real struggles with public housing.

We suddenly arrive at a time when there is a realization on the part of those who are responsible for conducting the affairs of a city that this is one of the most important problems affecting our cities and they ought to do something about it. That is one of the reasons why we are progressing a little more rapidly now. In my judgment, if we had progressed a little more rapidly in years gone by to meet those problems we might be better off. And so there is a necessity for Congress to recognize this and I think Congress is recognizing it now.

When the mayors of the cities of this Nation come here to tell us what their problems are and how we are to solve these problems, we are delighted to listen to them because these problems are never going to be solved without cooperation on the part of everyone at all levels of government—State, National, local, county, and, of course, the partnership that must be assumed by private enterprise itself. I am delighted to learn that in your particular city there is a partnership with the labor organizations, church organizations, private business, insurance companies, and banks, who now recognize what the problem is.

I have spent some time in Cleveland. I think it is one of the finest cities I have ever been in. It can be one of the finest cities in America. It has a magnificent setting on the shores of Lake Erie. I am familiar with the Euclid area, with the Hough area, and I know there are problems there. I know under your leadership Cleveland is moving ahead to solve them.

Again I appreciate your appearance here, and the mayors of the communities who will appear before this committee.

Thank you very much.

Mr. EVINS. Thank you.

Mr. Shipley, do you have questions?

RECREATION PROGRAMS IN CLEVELAND

Mr. SHIPLEY. What are you doing in the field of recreation?

Mayor STOKES. Presently pending, we have been trying to take advantage of the open space program.

Mr. SHIPLEY. That is what I have in mind. Have you participated in any grants through the open space program?

Mayor STOKES. We have a grant pending which has not yet been approved. The request is for around $350,000. We have been working with the Chicago regional people on this. It looks as though we are going to get approval for at least a part of it. Recreation, as the Congressman knows, is most basic. Fortunately, last year in the middle of the Hough area we were approved and funded for a recreational center which will be open and available to the youngsters this year. But this is another reason, if I may just touch, on S. 3029 which is pending over in the Senate, that would permit the sort of block demonstration urban renewal program which is vital and important. We would be able, with our school board—which is an autonomous unit in the city of Cleveland—to go into a given block area where the school board is planning to and wants to build a school and to declare that area as an urban renewal site. Thus in our spending for recreational purposes would join with the school in a project that would afford a recreational facility for the school and at the same time be available for community purposes. Quite frankly, since it would be an urban renewal area, the construction of the school itself would give us credit that would be available to match Federal moneys in either that project or in other projects in the city. This is one of the reasons we pushed heavily for the passage of the substantive bill over there.

We will have in operation this year seven additional tot-lots in our most economically deprived areas, which come totally from private funds such as the junior chamber of commerce which raised money for this purpose. So the recreation aspects, we think, are basic and we are moving on that.

Mr. SHIPLEY. I think they are necessary and I am sure that all these cities realize this. I am sure that we all recognize that even in these critical times money should be spent for recreation.

That is all I have.

Mr. EVINS. Mr. Pryor?

Mr. PRYOR. I have no questions, but I want to commend the mayor for a very fine statement.

Mr. EVINS. Mr. Jonas?

CLEVELAND TAX RATE

Mr. JONAS. I would like to join the others in the compliments and the welcomes.

Mayor Stokes, what is the tax rate in Cleveland?

Mayor STOKES. Our millage is about 49.5.

Mr. JONAS. Mills per what?

Mayor STOKES. Per thousand.

Mr. TALCOTT. Not mills per thousand? Just a minute, I did not understand that. If it is mills per thousand, then I am way out in left field. I can't believe that that is an accurate figure.

Mayor STOKES. Congressman, let me get back to you for the specifics on that. It is obviously per $100 valuation, rather than per $1,000.

Mr. JONAS. When you correct your transcript put in the tax rate per $100 valuation or per $1,000 valuation.

Mayor STOKES. I will get that for you and I will get it in comparative manner, comparing with other areas in Ohio.

Mr. JONAS. You may do that if you want.

(The information follows:)

TOTAL PROPERTY TAX RATES FOR 1968 COLLECTION FOR THE 8 LARGEST OHIO CITIES

1968 ranking	Population, Jan. 1, 1967, estimate	Tax rate, 1968 collection (mills)	Change from 1967 (mills)
1. Cleveland	825,436	55.10	+2.20
2. Dayton	267,403	46.20	−0.20
3. Cincinnati	500,496	43.94	+.54
4. Akron	299,658	41.20	−.24
5. Columbus	544,016	38.00	−.10
6. Youngstown	164,821	37.60	+.60
7. Canton	116,539	36.20	+1.90
8. Toledo	391,453	35.70	−2.00

Source: Tax rates, city finance directors and city auditors; Population, Economic Research Division, Ohio Department of Development.

Mr. JONAS. Is that your only source of revenue now?

Mayor STOKES. We lean most heavily on the property tax. We presently have one-half of 1 percent income tax.

Mr. JONAS. Do you have a sales tax?

Mayor STOKES. We have a sales tax in the State of Ohio.

Mr. JONAS. I mean in the city.

Mayor STOKES. We do not have one in the city.

APPLICATIONS FOR PUBLIC HOUSING UNITS

Mr. JONAS. You said Cleveland only has 7,400 public housing units and could use 20,000. Do you have any applications with the Public Housing Administration for additional units?

Mayor STOKES. Oh, yes, sir.

Mr. JONAS. How many?

Mayor STOKES. In fact, we have an application in for 2,500 units, including an authorization for some 1,400 in the Dike project, which has been pending for some 4 or more years. As a consequence, the authorization for those units in the Dike project now is terribly inadequate because of our failure to move ahead when the Department had authorized the units.

We now are faced with a very real problem of how to construct these units under the original authorization when construction costs have increased so much.

Mr. JONAS. You said you have one rent supplement project underway. Do you mean it is occupied?

Mayor STOKES. The whole project is already occupied. We have a second rent supplement project, one sponsored by the meatcutters and building service people. It will be ready for occupancy almost imminently.

Mr. JONAS. Is that new construction?

Mayor STOKES. New construction.

Mr. JONAS. The one already occupied, is that new or a rehabilitation?

Mayor STOKES. Rehabilitation, and it is occupied.

RENT CERTIFICATE PROGRAM

Mr. JONAS. Of course, you know many cities are using the rent certificate program. Some people call it instant public housing, under which the Public Housing Administration can place people in the housing immediately upon rehabilitating the unit. Are you using any of that?

Mayor STOKES. Are you talking about leased housing?

Mr. JONAS. Yes.

Mayor STOKES. I am glad you raised that, Congressman, because this, too, represents a difference in our attitude in Cleveland at this time. Formerly, the city council of Cleveland had by ordinance declared that the lease housing program could be used only in urban renewal areas. In our city that meant no use, because those areas which had been designated for urban renewal projects were, of course, the most terribly decayed, deteriorated sections and any decent housing in them was already being occupied. That housing which was not occupied wasn't fit for habitation. But because the housing authority was limited to the urban renewal areas, no advantage was being taken, or could be taken, of any available housing outside of that.

Mr. JONAS. Has that ordinance been changed now?

Mayor STOKES. On Monday night an ordinance was introduced at my request and it was accepted by the council. It broadens the area in what we call those areas which have been designated for future urban renewal or code enforcement. This is going to afford us a much desired wider expanse of available housing.

Mr. JONAS. I commend it to your consideration because the record will show that the Public Housing Administration has housed far more people under this program than it has housed in rent supplement programs in the comparable period of time. It is quicker, faster, it does not involve razing areas of dwellings and throwing people out of dwellings, that is, throwing people out of the housing they have. It contemplates the rehabilitation of existing housing. If your main problem is housing, I think you can house people far quicker under this rent certificate program. The Public Housing Administration has never had any trouble getting whatever money it needs through the Congress. It has handled public housing, it is ready to go, it is an ongoing program, and it doesn't have the controversial aspects that this rent supplement program has, which is now barely getting off the ground. Practically all of the people that are in the rent supplement projects are in rehabilitated housing instead of new construction.

I would suggest that you look into that if you are not familiar with it because I believe it will come nearer solving your immediate needs

for standard housing than to wait on the tortuous course of future appropriations for rent supplements.

Now, do you have in your center, in the so-called slum areas, any vacant land that you can use for public housing or rent supplement construction projects?

Mayor STOKES. Yes, sir.

Mr. JONAS. Vacant land?

Mayor STOKES. Yes.

Mr. JONAS. Much?

Mayor STOKES. Not much.

Mr. JONAS. I am talking now about putting the housing where the people are and where they work instead of putting it in some remote section of the city, which would involve moving and which would involve problems of getting to and from work. Do you have substantial amounts of vacant land in these areas where the housing is needed?

Mayor STOKES. Congressman, we have available some vacant land in Cleveland. I think we may be unique in this because we have some land in the actual slum areas—Congressman Minshall, I am now talking about the East Woodland area. It had originally gone through a series of use changes three times, and nothing at all was done with it. Finally it resulted in a lawsuit by the citizens of the area and the case will be heard this first week in April. We think that the Supreme Court is going to sustain us. We then are going back to use it for housing instead of the industrial use to which it had been changed. We have some 49 acres available there.

Mr. JONAS. You mean without razing any buildings?

Mayor STOKES. You would have to raze some buildings but you would not have a high displacement factor.

Mr. JONAS. Do you have any absolutely vacant land?

Mayor STOKES. We have some absolutely vacant land in an area called Gladstone. Essentially, it is in the heart of the slum area but it is adjacent to one of our new institutions, Cuyahoga Community College. It is not zoned only for industrial use but we think we ought to use it for industrial purposes because we must have some kind of tax base. Out in another part of the city, we do have some land which is owned by the city—some 67 acres, that is free and clear. It is all cleared land. For instance, we want and have plans right now to go in and build single-family public housing for ultimate ownership under the program. In that sense, I think even though these are modest parcels, they contain probably more land than you are going to find in most large cities.

Mr. JONAS. This 67 acres is owned by the city?

Mayor STOKES. It is owned by the city right now.

Mr. JONAS. Of course, there are two problems involved. Personally, I would like to see people moved out of the slum areas and to break up these slum areas altogether by dispersal, but that involves the question of considering where they work, their transportation, the accessibility to shopping centers, and so forth, plus the natural reluctance of people who have lived in one section to move to a new one. So you have a real problem and I just wanted the record to show whether you do have, and the extent to which you have, vacant land in these slums areas that can be utilized without displacing a lot of people in doing it.

Mayor STOKES. Mr. Chairman, could I respond briefly?

Mr. EVINS. Yes.

Mayor STOKES. Mr. Congressman, let me say this is one of the reasons that we want to develop Gladstone for industrial purposes. Gladstone has lain fallow for some 12 years, but is right there proximate to the areas from which, if we put the right kinds of businesses and industries in, we can draw the employment right from this area.

Congressman Minshall, we are going to have some problems about our post office in regard to this, but let me go back, if I may, to the lease housing program.

Let me say that we fought hard and almost had to get this ordinance surreptitiously through the council in order to broaden the scope and the availability of the use for lease housing.

We see it as a very basic and immediate and helpful tool, but it must be just that, a tool. It must be one of the ways in which we go about approaching this problem of finding quick housing.

I may say to the committee that in this sense we were able to bring in the real estate interests, the Apartment and Homeowners Association, to show them what this meant economically to them, to get them to back the broadening of the use of this program.

So I am personally committed to it and we have been able to convince others about the need for it.

Mr. JONAS. I think it is a very valuable tool and I am surprised it hasn't been used more extensively. I don't think it has gotten the publicity that the rent supplement program has received. There seems to be more glamour about rent supplements. It has been sold by the Department of Housing. I haven't seen much effort on the part of the Department to sell the rent certificate program which utilizes existing housing, rehabilitates it, and keeps it on the tax rolls. Private enterprise is involved and it offers, I think, instant housing which far exceeds the rent supplement program.

Only one other question. You have recommended full funding for model cities. You are aware, I assume, that only $200 million of the funds requested for model cities for 1969 is for use in the second group of cities, and $300 million of the request wouldn't be available to you anyway if Cleveland is selected because it is going to finance the second stage of the plans of the first group of cities. So if you find in the final analysis that Congress didn't put up the whole amount requested, I hope you will not be too concerned because you are only interested in the $200 million because that is the only fund out of which your project could be funded anyway.

Mayor STOKES. Isn't there an additional $500 million requested to go over into the urban renewal aspect of it?

Mr. JONAS. Yes, there is an additional five, but that is urban renewal within model cities.

Mr. EVINS. Mr. Talcott?

IMPORTANCE OF LOCAL CONTRIBUTIONS

Mr. TALCOTT. I have a couple of questions. It seems to me that one of the problems of our cities, the large cities and the little cities, is that the people come into them and use them parasitically. They really

use the city for what they can get out of it, not for what they can put into it; they are seeking better and cheaper schools, transportation, better jobs, better recreation, better social and religious opportunities, better medical and health facilities, and some of these are not only better but cheaper, and also they seek higher paid jobs available in the cities.

The people in the cities have the attitude that the more they can get out of the city the better, without considering what they should contribute. I think the mayors and other leaders of the cities have an important obligation to convince every single person, from the lowly paid to the highly paid, from the educated to the uneducated, that everybody must contribute more than they take out, or consume, in order for their city to improve or progress. This is what I would be interested in knowing from the mayors: how can they encourage their own local citizens to contribute to the improvement of their city. Unfortunately, mayors spend as much time coming to Washington as they do, I think, in encouraging or motivating the individual citizen, individual businesses, individual propertyowners to improve their own city. I am anxious to see the breakdown of the property tax in Cleveland so we can get a better idea of what the people in Cleveland are actually doing to help themselves.

Mayor Alioto in San Francisco has committed a form of heresy, I suppose, when he suggested a commuter tax, or a business employees tax for those people who work in the city, take money out of the city, without paying any tax and then live in the suburbs. I think this is a problem that all city people and every city official must consider promply. Now, those are just comments.

I have two questions, Mayor Stokes.

You say that housing is the most important problem. Would you consider ownership housing or rental housing the most valuable kind of housing to have in a city?

Mayor STOKES. Of course, my response on housing was if you had to take a priority, if you had to take an "either or" kind of situation, where would you put your emphasis? I said on housing.

Mr. TALCOTT. I would put primary emphasis on education, far above housing, because if people are better educated they can afford better housing. Now, you can put it on housing. I am interested in whether your emphasis would be on housing ownership or housing rental.

Mayor STOKES. If I had everything ideally, I would say homeownership, of course.

Mr. TALCOTT. Would you say this is the emphasis we in the Congress should try to place on developing programs that would provide opportunities for homeownership or opportunities for home rental?

Mayor STOKES. Congressman, with all due respect, I just can't believe that when you are talking about housing at the economic level of persons we are talking about, that a priority between those two would have to be established. It seems to me that at the same time you provide opportunities for rental of quality housing, you would also include in the concept eventual ownership of that housing by the same people.

Mr. TALCOTT. In the Congress there has been very little emphasis on homeownership. FHA has been a good program, has provided a

lot of homeownership; but the low-level economic group I think we haven't even yet tried to develop a program to provide homeownership for these low-income people. I think this is where the emphasis should be. But if you emphasis is on rental, I am interested in finding that out.

Mayor STOKES. You have a program for low-income people to own housing.

Mr. TALCOTT. A minimal thing.

Mayor STOKES. It needs to be beefed up considerably.

Mr. TALCOTT. All right. I think I have your idea on home rental and homeownership.

Could I ask one other question, Mr. Chairman?

Mr. EVINS. Yes, Mr. Talcott.

Mr. TALCOTT. What provisions has the city of Cleveland provided for the young people to play soccer? This is an indicative question for me.

Mr. STOKES. Play soccer, or any other kind of sport?

Mr. TALCOTT. I am thinking of soccer. The reason I am talking about soccer is that I feel baseball, football, and basketball are often pretty expensive for the poor kids or their families, and, additionally, there are many other limitations; in basketball you have to be big and tall, in football you have to be big and tough; in baseball you have to have special skills; all require a lot of equipment. If you are really interested in providing the poor and disadvantaged kids with an opportunity to participate in competitive sports, I would think the number of soccer fields would be a good indicator of your progress.

TAX REVENUE IN CLEVELAND

Mayor STOKES. All right. Let me first say, because Congressman Minshall just made available to me our total tax revenue, that our property tax comes to $55.10 per $1,000. That is broken down in this way: $26 going to our schools; $19.90 going to the city, itself; $9 going to the county; and 20 cents going to the State, for a total of $55.10 per $1,000.

RECREATION FACILITIES

Mr. TALCOTT. For the record, I don't expect you to know the nummer of soccer fields in your town, but if you would provide this for me I think this would be a pretty good indication of how interested you are in providing good, competitive, healthful exercise; recreation, leisuretime activities for the poor and disadvantaged kids. See how much opposition you have from the professional football, baseball, and basketball industry, and see whose side you are on.

Mayor STOKES. Congressman, let me say this: Interestingly enough, for the first time soccer has come to Cleveland and the name of the team happens to be the Stokers. It is purely coincidental. It came last year as a most opportune thing, at a most opportune time, because I was running. I was flattered, in fact, that some people thought I owned the team. The ownership of the team changed hands after only about 6 months because of the fact they found it to be not a popular spectator sport in Cleveland.

Mr. TALCOTT. This is part of the leadership that I am concerned about. It is a very popular spectator sport in most countries of the world. One of the reasons it is not popular in this country is because basketball, baseball, and football are pretty much opposed for economic reasons, they have good leadership.

Mayor STOKES. Yes. Well, I have a new director by the name of Edward Baugh who happens to be a soccer fan. He has indicated in his plans for recreational areas this summer that we combine soccer as one of our programs. I hope to be able to come back to you, after the summer, and at least relate how these kids in the inner city enjoyed that sport and the extent to which we were able to implement it as part of our total recreational program.

Mr. TALCOTT. You see, a poor kid can play soccer with a cheap pair of tennis shoes and an inexpensive soccer ball.

Mr. EVINS. It seems Mayor Stokes and Congressman Talcott are both interested in soccer.

Thank you, Mr. Mayor.

Mayor Benton, of Winston-Salem, N.C. We are glad to have you here, Mr. Mayor. We have a valuable member on this committee from North Carolina, Mr. Jonas.

STATEMENT OF HON. M. C. BENTON, JR.,
MAYOR, WINSTON-SALEM, N.C.

Mayor BENTON. Yes, sir. He is from our sister city of Charlotte. Anything I say in the way of bragging for Winston-Salem, I hope he won't hold it too much against me.

Mr. JONAS. Winston-Salem is a fine city. We are happy to have the mayor here today.

Mayor BENTON. Mr. Chairman and Congressmen, it is certainly a pleasure for me to be with you. I would like to thank you, first, for giving all the mayors an opportunity to be heard. I understand that this is somewhat of an unusual procedure and that this might be preferential treatment.

Winston-Salem, like most of the cities across the country, has grown more or less like Topsy. Our streets followed the cowpaths, the pig trails, and so forth, and there was an absence of planning, I am sure, in the early days. I don't believe that our city or other cities across the country should bear the entire blame or be accused of a lack of planning or inaction, entirely, because in the State of North Carolina we receive our authority from the State government, as most other States. We are rather limited as far as resources are concerned, particularly in our taxing authority, in that we are limited primarily to property tax for our revenues to operate the city.

The leading municipalities in North Carolina have for many years now attempted to broaden this tax base through perhaps a sales tax or payroll tax for those who live out of town and work in the city and who are dependent on the city and make no contributions toward it; an income tax or some other form of taxation to supplement the funds that we receive now from property taxes.

I might give you just a brief profile of the city.

We have around 143,000 people at this time. We have a 5-year annexation plan going through 1972 which will add another 20,000, putting us close to 165,000 by 1972.

About 33 percent of our population is composed of colored people. The other 67 percent are white. We were twice an all-American city, if that can be credited to us.

We are now a model city, thanks to you gentlemen in Congress and others who made that program available to us.

But in spite of all of this, we had a small riot last November. We have some 9,000 substandard housing units in the city at this time. We have 1,538 public housing units out of your 712,000 across the country. We could use, our housing committee tells us, about 3,000 more public housing units for low-income groups. We have tried to do all possible in the way of improving race relations and human relations over the last few years. I have been in office since 1963, and in that time we formed many committees, the biracial good will committee has done much toward the improvement of race relations. In the last few months, we tried to attack our problems on an overall basis, thinking in terms of the total approach, what we call people planning, if you will. To do that we have an employment committee which I would like to discuss a little further with you, a housing committee, a youth problems committee or a dropout committee, which is an education committee basically on what the youth problems are. We have an antipoverty program. Our antipoverty agency is called the experiment in self-reliance. We have a full-fledged recreation program but we do not have soccer in Winston-Salem to any great degree. I doubt if the boys and girls know much about playing the game.

I agree that we could certainly expand into that area, however.

Realizing that law enforcement is probably one of the keys to good community relations and progress, we have a community services unit in the police department which attempts in every way possible to do two things: No. 1, to concentrate its efforts on preventive measures rather than enforcement measures. In order to change the image of the law enforcement officer, that is one of our goals, and to show the helping hand as much as possible.

In addition, we have what we call a police community relations committee that serves more or less as a sounding board and makes recommendations to the police department.

With all of this, we are very dependent on Federal programs. This is a fact of life that we can't ignore. With all the attempts to help ourselves, we find that we must come to Washington on occasion. If you will turn to page 11 of the statement that you have before you, I will just briefly outline some of the programs we now have pending.

The total amounts to over $27 million.

First is an urban renewal area covering some 700 or 800 acres. We are talking about rehabilitation more than we are clearing and completely eliminating structures there now. This is a rehabilitation and conservation project. It is in the model cities area. There are two additional projects in urban renewal in the area, one which will be predominantly a clearance program and amounts to close to $2 million, and another one for $4 million.

Then we have a block in the downtown area and we do have a downtown project, central business district renewal project. Unfortunately, the money hasn't been appropriated for that. Another for which money has been appropriated is an urban renewal project to provide a site for the new hall of justice because we have had some recent changes in our court structure in the State of North Carolina, as Congressman Jonas is familiar with. This will cost approximately $2 million. In addition to that, our first federally assisted code enforcement project amounting to some $2 million. Then, in the low-rent public housing area, we have recently submitted a request for a preliminary loan for construction of 1,000 units. This will take about $150,000 for planning only.

We submitted an application in October of 1965 for 400 units of housing for the elderly, and we are awaiting the funding on this, the appropriation amounting to some $6,287,000 for these 400 units.

We will submit within the next couple of months an application for some assistance with our city waste water treatment plant. It is a $6 million plant and our estimate of the request for assistance amounts to $2 million from the Federal Government.

In neighborhood facilities, we have actually in the planning stage some five community centers. One of these centers is already in operation. We are going to request funds within the next few weeks for another one in the model cities area.

Mr. EVINS. Gentlemen, this is Mr. Mahon, our distinguished full committee chairman.

Have a seat, Mr. Chairman. This is Mayor Benton of Winston-Salem, N.C.

Mr. MAHON. Gentlemen.

Mr. EVINS. Would you like to make a statement now or just listen to the mayors?

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

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. Mr. Mahon.

Mr. MAHON. I hesitate to interrupt the proceedings, but I would like to say a few words to the mayors and to anyone who may read this record.

SERIOUSNESS OF FEDERAL FISCAL SITUATION

We are in a grave fiscal crisis. People abroad are losing confidence in the dollar and people at home are losing confidence in the dollar and in the stability of our economy. This poses a very serious threat to all our citizens but especially to the welfare of the poor.

We all recognize the fact that we are confronted with major problems on every hand. The mayors of our cities have most difficult problems and there are no easy answers.

COMMENTS OF CHAIRMAN MAHON ON PRESIDENT'S RIOT COMMISSION REPORT

I have expressed the fear that the report of the so-called Riot Commission might tend to divide our people rather than unite them. The

report tends to indicate that we are divided into two hostile camps, the white on the one side and the Negro on the other; that if we are not that way now we are approaching it. There are some extremists in both camps but there is a tremendous reservoir of goodwill.

The report did not place sufficient emphasis on the importance of maintaining law and order, a prerequisite for progress and stability.

Another thing, we musn't raise false and unrealistic hopes. Parents mustn't raise false hopes in their children. The child must understand that the way to succeed is hard and difficult and demands sacrifice. We should not raise false hopes among segments of our population. There is no easy answer to the problems which confront us. The answer is not money, money, money.

The report tended to leave the impression that the expenditure of huge sums of Federal money is the major answer to the problem of the cities.

The report did not make it crystal clear that a sharp increase in taxes would be necessary to pay for the programs which were proposed.

Mayor Lindsay, Vice Chairman of the Commission, said some months ago, I believe, that he thought it would take $50 billion to meet the requirements of the city of New York alone. Well, there is no such availability of Federal funds. If we should try to embrace an all-out program of the magnitude suggested by the report of subsidizing the cities and eliminating blight, the cost would be so great that the economic downfall of Britain would look like peanuts compared to the economic downfall of this country.

I think that we all ought to realize the Federal Government is trying to do something now in this area. In 1960 we provided about $9,500 million for aid to the poor in one form or another, not all of it aid to cities. In 1963, the last year under President Kennedy, we provided about $12,500 million. This year the sum is over $24 billion in aid to the poor in all its aspects and ramifications.

The President is requesting a $27,700 million program in aid to the poor for the next year. The report did not take account of these efforts.

Mr. EVINS. I think it is quite appropriate, Mr. Chairman, that these figures be placed in the record. While we want to help the cities, the press and a lot of other people feel that little is being done for the cities. These massive appropriations indicate that much action is being taken. I think they should be in the record.

Mr. MAHON. Yes. But if we would bankrupt the country we would still have problems in the cities. We must do what we properly can to improve the situation.

Now, I was about to read a statement.

Mr. EVINS. Excuse my interruption.

Mr. MAHON. I want to read to you a statement which I recently made, as follows:

"APRIL 1, 1968.

"The Riot Commission report has stimulated a lot of discussion. I have expressed the fear that it might do more harm than good. I believe we all realize that minority races have in the past often been discriminated against. Major improvements in some respects have been made in recent years, but discrimination persists. This is deplorable and we need to do all we can to stimulate good racial relations and encourage all our people to work had toward a solution to our problems.

"Expenditures of Government money can only be a very limited and inadequate answer to the problems of prejudice and poverty. In short, money is not the answer, though some money is required. (Money will not buy good will or an elimination of prejudice.) The question of even limited funds is complicated by a very extraordinary fact, as follows: The American people in recent decades have seemed to be willing to embrace all manner of new Federal programs, but there has been no real disposition on the part of a majority of the Members of Congress or the people to raise the money to pay for the programs which we seem to desire. The question is often not, 'Can we afford it?', but rather, 'Are we willing to pay the taxes to support the programs which we approve?'

"The rich and the poor in our country are in a serious situation today, as witness the monetary crisis, because we have shown little respect for the dollar in this country, going on year after year with unacceptable deficits—not raising the revenue to pay for the programs which we carry on—and this is bringing us to the brink of fiscal disaster, both at home and abroad.

"Officials and the American people generally are not sufficiently disturbed about our fiscal problems. We have just got to put our fiscal house in better order and be willing to pay for the programs which we insist upon having by raising the necessary revenue to support them. If we do not want to support them, then we should not have them. If we embraced all the spending programs recommended by the Riot Commission and fail to provide a drastic increase in taxes to pay for them, our economic system would break down with vast repercussions among all segments of our population. It remains to be seen whether the present situation will shock our country into taking necessary action. I hope it will."

Now, does this statement do violence to your presentation here, Mr. Mayor?

Mayor BENTON. Not at all, sir. I think most of these mayors would agree with me that we should have an increase in taxes; although I am a businessman first of all and a mayor second, I think we have to increase taxes. I have so wired our congressional delegation from the State of North Carolina.

Mr. MAHON. Of course, increasing taxes is not the entire answer, because the proposed tax increase is small compared to the deficit.

Mr. EVINS. Mr. Chairman, we have had testimony about local contributions. The churches are participating, as are some of the banks, labor organizations, and other institutions. They are concerned and involved with the problems of the cities. Mayor Stokes wanted to say a word at this point, I believe.

Mayor STOKES. Mr. Chairman and Congressman Mahon, I am glad we can talk about this informally.

Let me first take issue with you in this respect: The real question is not whether or not we can afford these things but whether we can afford not to do them. I objected in my testimony to this committee about taking a rather dramatic conclusion of the report out of context, but I am overwhelmingly in favor of the recommendations of the Commission relative to spending. I want to express the reasons why.

Mayor Hyde here is from a small city, only about 80 years old. He is going to have testimony here to show what has happened to his city

in a relatively short time. I have a city that has been there since the Western Reserve, I guess about 1796. What has happened is that over the years there has been a neglect of the cities, the kind of neglect that let problems accumulate that only a massive assault is going to do something about. The years of accumulation are the ones that demand massive assault. Also, an undeniable fact is over the last 30 years there has been a gradual shifting of the collecting of taxes from the local governments to the Federal Government. This is our money here. It is here for Congress to appropriate, but this is the people's money. Washington, D.C., doesn't generate money. The money comes from us out in the States and in the counties and in the cities.

Mr. MAHON. But this year we are some $20 billion short of having enough money to meet the requirements which we have already approved.

Mayor STOKES. I understand, Congressman. You see, I don't happen to be a dove, I don't happen to be a hawk, but I have some real problems when you spend $300,000 to kill a Vietcong and you are only spending $50 on a poor person.

Mr. EVINS. We think this meeting is very helpful. That is the reason we invited the mayors to come here, to give us their views. Mayor Hyde wanted to say a word.

AGRICULTURAL EXPENDITURES VERSES HOUSING EXPENDITURES

Mayor HYDE. Yes. May I respond for just a moment, because the chairman perhaps will not be here too long.

Let me say, first of all, the city of Fresno, which is located about halfway between San Francisco and Los Angeles, is located in the richest agricultural center in the country. When we talk about local commitment, our city has the distinction of having the highest tax rate in the State, which I think would make it the highest in the Nation, some $11.85 per $100 of assessed valuation. We have made some commitments to get some jobs done. But let me pinpoint some of the problems that we have. We have a 20-percent unemployment rate in our West Fresno area, the area we are trying to devote some attention to. It is 20 percent, gentlemen.

What is one of the biggest causes? Well, we have given large amounts of money to our universities to develop and to mechanize farm machinery. This has come basically from public funds. I am a little hard put to explain to my people in the city when in 1950 there were 100,000 of them employed in the cotton harvest alone in our valley, and through mechanization there are now 12,500. The other 85,000 moved to my city, I am sure, when they were put out of a job, and it is my responsibilitity as mayor to do something about it. But I can't do it alone. I always make this point when we talk about expenditures, the money that we are talking about: I can't help but relate to this committee, as I mentioned being in the heart of the richest agricultural area, our county is No. 1—I say this publicly, in my county when we talked and worked so hard to get, say, $300 million for model cities to try to innovatively solve these problems and to get our people independent instead of dependent, I couldn't help but recognize the fact that in the Department of Agriculture budget—I want to be very candid—there

are some $311 million for experimentation. There has been approximately that figure for as many years back as I can determine, experimentation such as for things to develop bigger breasted turkeys or to test the acidity level of citrus. I think some of those things can wait. We have one farmer in Fresno County last year, one major farmer, who alone received a $2 million subsidy check——

Mr. TALCOTT. Mr. Chairman, of course, this farmer didn't necessarily want that subsidy check. He would trade it back for his opportunity to grow without Federal controls. Also, all of those 85,000 people didn't move to your town.

There are some corrections that need to be made in this record.

Mayor HYDE. What I am trying to say is this: When we have 20 percent of our people unemployed, and a good part of it because of the mechanization of farm work—and whether the farmer wanted the money or not, it is being allocated.

The point I am trying to make here is if we as a nation can say that we cannot afford some of these programs—and just as an aside, last week when we were debating with our Redevelopment Agency Director here who needs a few more personnel to make some of these programs work we decided or tried to decide whether or not we could afford it, it was announced that a staff of 10 people had just been set up in our community to study flies and mosquitoes, by the Department of Agriculture. Well, again I think we can wait a little bit to study flies and mosquitoes. I think there are some priorities. This is the message I am trying to get across here, and I think it is too often overlooked. Let's look at Fresno's urban renewal projects when you talk about private commitment. I am happy to say that Fresno has taken the leadership in the Nation in the formation of an urban coalition which brings together the business community, labor leaders, clergy and civil rights groups. We are working together. But in our central business district, for example, with an approximate investment of $11,800,000 in Federal moneys which, as Mayor Stokes says, came from us, let's see what happened since 1961 in the central heart of our city, what this has generated.

Where in the previous 10 to 15 years not one new dollar in investment had been made in our central business district, there were vacancies, pigeons, a deteriorating area; since that time within the central business district private investment has spent over $9 million in rehabilitation and $7 million in new construction, and public funds of some $4 million, a total of $20 million of new investment, practically all of it is back on the tax rolls. Because of this commitment and our investment, we put in a commitment of some $15 million of our own money for parking structures immediately surrounding our central business district. We have had private investment since then of some $21 million. Further public investments of another $22 million, including a $10 million convention center which the city built with its own funds. That is why we have a tax rate like this. We are trying to rebuild our city. But what I am saying is that with the $11 million investment of money appropriated by such as this committee, we have already returned $63 million of new generated construction and activities.

Now, just two blocks from this area we have reanchored our community in the heart of our city instead of letting everyone move out to

the suburbs, as has been happening. Mr. Chairman, if I might, I think Congressman Talcott has brought up an excellent point that I must address myself to in relation to this. While the city of Fresno has a population of 165,000 its fringes and islands and corridors are another 130,000 who have a free ride, but we have no State legislation that is adequate to permit us to initiate annexation. They only come in if they want to initiate it and vote themselves in. No one is going to do that, obviously.

Mr. EVINS. You are testifying that the Federal investment in urban renewal is the improvement which has stimulated the economy and stimulated private participation?

Mayor HYDE. That is the essence of it.

Now, there has been an added dimension that I think is important because of this program. We haven't completed the central business district but only two blocks from this is our area of decay, West Fresno, the ghetto area. I have some statistics that give the conditions here which I would like to introduce in the record, Mr. Chairman, in a moment.

We now have going a model cities program and a general area neighborhood renewal project. The most directly affected area is the entire West Fresno area which is predominantly Negro, Mexican-American, and about 24 percent white who are poor. We have created a community atmosphere through this vehicle of community pride that we now have involved in this program the business community also.

Mr. EVINS. Mayor Benton was speaking when the chairman came in, and I believe Mayor Benton had not finished his statement. In addition, Mayor Stokes has something.

Mayor HYDE. I apologize. I will defer to Mayor Benton.

Mr. EVINS. Mayor Benton, do you yield to Mayor Stokes?

Mayor BENTON. I yield, Mr. Chairman, if I may have the floor for a little time later.

Mr. EVINS. Finish your statement, Mr. Mayor, then we will call on the other mayors.

CONTINUATION OF MAYOR BENTON'S STATEMENT

Mayor BENTON. All right, sir.

I think I had completed reviewing the applications we now have pending or substantially completed it. So I would simply conclude my remarks by saying a few things about what we are doing positively in Winston-Salem that I believe this committee would be interested in.

In the area of employment, for example, we have what we call an Employment Resources Commission. This is composed not of personnel men and others in the city, but 15 of the largest employers, the presidents of the companies, including the president of Reynolds Tobacco Co., the head of Western Electric North Carolina Works Division in Winston-Salem, the Haynes Corp., and others. These presidents are part of the Commission which will do something about the people that are unemployed in the city.

Mr. MAHON. Are you working in the President's program for business to stimulate employment?

Mayor BENTON. This is a part of it. It is not directly related to it, but the president of Reynodls Tobacco Co., for example, has made

numerous trips to Washington to appear with, I believe, Mr. Ford who is heading that program. He has met with him.

Mr. MAHON. Yes.

Mayor BENTON. Our local effort is very similar in the city of Winston-Salem. As a result of this, we have put many people to work. We have training programs going at the present time to put others to work. We had a "Job Day" not long ago during which we took available jobs and attempted to match people with them, with the employers and the people seeking jobs meeting in our coliseum. As a result of this, many people secured jobs in the city. That is the employment part.

We have involved business here in a very real way. We expect to involve them more.

As far as housing is concerned—and, by the way, this is a report of the employment committee's activities. The Secretary of Labor has a copy, Mr. Weaver has a copy, everybody in Washington that we thought might be interested we have provided copies, even the Vice President has received a copy of this report.

The housing report is a little bit smaller but it consists of much work of many people over a long period of time. These people after a survey concluded that we did have serious needs in the housing area. I mentioned a little while ago that we had something like 9,000 substandard units at the present time. They concluded that we need 300 more units of public housing for the low-income if we are to do the job we ought to do. They also concluded and recommended, and we are implementing their recommendation, that a housing foundation should be established and we ought to start out with about $1 million to fund this program. This $1 million is to come from local foundations and businesses in the community which would provide seed money or downpayment money, the equity money that is needed to put a lot of these people in their own homes. This would be in the form of a loan to the individuals which would be repaid either at no interest or very little interest over a period of time, and would come back into the Foundation and be available for others.

Now in addition to helping people become homeowners, another part of the function of the Foundation would be to encourage contractors to build homes that are needed and to provide, for example, on a guarantee basis if necessary, the money that they would need to get started on their financing. Of course, this money would be repaid. Another function would be to interest a contractor or group of contractors in rehabilitation work, to rebuild some homes, renovate homes that could be used in the leasing program and other programs here.

We are going to work as soon as possible to carry out these programs. In spite of all this, we do have some needs, real needs. When you see people who are cold, wet, hungry, and you walk through an area where the houses are dilapidated, falling down—and we have 9,000 of these, we realize that the job is too big for us to go it alone.

Mr. EVINS. Mr. Mayor, I commend you for your local initiative, your local leadership, and the progress you are making in Winston-Salem. You say it is an All-American city, but you point out there are about 9,000 substandard homes in your community alone.

Mr. PRYOR. Who owns these 9,000 substandard homes?

Mayor BENTON. They are owned by a variety of people, everyone from ministers, and some individually owned by people who occupy them. Most of them are rental homes.

Mr. MAHON. Have you ever had the owners of these places together and turned the spotlight of publicity on them, and said, "Now, listen, let's improve the level of housing in our hometown?

Mayor BENTON. That is what we expect to do through this report and the efforts of this committee, and through our code-enforcement program, to turn the spotlight on these people to get them improved and up to date. But along with the improvement and the expenditure of moneys to renovate these homes and to make them fit for human habitation comes the increased rental that is necessary to justify those improvements. So you get into the rent supplements, public housing, some kind of subsidy.

Mr. JONAS. Would you yield?

How many of these 9,000 units are occupied by people who are unemployed?

Mayor BENTON. I don't believe I have that statistic. I can answer most any question you have, tell you what parts of town they are in.

Mr. JONAS. But you don't have the unemployment rate?

Mayor BENTON. I do not. I do know that a good portion of them are on welfare.

Mr. JONAS. How many of them own their homes, of the 9,000?

Mayor BENTON. Very few. Less than 5 percent.

LEASING PROGRAM IN WINSTON-SALEM

Mr. JONAS. Of course, you have already heard me ask Mayor Stokes about the leasing program. Have you made any application to the Public Housing Administration to participate in that program?

Mayor BENTON. Yes, sir; we have one pending now for 300 units of that sort.

Mr. JONAS. 300?

Mayor BENTON. Yes.

Mr. JONAS. How long has it been pending?

Mayor BENTON. Last fall.

Mr. JONAS. Have you gotten any word from them as to what is holding it up?

Mayor BENTON. Yes. I believe we are about ready, my understanding is, about ready to go on that.

Mr. JONAS. Don't you agree that the quickest way to house people and take them out of substandard housing is this route?

Mayor BENTON. Yes, sir; there is no question. I think that is a very quick way to do it, but I might remind you, and I do have the figures here, that we have a limited number of houses available.

Mr. JONAS. Some houses are not fit to be hehabilitated.

Mayor BENTON. That is correct.

Mr. JONAS. But those that are fit to be rehabilitated ought not to be torn down, they should be rehabilitated because that can be done at far less cost than to tear them down and build new housing.

Mayor BENTON. We have made a survey, sir, and find that there are a limited number of houses available for rental or for purchase.

Mr. JONAS. I didn't intend to ask this question, but since I have you interrupted: You were just approved, your application for planning money to become a model city recently?

Mayor BENTON. Yes.

Mr. JONAS. How long did you estimate it will take you to get your plans ready for submission?

Mayor BENTON. We are hopeful that we can complete those plans within the next 9 or 10 months, by the first of 1969.

Mr. JONAS. The estimates in here have ranged from 6 or 8 to 12 months.

Mayor BENTON. Yes, sir.

Mr. EVINS. Chairman Mahon.

Mr. MAHON. I have found this visit to the subcommittee this morning to be very interesting. We are all concerned deeply about the plight of the cities. It is really a very major problem in the minds of all thoughtful Americans. We want to do whatever we properly can to meet the situation. The people in the cities and the rural areas and Americans generally are confronted with a tremendous series of challenges at this complex and difficult time.

I haven't come to the committee meeting for the purpose of doing anything other than expressing my interest and concern for the purpose of trying to shock all mayors who seek Federal funds into realization that the supply of Federal funds is not inexhaustable. The problem is a most difficult one. It is going to be a process of time and education. Every city, small or large, has some degree of decay. Every farm area has serious economic problems. The Federal Government cannot go in and shore up every farm area and every small community and every large city.

We must seek equity in these matters. I am not so sure that we ought to give $100 million to one city and nothing to another one which may need it just as badly. Americans generally are paying taxes for Federal programs. Some cities with more initiative and better leadership than others are meeting the challenge better than their neighbors. Should they be penalized for this? The issues are very complex.

Mr. EVINS. Mayor Stokes.

Mayor STOKES. If Chairman Mahon just could let me say this quickly to him, just two quick points——

Mr. MAHON. Surely.

Mayor STOKES (continuing). Because I recognize you as a man of good will and concern I want to say unequivocally, though, that I thought that the Kerner report put the great responsibility on the private institutions and also pointed up the additional role that the public must play, that is, the Federal and local governments, but there is no question about it that we do have, as the committee concluded, a society that is separate and it is unequal, even though there is a reservoir of good will, as you put it, and men who want to do what is right. I want to leave with you just one personal experience of why I can come to this subcommittee and to any other subcommittee and ask for greater spending.

The reason is the spending today will, if done properly, be returned to us tomorrow. I personally started the first decent housing I ever

had in 1938 in a public housing home in Cleveland, Ohio. Today I not only own my own home, some $40,000, but I also own three other properties that amount to over $100,000. Now, for the last 20 years I have been a taxpaying citizen. One of the reasons I have been a taxpaying citizen is because the Federal Government spent money on me under the GI bill to go to college. In fact, we should extend and broaden, at least within the fiscal limits, this kind of investment in people and in our cities.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. Thank you, Mr. Chairman, for coming in and giving us your realistic appraisal and your wise statements.

Mayor Benton?

CONCLUSION OF MAYOR BENTON'S STATEMENT

Mayor BENTON. I am going to conclude in order to give the other mayors a chance to proceed.

I think there is a question of priorities here. We must decide what we need and must do what is necessary to fulfill our obligations to the people. There is a large gap now between what I will call anticipation and fulfillment or accomplishment in these programs. We lose some initiative, we lose momentum, and we lose money when we plan and then are not able to complete the planning, so to speak. More than that, when you have people anticipating certain improvements and certain gains and benefits, and they do not receive them, then trouble does brew from the anticipation which is not fulfilled.

Mr. EVINS. I think that is a very wise observation. That is one of the reasons we are working together and why we ought to be more realistic in our goals.

Mayor BENTON. Right.

Mr. EVINS. Thank you, Mayor Benton, for your challenging statement.

Mr. JONAS. Mayor Benton, I want to thank you for coming and testifying. You have been very helpful.

With respect to the mater of priorities which you and Mayor Hyde and Mayor Stokes have all alluded to, I would like to say that we had the Director of the Bureau of the Budget and the Secretary of the Treasury before the full committee recently talking about the overall budget. I asked the Director of the Bureau of the Budget if he wouldn't indicate some priorities. Chairman Mahon is right. We are out of money. The larder is bare, we are in debt and going deeper into debt every day. We have operated at a deficit every year.

Mr. EVINS. We also have a great country and great assets, Mr. Jonas.

Mr. JONAS. I know, but may I continue to make one short statement? He said we can't make any priorities because everything in this budget is of equal priority. Now, we have a little difficult situation here establishing priorities in the Congress. There are people that will testify that some of the things you point to as not being essential are of the highest priority. The people who testify on behalf of the Defense Department's budget say that money we are appropriating for defense is of utmost priority to the security and safety of the country.

The truth of the matter is, contrary to popular belief, spending has increased in the last 3 years more in nondefense areas than in defense areas. So you cannot just glibly say cut off something out of agriculture and put it over here. I might say to you that I think it would have been better for you to have spent that money on housing for the poor in Fresno instead of building a convention hall in the city. But you are there at home and you know what your priorities are. I may have a different idea about what is of first priority. That is what makes a horse race.

I would like to make this other one final statement for the information of you mayors. Dr. Weaver testified before the Ribicoff subcommittee in the Senate that the Federal Government is spending $27 billion a year on cities. If you eliminate loans and just bring it down to grants it is $16 billion. I don't know how much of our total budget we can spend in this one area. There is another question where you may have a difference of opinion. I just don't want the record to show that Congress has been neglecting the cities. I can name you one city that has received urban renewal grants of $100 million and it had one of the biggest riots in the United States last year. So there are more sides to this coin than just one.

Thank you.

Mr. EVINS. Mr. Talcott, do you have questions of Mayor Benton?

Mr. TALCOTT. Yes.

As I understand, you are seeking about $27 million from HUD in 1969?

Mayor BENTON. Yes.

Mr. TALCOTT. You have 111,000 people?

Mayor BENTON. 143,000 at the present time, and our annexation plans will bring in another 20,000, so that by 1971 we will be 165,000.

Mr. TALCOTT. My figures differ a little because my almanac is different.

Mayor BENTON. You have the 1960 census figures.

Mr. TALCOTT. I suppose I have.

But the reason, I suppose, for your being here, Mr. Mayor, is that it is a rather modest request you are making to HUD and you are a responsible leader and a good manager and a good witness. I am in accord with all of those things. But it appeared to me, trying to adjust my figures with your more recent figures, and if every city received the same proportionate amount, it would cost $50 billion for 1969 for HUD alone; that is, if everybody got their fair share. This is a pretty staggering amount. I think we have to decide upon some priorities and some allocations. I am just trying to provide a better perspective to what you are asking us to do for you.

Mayor BENTON. I also made the comment that we were 33 percent Negro and 67 percent white. We are a highly industrialized city. We do have some problems because of the predominantly high ratio of Negroes to white, and the fact that the problems exist in their neighborhoods, basically, in Winston-Salem.

Mr. TALCOTT. Then you have an even larger request that you are going to make to the Federal Government for education and job training, I would think.

Mayor BENTON. Yes. We expect under the model cities program to participate in the CEP program; yes, sir.

Mr. TALCOTT. I think it is important that we all get some perspective here. Thank you.

PREPARED STATEMENT OF MAYOR BENTON

Mr. EVINS. Mayor Benton, we will insert your complete statement at this point.

(Mayor Benton's prepared statement follows:)

GENERAL TEXT OF TESTIMONY OF M. C. BENTON, JR., MAYOR OF WINSTON-SALEM

Gentlemen, you are all aware of the serious problems our cities—large and small—are faced with today. Thus, I will not waste the time allotted me in describing them. Instead, I will tell you how Winston-Salem has been attacking these problems and how the Federal programs have assisted us.

To start with, I would like to make one point very clear. To say that cities face problems is not to say, without some qualifications at least, that they are guilty of poor planning or inaction.

Winston-Salem, over the past few years, has made a real effort to study both its physical and social problems, to determine their origin, the reasons for their longevity, and to develop programs and plans to get at the very roots of the problems. These problems, although common in their appearances are, nevertheless, uniquely local in nature. It follows then that the solutions must be found at the local level. Winston-Salem has developed plans of attack and has actively been carrying them out with Federal assistance.

With us the beginning was the approval of a $15 million bond issue by the voters 2 years ago.

In preparing for this bond issue we first assessed our needs as a city. Agencies met with other agencies and each outlined the needs as they saw them. Social needs were given at least the same consideration as physical needs.

As adopted, the bond issue provided for such routine matters as improvement of the streets, water, and sewer systems. But there was a good deal more than that. Provision also was made for an expanded urban renewal program. There were badly needed funds to finance unpaved streets, curbs, and gutters for sections of the city which have lacked them for too long. Neighborhood swimming pools—six completed to date and one under contract—were included.

One innovation was a series of neighborhood centers. In planning these centers we first determined just what services—health, welfare, employment, recreation, and the like—were needed in the underprivileged neighborhoods of the city. The "Experiment in Self-Reliance"—Winston-Salem's community action agency—then prepared a plan for providing the most needed services in the neighborhood centers. The centers, in terms of space and layout, were designed accordingly. The first of these five centers began operation in January. We plan to add other such centers in the future.

After the approval of the bond issue Winston-Salem, with the experiment in self-reliance moving more and more into the role of the coordinating agency, began to adopt what, today, would be described as the model cities approach to its problems. For the first time we made a conscious and determined effort to focus every tool we possessed—private and public, local, State and Federal—on our problems. This was particularly true of the problems of the poorer, too long neglected, neighborhoods of the city.

With financial help of the North Carolina Fund, the experiment in self-reliance helped the Winston-Salen Police Department experiment with a unique approach to crime prevention.

This is the department's community services organization. It serves a specified section of the city—the section, by the way, which Winston-Salem selected as its model cities neighborhood. The purpose of this program is to place specially trained officers in this area to work with residents in the solution of their problems.

The scope of this police program is very nearly unlimited. If a problem exists, these trained officers will help tackle it. The problem may be juvenile delinquency but it can, just as well, relate to health, recreation, welfare needs, or housing.

We have been immensely encouraged by the results of this innovative police experiment. Among other things it has helped the police acquire a new image in neighborhoods where image improvement was badly needed. It is significant, I think, that no person actively engaged in any of the programs of this special police unit was involved in the disturbances that shocked our city last November.

In planning the city's third residential project, the Winston-Salem Redevelopment Commission provided for a neighborhood center in the new urban renewal

area. In planning this center the redevelopment commission made a 100-percent canvass of the families living in the area to determine their social needs. Provisions for meeting these needs were then provided in the carefully planned neighborhood center. This is, I believe, "people planning" in the fullest sense. Because of it this urban renewal project will do much more than just provide standard housing.

The city's housing code enforcement agency no longer is a routine enforcement agency. More and more the staff of the agency is involved in planning community action in the housing area. To further improve our systematic code enforcement program we have applied for a federally assisted code enforcement project.

Pending the completion of major recreation facilities—swimming pools, neighborhood centers, and the expansion of existing parks and playgrounds (all in accordance with our *Open Space Plan*—1980)—the city undertook a crash program last summer that resulted in the opening of some 20 neighborhood play areas in sections that badly needed recreational opportunities. Private land owners provided the space. Local residents cleared the areas. The city did the grading and provided the equipment.

An important part of our total approach lies in enlisting community-wide participation in programs geared to meet problems of the poorer neighborhoods. Last summer, for example, I appointed citizen groups to study such problems as school dropouts, employment, and housing. Two of these three committees have submitted their reports and their recommendations are now being implemented.

The employment committee's report called for a special assistant to the mayor to work full time on the city's employment problems. Local industries and businesses were quick to respond to the committee's report:

1. Three of our largest industries agreed to furnish the employment specialist at no cost to the city. In turn, each of these three industries provides one of their top personnel people to the city for 6 months to administer the program.

2. A "Job Day" was held in which local businesses and industries hired over 200 of our hard-core unemployed.

3. Local industries are planning special training programs, at their own expense, to assist our unemployed and underemployed.

The city's manpower development program is in operation. Our special assistant to the mayor is on the job, a Job Day has been held, and training programs are being developed.

The housing committee just recently completed their report. In summary it recommended:

1. A total approach in each of our code enforcement areas. Under this plan, the code enforcement officers will begin work in a given area and, at the same time, representatives of our various social agencies will move into the area to determine what is needed in addition to housing.

2. The establishment of a nonprofit housing corporation to help low- and moderate-income people to buy or improve their homes. Local foundations are becoming involved and we anticipate that they will contribute $1 million to help finance the housing corporation. We are seeking a similar involvement from our lending institutions and private building contractors.

3. The city coordinate all of its various operations in the housing field through a single office. To this end, the committee recommended that the city employ a housing coordinator to provide a well-defined approach to our total housing problem.

To supplement the efforts of the housing corporation, the committee recommended that the city file applications with the Federal Government for the following:

1. 1,000 units of turnkey housing III. The committee chose this type in order to encourage private participation and because it affords the tenant the greatest opportunity to become a homeowner. The city requested a reservation for these units on December 4, 1967.

2. Four hundred units for the elderly. A particular need exists in our community for housing for the elderly. Funds to plan these units were received April 12, 1967. An allocation to build the units still has not been approved.

3. A concentrated code enforcement program. An application filed on December 5, 1967, is still pending.

The city also is now at work on a broad-based community renewal plan. In this approach we are asking that a social as well as a physical program be incorporated in the total plan.

Winston-Salem has made plans to attack its problems. In each case, the federally assisted programs play a major role. However, Winston-Salem has been unable to carry out its action programs due to the Federal projects not being approved as scheduled. In no event, that I can recall, has a program or project been delayed due to the city not being able to meet its commitment. Examples of what I am referring to are as follows:

1. The city has adopted plans for two general neighborhood renewal areas. We have completed two projects in the general neighborhood areas, have two under planning, have two survey and planning applications pending, and we are preparing an application for another. These projects are not being carried out in accordance with the time table adopted by the city and approved by the Federal Government. A shortage of Federal funds has prevented us from maintaining our time schedule.

2. The city has an urgent need for approximately 3,000 units of low-income housing according to the housing committee's report. To solve this problem, the city has taken the first steps to form a nonprofit housing corporation, local foundations have agreed to donate a portion of the funds needed to get the corporation started, and local lending institutions and private contractors have pledged their support. Yet, the applications for 1,000 units of turnkey housing III and 400 units of housing for the elderly, which is needed to supplement the program, have not been funded.

3. The city has a comprehensive systematic code enforcement program covering the entire city. We are eliminating many substandard housing units each year through this program. However, a federally assisted code enforcement project, which is a vital part of the total program, has not been funded although it was submitted on December 5, 1967.

The city has similar problems with its programs in employment and law enforcement, etc. However, since we are concerned only with HUD programs, I will leave these for another time.

What should be recognized is that an adequate source of financing must be provided in order for local governments to solve their problems. The HUD programs, although not a cure-all, can contribute significantly to the city's ability to finance needed programs. For instance, to continue the programs this city has started we specifically need from HUD some $27,511,585 during fiscal 1969, broken down as follows:

1. Urban renewal:	
(*a*) Major rehabilitation and conservation project in model cities area (application submitted Dec. 7, 1965)	$8,876,347
(*b*) Two additional projects in model cities area:	
(1) Application submitted May 18, 1966 (predominately clearance)	1,881,940
(2) Part of general neighborhood plan (predominately clearance; this is one of our worst slum areas)	4,000,000
(*c*) One block urban renewal area of downtown to provide site for new hall of justice (application submitted July 12, 1965)	1,853,510
(*d*) Winston-Salem's first federally assisted code enforcement project (application submitted Dec. 5, 1967)	2,000,498
2. Low-rent public housing: (*a*) Request for preliminary loan for construction of 1,000 units of turnkey III (application for preliminary loan—planning only—submitted (Dec. 1, 1967)	150,000
3. Housing for the elderly or handicapped: (*a*) 400 units for the elderly (application submitted Oct. 12, 1965)	6,287,750
4. Water and sewer grants: (*a*) Addition to city's waste water treatment plant (application to be submitted in May of 1968—rough estimate)	2,000,000
5. Neighborhood facilities: (*a*) Community center for model cities area (application to be submitted)	218,000
6. Open space land grants and beautification grants:	
(*a*) 30-acre Bethabara Park (application submitted Oct. 15, 1967)	62,540
(*b*) Beautification grant (application to be submitted)	45,000
7. Urban planning assistance program (701): (*a*) Application for funds to complete remainder of comprehensive plan; funds would be for a data bank feasibility study	136,000
Total HUD funds requested for fiscal 1969	27,511,585

In addition to the above-mentioned projects, we anticipate filing an application for a grant under the urban mass transportation program. There are no estimates available now as to the amount of the grant which will be requested because the city has just established a transit authority.

In summary, Winston-Salem has worked hard to diagnose its social, economic, and physical problems. Generally speaking, we feel that the problems have been identified and that comprehensive plans to solve them have been developed. These action programs can be financed only in part by local funds, thus we are heavily dependent on Federal programs for assistance. Program schedules, which have been approved, are not being met due to the shortage of Federal funds.

STATEMENT OF HON. FLOYD HYDE, MAYOR, CITE OF FRESNO, CALIF.

Mr. EVINS. Mayor Hyde, you may proceed with your statement. We are pleased to hear you.

Mayor HYDE. Thank you.

May I file with the committee, Mr. Chairman, a statement which gives some facts and statistics as to specific problems?

Mr. EVINS. Without objection, the entire statement may be included in the record.

(Mayor Hyde's statement follows:)

STATEMENT BY MAYOR FLOYD H. HYDE, FRESNO, CALIF.

A VIEW OF 12 PERCENT OF AN ALL-AMERICAN CITY

Fresno, recently named an all-American city for 1968, has a 3 square mile area on the other side of the tracks. The urban problems existing today in this area are as real as those of any of the larger metropolitan areas of the Nation. The crises in employment, education, housing, physicial deterioration, social structure, public improvements and services are all here and evident.

The National Advisory Commission on Civil Disorders lists the three top grievances of those living in riot areas as police action, unemployment, and inadequate housing. The people living in west Fresno have just cause for grievances concerning unemployment and housing.

Unemployment (see attached).

Housing conditions (see attached).

Ten percent of the population of the city of Fresno lives in west Fresno. Many of these people are living outside the mainstream of American society due to the existence of perpetual cycles of poverty which have survived from generation to generation.

Household characteristics (see attached).

As in any other deteriorated area, demands for public services are greater than in the more substantial neighborhoods while return in taxes is less.

Public services for west Fresno (see attached).

Unemployment

The west Fresno work force is estimated at 9,000. A recent survey made by the State department of labor reveals that unemployment in west Fresno averages 20 percent.

The mid-February unemployed in Fresno County reached 9.5 percent of the civilian labor force, seasonally adjusted to 7 percent. The national adjusted unemployment rate is 3.7 percent; that for the State is 4.8 percent.

Housing conditions

Housing conditions in West Fresno range from good to deplorable, with the emphasis on the latter. Of the 5,120 dwellings within this area, 49 percent are substandard beyond rehabilitation. Most of the remaining housing supply needs major rehabilitation.

Value of housing—Eighteen percent under $5,000; 56 percent $5,000 to $5,599; 20 percent $10,000 to $14,999—94 percent under $15,000.

Rental rates for housing.—Two percent less than $20; 24 percent $20 to $39; 45 percent $40 to $59; 21 percent $60 to $79—92 percent under $80 per month.

Although there is space for construction of new housing, the ghetto-type conditions have negated any such effort.

Household characteristics

Educational level.—The average level of educational attainment is the eighth grade.

Income.—The median income in this area is less than $3,000. Surveys made of owners who live in the housing proposed for rehabilitation reveal a median income of $3,700. Of those who live in substandard housing, the median income of owners is $2,900; of renters, $2,700.

Household size.—Average household size is 3.81.

Age.—Sixty-seven percent of all heads of households in units proposed for rehabilitation are over 50 years of age, 43 percent are 65 years of age or older.

Length of residence.—Forty-five percent of the occupants of substandard housing have lived in the area over 10 years. Sixty-three percent of the owner-occupants and 25 percent of those who rent have lived in the area over 10 years.

Racial composition.—The 1960 census records a population of 18,385 in the Southwest Fresno General Neighborhood Renewal Area. The racial composition of this population is as follows: Negro, 47 percent; Mexican American, 29 percent; White, 24 percent.

Ability to pay rent.—Of those living in substandard housing 35 percent can afford less than $40 per month; 35 percent can afford $40 to $69 per month; 23 percent can afford $70 to $99 per month; and 7 percent could pay over $100.

Thirty-nine percent need three or more bedrooms. Ten percent need five plus bedrooms.

Ability to buy.—Only 23 percent of those who are presently owners are able to buy. The other 77 percent need to rent; of these, however 57 percent prefer to buy. Only 7 percent of the present renters are able to buy, 93 percent need to rent; of these, 20 percent prefer to buy.

HOUSEHOLDS NEEDING RENTAL HOUSING (NOW LIVING IN SUBSTANDARD HOUSING SUBJECT TO DEMOLITION)

	Number	Percent
Unable to afford minimum rents required	445	25.6
Rent supplement only	417	24.0
Rent supplement and public housing	679	39.0
221-d-3 (below market interest rate), sec. 202 for elderly and private market	199	11.4
Total	1,740	100.0

Public services for west Fresno (GNRA)

Fire calls.—The Fresno Fire Department upon tabulation indicated that they had a total of 2,920 calls during the 1967 calendar year. Of this total, 911 were from the general neighborhood renewal area, approximately 30 percent of the total calls received.

Police calls.—The Fresno Police Department indicates that approximately 12 to 15 percent of its total number of calls come from the general neighborhood renewal area. However, immediately to the east is the west Fresno business district, a 12 block area which receives 90 percent of the drunk calls and within which many of the more serious crime problems (fights, knifings, prostitution) occur.

Extent of flooding.—Due to a storm drain along Merced Street installed by the Metropolitan Flood Control the crucial situation of 2 years ago has somewhat subsided and is no longer the extreme problem it once was compared to the areas outside the GNRA. However, the problem has not been completely alleviated as there is still an area along Thorne from the Freeway to California Street that is of serious concern and considered critical. Another area which lends itself to flooding is that on A and B Streets and Tulare Street.

Extent of welfare.—According to Miss Mesple, deputy executive director of the Fresno County Welfare Department, their family caseload is more heavily concentrated in the west Fresno areas than in any other single area within the city or surrounding areas.

Health problems.—Environmental health problems certainly are more prevalent in west Fresno as opposed to "east." Sewage problems, housing conditions, lack of refuse pickup, backyard burning, and now a rodent problem, are all conditions which are not likely to be found in the "east" Fresno areas.

The urban crisis.—The urgency of the urban crisis facing our Nation cannot be overemphasized.

The conclusions of the report of the National Advisory Commission on Civil Disorders should shock every American and their leaders into immediate action.

Quotes from Adam Yarmolinsky (see attached).

[From the Washington Post, Mar. 5, 1968]

THE RIOT REPORT—WILL IT BE HEEDED?

(By Adam Yarmolinsky)

The (Commission's) report defines the choice that faces Americans; to continue down the road toward two separate societies, or to take immediate drastic and expensive steps to create new opportunity in a common society.

The Commission has issued its challenge: now we must look to the response There is no question but that the United States is rich enough in resources and in ingenuity to provide the jobs and the job training, to build or rebuild the housing, to integrate and educate the police, and the National Guard. But there is a real question whether the leaders of the American people have the will to make these things happen.

If the ideas in the report are to be turned into working programs, major constituencies will have to be mobilized to support them—to push for the extra appropriations and the extra taxes they will require.

COST OF DESTRUCTION

Considering the costs of rioting and destruction, the expense of corrective actions may not be so great after all.

Facts from Watts riot, July 1965 (see attached).

Facts from Detroit riot, August 1967 (see attached).

Other facts from Report of the National Advisory Commission on Civil Disorders (see attached).

Facts about Fresno's disturbance, July 1967 (see attached).

WATTS, JULY 1965

Mobs swirled through the streets of Los Angeles in a raging bloodletting fury. Cars, cops, and passers-by were stoned and beaten. Whole blocks were put to the torch and burned to the ground when rioters turned back firemen with bricks, rocks, and chunks of asphalt ripped out of the streets. Looters sacked stores in broad daylight and snipers fired at 900 hopelessly out-manned policemen at night. Before it ended, over 36 persons lay dead, 900 were injured, 3,758 arrested, property losses approached $200 million (an early estimate which was later revised to $46.6 million but this figure does not include loss of merchandise stocks). Fifteen thousand National Guard troops were called into this major American city, heavily armed, and under orders to put down the proclaimed "state of insurrection" with whatever force necessary.—Newsweek, August 23, 1965.

A total of 209 businesses had been totally destroyed, 787 commercial structures were at least partly destroyed. An estimated $30 million was listed as loss in fire with over 30 major fires and 200 less serious fires.—New York Times, August 14, 1965.

Commercial banks report their losses in terms of businessmen being unable to repay loans or meet mortgage payments.—New York Times, August 17, 1965.

Cost of relief program—Federal, State, county, city, and private agencies fell into a massive relief effort to augment the reopening of 50 food stores in the area. A string of food distribution centers was established with Red Cross coordinating the intergovernmental relief operations.

After more than 2 years, experts estimate that 90 percent of the businesses destroyed have not been rebuilt, largely because of prohibitive insurance rates. —Newsweek.

In terms of loss of dignity not only is the loss related in personal dignity but the loss of international dignity and respect. The Communist press cites the Watts riot as an obvious class struggle and protest against American foreign policy.—Pravda.

Clearly the riots represented a failure to reach the alienated ghetto masses and to mobilize them in community efforts to better their own lot.—Newsweek, August 30, 1965.

DETROIT, 1967

Unable to control the chaos with police and 8,000 National Guardsmen, Federal troops were called in—paratroopers from the 82d and 101st Airborne Division.

By the end of the week there were 43 fatalities, including policemen and firemen. Looters and snipers died, as well as many innocent people caught in the often random crossfire. Three hundred twenty-four people were injured, 4,000 were arrested. Early estimates of property damage ran as high as $250 million. (Later estimated at $45 million.) The area of chaos covered 14 square miles of the city.—Life magazine, August 1967.

Fire caused extensive damage in Detroit. The Detroit Fire Department listed 682 riot-connected building fires; 412 of these buildings were completely demolished. Retail businesses suffered a much larger proportion of the damage during the disorder than public institutions, industrial properties, or private residences.

The city of Detroit incurred over $5 million in extraordinary expenses; more than $3 million of which was for personnel costs.—Report of the National Advisory Commission on Civil Disorders.

OTHER FACTS FROM REPORT OF THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

There are three important factors that have an extensive reflection of the expenses of any disturbance of this nature. First, the dollar cost of the disorder should be increased by the extraordinary administrative expenses of municipal, State, and Federal governments. Second, deaths and injuries are not the sole measures of the cost of civil disorders in human terms. In Detroit where many residences were destroyed, the cost of dislocation of people is clearly not quantifiable in dollars and cents. Other human costs—fear, distrust, and alienation—were incurred in every disorder. At least 274 families were displaced by destruction of homes. Third, even a relatively low level of violence and damage in absolute terms may seriously disrupt a small or medium-sized community.

FRESNO, JULY 1967

During the July disturbance in Fresno, the Administrative Services Bureau of the Fresno Police Department reports a total cost to the community of $39,298.44. The city divided the expenses into two major categories which are as follows:

1. Property loss	$16,396.87
2. Manhour expense	22,901.57

Manhour expense can be broken down as follows:

1. Police department	$11,974.82
2. Fire department	2,580.75
3. Sheriff's office	5,069.00
4. California Highway Patrol	3,277.00
Total	22,901.57

The Fresno Fire Department lists their loss in terms of false alarms—23 at $100 each equaling $2,300, and overtime for 1 day, July 17, for seven men, $280.75, making a total of $2,580.75.

Property loss and manhour expense total, $39,298.44.

False economy

Inaction can cost as much—or more—than programs to correct the social and environmental ills of our society.

Consider the $39,000 cost incurred in property damage and additional fire and police services during *1 week* last summer when Fresno experienced a minor disturbance. This $39,000 could have employed 100 men at $1.50 an hour for more than 6 weeks. Or compare this cost with the *annual* budget of $30,000 on which a local community center operates (North Avenue Community Center).

Compare the costs of the 1967 riots (a conservative estimate would run $100 million) to the $750 million appropriated for urban renewal last year.

Deferring actions only increases costs, not to mention costs in the loss of human dignity, in the loss of human life, in the loss of opportunity to grow and exist in an urban society.

Need to examine priorities

Mayor's comments (see attached).

[From the Fresno Bee, Mar. 12, 1968]

HYDE QUESTIONS FARM STUDIES, SPACE OUTLAY IN CITIES CRISIS

(By Lee Fremstad)

SAN FRANCISCO.—A nation that is willing to spend more to put a man on the moon than it is to improve life it its cities will be hard put to consider itself as a great society, Fresno Mayor Floyd Hyde suggested yesterday afternoon.

Hyde, discussing the deepening urban crisis and the need for the United States to reevaluate its priorities, remarked also on the congressional struggle to approve $320 million for the model cities program while the $311 million for agricultural experimentation sails through routinely year after year.

"If we spend $311 million to develop a bigger-breasted turkey or reduce citrus acidity, what sense of values do we have?" he asked.

"I know it may be political suicide for anyone in the San Joaquin Valley to question priorities like this, but it is time they were questioned."

Hyde said the space program in the last 3 years has spent 13 times as much to get a man on the moon as has been spent on the U.S. Department of Housing and Urban Development.

The mayor spoke during the luncheon meeting at a 2-day regional workshop on relocation sponsored by the Department of Housing and Urban Development in the San Francisco Hilton Hotel.

Hyde said he considers the recently issued report of the National Commission on Civil Disorders a document second in importance only to the Declaration of Independence and the U.S. Constitution.

Actually the only criticism he had of the report was in areas he thought it had not gone far enough. The report warned that the United States is in danger of seeing the Negro and white communities polarizing into two separate societies.

"We are already there," remarked Hyde.

He noted that the United States is spending $2 billion on the war on poverty while paying out $6 billion for auto insurance; $47 billion for education at all levels while spending $52 billion for wine, beer, liquor, and tobacco.

"How can we as a nation answer our young people?" Hyde asked. "What are the important things in this great society?"

He said he would not like to think we would introduce the minorities into full partnership in a society with the values it now has.

"We would be doing them a disservice," Hyde declared.

The Fresno mayor told his audience of about 75 urban planning experts and public just what they do but how they do it that is important.

Hyde cited an incident in west Fresno shortly after he was elected mayor. There, after he had described a building planned for the area, he said a young Negro high school student asked him the question that summed it up:

"Is it being done, because you are afraid of a riot, or because you really care about us?"

URGENT NEED FOR ACTION

A few weeks ago, President Johnson sent the Congress what he called "a charter of renewed hope for the American city." In it, the President said: "If our cities are to be saved form the blight of obsolescence and despair—we must now firmly set the course that America will travel. There is no time to lose."

Quotes from Adam Yarmolinsky (see attached).

The National Advisory Commission on Urban Disorders based its recommendations for action on three basic principles—the need—

1. To mount programs on a scale equal to the dimension of the problem. (For example, the commission urged immediate action to create 2 million new jobs through government and private industry over the next 3 years.)

2. To aim these programs for high impact in the immediate future in order to close the gap between promise and performance." (In housing, they recommend that 600,000 new and existing units be brought "within the reach" of low- and moderate-income families within the next year.)

3. To undertake new initiatives and experiments that can change the system of failure and frustration that now dominates the ghetto and weakens our society. (One general specific of "what can be done" that the commission recommends is that local governments "Develop neighborhood action task forces as joint community-government efforts through which more effective communication can be achieved, and the delivery of city services to ghetto residents improved.")

Quotes from Lynn E. Davis, president of National Association of Real Estate Boards (see attached).

[From the Washington Post, Mar. 5, 1968]

THE RIOT REPORT—WILL IT BE HEEDED?

(By Adam Yarmolinsky)

The ghetto bloc is oragnizing itself. The only question is whether it organizes for peaceful political change or for expanded violence.

The ghetto community cannot work out its problems on its own; it lacks the resources within itself. But it must acquire a sense of community in order to be

able to use its political strength, which is its rockbottom strength, in order to attract economic resources it needs to create the conditions for individual economic opportunity.

[From the Los Angeles Times, Mar. 3, 1968]

QUOTES FROM LYNN E. DAVIS, PRESIDENT OF NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

We can't convince investors to build or rehabilitate housing on a large scale for the use of families which they suspect may destroy it or make it unfit to live in, in a fraction of the time it takes to amortize the investment. Nor can the government afford to do so either.

The board of directors of our association decided that the problem of the betterment of housing for low-income families canot be solved except as other problems which are deeply involved in the social unrest in our cities can be concurrently solved.

SUMMARY STATEMENT BY MAYOR HYDE

Mayor HYDE. We recognize the difficulties of your task and the fiscal problems that our country faces. I would be the last one to want to leave this session with the impression that Congress has not been concerned and helpful, and I think has done a tremendous job in getting to the point where we are today, and we certainly could not have done it without your assistance and help. I want that clearly stated in the record.

I think one of the things that perplexes us as mayors is we have this tremendously rapid influx into our communities which we are not able to catch up with. I indicated the agricultural situation in our area which creates some of the problems. I think that the real essence of what I would like to leave as a statement to this committee is, I think, an excellent point that Congressman Talcott has raised: We are asking some of the mayors, "What would you choose first?" Mayor Stokes indicated housing, the Congressman thought maybe education should be first. I think these are the perplexities we as mayors have. These must all come together at some point in time or we are not going to solve the problem. I would like to pass around pictures of actual housing in our general neighborhood renewal area for the purpose of illustrating two things: the condition of the housing, and to indicate that I agree that education is a big key to our overcoming the dependency cycle. You can readily see that with housing conditions like this, I don't care how good the schools are, the youngsters have to come back into this physical environment and do their studying.

Mr. EVINS. The committee will be glad to take them.

Mr. Marsh?

AGRICULTURAL PROGRAMS

Mr. MARSH. I'd like to make a reference to the mayor's statement concerning appropriations in reference to agricultural programs. The thing that we notice here, serving on the Appropriations Committee, are the interrelationships existing between various appropriations. Frequently the question is raised by the people in urban areas about agricultural appropriations. But one of the things that we fail to recognize in our agricultural appropriations is the mix, or the application of many of these things to the cities. For example, there has been a cut in the funds for the Soil and Water Conservation Service which

many cities believe is a rural program, but today many of them are becoming urban conservationists, advising on watersheds, water impoundment resource problems for the cities. Secondly, they are advising builders, subdividers, and highway construction people on the techniques to prevent soil erosion, silting, which contributes to pollution and destroys not only the quality of the water but in many instances will overload storm sewers. Water such as this getting into the sanitary sewers costs just as much to treat as sewage water. So the problem that we have here is balancing these things. Consequently, there is an interrelationship between various appropriations that affect the city people and rural people, as well.

Mayor HYDE. Yes. I would certainly have to agree with you. I wouldn't want to have my remarks misinterpreted as indicating that I think these other programs are not only important but that they certainly are in many ways beneficial to the city. Our economy is based principally upon agriculture and the business of agriculture. That was not the point of my message. The point of my message was to illustrate some of the same questions that we are asked, for example, by HUD. They say: "These are the needs of your cities, we cannot accommodate them." You set up your priorities of what you can get by with this year and what you can get by with next year. This is the essence of it.

Mr. EVINS. Gentlemen, we are going to suspend for a few moments.

(Discussion off the record.)

Mr. EVINS. The committee will come to order.

We have with us next the distinguished mayor of Kansas City, Kans., Mayor Joseph McDowell.

Mayor, we appreciate your coming here. The committee will be most interested to hear your testimony. Do you have a statement for the committee?

STATEMENT OF HON. JOSEPH H. MCDOWELL, MAYOR, CITY OF KANSAS CITY, KANS.

Mayor MCDOWELL. I want to thank you for letting us participate in this important legislation. I served for 16 years in the Kansas Legislature, half of it on our appropriations committee. We used to struggle with a third of a billion dollars per year budget. Today we are asking you for $2,500,000,000 for just one facet of your task, so, believe me, I understand your problem. I speak, of course as an individual but I am president of the Kansas League of Municipalities and chairman of the committee on Natural Resources of the National League of Cities. I know the mayors you hear today are representative of the progressive breed that are working hard to rebuild urban America.

They know these programs are designed wisely by Congress, and how they work.

All our cities are typical—varying only in size and age. Here is my presentation in one photo. The stark revelation of the "city problem." It shows the residence of our welfare recipients. Crowded into the older section of our "inner city." Other charts would show the health problems, poverty areas, under and unemployment, educational inequalities, police calls, substandard housing, all in the same locations.

The authorized HUD programs are the only known tools to correct most of these. The HUD guidelines requiring first consideration to

employment and housing were our local goals before HUD documented them.

Kansas City is not anticipating any riots. We never had one.

The Report of the National Advisory Commission on Civil Disorders (which we have multilithed and distributed to every city employee to study) made it clear that the 1967 disorders, all 164 of them, were "generated out of an increasingly disturbed social atomsphere, in which typically a series of tension-heightening incident over a period of weeks or months became linked in the minds of many * * * with a shared network of underlying grievances."

In Kansas City, Kans., we are preventing the disturbed social atmosphere and the "tension-heightening incidents"—thanks in a large part to the programs authorized by Congress.

We have completed 3 urban renewal projects, and produced more low- and middle-income housing than we demolished. In a city of 175,000 we are building 1,300 units of public housing including 302 units for senior citizens. We have used HUD planning advances for three public works projects and have applications in for two more.

We have under construction a $333,000 neighborhood facility in the darkest area on that map—that will contain the first municipal swimming pool in 35 years in our city.

We have a general neighborhood renewal program (GNRP) and our center-city or downtown renewal is phase 1, located in the midst of blighted residential areas. We are planning phase 2 to rebuild "Jersey Creek," a municipal disgrace for over half a century—an open sewer through the area shown on this map.

We will have a sewage treatment plant opening next month. Our tax rate, I might mention, is higher than any given here, it is $17 and $20 per $100. Of course, our assessment is real low, 13 or 14 percent. It does not worry us at the moment.

Not being on the first list selected for model cities planning funds, we secured copies of the "letters of intent" HUD issued to the fortunate 63 cities, with requirements they had to meet. We then redoubled our efforts in preparing a second application and avoided the deficiencies of cities on the first list, and we will file it by April 15.

We have spurred the "turnkey" public housing program, and the first 25 units are under construction and 50 more approved for local builders.

Incidentally, I tried my best to get the lease program started. We have 12 units. We just can't find any units that we can get into the program. We are still trying.

Mr. JONAS. You mean, you don't find units rehabilitatable?

Mayor MCDOWELL. They won't turn them over. The weakness in the program is that it doesn't provide new housing, it takes existing houses and fixes them up.

Mr. JONAS. If you can't get the houses to rehabilitate, it won't work?

Mayor MCDOWELL. That is right. That is our trouble.

Mr. TALCOTT. Any house 2 weeks old is eligible.

Mayor MCDOWELL. I know that.

Mr. JONAS. I can't understand why they won't make them available because they would get increased rents.

Mayor MCDOWELL. I don't, either. I went to the real estate board, made two speeches, tried to interest all my clients, tell them they could make some money out of it, but they just won't do it. We are still trying.

Our one "industrial park" renewal project was such a success in

bringing new tax valuation and jobs that we secured approval for a second one. The vlue of improvements built by private enterprise as a result of our five renewal projects will soon exceed the cost thereof.

Renewal projects in the mill will provide a thousand more living units for low- and moderate-income families and jobs for hundreds—if the Federal National Mortgage Association (Fannie Mae) funds for 221(d)(3) are provided.

The Fairfax Industrial Association, representing the most successful planned industrial district in the Midwest, has pledged to join in our model cities effort, in providing training and adequate employment for the model cities area adjacent thereto.

Without Federal funds we have done other things. For 3 years we have conducted a code enforcement program and inspected 27,000 structures, demolished hundreds and had thousands brought up to minimum standards, and turned the tide of blight in many neighborhoods; resurfaced more streets in 2 years than in the past 20; employed an architect for a park renovation effort while preparing an "open space" application.

We are getting all the young Negro athletes to work on our summer program. Our soccer team has been formed, they are touring Europe. If they ever get back in town, I think you have a good idea on soccer. However, nobody seems to know how to play it. We have retrained our fully integrated police and fire departments and set the best record in fire prevention in our 107-year history; maintained a trash and garbage pick up; enacted the first air pollution ordinance in the Midwest that met Federal standards; enacted a fair housing ordinance; maintained our industrial growth; annexed suburbia; and in general got into gear locally.

Jointly, our city and Congress have led to rising expectations in our city. Our young people are getting interested in the home town.

I urge you to fund these programs. They are our investment in the American dream—that we all believe in.

Now, if it were pertinent to compare the priorities of the rice paddies in Vietnam with our cities, I would be glad to go into that.

Thank you.

Mr. Evins. Thank you, Mr. Mayor, for a very dramatic statement and one indicating the initiative, action, and progress in your area. I think you have gone forward with your urban renewal and many of your other programs.

Thank you, Mayor McDowell.

We will suspend until 1:30.

AFTERNOON SESSION

Mr. Evins. The committee will come to order.

We will resume our hearings of the testimony of the mayors. We have with us this afternoon Mayor Leonard Rogers of the great city of Knoxville.

I visit your town frequently. I have seen the sign "All-American City." I commend you on your progress in Knoxville.

STATEMENT OF HON. LEONARD ROGERS, MAYOR, CITY OF KNOXVILLE, TENN.

Mayor Rogers. Thank you.

Mr. Evins. We will be pleased to hear you.

Mayor ROGERS. Certainly, I want to join with other mayors in saying we appreciate the opportunity to appear before the committee because HUD appropriations are very important to all of us. I have a prepared statement.

Mr. EVINS. Without objection, it will be included in the record.

(Mayor Rogers' statement follows:)

TESTIMONY OF MAYOR LEONARD ROGERS

I. INTRODUCTION

The city of Knoxville has long maintained an outstanding working relationship with the Department of Housing and Urban Development. We have found the representatives of our regional office in Atlanta to be most helpful in assisting us with problems relating to HUD's several programs.

Knoxville is a conservative community which has come to realize that the needs of the city and in particular those of our low-income citizens, both Negro and white, cannot be fulfilled by programs supported exclusively by our local budget. This administration has attempted to utilize available Federal programs and coordinate them with our overall program for community development. We cannot emphasize strongly enough our need for continued and expanded Federal aid, particularly in the central portion of our city.

Knoxville is not a rich city. The average income in our entire SMSA is only $2,845 as compared to the national average of $3,555. Furthermore, the higher income areas are outside our central city. Over 50 percent of the area within our city limits is considered to be a poverty area. A community of this economic background cannot carry the financial burden of programs necessary to improve its social and physical development.

II. KNOXVILLE'S UTILIZATION OF HUD PROGRAMS

a. Urban renewal

Urban renewal has been underway in Knoxville for the past 15 years at a total expenditure of approximately $20. The city has three major projects in progress. As compared with other cities of its size in the Southeastern States, Knoxville is rated among the very top; second only to Winston-Salem, N.C. in dollars used for urban renewal.

Urban renewal began in Knoxville in 1952 with the Riverfront-Willow Street project. This project was initiated with two objectives in mind, flood control to harbor the rampant waters of First Creek and the clearance of a badly deteriorated area which housed 404 families and individuals. The creek and plans to control it, and the surrounding blight dictated the size of this project. The clearance of 97 acres, which consisted of predominately dilapidated buildings was considered necessary to rid the area of blight and put the land back to its best use. First Creek was shortened and put into a massive concrete channel which forced it's flow in a designated course; thereby making land available for use which had formerly been inundated.

This project, which has now been completed, contains 30 commercial and industrial plants and an addition to Austin Homes housing project. The project was completed at a total cost of $5,707,757.

Recognizing the need to form more comprehensive approach to the urban renewal process, the city of Knoxville, through its housing authority, entered into a general neighborhood renewal program in a 548 acre area known as the Mountain View area. This area was a substantially deteriorated residential neighborhod and was designed as a three-stage redevelopment, rehabilitation, and conservation project.

Before the first stage was well underway, however, Knoxville entered into its third major urban renewal project known as the Yale Avenue Project. The Yale Avenue area which contains 134 acres, was initiated in July 1963 exclusively for the University of Tennessee expansion program. This program received recognition in June 1965 as the most successful college expansion program in the Southeast region of the United States.

The Yale Avenue area contained 313 residences which housed 354 families and individuals. Since actual physical changes began taking place, this project has been completely incorporated into the University of Tennessee's master plan at a total cost of $10,680,050 and was completed November 1, 1967.

The first project phase of the Mountain View urban renewal area started somewhat prior to but fairly near the same time as the Yale Avenue project. This phase involved the clearance of a substantial area of land immediately adjacent to the Knoxville central business district known as the auditorium area. This area of the project consists of 184 acres of some of the steepest hills of the city. It was a predominately residiential area which housed 818 families, 425 individuals, and 120 businesses. As of this date the project area occupants have been relocated. This project is being accomplished at a total cost of approximately $15,956,251. The portion currently being redeveloped is being utilized for public buildings such as the civic auditorium coliseum and a public safety building and parking facilities. The balance of the area will be utilized for a commercial convention center immediately adjacent to the auditorium coliseum and the majority of the land will be developed in housing for low- and moderate-income families.

While these three urban renewal projects have been underway in the city of Knoxville, the city has established a housing code section in its inspections department and is engaged in the extensive inspection and rehabilitation program in connection with its overall urban renewal and community betterment policies. During the past year we inspected and checked 15,985 dwelling units, had 1,304 brought into compliance, and razed 394.

The most recent of Knoxville's endeavors to fully coordinate its redevelopment planning and the betterment of the entire city is illustrated by recent approval of a $206,000 HUD grant for Knoxville to carry out a community renewal program. It is our intention to program on a logical basis both a physical and social program which will aid in the betterment of the citizens of Knoxville and which will assist both the city and the Federal Government in programing funds for future use in projects needed for community improvement. We hope to accomplish a great deal within this $310,000 program.

b. Low-rent public housing

While the urban program in Knoxville has been underway since the original Housing Act of 1949, low-rent public housing has existed in the city since the depression years in the thirties. Originally the public housing concept was simply to provide a supply of low-rent housing to those families who could not afford a decent standard housing on the open market.

Since the advent of the urban renewal programs, this housing concept has been coordinated with the urban renewal program, and as each urban renewal project has displaced low-income persons the supply of public housing has been increased to take care of the displaced families with an equal or greater supply of units than was demolished. In most cases the housing projects were not within, or even necessarily adjacent to, the urban renewal areas. We have found in the city of Knoxville that a substantial portion of the rapidly deteriorating neighborhoods which are subject of urban renewal are not necessarily suitable for residential development and consequently the housing which has been furnished as a result of urban renewal displacement has been in projects on sites other than those which were cleared. Knoxville currently has six major projects accounting for more than 2,400 units with approval of at least 1,328 additional units to be provided in two additional projects which are to be built under the turnkey system for public housing. We believe that the important effort here is to coordinate public housing needs with urban renewal programs, not necessarily to provide this housing specifically within the areas which are cleared and made available for future development. This concept can easily be accomplished in the city of Knoxville inasmuch as there is a very large supply of raw underdeveloped land within the city limits.

c. Urban planning assistance

City planning or urban planning is not new to the city of Knoxville. The city first engaged in planning activities in 1927 and completed its first plan with the aid of a consultant as early as 1930. Several of the planning concepts in the 1930 plan were carried out by various city administrations. It was in 1956 when a significant step was taken to coordinate planning activities for the total urban area. At that time the city and Knox County agreed to merge their two separate planning operations into a single metropolitan planning commission. Since that time the local planning commission has developed plans for the entire urbanized

area and has made extensive use of Federal planning assistance with 701 urban planning grants. We deeply regret the recent decision of Congress and HUD to determine the eligibility of metropolitan agencies based upon the definition of standard metropolitan statistical area inasmuch as an extensive planning program will be necessary for Knoxville in order to maintain a basis for our city's future development. Furthermore, most programs being carried out by the city in conjunction with the Department of Housing and Urban Development rest upon this adequate basis of urban planning.

d. Sewer and water facilities

In 1961 the city of Knoxville increased its geographic area from approximately 25 square miles to approximately 78 square miles via an extensive annexation program. The additional area generally had no sewer facilities and was serviced by local utility districts for its water service. This required the city to expand its sanitary sewer system to cover an area of three times the original city at a cost of $29 million to the present time with an additional $5,500,000 cost anticipated before this program is completed. It also required the city to purchase several existing water utility districts so Knoxville could systematically and adequately serve the population within the city limits. These purchases cost Knoxville nearly $2 million. Unfortunately, at the time of our annexation program the provisions for Federal aid under the current Metropolitan Planning Act were not available to the city. The program for the development and expansion of sewer and water facilities is by no means completed and we can foresee a very extensive need for assistance by the Department of Housing and Urban Development for future sewer and water systems in the Knoxville area.

e. Open space and urban beautification programs

The park and recreation system for the city of Knoxville has for a number of years been coordinated with the park program for Knox County. In essence the city has maintained an extensive system of neighborhood recreation facilities and neighborhood and citywide recreation programs. The county has maintained and developed a system of major areawide and regional facilities generally related to waterfront areas. This system, however, left unfilled the need for open areas within the city. Knoxville has begun to fill some of these specialized needs with programs such as Ijams Nature Park, by utilizing Federal open-space funds. This project cost $32,500 and was aided by a grant of $9,780. There remained, however, several other areas of open-space need within our city. Some of our high-density residential neighborhoods are substantially lacking in open space or recreation facilities. The city has proposed to expand its program considerably. We have at the present time been unable to utilize these goals inasmuch as the limitation of Federal funds has prevented us from obtaining any further grants of this nature.

Knoxville is one of the first communities in the United States to utilize the federally assisted urban beautification program. Three years ago we initiated a continuing and systematic program for improving the esthetic conditions in Knoxville on a year-by-year continuing basis. These programs have been coordinated with the business interests in the city, the University of Tennessee, and particular neighborhood groups. They involve beautification of local streets, malls, parks, public buildings, and riverfronts.

(*a*) Our first project was completed at a cost of $290,000 which was supported by HUD grant of $125,000. This project included an extension of the Market Street mall and the intensive improvement and beautification of a major commercial street in the downtown area.

(*b*) Our second application consisted of a $197,000 program with a $79,000 HUD grant. This program is presently in progress.

The urban beautification program is being curtailed some inasmuch as the only limitation to the progress in improving esthetic in Knoxville is the limitation of finances. Our third-year program involved an application for a grant of $53,000 and is now pending.

f. Mass transportation

The nature of the pattern and the distribution of population over an extremely wide area in Knoxville make the transportation problems in our community a textbook case in problems in mass transit. At the present time we have worked

with a private enterprise to provide a moderate level of service. However, a vastly expanded service is needed to provide the level of mass transportation the citizens of our community should expect. We have not at this time utilized any Federal funds in our mass transportation program; however, we can see that there most certainly is a need for such assistance in our community.

III. FUTURE PLANS

Knoxville's future plans and needs as related to the Department of Housing and Urban Development assistance program:

a. Model cities program

Approximately a year and half ago Knoxville investigated the model cities program intensively. At that time we concluded that our community lacks enough specific background data to develop a sound model city application. Over 50 percent of our community is considered to be poverty area and consequently the limitation in the model cities program of 10 percent of the population would in all probability be inadequate for our community's needs. We do recognize, however, that it is essential to coordinate the many existing Federal programs within the city and attempt to provide the maximum benefit to the low-income and poverty-area people that these programs are designed to serve. We are entirely in accord with the comprehensive approach and the coordinated approach which is the key to the success of these endeavors. We specifically request, however, that other federally assisted programs not be curtailed while the model cities program is being developed.

b. Urban planning and future planning programs

It has already been mentioned that the city of Knoxville recently received a Federal grant for a community renewal program. With this we hope that we can arrive at a logical method for the systematic provision of community facilities, neighborhood facilities, and can program the needs for urban renewal projects throughout future years on a priority basis. We believe that the community renewal program will enable us to move in the direction of coordinating all local and Federal programs toward the end that Knoxville will be a better place in which to live. At the same time it is our intent to utilize this program to establish an extensive backlog of information which will enable the city council and the city administration to make the needed decisions for the future of our city.

At the present time Knoxville in cooperation with Knox County supports a metropolitan planning agency. It is the intent of this agency to do all the specific local project planning for the city and the county as well as the overall planning for our entire urbanized area. It is our belief that 701 funds should be allowed for agencies such as ours which plan for entire urbanized areas. We regret that the current concept prevents 701 funds being allocated for these purposes. The majority of the federally assisted programs including nearly all of the programs of the Department of Housing and Urban Development require a high level of planning for the urbanized area for each and every one of these programs. It would seem reasonable to us in Knoxville that planning assistance funds be made available to cities, or at least to agencies planning for the urbanized area, even though these cities have populations in excess of 50,000. We specifically request that this program be funded so that we may continue our program of adequate planning for our community.

c. Urban renewal

In addition to the three projects which are underway or have been completed, Knoxville has applications with the Department of Housing and Urban Development for three additional major urban renewal projects. Unfortunately, the nature of the geographic areas which are being considered on these projects are not strictly residential in urban use. The nature of these areas in some cases make them undesirable as residential areas; however, the proximity of blight is a very adverse factor to the surrounding residential neighborhoods. We must point out that Knoxville has 35 percent of its land area either vacant or undeveloped. Because of this we believe we could best achieve the desired goals of providing sound housing for all our population by developing housing projects

in coordination with urban renewal projects but not necessarily restricting clearance areas to residential redevelopment. We believe that the key to an urban renewal program is comprehensive planning on a citywide basis not necessarily planning a specific project because that area can be redeveloped for low-income residential use. There is a sufficient amount of vacant land throughout the city so that we can coordinate both housing and urban renewal projects on a city-wide basis. One of our major projects pending is a central business area project. Although a certain amount of land could be obligated to central area apartments, the majority of this area would logically be redeveloped for commercial enterprises. We wish to point out to this committee that one of the keys to self-improvement by Knoxville, and probably by most communities, would be an attempt to improve the local tax base. If we were allowed to continue the coordination of efforts to improve our central business district with the businessmen and landowners in the downtown Knoxville area, we feel certain that we could realize a substantial increase in tax base which would enable the city to better stand on its own feet and carry out more intensive programs for the improvement of the community. I would like at this time to emphasize the significant cooperation that has occurred between the local buinessmen in Knoxville and the city and Federal governments in the improvement of our downtown area. The businessmen have carried out three major projects for the improvement of downtown on their own. The city has assisted in two other cases and the Federal Government has entered the picture in our Market Street beautification program.

d. Neighborhood redevelopment

It would be extremely desirable if our Knoxville Housing Authority were able to develop a continuing program for neighborhood development and redevelopment. If such a program were possible or were funded by Congress it would be possible to implement the findings of our community renewal program on a step-by-step basis. It would allow our local housing authority to maintain a trained staff rather than be forced to hire untrained personnel each time another project is approved. Any program on a continuing basis of this sort would vastly improve the efficiency of the professional staffs and subprofessional help both in our local planning agencies and in our local housing authority. It would also enable us to coordinate programs on a neighborhood basis to achieve the overall planning goals for the city of Knoxville.

e. Public housing and neighborhood facilities

It has been stressed time and time again both in our analysis of the method Knoxville has utilized in Department of Housing urban development programs in the past and our proposals for the use of urban renewal programs in the future, that we believe it is necessary to coordinate public housing programs with urban renewal programs although it is not necessary to provide public housing on the land that is cleared for urban renewal projects. At the present time our local housing authority has forecast that there will be an immediate need for 3,000 additional low-rent public housing units. This will fulfill the need which will be developed by an intensified housing inspection program, by the completion of our current renewal project, and by displacement of persons for other reasons. It is our intention to distribute the needed public housing units in small projects throughout the community of Knoxville so that the inhabitants of these housing projects can better be assimilated into mainstream of life in our community.

f. Rent supplement

Although Knoxville has not been able to encourage new project organizations and developers to enter the low-cost housing field it is predominately the uncertainty of the availability of Federal support funds which has slowed these efforts. Our community has numerous developers and agencies interested in providing housing on a rent supplement basis. We wish to encourage these plans. It is our belief that the rent supplement program can put human dignity into low income housing. Housing of this type would not have the onus of a public housing project. The individual would not be forced to move as his income increased and fears of not finding adequate housing in a moderate income bracket would be allayed. Knoxville has not yet entered into this program but we believe it can be the answer to the critics of low-rent public housing projects.

g. Open space and urban beautification

The program for urban beautification that Knoxville has presently initiated needs to be continued for the coming years. The last program application that we submitted to the Department of Housing and Urban Development was funded by the Department only 3 months before the ensuing year's program was required to be submitted to the regional agency of HUD. Since the limitation of the availability of Federal funds makes it extremely difficult for local communities, such as Knoxville, to program on a logical basis, it is necessary that Congress appropriate the funds to continue these programs. One basic requirement for the urban beautification program is that the local community provide a schedule on a 5-year basis of activities needed and desired for esthetic improvement for the local community. Knoxville has such a program; however the uncertainty of the availability of Federal funds makes it impossible to follow the schedule which has been set out at the beginning of our endeavors.

I have emphasized the need for significant open space in the city of Knoxville. Knoxville has an extensive program of small recreation areas, however, since we are lacking in major open spaces or recreation areas within the city limits of the city of Knoxville there is an intensive need for significant developments to provide both active and passive recreational facilities to the city at large and specifically to some of low-income, high-density areas of our community. We have at the present time proposed major park areas for east Knoxville, west Knoxville, and south Knoxville. Future developments will require more extensive facilities in the central area of town and in the northern portion of our community. The park in east Knoxville is presently awaiting approval of an open space grant. We have not submitted grant applications for the remaining projects.

In addition to these there remains a very intense need for smaller recreation facilities in some of the high-density residential neighborhoods where land is very expensive and recreation facilities are almost totally lacking. It is, however, our intent that this program as well as all the rest of the programs for the city of Knoxville be provided on a coordinated, well-planned basis so that all the community facilities and all the neighborhood facilities are scheduled on a priority basis.

h. Sewer and water facilities

Even though the city has initiated on its own and has nearly completed a $28 million sewer expansion program there remain a few small areas in our city that are in dire need of sewer facilities. In addition, the Federal Housing Administration has determined that intensity of development immediately west of the city is so great that further development on individual septic systems can no longer be allowed. The soil conditions in and around Knoxville are such that individual sewage treatment on anything but a temporary basis is not feasible. Consequently, it will be necessary for sewers to be provided in that area west of Knoxville known as the Ten Mile Creek Area. At present the city has adequate treatment facilities that would be able to treat the affluent from this area providing mains, laterals, and pumping stations could be furnished to carry the sewage into an existing treatment plant. Assistance through available housing and urban development programs for the sewage system in the Ten Mile Creek Area would greatly alleviate the burden upon our local government and enable us to provide for a more logical development pattern for the Knoxville area.

i. Mass transit

As was pointed out, Knoxville is a textbook case of problems involved in providing mass transportation to a widely dispersed residential community. In the past 2 years we have had two transit strikes and the enusing settlements have increased the cost of providing service to the community. At the present time the city is cooperating with private enterprise in an attempt to provide transit service for our community. However, there remains an urgent need to expand this service to a significant area of the community which at present has inadequate or no mass transit available. We must point out that it would appear to be impractical from a financial standpoint for private enterprise to provide adequate service to such a widely dispersed population as exists in the Knoxville area. Consequently

we believe there is an urgent need for a new and imaginative transit program which could ultimately make it feasible to serve an area of widely scattered population such as exists in our community.

IV. SUMMARY

a. Housing and renewal

In the past Knoxville has utilized or could have utilized Federal programs for a wide variety of projects. Beginning with the public housing projects in the depression years in the thirties we developed a comprehensive urban renewal program which coordinated renewal and redevelopment with the provision of public housing. Although public housing and low-income housing was not always provided within areas cleared for urban renewal projects our philosophy has been to coordinate the need for public housing with the development of urban renewal projects although we have not necessarily assimilated all of the housing needs within the cleared areas.

b. Planning

We have utilized Federal assistance for our planning programs until a year and half ago when it was determined that our metropolitan planning commission was ineligible for Federal 701 funds. We believe that it would be logical that funds be made available to continue our overall planning program.

c. Other programs

In the past we have utilized not only renewal and planning programs, but Federal open space, urban beautification programs, and would have had need for sewer and water grants had they been available at the time our sewer program was planned. Essentially the city of Knoxville would have been unable to provide the adequate and expanding level of services without assistance of the programs of the Department of Housing and Urban Development. Not only have the past programs been of inestimable value, but also the present HUD programs are aiding in the revitalization of our core area.

d. Future plans

Our plans for the future of Knoxville could greatly be assisted by the continuation of all of the existing programs, particularly those of planning, urban renewal, public housing, open space, urban beautification, and sewer and water faciilties. We are entirely in accord with the concept developed through the model cities program, however, at the present time we do not believe that we could develop a logical, well-thought-out application for model cities. In essence, our plea is that Congress adequately fund existing Housing and Urban Development programs.

We have a dire need for three additional urban renewal programs with an estimated gross cost of $35 million. Two renewal programs presently have applications pending. We have immediate need for 3,000 additional public housing units. We need open space grants for major facilities in three parts of our city, plus local neighborhood facilities in several other communities. Emergency conditions exist so that sewer and water facilities must be provided west of Knoxville. These could be tied in with existing sewage treatment plants provided by the city. We have a 5-year program for urban beautification which we sincerely hope will be funded so that we may continue to work to accomplish our goals. Although at present we have not estimated our specific needs for the provision of community facilities or the specific needs for improvement of our mass transportation system, both of these programs are of considerable value. As our community renewal program progresses we will be able to determine and develop logical programs for provision for specific community facilities. We must even now take an imaginative look and attempt to develop a system for providing adequate mass transportation for our entire city.

V. CONCLUSION

Until the present time Knoxville is fortunate to remain free from serious racial strife; however, unless we can make significant progress toward the removal of ghetto conditions which lead to serious racial difficulties; unless we can develop systems for coordinating all of the physical development and social development programs, the potential for racial strife exists in our city just as it exists in any other major community in the United States. Once several years ago John Gunther referred to Knoxville as the ugliest city in the United States.

We have made great progress since that time but continuation of our progress rests with the continuing availability of Federal assistance and the honest effort on the part of both the local city government and the appropriate Federal agencies to coordinate the many programs for the betterment of our community. We urgently request this committee to approve the request of the Department of Housing and Urban Development and the programs which we have found so useful in the past and for which we have such great plans in the future.

SUMMARY OF PREPARED STATEMENT OF MAYOR ROGERS

Mayor ROGERS. I have a few photographs.

I want to say first Knoxville is a conservative city and we are not a large metropolitan area like some who have appeared before this committee in the past. I want to say we appreciate the opportunity to come before the committee to state our needs and what we are trying to do.

Knoxville has a population of about 180,000; we cover 77 square miles of land area. We had an annexation program that became finalized in 1963.

You will notice in the report that the average annual income for the SMSA area of Knoxville is $2,845 as compared with the national average of $3,555. We are not a wealthy town. I have been in office since January, '65. Many of our people have opposed basically Federal grants and leaning upon the Federal Treasury. We have tried to develop in our city in the past without making applications for a lot of different Federal grants. The time has come, however, when we cannot continue to do all of the things that we need to do in Knoxville from local resources. Our tax base is being eroded. We have our Interstate Highway system for which we are grateful, but it has taken a large amount of property out from under our tax rolls. We have low-income families who are not able to pay many of the taxes. We find ourselves groping with a problem that we cannot fund locally. We have a tax rate of $2.80 per $100 assessment. We are assessing on 40 to 45 percent assessment of appraised value.

The county tax rate, on top of that, which the residents pay in addition to our tax, is $3.80 on an estimated 25 to 30 percent assessment. We have the additional problem in financing our local obligations in that we have a charter provision that limits our operating tax rate to $1.85 per $100 of assessed valuation. That was adopted in the 1920s. We are going to have to try to get this voted off by a referendum of the people. Our only other source of substantial revenue is the 1 percent local sales tax. This permissive legislation was passed by the legislature a few years ago and it is to be adopted by referendum. We have had a referendum and passed this 1 percent local sales tax. Just this past week we got the State legislature to pass permissive legislation for an additional half cent and we hope to have a referendum on that at a later date.

Knoxville has a history—this gives you a background of some of our problems in financing these improvements in our city that we need so badly.

We have taken advantage of public housing since its inception and we are continuing to develop public housing. I believe we have 24 units of public housing at the present time. We have authorization for an additional approximately 1,300, but our Housing Authority, which

organization has studied this, estimates that we need 3,000 additional units within the next 2 to 3 years.

We are strengthening our overall program through coordinating efforts with the citizens and businessmen, trying to find out where we are going, what we want to do. We need, we feel, to utilize more effectively our local as well as Federal resources. This is why we have not applied for a model city grant. I want to say, while I am mentioning model city grants, that we are very much interested in this program being funded because we feel out of this model cities program we will learn something from other communities.

We hope at a future date to make an application for a model cities grant.

We are not ready for it now but we would like to see those cities who are qualified and who can establish a model cities program from which we might learn, to have their program implemented.

I think it has been brought out in this committee before that one of the problems that faces us in dealing with Federal programs is that we develop an application, our people first of all read through the press, hear through radio and television that the program has been authorized by Congress and they get excited about it. They say to us, "Mayor, why don't we have this in Knoxville?" We start processing an application then we find after we have gone this route that it is not funded. Our people then are disappointed. They can't understand it. When we tell them we can't get a grant or we can't proceed with the program they are disappointed. Then we may go a step further. It may be funded and we may get our application approved—and I want to say that we have had excellent cooperation with the Atlanta office of HUD. They have been very helpful to us in pointing out programs that are available and whether we will qualify or whether we want them. We haven't had our applications held up, as some have indicated, for long periods of time because we keep in touch with them, go down to see them, we take it step by step all the way through. But then when it comes and you do not have funds to fund the program, then we are really disappointed.

We have had some of these situations develop. This is not the reason we are interested in seeing that the appropriations that you are considering are passed, the appropriations bill to make these funds available. We just recently received a community renewal program study grant which we think will help us make fuller use of the Federal programs we are now using, to bring them to bear on community needs.

We think this will be a better approach to us than for us to apply for a model cities program.

In the past year we have completed a count of local governments within our SMSA area of Blunt, Knox, and Anderson Counties. Some of you, I believe Congressman Evins knows that Blunt County is where Alcoa Aluminum is located and Anderson County is where Oakridge is located. We are working together for an overall area planning effort. We are getting planning grants for the Council of Local Governments.

I want to say here that we are very much interested in seeing the planning grants under 701 for local planning bodies restored. We have an excellent Metropolitan Planning Commission which was established in 1965. We have been doing planning since 1939. We need some grants to initiate further studies to bring to bear on our particular city.

Congressman Evins, you have been in our community and you see that we are trying to coordinate these programs for the development of the total city. We have used public housing and we need additional units for low-income housing. We have been trying to keep our town from deteriorating. We have an Inspection Department. Last year we inspected 15,985 dwelling units. We brought 1,304 into code compliance by talking to the people, encouraging them to upgrade it. As someone mentioned in the committee this morning about some of the landlords, why aren't they encouraged to bring up this substandard housing? We have taken this approach. We have torn down 394 houses that were condemned as being unfit for human habitation. Now this, to me, is the heart of an overall community program. I have worked with rural community development for about 25 years, being very interested in it as a businessman, in the rural areas. This does for municipalities what these rural improvement programs do in the rural areas, motivating the people living in these communities, the landlords and the people who may own them, to repair and improve their dwellings to keep them from becoming blighted areas. This is a preventive measure.

We have been trying to do for ourselves something in beautification. We are real proud of this.

Congressman Evins is aware of this. I have some "before and after" pictures here of the Market Street improvement program.

Some of you committee members might see what is being done here. Here is a picture of some beautification we are doing in one of our major parks. We had the first urban beautification program in the Southeast, and the first major project was the beautification of the street adjacent to our central street, which is Gay Street. Now, this one is Market Street. Our downtown business people organized a Downtown Knoxville Association. Its first project, carried out entirely with private funds for which we received publicity all over the country because of this being done by local initiative and local capital is shown here.

We have also received widespread publicity on that. But when we came to further extending this area we felt that we needed some Federal assistance on this because we had strained our local resources pretty thin. We got our urban beautification grant for Market Street's beautification, the city's portion on the sidewalks and the streets. This indicates that we are trying to do some things for ourselves. We feel that through local resources and the Federal Government team together we can bring them to bear on our problems and get the most for our citizens.

Mr. Evins. Off the record.

(Discussion off the record.)

Mayor Rogers. We are trying to revitalize our downtown business district. We do not believe Knoxville can survive on shopping centers. We want to keep our downtown vital and growing.

I want to speak to this because this is something that concerns us. Under the present guidelines of HUD and the limitation of money, we have two projects that we have made application for study grants so that we can study the area, lay the ground work for a future urban renewal area, to move out some slum housing. I want to say here we have a good deal of vacant land in Knoxville where we can build low-cost public housing without putting it right back downtown. This central business district area will be more valuable for commercial development which will add something to our tax base. This is what we were successful in doing with our first urban renewal project. We need to strengthen our tax base so that we can do more for ourselves. We would like to see these study grants for urban renewal projects restored. It will help us keep our professional staff intact, in addition. We are at the point that unless we get approval of some other urban renewal grants we are going to lose our professional staff which has taken a great deal of time and money to put together. We need this.

On our urban beautification, I pointed out that we have used this program. We have had difficulty because of the funding made for urban beautification grants. The requirement we have is for a 5-year urban beautification program. We have developed this. Last year because of the slowness of Congress in funding the program we got our funding grant finally approved by October. That gave us October, November, and December to complete this project.

We also had to file our project for this year's grant and we need more time. We need a continuing program, we need assurance that this urban beautification program is going to be funded on a continuing basis. Anything you can do in that area will certainly be helpful.

I think the key to getting the most out of the Federal and local dollars is to do sound basic planning on a continuing basis so that we can plan rather than operating from hand to mouth, we can have a planned development of our community.

Another thing we have done after the annexation, we had a tremendous sewer program. We had an estimated $28 million sewer expansion program. This is pretty good money for a city our size. We did it with our resources. We sold the bonds yesterday which brought it up to $35 million in expenditures for our sewer program. We made application for Federal assistance through HEW, not HUD.

I give this as an example. We were eligible under the guidelines for a $600,000 grant on each of two plants, but because of the shortage of money we received only $258,000 for the second plant.

Now, there is a great deal of emphasis on cleaning up our streams. The Federal Government is interested in stream pollution. We local communities cannot continue to pay the price for cleaning up our streams without more Federal assistance.

Unfortunately, the HUD program on sewers was not available when we started our program. It came in after we started.

Now we are facing a crisis with the mass transportation system. We have had a mass transportation study for several years and because our local businessmen feel we ought to operate it ourselves if we possibly can, we bought out the old transportation operator a year ago and we were successful in bringing in a new private operator for our transit system. Only time will tell whether they are able to operate it to make a profit and continue operation.

My own personal feeling is that we need to fund our mass transportation so that private operators can join a city in making application for some of these funds because the revenues are not going to pay the cost of providing mass transportation for all the people in our community who need it. This comes to bear on our low-income families. Their transportation to jobs so that they can earn a living rather than going on welfare rolls is important.

Mr. JONAS. Do you mind being interrupted?

Mayor ROGERS. Not at all.

Mr. JONAS. You see, you have a problem there of granting Federal tax dollars to private interests. These mass transportation grants have to be to public bodies.

Mayor ROGERS. We understand. We may, when the time comes, if there is no other way, have to take it over from this company and operate it ourselves.

Mr. JONAS. You can get the grant and make an arrangement to make some of the money available for the rehabilitation of the system.

Mayor ROGERS. We are aware of that. But I understand there is also consideration that some private operating companies can be the agent for the municipality in making some applications. That is under study.

Mr. JONAS. Yes. But you can see the problems.

Mayor ROGERS. I understand the problem. I said in the beginning I am from a conservative area. We don't want to waste Federal dollars any more than we want to waste our local dollars. I want to emphasize to this committee that our needs are great. We have this need for housing for low-income people, we cannot continue to increase our tax rate even if we did not have the limitation in our charter, to drive away industry. We have got to attract new industry to create new jobs to get these people to work. We are kind of bucking ourselves if we are trying to do it on our local tax base. I think it was mentioned earlier in the testimony before this committee that the percentage of the total tax take by local government is decreasing each year while the tax take by the Federal and State governments is increasing. Our tax base is shrinking even though we are trying to meet these needs. So we earnestly urge your consideration of these appropriations and that you fund these programs.

Mr. EVINS. Thank you, Mayor Rogers, for your very informative statement of the various programs, and your efforts.

I know all of these programs are helpful, but if a decision as to the most urgent had to be made, which would you say should have the highest priority?

PRIORITY OF HOUSING PROGRAMS

Mayor ROGERS. The most urgent, I feel right now, is housing. Let me say we have only one project for the rent supplement program. I think one of the reasons that we do not have more rent supplement projects in the area of housing in our community is the uncertainty of the future. We have not been able to interest but one group in developing the rent supplement program. I think this makes a lot of sense to me. You have been talking about lease or instant housing. We have been rehabilitating our houses as indicated here by our inspections and upgrading the housing, but we have not at this time been able to interest anyone in this phase of the program.

Mr. EVINS. This has been advertised and sold, if it has been sold at all, as a private enterprise approach. They are privately owned, privately operated and they remain on the tax rolls. In addition, there is an incentive for tenants ultimately to own the property, if they desire.

Mayor ROGERS. That is why I believe in it strongly, but I haven't been in office long enough to develop this interest with our own developers. I am sure we are going to have some in the future, however.

Mr. JONAS. Mayor Rogers, I was quite impressed with your statement. It is refreshing to have a mayor acknowledge publicly on the record that he expects his own community to do its full share. Some of the mayors that come in and testify tell us that they have exhausted their tax revenues, they are up to their constitutional limits, they cannot borrow any more money. Poor old Uncle Sam should have some constitutional restrictions on the amount he could borrow and maybe our dollars today would be worth a little bit more and be more attractive abroad.

I would like to inquire, Where did you get the money to build these recreational facilities and carry out these beautification programs?

Mayor ROGERS. We sold municipal bonds.

Mr. JONAS. What is the bonded indebtedness of the city?

Mayor ROGERS. $38 million.

Mr. JONAS. I thought you said you just put that on this week for the sewer program.

Mayor ROGERS. No. The way we have operated this, we have funded everything that we can on revenue bonds. In other words, the sewer is paid for by the users. Our general obligation bonded debt is $38 million.

Mr. JONAS. Your sewer program is about an equal amount?

Mayor ROGERS. About an equal amount, but this is on revenue.

Mr. JONAS. You are putting in that sewer system, upgrading it with your own resources?

Mayor ROGERS. This is right; yes.

Mr. JONAS. Completely?

Mayor ROGERS. All except we have $858,000 Federal grant money.

Mr. JONAS. That was from HEW, the Public Health Service?

Mayor ROGERS. That is right. Now, I can see that future expansion of sewer programs is going to have to have more Federal assistance. After all, streams and stream pollution cuts across county and municipal boundaries and is a Federal responsibility. I know that some of our sister cities, for instance Memphis on the Mississippi, where I grew up, and Nashville, over on the Cumberland River, and Chattanooga, which is on TVA lake; they all have tremendous sewage problems that they have to deal with, running into the multimillions of dollars. The emphasis to them is to clean up these waters, and yet they feel this is not their total responsibility, this is a responsibility where the Federal Government has the responsibility.

Mr. JONAS. Thank you.

Mr. EVINS. Thank you, Mayor, for your very helpful testimony.

Mayor ROGERS. Thank you.

Mr. EVINS. We have with us Mayor Ivan Allen, who is recognized as one of the great mayors of the country.

Mr. Mayor, you are nice to come here. We will be pleased to hear your testimony.

STATEMENT OF HON. IVAN ALLEN, JR., MAYOR, CITY OF ATLANTA, GA.

Mayor ALLEN. Thank you, Mr. Chairman and members of the committee.

You do me great honor in permitting me an opportunity to bring you a brief statement on the problems of Atlanta and how they relate to the Federal programs that have been provided in the past to help some of our dilemmas. I have a rather lengthy statement here which I would like to file with you.

Mr. EVINS. Mr. Mayor, your full statement may be included in the record.

(Mayor Allen's statement follows:)

STATEMENT BY IVAN ALLEN, JR., MAYOR OF ATLANTA, GA.

President Johnson's program for providing massive aid to America's cities merits the absolute and enthusiastic suport of all Congressmen and citizens interested in the urgent task of revitalizing our American urban areas. The program calls on Congress to provide $6.3 billion. The President emphasized and I, along with civic officials and others concerned with our urban problems, agree that a program of this magnitude is essential to save our cities from decay and eradicate the causes of violence.

Atlanta already has a good start on planning all of the programs which the President mentioned in his announcement. The President proposed $2.5 billion for model cities. Atlanta has underway a far-reaching model cities program in an area in which 10 percent of the residents of our city live. Funds such as proposed by the President's message will be required for the proper execution of these plans. This program is one bright shining star on the horizon for solving our urban problems.

The President proposed $2.18 billion for antipoverty programs. Atlanta's nationally acclaimed poverty program had to be cut back because of the shortage of funds this past year. There is a dire need for additional funds for the Headstart program, for job training for the unemployed, and for other social services for the poor.

The President proposed $2.34 billion for the construction of 2.35 million housing units in the next 5 years. Atlanta is already embarked on an all-out program to produce 17,000 housing units for its low-income families during this period. The city administration initiated a program last year to meet this goal through the cooperation of Federal programs, private industry, business, and Government.

The President proposed $65 million for rent supplement for the fiscal year 1969. Our studies have shown that 3,000 families in Atlanta fall in that income range which is too high to qualify for public housing, but yet is too low to pay for decent, sound housing. These families will benefit by the President's rent supplement program.

The President proposed $1.4 billion for urban renewal. Atlanta has one of the largest urban renewal programs in the Nation. Yet, if we are to reach our goal for providing sound housing for all of our residents we must extend this program. Atlanta presently has five projects on which plans have been completed and which are awaiting additional funds for their execution. These projects involve a total of 11,000 families.

The President proposed $230 million for Urban mass rapid transit planning for 1970. Atlanta is well underway in the planning of its mass rapid transit program. The funds proposed by the President will further spur this phase of the program to completion and provide relief for thousands of motorists commuting into and out of Atlanta each day.

Atlanta's use of these programs and others and how they are affecting our city are briefed in the following pages.

URBAN RENEWAL

Atlanta has one of the largest urban renewal programs in the country. The program encompasses 2,500 acres of land and includes eight urban renewal projects in execution, one project in planning, and one project completed. Federal capital grant funds totaling $38.1 million have been allocated, with an additional $15 million reserved for amendatory applications in process.

The city's commitment in its urban renewal program includes an outlay of $20.9 million of local funds. The program includes the acquisition of 4,781 parcels of land; the relocation of 4,223 families, 1,337 individuals, and 568 business concerns; the demolition of 4,139 structures; the sale of 901 acres of land on which $160 million of improvements have already been completed, under construction, or committed; the rehabilitation of 2,733 dwelling units; and the construction of 4,700 dwelling units primarily for families of low and moderate income.

While Atlanta has made great progress through the use of the urban renewal program during the past 10 years, there is much that remains to be done. Thirty percent, or 49,348 of the city's housing units are substandard. Another 1.8 percent, or 2,941 units are dilapidated. Within the next 5 years, there is an immediate need for 16,800 new housing units for families of low and moderate income.

Atlanta's anticipated needs for the fiscal year 1969 total additional Federal capital grant funds of $52 million. This includes $2 million for anticipated amendments to current projects in execution; $8 million additional for the Bedford-Pine project in the final planning stage; $9 million for the second Georgia Tech project (application submitted on May 6, 1966); an estimated $20 million for the Nash-Bans area; and $13 million for the first project in the model cities area.

The urgency of the hour demands continued action if we are to rid our city of the squalor of slums, halt the spread of blight, provide decent housing for all of our people, with particular emphasis on the housing needs of families of low and moderate income, enrich the quality of life in the city, and make every citizen a productive member of society.

The urban renewal program is the principal instrument available to our cities for meeting these objectives and for restoring dignity to all of its people.

LOW-RENT PUBLIC HOUSING

Another valuable and necessary instrument is the low-rent public housing program.

At the present time, Atlanta has 8,874 dwelling units of low-rent public housing in operation, with an additional 1,140 dwelling units under construction. The fact that the vacancy loss per year is less than one-quarter of 1 percent, and that more 2,000 unfilled applications are on hand, testifies to the need for low-rent public housing in Atlanta.

The city has a goal of eliminating the 16,800 dwelling units of substandard housing within the next 5 years and it is estimated that 57 percent of these units are occupied by families eligible for low-rent public housing. As an initial move to fulfill the above listed present and anticipated needs, the city of Atlanta has approved and the Atlanta Housing Authority has program reservations for an additional 3,700 dwelling units of new housing and 800 dwelling units of leased housing. Nine hundred and twelve of the new dwelling units are under contract to be built in the immediate future, and progress on the leased program indicates that the 800 dwelling units will be under lease within the next 90 to 120 days.

Because of the expiration of the Federal authority to enter into annual contributions contracts for additional units for this fiscal year some additional turnkey developments have not been able to progress as rapidly as might otherwise have been the case. It is essential to our program that the full authority for additional new construction be provided in the Housing Act so that contracts for additional developments may be entered into beginning July 1, 1968.

Atlanta is a high-cost area, particularly with respect to building construction. The Atlanta Housing Authority has been forced to request and obtain exceptions to the normal per room cost limitations because of this fact. We, therefore, support a higher unit cost per room for the Atlanta area.

Many of the lower income people in Atlanta are highly ambitious and the city pursues an active program of helping such people to improve themselves. We are, therefore, interested in and intend to test out construction of low-rent public housing of a type such that single dwelling units can be readily separated from the rest of the project and sold to the occupant-tenant.

RENT SUPPLEMENT

During 1967 Atlanta planned heavily on the rent supplement program to supplement our public housing requirements. In November 1966 the city of Atlanta launched an accelerated low-income housing program with goals to meet our then anticipated needs of 16,800 units by the end of 1971, of which the 1967–68 requirement was 9,800 units, including 5,586 units under the public housing or turnkey programs. As of January 15, 1968, our record in all categories was as follows:

	Units
Completed	1,312
Under construction	3,701
In planning	6,582
Total in sight	11,595

Unfortunately, we have not yet completed any public housing or turnkey units under the accelerated program: 790 units are under construction and 2,220 units are in planning, thus making a total "in sight" of 3,010 under the public housing or turnkey programs. This is 2,576 units short of our goals for this type of housing, which is the most badly needed of all. Rent supplement could materially assist in providing for this deficit.

Even with the limited amount of $10 million appropriated by Congress for fiscal year 1968, Atlanta was successful in completing 26 units under rent supplement in our Park West development; and 108 additional units under rent supplement are now under construction in our Wheat Street Gardens project. The allocation of 150 more units under rent supplement was made to the Catholic Archdiocese of Atlanta but did not materialize because of zoning complications. The location is now in planning by another group which we hope will qualify for rent supplement under the increased fiscal year 1969 budget request.

We badly need and strongly endorse the full fiscal year 1969 rent supplement authorization of $108 million.

The rent supplement program is the best means thus far devised for expanding the benefits of public housing and for filling the gap between public housing and standard housing provided through private enterprise, therefore, in my opinion, the rent supplement program should receive the full fiscal year 1969 authorization by Congress in order to fulfill its purpose and need in our overall housing economy.

There has been considerable sponsor interest in Atlanta in the rent supplement program. Continuation of this program will accomplish the following:

1. Assist Atlanta in meeting its urgent low-income housing needs by attracting additional experienced private sponsors into the local housing program.
2. Provide a tool for rehabilitating substandard rental structures in urban renewal areas.
3. Offer wider use of urban renewal land for the construction of new housing for displaced low-income families.
4. Aid in providing housing for the physically handicapped and elderly.

In my opinion, the rent supplement program is needed to round out the overall financing methods available for providing housing for the low- and moderate-income segment of our urban populations and I recommend that this program be continued to the extent of maximum authorization by Congress.

BASIC WATER AND SEWER FACILITIES

During 1966 a Federal grant of $1,415,000 was received by the city from basic water and sewer funds. A total of $985,000 of this amount assisted in construction of a 78-inch river intake conduit to provide additional water capacities and

capabilities from the Chattahoochee River source of Atlanta's water for the entire Atlanta metropolitan area.

After providing for additional water supply from the Chattahoochee River, grant funds in the amount of $430,000 were applied toward additions to the Chattahoochee water treatment plant which are being constructed at a cost of $2,190,000. By increasing water supply and water treatment capacities, water service is available to the ever expanding Atlanta metropolitan area. This will insure water service to new subdivisions and promote the abandonment of substandard housing in favor of the new subdivision areas.

Pollution of Chattahoochee River water is increasing at an alarming rate. The fecal coliform bacteria count is four times greater than recommended levels which makes it imperative that water treatment plants be expanded and improved.

Both improvements to the Atlanta water system were engineered as a part of a 78-inch river intake conduit to provide additional water capacities and water for domestic, industrial, and firefighting purposes. The plans were also approved by the Georgia Department of Public Health and the National Board of Fire Underwriters. The Federal grants made it possible for Atlanta to materially expedite the affected projects. Both were urgently needed since one of the two river intake conduits was badly deteriorated, and since water treatment rates frequently exceed rated plant capacities.

Additional funds are needed to complete the proposed 20-million-gallon-per-day expansion of the Chattahoochee water treatment plant, which will cost $2,890,000 more than funds already committed by the city of Atlanta and the Department of Housing and Urban Development. Additional feeder water mains are also needed to provide adequate volumes of water at sufficient pressure.

The financial ability of the city of Atlanta to meet her needs of approximately $130 million for water and sewer improvements required during the next 5 years is not adequate for the program. Federal matching funds are needed urgently.

OPEN SPACE LAND PROGRAM

In the relatively short time since the inception of the open space land program, grants to the city of Atlanta have been approved by the Department of Housing and Urban Development in the total amount of $829,767. This Federal assistance has made possible the acquisition and partial development of 16 new parksites totaling 331.7 acres within the city limits of Atlanta. These acquisitions represent a 16-percent increase in total park land in Atlanta.

Further, the open space land program has seved as an impetus for much additional comprehensive open space planning in the Atlanta metropolitan area. Atlanta has begun to meet the open space needs of its citizens and to meet the national goals of the open space land program as spelled out by the Congress. This beginning is significant, but it is only a beginning.

Atlanta is currently completing a comprehensive parks and recreation plan which will serve as a nucleus for areawide comprehensive planning. In the next few weeks the plan will be submitted to the Atlanta Region Metropolitan Planning Commission, the Georgia Recreation Commission, the Department of Housing and Urban Development, the Bureau of Outdoor Recreation, and other agencies for their review and comments to insure its acceptance and its conformity with areawide open space planning.

The first stage of implementation of the proposed plan calls for the immediate acquisition of open space land for five to seven community parks covering a minimum of 165 acres. Predominantly undeveloped land will be found where possible; but, some developed land must be acquired for open space to prevent the spread of urban blight and deterioration.

The estimated cost of open space activities in Atlanta for acquisition alone during the fiscal year 1969 is $1,650,000, provided that funds become available as planned. This type of progress is essential if we are to meet the critical needs of our time in large urban centers. However, such progress will be possible only with increased Federal assistance through the open space land program.

URBAN DEVELOPMENT

To understand what the urban beautification program has meant to Atlanta you have to realize that the city had no plan for beautification prior to 1967, other than the annual planting done by the parks, water, and fire departments. The

parks department, with limited money, has had to concentrate on new development leaving the older parks to decline. The city was hardly able to consider a project which was simply beautification.

With the catalytic effect of the urban beautification program the city has proceeded to develop a comprehensive beautification pogram which has accompli hed a number of things:

1. The beginning of a park redesign and park renovation program. The city's older parks which are obsolete in design and in need of renovation will be redeveloped on a priority schedule.

2. The development of the program and the necessary collaboration between city departments and public agencies has developed an awareness of beautification as well as the ability to see its citywide importance.

3. Urban beautification has a section devoted to it in the city's 5-year capital improvements program and an urban beautification fund has been established.

4. In 1967, the urban beautification grant was used to improve and develop playground facilities in poverty areas, plant trees in parks which had had to be developed without them, make improvements to public buildings and on public housing projects, and develop small downtown beauty spots.

5. A tree ordinance was passed to protect trees on undeveloped land, as well as in the front, side, and rear yards of all but single-family residential lots. Trees are one of Atlanta's main assets for which we are known across the country. We plan to keep it this way.

In our 1968 and future urban beautification applications, it is hoped that we can redesign and redevelop many of our older parks, replant our major thoroughfares which have been carelessly stripped by developers, stabilize our eroding creek and river banks with plant material, beautify our downtown with trees and fountains, improve the city's public school grounds, develop an underground utilities ordinance, and a sign and billboard ordinance.

The urban beautification program has helped Atlanta to accomplish many improvements which might otherwise never have been started.

Federal assistance in this area will help us to continue.

NEIGHBORHOOD FACILITIES PROGRAM

The neighborhood facilities grant program offers professional and technical assistance in building neighborhood centers. This is an especially vital need in impoverished neighborhoods across the country. The program allows us to build flexible centers which can be used to bring to our urban dwellers a variety of much needed services. It provides a way of decentralizing services to the neighborhood level.

The recent announcement of a $1.3 million grant reservation for Atlanta's John F. Kennedy Neighborhood Center was received with enthusiasm in our city. We will begin construction on this center this year. It will contain regular school facilities, a branch office of our county family and children services department, several municipal services functions, daycare and recreation. It is designed to serve as many needs as possible—it is a one-stop service center. Through the development of such centers we can avoid shuffling our people all around the city in search of needed services. We will make these services available to the largest extent possible within the neighborhood.

The funds allocated for the neighborhood facilities grant program are invaluable but the need and demand for these funds far outweighs present allocation.

URBAN MASS TRANSPORTATION

The urban mass transportation program has provided Atlanta with funds to bring its rapid-transit planning to a point of readiness for right-of-way acquisition and final design, pending public acceptance and a referendum. Without this work the rapid transit program would still be a planning exercise without a reasonable schedule for implementation.

This work has provided us with updated planning and important preliminary engineering that has enabled us to establish very realistic cost estimates and alinement plans. With this work, we are able to take a well-defined package to the public for acceptance rather than a vague plan with many blank places in it.

We endorse the fiscal year 1969 authorization because the technical work under section 9 will have to continue, and given a successful referendum in November of this year, we will be ready for our first capital programs.

MODEL CITIES PROGRAMS

The Demonstration Cities Act of 1966 was a bold national declaration of commitment to achieve the goals of improving the quality of urban life in our cities. However, this is a paper commitment that must be backed up by Congress with a financial resource to accomplish these goals. This country can no longer afford to make shallow commitments, they build false hope in the minds and hearts of its poor. We can no longer ignore the needs of the poor and depressed and hope that these conditions will disappear on their own accord. We must face head on the full responsibility to provide the necessary resources needed to make a substantial impact through the model cities program.

The President's budget request for fiscal year 1969 of $1 billion for model cities is the very minimum that Congress should consider in its deliberations.

Unless you are prepared to pursue these goals, it would have been better not to have passed the Demonstration Cities Act in your 1966 deliberations. We have proceeded, at the moment, to the point of no return. We are now in the midst of the storm and the only hope for this country is to pursue its initial goals with renewed determination.

Atlanta is going to move forward with its promise to the citizens of the model cities area. We must have the support of the Federal Government. The private and business sector is beginning to respond to the needs of the vast new approach. Congress can do no less.

SUMMARY STATEMENT BY MAYOR ALLEN

Mr. EVINS. You may highlight it or proceed as you wish.

Mayor ALLEN. Thank you.

Gentlemen, if I may brief the problem of the major urban centers of the country—and they are similar in many respects and I have listened with great interest to what Mayor Rogers has said—regardless of the size of our metropolitan areas, the problems parallel very much the statement that he has made here today. You asked the question of him: What was the single most important program; if you had to do away with a lot of them, which one would you take? My answer would be exactly the same as his. We recognize that in these areas there are three important factors involved: education, jobs, and housing. I believe most of us who have local responsibility and live close to the scene believe it is important that we have education and jobs, but as important as they are you can neither educate nor employ a person who is living in a slum, in a deprived condition, and that you have got to provide the necessary housing, a minimum form of housing to make it possible to be able to educate him and properly employ him.

I want to add my answer to Mayor Rogers', sir, in the same vein: that in my estimation the single most important function in the areas in which these cities are deeply involved, that is, the deprived areas of the cities today, is in the field of housing.

If we could get everyone in Atlanta in decent minimum housing we could then educate and employ them in a very-much-better fashion than we ever have before.

Mr. EVINS. Mr. Mayor, if I may interrupt your statement. As with Knoxville, I have visited Atlanta and it is one of the great cities of the South.

There are so many of the Federal agencies located in Atlanta that it is known as the second capital. We think you have a fine city.

Mayor ALLEN. Thank you, sir.

I might add that that expressway system has been built 90 percent with Federal funds, for which we are very grateful. The city of Atlanta could never have built it. All of the financial capacity of Atlanta would not have built that expressway system that you provided for us. That is basically what I am saying here today. We have an almost insurmountable problem at a local level today. Twenty-five years ago a third of the housing of the city of Atlanta was made up of shacks that were built without any consideration for how people should live. In that same 25-year period, in that interim there has been the greatest immigration of people who are unaccustomed to big city living that has ever occurred in any country. They have flocked by the thousands to the urban centers of this Nation. Basically, they are Negro citizens. What has happened in the South, more particularly in my own State of Georgia, is that they pack up the old automobile and if they have enough money they go right on to Detroit or Cincinnati or New York. But if they were short of gasoline money, they stopped in Atlanta. They have been provided with those shacks, we have turned over to them the older sections of the city, and up until 1960 the city of Atlanta, like all other cities in the Nation basically had no code enforcement.

We had no programs for improving the standards of living and people were permitted to let properties run down and exist under almost any condition. So at this point as of today, as a result of starting out way down the ladder with a third of our housing almost untenable by today's standards, as a result of the immigration of thousands of people, this has either forced or by choice the affluent to move into the suburbs along with the leadership classes. Although they own the downtown area, they do not accept the full responsibilities of the cities. This is generally true, although it is not quite as true in my own city as in many other cities. We are still, however, confronted with the problem of the movement to the suburbs. As a result of all this Atlanta today has 43,000 of its 185,000 housing units as substandard; 16,000 of them, or between 16,000 and 17,000 of them are by today's standards classified as unfit for human habitation. This is in spite of the fact that the city of Atlanta, I believe, has more completely accepted and attempted to carry out broad programs of reform that have been created by the Federal Government and financed by the Federal Government; I believe we have more completely tried to carry out these programs than any other cities of relative size in the Nation today.

We are operating over 9,000 units of low-income public housing which is now housing 8 percent of the population of the central city. They are successful units, sir. In those units there are decent standards of living. Most people have minimum incomes. The rate of crime and juvenile delinquency is only a fraction of what is in the slum areas of the city. We have incorporated the largest urban renewal program. I think, on a relative basis of any of the national cities of the country, we have nearly 3,000 acres undergoing the throes of urban renewal at the present time. As a result, we have moved 4,200 families

out of these bad areas into some form of better housing. We have relocated them. We have begun to clean up these areas. Several of them are, both from the viewpoint of private development as well as public housing features, outstanding examples of what good planning can do in improving the standards of living. We eagerly sought and qualified for a model cities grant. We support that program. Three thousand additional acres of Atlanta's oldest neighborhoods that are in the worst shape of any of the sections of town, all contiguous, 3,000 acres lining the southeast quadrant of the city, is under the model cities program today and we are doing the planning. It is 70 percent Negro and 30 percent white. Fifty years ago it was basically nearly all white. It is a transitional area where a great deal of the grave problems still exist. We believe that incorporation of that model cities program will stabilize this area and will develop it into a good neighborhood and will bring these people up to a standard of acceptable living.

We have utilized public housing, urban renewal, utilized fully as far as we can and are financially capable of matching funds with the sewer and water grants. We are in an urban beautification program which was one of the periphery areas of city improvement, although housing is the important thing right now. I can go down the list from expressways to public welfare to urban renewal to public housing to model cities to sewer and water grants to open space programs, right on down the list; the Federal Government basically under the HUD programs has been furnishing the incentive to the City of Atlanta to try to rebuild what was obviously an old and decaying area. We subscribe to them. We need them. The basic cities of America are financially incapable of solving the dilemma that they are confronted with. With no control over the input of the people that are moving into them, and most of the people that are moving into them are impoverished, uneducated, unable to take care of themselves, we are inheriting them all and we have no control over the input. I know Congress must feel from time to time "Well, why don't you take care of your own financial problems?" Basically, the cities are confronted with the same problem, we are creatures of the Legislatures. The City of Atlanta cannot pass, cannot secure, cannot get the right to levy a sales tax, a payroll tax, an income tax or any of the normal forms of taxation today that are used by other forms of government. Nearly every cent of money that we get is going into current operating expenses. The only basic funds that we have for capital expenditures are the occasional general obligation bond issues which we can pass. I am not becrying the situation, it is the responsibility of political leadership but basically it is almost impossible in today's times to pass a general obligation bond issue that really faces up to the needs of what the cities have to cope with at the present time.

Mr. JONAS. May I interrupt? I do not understand that. Will you explain that a little clearer? Why is it impossible? Aren't the people of Atlanta interested in these problems?

Mayor ALLEN. Yes, sir. The people of the cities have an interest, and the news media supports the need, the business community recognizes it even with their reluctance; but the problem you are up against is that the average citizen in Atlanta when he sees a bond issue come up

for streets reacts by saying—and this is the general reaction you get—"Well, they may need some new streets but really what they are doing is they are building more streets to supply the people that live outside the city access into the city and this is not my responsibility."

The man that already has an operating sewer and is living on a sewer and dumping his sewage into that sewer is not worried about the condition of the Chattahoochee River, he is reluctant to pass a bond issue to take care of sewers for somebody else in other sections of the town. The experience that we go through in passing general obligation bond issues is, No. 1, we are generally limited as to the maximum amount of bonded indebtedness that we can carry.

SOURCES OF REVENUE FOR CITIES

Mr. JONAS. You are telling us, then, that you have now exhausted all possibilities of raising revenue, you have run up against a brick wall, and that you cannot get public acceptance?

Mayor ALLEN. That is generally the case, sir, that it is almost impossible. I think if you will take a list of the bond issues that are brought up across the country you will find two-thirds of them are generally voted down. There is still a limited capacity of bond issues but the total bonded indebtedness that cities can go to is a small amount compared to what is needed.

Mr. JONAS. Have you tried to get enabling or permissive legislation through the legislature to impose extra taxes?

Mayor ALLEN. Yes, sir. I have just been through two sessions of the legislature supported by the entire business community of Atlanta. We put on the most vigorous effort to get a sales tax.

Mr. JONAS. This reapportionment, one man, one vote, didn't help you much, did it?

Mayor ALLEN. No, sir, but it is going to help us. If I can take a minute and give you an example of the difference; when I went into office 7 years ago the Georgia Municipal Association, representing all the cities of Georgia, had 156 people at its annual meeting in Atlanta and not a single State official was present. Today, under one man, one vote, there were 1,400 people at the banquet and every State official was begging to sit at the head table. So the transition has not been completed as yet.

Mr. JONAS. Off the record.

(Discussion off the record.)

Mr. EVINS. Mr. Mayor, you spoke of the incentive which HUD provides. I think you touched upon a key thing. HUD is a stimulant. Congress looks with favor upon many of these programs where there is local initiative. I know you provide that leadership. You have touched on your tax difficulties and your inability to raise further revenues. In addition to the public housing program that we have had now for 30 years, we have come up with a new concept, the rent supplement program, which is said to be a private enterprise approach. Will we be able to direct local businessmen and private enterprise into doing some of this job?

Mayor ALLEN. Yes, sir. I certainly think we can. In the first place, the public housing communities have been directed by the businessmen of Atlanta. The strong leadership in the housing authority, which is

the city agency for this, has been consistently headed up by financial leadership of the city, the president and general chairmen of the financial institutions have been represented and have furnished the leadership through the years that has seen the need for public housing, which is not readily acceptable at city levels because in the background of it has always been the racial connotation. Ninety percent of the public housing is Negro housing today, or close to 90 percent.

PRIVATE BUSINESS PARTICIPATION

Mr. EVINS. You have been to a degree able to stimulate private business and private enterprise into participating?

Mayor ALLEN. Yes, sir. Two or three things, if I may touch on that. The private business interests of the city accept the responsibility for the growth and vitality of the business community. They put on the Ford Atlanta Commission in which they put $2 million a year of private funds, supported with only $25,000 by the city and county, each, in what is known as the industrial development program of the city. The program was created as a result of the vitality of that business community, which is directed—that business community has directed the political leadership of Atlanta for the past 30 years—they have created in this decade over 200,000 new jobs. The metropolitan are of Atlanta today has 200,000 new jobs. This is relatively the highest percentage increase of new jobs of any of the 25 major cities of America. They have also been able to almost eliminate unemployment. They have the unemployment figure down to where it has consistently been, under 2½ percent. You cannot go much lower than that in today's market. They have supported these programs. I venture to say that these programs which I mentioned, public housing, urban renewal, and attempt at model cities, building expressways, have been the catalysts that have created the building and business boom in our city.

Mr. EVINS. They provided jobs and employment and they have paid the taxes?

Mayor ALLEN. Yes, sir.

PUBLIC HOUSING PROGRAM

Mr. EVINS. Is your public housing situation improving somewhat?

Mayor ALLEN. Yes, sir; yes. I think I can be reasonably factual. We moved out in almost 10 or 15 years some 80,000 people out of the deprived area. I am not sure of the exact length of time. We still have approximately 16,000 houses that we are going to have to find some place to put these people. That is the reason we are trying to accentuate today our low-income public housing units. These are families that are living in the slums of the cities and this is the last 16,000. What I say to the committee, we have 4,400 of those units under contract for last year, public housing, under 221(d)(3) developments. We didn't get them all under construction. Let me say we have 4,400 committed. When we eliminate those 16,000 to 17,000 homes today that are not fit to live in we will have eliminated the slums of our city. We are 60 percent along the way at the present time.

Mr. EVINS. I commend you, Mr. Mayor, and congratulate you for your great progress. You are recognized for the great progress Atlanta is making in its program of racial relations.

Mr. JONAS. May I interrupt? I would like to ask a question on the point he has just discussed.

Mr. EVINS. Surely.

Mr. JONAS. With respect to the occupants in these 16,000 or 17,000 houses do you have any record indicating the rate of unemployment? How many of them are unemployed?

Mayor ALLEN. The estimates show that it is many times in those areas the rate of the—the best records that are available show the rate of unemployment in what we call the deprived area, the 17,000 units, to be about 20 percent as the rate of unemployment.

Mr. JONAS. About 20 percent of the 16,000, assuming there is one employable person in each house, would mean 3,200 people unemployed out of 16,000. That leaves 12,800 people living in these houses that are unfit for human habitation, yet they are employed. How do you account for that?

Mayor ALLEN. You are taking the total number of people living there. The unemployment figures are based on the people that are eligible to be employed, sir. You are including children in your estimate, I think, sir.

Mr. JONAS. No. You said 16,000 houses.

Mayor ALLEN. 16,000 housing units, yes.

Mr. JONES. About 20 percent of those are occupied by families in which no one is employed. That is what I understood, about 20 percent.

Mayor ALLEN. May I approach it another way?

With 16,000 housing units, that constitutes about about 80,000 people at an average of four persons to a housing unit. Of that 80,000 people, I guess over half of them are children, which would bring it down to about 40,000 people. Now, of the 40,000 people there are some in there that are above 65 and some who are unfit for employment. You probably have 25,000 people who are employable, sir, in that group under the standards of the Department of Labor statistics and 20 percent of those are unemployed.

Mr. JONAS. That would be 20 percent of the 25,000?

Mayor ALLEN. Yes.

Mr. JONAS. That leaves a substantial number of people who are employed who are living in housing unfit for human habitation.

Mayor ALLEN. Yes.

Mr. JONAS. Wouldn't they rather, if they are employed—wouldn't it be better to encourage them to become homeowners?

Mayor ALLEN. It certainly would be better.

Mr. JONAS. We have legislation pending up here, we cannot get any support for it, however. Everybody gets all steamed up about these giveaway programs and these programs encouraging more rental units but we can't get any steam behind a program—I would rather pay a subsidy to help a person acquire an equity in a piece of property so he will be considered a potential homeowner eventually.

Mayor ALLEN. I think you and I would agree.

Mr. JONAS. Rather than paying a subsidy for rent.

Mayor ALLEN. I think we would agree that the strongest or best possible citizen is a howeowner. He has a vested interest in the country.

Mr. JONAS. That is right. Now, in this particular instance I am not talking about the unemployed people living in this area.

Mayor ALLEN. I understand.

Mr. JONAS. Isn't any housing available, cheap housing, for these people?

Mayor ALLEN. Generally speaking, the people in these areas are uneducated, transient, people who have moved into these cities out of the rural areas. They have always been renters or tenants. They have no stability, no family background, they don't understand what ownership is. They have never had a savings account, they don't have the right motivation. The family is not educated and the children haven't had much education.

Mr. EVINS. One of the keys to solving this problem is education.

Mayor ALLEN. Yes, sir. I agree with you, sir, but you are not going to educate, you cannot educate a child living in filth. This is what you are up against.

Mr. EVINS. Are you saying that housing comes first and education second?

Mayor ALLEN. I say all three of them come together, but you have to have housing before you can successfully impart an education. You are not going to keep on hiring a man who is not clean, for example.

Mr. EVINS. We must attack all three simultaneously.

Mayor ALLEN. Yes, sir; I think we have to attack all three.

Mr. EVINS. You have to have jobs, housing, and education.

Mayor ALLEN. I agree with that, sir. I am not attempting to establish priorities, I am merely saying that in my estimation I don't believe that you can successfully educate people and successfully employ people if they are not living under decent conditions.

NEED FOR LEADERSHIP

Mr. EVINS. This gets back to my earlier question, Mr. Mayor: Tell us your secret in solving these problems. You have made great strides and you are recognized for being a leader in race relations.

I like the idea expressed this morning that there be no threats. Congress does not react that way. Give us for the record, an elightenment of your philosophy on how to solve these matters. We would appreciate it.

Mayor ALLEN. It would be purely a personal philosophy along these lines. I think those of us who have had the opportunity to provide leadership in this country, and this dates back to the past generations, have failed miserably to provide proper leadership for the Negro community. That is basic. We have disgraced them, humiliated them, we have refused to grant them the right of citizenship. We pass segregated laws that insulted everyone that had to live under them and there is no need of going back. All of us are familiar with the many problems that anybody is confronted with who lives in a free country and has to have third-class citizenship.

We have finally come down into this generation where we are being confronted with many of those problems. Those problems are

cropping out today. They are cropping out because many of these people have been isolated in the past and now have moved to the cities. They are crowding up, they are being accorded pretty much the same treatment in cities. They have been moved into the slums or have had old sections of towns turned over to them. It costs about 25 percent more to be a Negro in America than it does a white man. Everything he does is more expensive. It doesn't matter what type of merchandise he buys, he pays more for it. His rent is proportionately higher. This is a true fact.

Mr. EVINS. We have had before Congress testimony that in certain supermarkets the price for the same commodity varies accordingly to location.

Mayor ALLEN. Right. Those are the conditions that we are confronted with.

Mr. EVINS. But, Mr. Mayor, many fail to point out the advances that we have made and the things that we are accomplishing.

Mayor ALLEN. Mr Chairman, I have not failed to point out the advances that we are making, sir. I have tried to relate to you how we have cleaned up 60 percent of the deprived areas of my cities, how we have eliminated in the public arena racial discrimination. The attitude is better in Atlanta in many respects than it has been prior to 1960. I think in recent months we have lost some of our gains but there is no need to think that we can't overcome all of the problems that we are confronted with at the present time.

Mr. EVINS. I think it might be well to point out in the record here the President's message on cities stated that we are making financial commitments of more than $22 billion to the cities' problems through more than 100 programs.

Mayor ALLEN. Yes, sir.

FEDERAL COMMITMENTS FOR URBAN PROBLEMS

Mr. EVINS. The budget stated that HUD estimates the total Federal financial commitments to urban areas will exceed $37 billion in 1969, more than twice the level in 1961. In urban renewal alone we have provided more than $8,215 million for 2,620 projects. In the new model cities program we have appropriated $323 million in just 2 years. For this program the President is asking for $1 billion for next year. In public housing, with the 1969 budget approved for an additional 75,000 public housing units, we will have a total of 787,000 housing units, almost a million public housing units with an annual contribution of $358 million.

In the rent supplement program, if the budget is approved for this year, it will be a total of $107 million for contracts. So it cannot be said that we are not doing anything. We are helping the cities.

Mayor ALLEN. Well, you won't have anyone before this committee that will acknowledge more fully what the Federal Government has done. I think I have tried to paint the picture that Atlanta is being rebuilt through Federal programs financed by the Federal Government, that the basic money that is trying to solve the problems of the urban centers of today has come out of the Federal Government. The State governments have not put anything into it, sir.

Mr. JONAS. May I ask a question right there?

Mr. EVINS. Mr. Jonas.

Mr. JONAS. That leads me to say this: The city that had the worst rioting last year had $100 million in urban renewal grants from the Federal Government. In Atlanta, 60 percent of the job is complete and yet you had a bad incident.

Mayor ALLEN. We had an incident.

Mr. JONAS. What do you think caused that? We have had these ongoing programs. We began public housing many years ago. One of the cities that I have reference to in this question is completely open, there has been no segregation in it for years, and it was nearly burned down. Most of the people engaged in the rioting were employed.

Mayor ALLEN. The riots of the past 2 years have occurred in cities that had made both a vigorous effort to correct conditions as well as in cities that have not made a vigorous effort.

Mr. JONAS. That is what is mystifying.

Mayor ALLEN. I don't think anyone is going to be able to give a simple answer. I can relate—I don't think the committee wants me to take the time to do it—the three incidents that have occurred in Atlanta in the last 2 years.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. On the record.

Mayor ALLEN. We are trying to bring this up to standard conditions. The bulk of the help that has come to us has come from Federal Government programs, almost all of it. Not one program has come to the city of Atlanta from the State in the field of rebuilding our cities. At the present time we have the lowest per capita grant of any State in the Union, practically nothing. We have a grievous problem. I have knowledge before this committee that the city government of Atlanta is not financially capable and may not be personally capable of coping with the situation over which they do not exercise control; that is, the thousands of people that are moving in every year. Ten thousand poor people move into Atlanta every year, over whom we have no control. They move in in spite of the fact that we do not have a place for them to live, we do not have schools to educate their children in, and they do not have jobs.

Mr. EVINS. Adequate or sufficient?

Mayor ALLEN. Nothing is sufficient. We have no control. This is a national migration of people. Maybe that is the reason the Federal Government is in it. You are the only agency we can come to. I would lots rather pass the funds myself. Goodness knows, we have increased taxes. You all have not increased taxes. We have increased taxes last year in 1967 when the ad valorem went up 3 mills; we doubled the sanitary tax, put up a 50-percent sewerage charge on the water bill; we increased business licenses 66⅔ percent, the largest percentage increase ever passed in the city of Atlanta at one time. This is all chicken-feed compared to our problem of rebuilding Atlanta, sir.

Mr. EVINS. Mr. Mayor, you are a great American. You have made a challenging statement and we appreciate your statement. We commend you for your great service and say to you that the Congress is working with you; we are working together.

Mayor ALLEN. Thank you, sir.

Mr. EVINS. Gentlemen, we have one other distinguished mayor here with us, Mayor Clyde Andrews of Marianna, Ark. We have a very valued and able member of this committee from Arkansas. If you want to present the mayor, you may do so, Congressman Pryor.

Mr. PRYOR. This is the first time, Mr. Chairman, I have ever met Mr. Andrews, the mayor of Marianna, but we are very glad to have him here. I know he will make an interesting presentation.

Mr. EVINS. Mayor Andrews.

STATEMENT OF HON. CLYDE ANDREWS, MAYOR, CITY OF MARIANNA, ARK.

Mayor ANDREWS. Thank you, Mr. Chairman. I have a printed statement here for the committee.

Mr. EVINS. We will include your full statement in the record.

(Mayor Andrews' statement follows:)

STATEMENT OF CLYDE S. ANDREWS, MAYOR OF MARIANNA, ARK.

Gentlemen, this printed statement will be divided into two discussions. The first will be the needs of Marianna, Ark., and how these needs can be filled with adequately funded HUD programs.

MARIANNA, ARK.

(Population 5,653)

History of participation in HUD programs

Marianna has been participating in HUD programs since 1960. (Actually prior to the establishment of the Department of HUD.) We have found the programs have been most beneficial and have provided improvements to our city that would not have been otherwise possible.

Housing

We have 100 units of low-rent housing which were completed in 1964. We have 26 units for the elderly under construction at this time and have another 24 units on which construction will begin in April. We have applied for another 100 units. Housing is and has been so "tight" in Marianna for the past 10 years. the standing joke is you cannot move to our town until we have a vacancy. We keep a current, active waiting list of approximately 250 families at our public housing authority all the time. Every time we have a vacancy in one of our housing units, there is a mad scramble for it. Our rate of turnover is less than 5 percent a year.

The present units we are now building have been in the planning stage since 1964 and will not be ready for occupancy before 1969. This time lag is quite exasperating and it would seem adequate funding of the housing program would help this deplorable situation.

One of the major problems that the city has had with its urban renewal program has been the relocation of families. This problem has been accentuated due to the shortage of housing for all people and particularly the low-income groups.

I have made a brief study of the "Turnkey" (4) housing program. If properly administered, it should provide low-rent housing much faster than the present method. It would also cost considerably less initially, as the government would not have to bear construction cost. I personally feel this program would work very well in our town as the public housing authority staff could manage the houses after construction with very little additional cost. Marianna needs an additional 100 units of housing as soon as possible.

Urban renewal

Marianna will complete its first neighborhood urban renewal project early in 1969. This project covered 40 acres and involved approximately 110 families. About 95 percent of the structures in the area had to be demolished. The contract

for the "on-site" improvements was let last month and are slated for completion in July. Approximately 70 lots will be offered for sale and 26 of these have been sold. The living conditions of the people (100-percent Negro) in the area was deplorable and beyond description. We feel the project is a total success and it will be completed about a year ahead of schedule. The total net cost of this project will be approximately $650,000.

We are in the process of making a survey and planning application for our second project which will cover about 67 acres and calls for the demolition of about 50 percent of the existing structures. This project will have a net cost of approximately $800,000. We would like to begin this project early in 1969; however, the HUD officials in Fort Worth inform me there is little hope at the present rate of funding to get approval and funds within 2 years. If this is true, we will lose our trained personnel and will incur considerable expense reorganizing our urban renewal agency. It would seem adequate funding of the urban renewal program is the only answer to this problem.

Urban planning grants

Marianna received an urban planning grant in 1958. The entire town was zoned and an orderly growth pattern was established. We have outgrown our original planning and have applied for another grant to review and expand the previous plans. This program is quite beneficial and inadequate funding will tend to slow down all community improvement.

Grants for basic sewer and water facilities

Marianna investigated this program as our water and sewer problems were so great they seemed financially insolvable. The nature and the expense of water and sewer facilities make them a constant problem to most communities. We obtained a $1,500,000 grant and loan from the E.D.A. to construct our new water and sewer facilities. However, I feel we were fortunate to be able to qualify for an E.D.A. program. The HUD program is the only one open to most cities and it should be kept adequately funded so that the assistance will be available when needed. When water and sewer requirements become so large and expensive a town can't sell its bonds at a reasonable rate of interest, they must do without unless an HUD grant and loan is made available to them.

Other HUD programs

We have investigated other HUD programs for Marianna, but our needs for basic things like water, sewer, housing, streets, drainage, etc. have been so great and our resources so limited we have not actually participated in any of the others. The neighborhood facilities program is one in which we plan to participate in 1970 if we can find the matching funds. We have a 10-acre park which is not developed and we need assistance on a recreation building. Certainly this program needs to be funded, but I would give the others I have mentioned precedence over it. The rent supplement program is completely unacceptable to the people of Marianna. While low rent public housing is very popular, the concept of the Government directly subsidizing a specific family a specific amount for house rent is abhorrent to the people of Marianna. We have considered the model cities program, but we do not have the personnel to inaugurate such a program. The people of Marianna also like basic "action" programs where they can see progress, such as housing, renewal and water and sewer. Model cities seems to be more devoted to planning than action. I am not familiar with any of the other HUD programs, so I do not feel qualified to even comment on them.

SURVEY OF ARKANSAS TOWNS AND CITIES

A survey sheet was sent to all cities and towns in Arkansas by the Arkansas Municipal League. Out of 320 towns, 112 reported. A summary of their participation is shown below.

Population category	Total, cities and towns	Number reporting	Number participating in HUD programs	Number planning to participate in HUD programs	Number not interested in HUD programs
Under 1,000	291	57	5	47	5
1,000 to 5,000	93	36	20	11	5
5,000 to 30,000	36	19	16	3	0

In the population category of less than 1,000, two programs were primarily desired. The first was water and sewer and second was low-rent public housing. Most of these towns indicated they had tried to get water and sewer facilities through the Farmers Home Administration but had been informed there were no funds. Those reporting all seem to feel they were the forgotten group insofar as all urban programs are concerned. The HUD requirements make it most difficult for these small rural towns to participate in any of their programs.

The towns in the population category of 1,000 to 5,000 were participating primarily in the low-rent housing program. Most of those planning participation mentioned housing. The low-rent housing program was by far the most popular in this category. The second most popular program both in use and in planning was the water and sewer facilities program. However, several of the programs are in use or are being planned by these towns; they are, in order of frequency of mention, urban planning grants, urban renewal, and neighborhood facilities.

The cities in the population category from 5,000 to 30,000 are understandably the greatest users and supporters of HUD programs. I was surprised to find three of them had never received any HUD funds; however two of the three have program applications pending. The one exception indicated a need for low-rent housing.

Eight cities now have 751 units of low-rent housing and all 18 indicate they need 2,199 new units now and will need an additional 1,310 units in the next 5 years.

There have been $5 million in commercial urban renewal completed and there are $5,200,000 in residential and commercial projects in execution. The need of these cities is $14 million in residential projects and $7 million in commercial projects.

The water and sewer facilities programs are being used extensively by this group. They have $8,265,000 in these projects either programed, in execution, or planned.

The urban planning grants have been used by over 50 percent of these towns. One has used rent supplement and five plan to use it. Four indicate they plan to apply for model cities planning grants. Nine indicated they will use the open space land grant program and four of them will use the urban beautification program.

SUMMARY

The HUD programs are generally beneficial to the small cities and towns and the interest in them is intense. The biggest obstacle I have found is the delay in getting programs approved and funded. The survey of the Arkansas cities indicates others have experienced the same difficulty. Part of this delay must be attributed to administrative red tape; however, the lack of funds plays a large role also. The HUD programs should be adequately funded and many of the regulations of the HUD (the workable program requirement being the worst) should be relaxed so that programs could be expedited rather than delayed in the regional offices. If this could be accomplished, the intents and purposes of the HUD programs would be fully realized.

SUMMARY STATEMENT OF MAYOR ANDREWS

Mayor ANDREWS. Thank you, sir.

I am indeed flattered to be invited to appear before the committee and present to you the problems of my community and let you know how we have participated in HUD's programs and what we think of HUD's programs. My statement will include two things. I want to review for you what we have done with HUD programs. Then through the help of the Arkansas Municipal League, I took a survey of all of the towns in the State of Arkansas under 30,000 people to be able to bring to the committee some idea of how other small towns in my State are participating in HUD programs.

As I understand it, this was my role, to bring the committee the participation and activities of the smaller cities in the Nation insofar as HUD programs are concerned.

In Marianna we have been participating in HUD programs since 1960. This was before we even had a HUD, in fact.

The first program we were in was the housing program. We have 100 units of low-rent housing constructed. At the present time another 50 units are under contract, one has been let and another contract will be let next month. Housing has been a major problem in our community. It seems that most of the houses in Marianna are exceedingly old and very poorly built, and due to limited water and sewer facilities it has been impossible for us to expand too far beyond our corporate limits. Therefore, the rebuilding of the areas within present limits has been about our only solution to the housing problem.

These low-rent houses have helped us tremendously. Our biggest problem as to low-rent housing has been the fact that they are so slow being funded. I am talking about HUD funding for us. Of course, HUD tells us that they put out the money as judiciously and as rapidly as it is made available to them, but these 50 houses that we are letting the contract on now have been in process over 4 years.

I needed them 4 years ago but I still don't have them and they won't be available until 1969.

We made another application for 100 units. We started off anticipating our requirements at 300 units of low rent housing in the city. Our people accept low rent very readily, it is a popular program. The people who are moving into the low rent housing are the lower income people, the ones who are suffering most due to the inadequate housing that our community can furnish to them. As far as the more affluent people, as we can furnish water and sewer facilities to them, they seem to be able to scuffle for themselves and develop housing. The lower income people in a small town, it is very difficult for them to finance housing. This, it seems to me, has been about the only answer to furnishing these people decent housing. I have been doing a little reading on this turnkey housing program and looking into it. Marianna has not participated at this time but with this new turnkey housing program it looks like for a town the size of ours it might be a good solution to keep from costing the Government too much money and eventually they make homeowners out of these people.

We have recently completed—not completed, but are in the process of completing our first urban renewal project about 40 acres covering 110 homes. We are making application for another urban renewal project at this time which will cover 67 acres with a little over 200 homes. One problem concerning me very greatly, when I started to talk to the HUD folks in Forth Worth about this second project, they told me to make the application but they say it looks like 2 years.

PROCESSING OF APPLICATIONS BY HUD

Mr. EVINS. As I gather, if I may interrupt— and I have looked over your statement which will appear in the record—the burden of your testimony is that these programs are helpful, but you are a little concerned about the red tape and the delay. You are directing your testimony towards speeding up the handling of applications?

Mayor ANDREWS. Yes, sir. Mayor Rogers just mentioned what I was going to point out, that if this cannot be speeded up on urban renewal I am going to lose my staff, that is, if they take 2 years.

My other project finishes next year. If they do not fund me for 2 years then I will lose my urban renewal staff and all the good work we have done over the past 3 or 4 years is lost.

LOCAL PARTICIPATION

Mr. EVINS. Would you tell the committee what you have been able to do by way of stimulating local participation from your businessmen, your Chamber of Commerce, and your local citizens.

Mayor ANDREWS. The local participation, of course, is very, very great. I noticed Mayor Allen say he was having difficulty in getting his local people to vote taxes. I have had five tax increases since I have been in office. I have had no trouble in that respect. We are extremely limited in the State of Arkansas where we have a 5-mill limitation on any capital improvment bond issues. We have three of our five mills already. We are afraid to use the other two for fear of some disaster. That would be the only source of raising money for the city. We have also voted revenue bonds at the same time. I find great cooperation among my local people. They support these programs wholeheartedly. In fact, that is the way we have managed to do what we have done because we have no local problems, the people are solidly behind these programs. The programs interrelate very greatly, Mr. Chairman. I notice you asked some of the other mayors about what would take precedence. I was thinking of our urban renewal project. In that project there are four programs that we have used or will use. We will use the neighborhood facilities program, the housing program, and the planning program. It is most difficult to single out a project, a phase of this project, so many of them are so closely interrelated that it is difficult. I would like, Mr. Chairman, if we could, to give you a little breakdown on the survey that we took of the Arkansas cities and towns.

I thought it was quite interesting that the towns under 1,000 which, in the State of Arkansas, if we took all of them, then we are talking about 60 percent of our population. Well, their participation in the programs have been absolutely negligible. Yet their desire is tremendous. Of 57 towns reported, 47 of them desired to participate. Housing is the program that most of them were interested in. Water and sewer run a close second. In the towns up to 5,000 we found more participation, and once again housing, then water and sewer.

When we get over 5,000 and up to 30,000, we found practically 100-percent participation of the towns. Of course, it should be expected that these little larger cities would be more interested. But there is tremendous interest in our State in these programs. We are limited only in two respects. The resources of the local government which I say are extremely limited under our State laws and the lack of the availability of Federal funds is the only thing that keeps the Arkansas cities and towns from participating to a much greater extent than we are doing at the present time.

Mr. EVINS. Gentlemen, we thank you all. I see in our audience—you may not know him—a very distinguished mayor from my State who is apparently here on another matter and not scheduled to testify. He has been president of the Tennessee Municipal League and mayor of the town of Smyrna, Tenn. He calls Nashville a suburb of Smyrna.

If he has a statement he would like to make, we will hear from him at this time.

Mayor RIDLEY. Thank you for the recognition, sir. I have nothing to say.

Mr. EVINS. Thank you, gentlemen.

THURSDAY, MARCH 28, 1968.

HOUSING APPROPRIATIONS

WITNESS

HON. CHARLES A. VANIK, REPRESENTATIVE FROM THE 21ST DISTRICT OF THE STATE OF OHIO

Mr. EVINS. The committee will come to order. We have with us this morning our distinguished colleague from Ohio, Congressman Charles A. Vanik.

Congressman, we would be glad to hear you.

Mr. VANIK. Mr. Chairman, I want to say at the outset that I appreciate the courtesy that was given our mayor of Cleveland yesterday. I am in hearty support of his position in support of a meaningful program to meet the housing needs of America.

I am heartily in support of the President's proposed Housing Act which has in it a number of very important legislative changes. It also calls for expansion of the housing programs around the country. We desperately need these in Cleveland if we are to succeed in creating decent homes for the residents of our neighborhoods.

As Mr. DeForrest Brown of the Hough Development Corp. recently testified before the House Banking Committee:

Titles I and II can give thousands of our fellow citizens the chance they have dreamed about to own their own home. For those who must rent, it would mean supplementary payments to lease suites in privately owned buildings which are at least up to standards.

Several projects have been stymied in Cleveland because of lack of adequate technical and financial resources. This bill would provide preconstruction help so groups like our own could proceed much faster. In the University-Euclid, Mount Pleasant, Glenville, Hough, Central, and Near West Side there are low- and moderate-income-project possibilities. When this bill is passed, we look forward to getting the help we need.

It increases and upgrades public housing programs so that they can more adequately serve the tenants who need to live there. We are hopeful that not only will many more dwellings be built, but that the entire process will be speeded up. This is especially critical for those people whose incomes are even too low for moderately priced private housing. Also, more units could be available for purchase by tenants whose income allows them to do so.

Title III has three urgently needed provisions:

A. Loans and guarantees for those who have been forced to pay outrageous rates for land contracts.

B. Opportunities for more owner occupants to buy two-, three-, or four-unit buildings.

C. More authorization for the city to acquire buildings, rehabilitate them, and sell them.

Title V at long last changes urban renewal rules so we can begin to do those things which can be started on a small scale right away. This is long overdue and will help us in League Park, Tremont, Glenville, and Central West areas.

The bills recognize the deficiency of the current allowance of $1,500 for rehabilitation. This is altogether too low. The new amount of $2,500 will make it possible for owners to really bring their homes up to code.

Title IX brings business into the housing picture so more production can be achieved. It also means that our local businessmen can look to big business for backup with capital and know-how.

Title XI will mean that our community aides who can help in urban renewal, housing, planning, and similar fields can get training. This will eventually mean bettter jobs for them and better programs for the community.

We also urge you to increase the amounts for model cities. More neighborhoods need it and want it. They should have it if you are serious about really rebuilding our cities.

I want to repeat my strong support for the ideas contained in this bill. I hope you will fund these essential needs after the legislative committee completes its work.

I am here also on another issue, if I can just touch on it, because it relates to the jurisdiction of your committee and it covers your appropriations.

I want to take this time to urge your committee to halt the construction or rental of any additional accommodations for the expansion of the Federal bureaucracy in the Washington area.

I believe that the affairs of the Government require a large and professionally trained bureaucracy. However, I deplore the circumstance which concentrates so much of it in the Washington area.

According to the latest reports, over 300,000 civil servants work in the area. These reports are not complete, and they overlook another 20,000 which have been added since the last report. And in addition there are another 60,000 or 80,000 military personnel living in the area of this Capital City, making a total of almost 400,000 people living in the area on a Federal payroll. If I may go off the record.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. Back on the record.

Mr. VANIK. This huge complex of Federal employees plus the others in various tiers that are working in matters related to Government make this the fastest growing metropolitan area in the United States, and it is at the expense of the rest of the Nation.

According to a recent survey by my office, the Federal bureaucracy is presently located in 480 different buildings and locations in the Greater Washington area, not including military reservations. Many of the agencies which purport to be outside of the area are actually in Fairfax, Montgomery, Prince Georges, and Arlington Counties.

As an example of Government activities which need not be located in the National Capital region, there are a minimum of 64 locations where research projects are being carried on by different agencies of the Federal Government. The congestion is so bad that there are single bureaus concentrated in Washington that are divided into 25 or 30 buildings, many of which are housing functions which could be located in other parts of the Nation and which have no need to be in the Washington area.

The personnel logistics involved in the carpool movements of this tremendous Federal work force are staggering, and it entails a considerable utilization of the public officials just to handle the private transportation of Federal employees. I think the congestion in this area is unparalleled. The main arterial highways in all directions are glutted for two and a half hours in the morning and two and a half hours in the evening, when the thousands of public employees find their way to and from employment.

I think that perhaps the hardest work that an employee does in many cases is the effort that he exercises in getting to his job in the

morning and coming home from it at night. I think the Federal Government gets what energies and talents are left after this—I am exempting present company, but I think it could be conservatively said that one-third of the energies of our bureaucrats are lost in getting to and from places of employment.

The Government's decentralization orders and criteria of July 1962 and the previous efforts by Congress to more effectively locate Government bureaus have proved to no avail. Apparently, most Government officials prefer to be located where the action is and where there are better opportunities for promotion and advancement.

The pressure for office space is so great in Washington that many of the agencies find it necessary to rent space from lobby groups which they are supposed to regulate.

For example, the Federal Government rents space from the National Rifle Association, which until very recently had a $5 million subsidy from the Federal Government. Many of the offices of the Department of Housing and Urban Development are located in buildings alongside of the real estate interests with which they have daily contact. One unit of the Agency for Internatonal Development is housed in the same building with six embassies of underdeveloped nations which are dependent upon it for resources. The physical possibility for conflicts of interest are unlimited.

Under these circumstances and because of these conditions, I earnestly recommend that your committee take such action as is necessary to preclude either the further construction or leasing of accommodations for any increases in present agencies of the Federal Government in the Greater Washington area which do not establish a convincing case of their need to be in Washington. Large agencies of the Government's bureaucracy could be distributed in various parts of the United States where the Federal bureaucrat would become an integral part of community life and provide an economic base for that community's life.

In Cleveland, for example, where we have so many cyclical industries, 5,000 or 6,000 more Federal jobs which could be brought in by the movement of a single bureau would provide a very sound contribution to local economic development and employment stability. I am sure that this same condition could be established in other communities throughout America.

Today, America is suffering from a flight of gold to outside of the country. Meanwhile, the Federal Government through its system of taxation is withdrawing billions of dollars of money from citizens in communities all over America and spending an unreasonable part of it in the concentrated bureaucracy of the Capital City.

Mr. EVINS. Thank you, Mr. Vanik, for a very challenging statement. You are concerned with the disbursal of Federal programs and Federal activities outside the District of Columbia, and you make an appeal against further appropriations for construction of new Federal buildings and also leasing——

Mr. VANIK. Yes.

Mr. EVINS (continuing). Where you find that these programs can be carried on outside the District of Columbia.

Mr. VANIK. Yes, that is the plea that I make, Mr. Chairman.

We have done a rather long study in my office, which I will release in the next several weeks.

Mr. JONAS. I would be very glad to have that study. You are echoing sentiments I have made in this committee, and you will find, if you look at the record, that we have been trying to slow down this growth right in this committee. We have been denying funds——

Mr. VANIK. That is correct.

Mr. JONAS. And I will cooperate in efforts and will inaugurate one myself to try and move as many of these activities to other parts of the country as is possible.

Mr. EVINS. We appreciate your statement.

Mr. VANIK. Thank you, Mr. Chairman. I just want to point out, for example, the NASSIF Building at Bailey's Crossroads. You cannot enter the building. I tried to go in to find out who is in there, and there is a Pinkerton man at the gate so you cannot even find out what bureaucrats are upstairs. I do not know how important or secret that work is. And across the street, there is a new Defense facility. And at Bailey's Crossroads, above the shopping center, is the Federal Aviation Agency. They are even picking up space on the second floor of shopping centers.

Mr. JONAS. May I offer one other suggestion?

Mr. VANIK. Yes.

Mr. JONAS. I hope you will ask Bob Sikes to let you make a similar statement before our Subcommittee on Military Construction. We are faced with that same situation there. Everybody wants to be in Washington.

Mr. VANIK. Yes.

Mr. EVINS. This committee has limited jurisdiction. Other subcommittees have jurisdiction in other fields. But we certainly appreciate your study and your statement.

Mr. VANIK. Thank you very much, Mr. Chairman.

Mr. EVINS. Thank you.

ALASKA HOUSING

WITNESSES

HON. HOWARD W. POLLOCK, REPRESENTATIVE FROM THE STATE OF ALASKA

HON. E. L. BARTLETT, U.S. SENATOR FROM THE STATE OF ALASKA

ED CRITTENDEN, ALASKA STATE HOUSING AUTHORITY

Mr. EVINS. The committee will come to order, and we have with us this morning our distinguished colleague from Alaska, Howard W. Pollock; also Senator E. L. Bartlett, of Alaska, and they are accompanied by Mr. Ed Crittenden of the Alaska State Housing Authority. We will be pleased to hear you.

Mr. POLLOCK. Thank you very much, Mr. Chairman.

I have a statement which I would like to have filed for the record. I will go through and touch some highlights but will not take your precious time to hit all of this.

With me, as you have indicated is the distinguished Senator from Alaska, E. L. Bartlett, who is the author of section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966, and I also have Mr. Ed Crittenden, who is the executive director of the Alaska State Housing Authority.

Mr. Chairman, the $1 million we ask you to appropriate in accordance with a prior authorization will begin a program of building new housing for thousands of Alaska's native citizens. Through grants and loans provided by this money and state funds, small inexpensive dwellings will be constructed in rural native Alaska. These homes will be owned by the occupants, and in many cases will be constructed by them.

The first appropriation will construct about 200 homes while the total $10 million authorization would provide about 2,000 homes, desperately needed dwellings, I might add. At the present time in Alaska, in the native villages, the average household size is nearly six persons. It is about 5.7 or 5.8. The total program, therefore, will bring housing to something like 10,000 persons.

I would like to say briefly that the justification for such a program is twofold. First, I think, the special Federal responsibility in matters dealing with the aboriginal peoples of America, and second, the extreme conditions of abject poverty in a hostile weather environment which is unique, I think under the American flag. The adverse conditions which exist in remote Alaska villages exceeds those that are found anywhere else in the United States.

Mr. Chairman, the Alaska native housing program is not a radical departure from the past, nor a precedent for other non-Indian programs. On the contrary, it is a means of carrying out the Government's responsibility to the poverty-stricken Alaskan native, a duty which has existed now for about 100 years.

Earlier this month the President reiterated the Government's special concern in this area and proposed increased appropriations to alleviate the ills that beset the American Indian. He indicated the desire to bring closer the day when they will be full partners in our advancing civilization. The President said that "Most Indian housing is far worse than the housing in many slums of our large cities."

Mr. Chairman, I would like to add that I think our housing in Alaska is far worse than the housing I saw for the people in South Vietnam and in Thailand.

The actual need for the housing in Alaska in remote villages is almost impossible to comprehend because the living conditions for the Alaskan native in these villages are not comparable to anything that is found anywhere in the United States.

Overcrowding, high birth rates and death rates, rudimentary hygiene, and public sanitation and other problems exist in many places in the world—places like Pakistan and Indonesia—but these people are not required to cope with the problem of living in one of the harshest, most hostile environments or climates known on the planet. Long winters and subzero temperatures make existence in remote Alaska a battle for very survival.

I think there are several points that are interesting to touch upon and then I will yield to my distinguished colleagues. A study has been

made recently of housing in the Yukon-Kuskokwin Delta region of southwestern Alaska. The median family income is only $1,400. Nine hundred households containing about 42,000 people in 28 villages were surveyed. Two-thirds of these homes had only one room. This is with six people living in them. And one-half of them had less than 300 cubic feet of living space per person.

Another study relating to the spread of tuberculosis considers a volume of less than 600 cubic feet to be very crowded and very dangerous. And here we have half of these homes with less than 300.

A 1966 report by the BIA stated that 97 percent of the Indian, Eskimo, and Aleut housing in Alaska is substandard—as they indicate, worse than any housing anywhere in the United States.

Now, let me take just a minute, Mr. Chairman, to talk about the problem that really faces us, and this is the health problem. It is really a gigantic one.

Today, the average age of an American in the United States at death is about 70 years, and by contrast, the average age at death of the Alaskan native is 35, one-half of this. And the infant mortality is as astronomical. The incidence of tuberculosis among the natives is 63 per 100,000 population, while the national average is only 26 per 100,000. Those who do survive the first year run tremendous risk of serious disease or crippling illnesses after that. Many of the natives are successfully treated for ailments in the U.S. Public Health Service hospitals only to be sent back to the same environment from which they contracted the diseases in the first place.

So the program which we ask you is really desperately needed in order to achieve the goals of a better life for Alaskan natives.

Another point that I think is very important to bring out is that the cash income of most of the native people is far too low and too erratic to enable them to take advantage of any of the existing finance programs. Moreover, the existing programs require minimum construction standards suitable to the rest of the country but absolutely unattainable in rural Alaska. The program we have before us is designed to fit the specific remote Alaska situation, a situation which is so poor and deplorable that it cannot even reach up to the minimum standards for the normal programs for the poor.

As we visualize it, the Alaska native housing program will be largely funded by Federal money, but it will be administered by the Alaska State Housing Authority. Mr. Crittenden is here to talk about that. And this authority has been in existence 25 years and has had considerable experience in conducting housing programs in the State.

A plan has been formulated by the authority in conjunction with the Governor's native housing task force. This has been presented to Secretary Weaver. He has found it to be workable. There were one or two details that he wanted to have ironed out, and these are in process right now.

I would like to say, also, that the State of Alaska will bear all of the costs of the administration of this program, as well as providing some of the construction funds. The Governor has proposed the appropriation of $1 million by the State legislature. With our small population, we are hard put to provide this money, but it is very, very important for us to do this, so the legislature is appropriating $1 million to match the $10 million Federal share over the life of the program.

Now, last year the Appropriations Committee of Congress expressed concern, as over in the Senate, about two points which I would like to discuss, and then I am going to stop. This committee in the report indicated that plans and standards for the program needed further refinement, and that was a correct statement at that time. The Senate believed that the State should commit itself to pay 100 percent of the administrative costs, and we have taken steps to do this.

So you can see, Mr. Chairman, that the State of Alaska complied with both of the objections which were raised at that time, that of refining the plans for the program—and Mr. Crittenden will go into those details—and we have provided the money or are providing it for 100 percent of the administrative costs. So the program is well advanced and all that remains to begin the appropriations is the Federal share of the costs.

Now, in closing I would like to say this, Mr. Chairman. I realize that in these times all new programs are subject to the closest scrutiny, and I think they should be. Our massive budgetary problem justifies a critical look at all expenditures. The request for this particular program, however, makes no real impact on the Federal budget and yet it is so critically important in an area which is roughly one-sixth of all the geographic area of all the United States. In the total picture the expenditure of $1 million is an infinitesimal amount in relation to our total expenditures. I do not say this as a justification, but I just mention it in passing. If this money is not spent it is going to critically affect the lives of fellow Americans for whom we have a declared and genuine responsibility, and I think it is an unmet responsibility thus far.

So I would like to close, Mr. Chairman, by expressing appreciation for the opportunity for me and for my colleagues to appear, and I want you to know that we think it is a very distressing problem that must be resolved, and the nightmare just is not going to go away, and we ask that you favorably report this legislation.

(Mr. Pollock's full statement follows:)

STATEMENT OF HOWARD W. POLLOCK, CONGRESSMAN FOR ALASKA

Mr. Chairman and members of the Appropriations Subcommittee on Independent Offices and Housing and Urban Development.

I am grateful for the oportunity to appear before you today to testify on behalf of the requested appropriation of $1 million for the Alaska native housing program. Also present is the distinguished senior Senator from Alaska, E. L. (Bob) Bartlett, the author of Section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966, which authorizes a Federal expenditure of $10 million for this program. Representing the State of Alaska is Mr. Edwin B. Crittenden, executive director of the Alaska State Housing Authority, the agency that will administer the program.

Mr. Chairman, the $1 million we ask you to appropriate in accordance with a prior authorization will begin a program of building new housing for thousands of Alaska's native citizens. Through grants and loans provided by this money and State funds, small, inexpensive dwellings will be constructed in rural native villages in Alaska. These homes will be owned by the occupants, and in many cases will be constructed by them. Housing will be built in areas where economic viability is possible and in conjunction with other community improvement programs.

It is estimated that this first appropriation will construct about 200 homes while the total $10 million authorization wil provide 2,000 desperately needed dwellings. At the present time the average household size in rural Alaska is

nearly six persons: thus, thus program, if fully implemented, will bring new housing to over 10,000 persons.

That briefly is the program we are asking you to fund during the fiscal year 1969.

The justification for such a program is twofold—first, the special Federal responsibility in matters dealing with aboriginal peoples of America, and second, the extreme conditions of abject poverty in a hostile weather environment. The adverse conditions which exist in the remote Alaska villages exceeds that found anywhere else in the United States.

The responsibility of the United States Government for the American Indian including the Alaska native, is different from its responsibilities for the rest of us. For decades the United States has assumed an extensive role in the progress and welfare of these first Americans. While one cannot say that this role has been carried out well, it can be said that it does indeed exist. Long before there were any agencies concerned with our cities, there were agencies concerned with Indian welfare in all its ramifications. Thus, while this Alaska native housing program is new, it is not a radical departure from the past, nor a precedent for other non-Indian programs. On the contrary, it is a means of carrying the Government's responsibility to the poverty-stricken Alaska native, a duty that has existed almost since Alaska's purchase a century ago.

Earlier this month, the President reiterated the Government's special concern in this area by his message to Congress on the American Indian. In that message, he proposed increased appropriations to alleviate the ills that beset the American Indian and indicated our mutual desire to bring closer the day when they will be full partners in our advancing civilization. Included was a section urging better housing. "Most Indian housing," he said, "is far worse than the housing in many slums of our large cities." I would add that it is far worse than the housing I saw for the people in South Vietnam and Thailand. The Secretary of Housing and Urban Development was asked to construct 2,500 new homes annually for the American Indian, an increase of 40 percent. Funding of this badly needed program can go far toward fulfilling the President's goals in this field.

The actual need for housing is almost impossible to comprehend. Living conditions in the Alaska native villages are not comparable to anything found in the rest of the United States. Parallels to this situation can be found only in the mos undeveloped nations of the world, with one significant difference—climate. Overcrowding, high birth rates and death rates, rudimentary hygiene and public sanitation, and other problems exist in places such as Pakistan and Indonesia, but these people are not also required to cope with one of the harshest, most hostile climates known on this planet. Long, dark winters, and subzero temperatures make existence in remote Alaska a battle for very survival. The effect on housing is direct, graphic, and frightfully serious. A slum house in the tropics will have ample ventilation, but in Alaska the heating requirements dictate that a house be as tightly sealed as possible. This, unfortunately, increases disease.

A study has been made recently of housing in the Yukon-Kuskokwim Delta region of southwestern Alaska. Median family income in this area, according to the last census, was a little over $1,400. Nine hundred households with about 5,200 members in 28 villages were surveyed. Two-thirds of the houses had only one room, and one-half had less than 300 cubic feet of living space per person. Another study relating to the spread of tuberculosis considers a volume of less than 600 cubic feet per person to be very crowded and dangerous. Most houses are of frame or log construction and are without ventilation or normal sanitary facilities. A 1966 report by the Bureau of Indians Affairs stated that 97 percent of the Indian, Eskimo, and Aleut housing in Alaska is substandard. In the Bureau's opinion, the housing of the Alaska native is the worst of any group of people in the United States.

The effects of this situation on the people can readily be imagined. The health problem alone is gigantic. Today the average age of the American at death is about 70 years. By contrast, the average age at death of the Alaska native is 35, exactly half that of his fellow citizens. Infant mortality is astronomical. One-quarter of all native deaths are infants, and those who survive their first year risk serious disease or crippling illnesses. The rate of mental defects is high, and more than one-half of these deficiencies come from infectious diseases incurred during the first year of life.

Millions of dollars are spent annually by Federal and State authorities to improve native health. Success, however, cannot be achieved until the home

environment is improved. Many natives are successfully treated for ailments in Public Health Service hospitals, only to be sent back to the same living conditions that caused the trouble in the first place. Decent housing is essential to improved health.

The program before you today is desperately needed to achieve the goals of a better life for Alaska's natives. Present programs are not suited to the job. This was pointed out in the committee report on section 1004, Senate Report 1455 of 1966. The cash income of most native people is far too low and erratic to enable them to take advantage of existing finance programs. Moreover, existing programs require minimum construction standards suitable to the rest of the country, but absolutely unattainable in rural Alaska. This program is designed to fit the specific remote Alaska situation, a situation so poor and deplorable that it cannot even reach the standards of the normal programs for the poor.

The Alaska native housing program will be largely funded by Federal money, and will be administered by the Alaska State Housing Authority, a public agency of the State of Alaska. The authority has been in existence for 23 years, and has the responsibility for public housing and urban renewal in Alaska. It also assists localities in community planning, and has been involved in rural development programs. Demonstration houses of a type that could be built under the native housing program have been constructed in villages by the authority. The authority thus has the experience to conduct the native housing program. It was designated last year by the legislature as the agency to handle the job. A plan has been formulated by the authority in conjunction with the Governor's native housing task force. This plan has been declared to be workable by Secretary Weaver, although some details remain to be ironed out before final approval.

The State of Alaska will bear all of the costs of administering the program, as well as providing some construction funds. The Governor has proposed the appropriation of $1 million by the State legislature to match the Federal authorization of $10 million. This bill passed the State house of representatives recently by a vote of 37 to 1. It is now pending in the State senate and passage there is expected shortly.

Last year the Appropriations Committee of Congress expressed concern about the two points I have just discussed. This committee stated in its report that the "* * * plans and standards for this program need further refinement * * *." The Senate believed the State should commit itself to pay 100 percent of the administrative costs. As you can see, Mr. Chairman, the State of Alaska has complied on both counts.

In short, Mr. Chairman, this program is well advanced. The plans have been drafted by an experienced agency, and sample houses have been tested. All that remains to begin is the appropriation of the Federal share of the cost.

It should be pointed out that housing is not the only answer to the problems of the Alaska native, nor is it the only thing being done. Progress is moving ahead rapidly in other areas. The State has constructed a large secondary and vocational school in Nome, primarily for natives, while a second is being built in Kodiak. In 1966 the voters of Alaska approved a bond issue that will construct State regional high schools in native areas. Grade school facilities are also being expanded by both the State and the Bureau of Indian Affairs.

The U.S. Public Health Service will expand its hospital at Bethel and construct new hospitals at Unalaklett and St. Marys, Alaska.

Recently the Alaska Village Electric Cooperative was formed. Its goal is to electrify within 3 years 67 native villages. It has already received a $229,000 OEO grant and will receive $3 to $4 million from the Rural Electrification Administration for construction of facilities. It is obvious that progress will be made. Housing is essential to this progress.

I realize, Mr. Chairman, that in these times all new programs are subject to the closest scrutiny. Our massive budgetary problem justifies a critical look at all expenditures. The request for this program, however, makes no real impact on the Federal budget, and yet it is so critically important in an area roughly one-sixth of the total geographic area of the United States. The expenditure of $1 million is infinitesimal in relation to our total expenditures today. I need not tell you, however, that if the money is not spent, it will critically affect the lives of fellow Americans for whom we have a declared and genuine responsibility. I think the word responsibility is the key to this issue. When looking at a budget request it should not be whether it is a new or old program that determines approval but as to whether or not it is an unmet responsibility in a vital area.

There is much argument these days whether or not the Government should take upon itself the responsibility for solving this or that problem. Such an argument does not exist as far as the American Indian is concerned. It is an old responsibility shouldered long ago. This program is a device to fulfill this long-neglected duty. As such it should have priority over many other areas.

Mr. Chairman, may I again express my deep appreciation for your kind consideration of this request. It is one about which Alaskans feel very deeply. This is a distressing problem that must be resolved. The nightmare won't go away. I urge that you favorably report this appropriation we so desperately need.

TESTIMONY OF SENATOR BARTLETT

Mr. EVINS. Thank you, Congressman Pollock, for a very impressive statement. We could ask some questions at this point, but I think we will hear from Senator Bartlett first.

Mr. BARTLETT. Thank you very much, Mr. Chairman.

Mr. EVINS. Our colleague, Senator E. L. Bartlett, who, shall we say, graduated from the House over to the other body.

Mr. BARTLETT. Well, I am not willing to put it in those words, Mr. Chairman.

Mr. EVINS. We are glad to see you come back.

Mr. BARTLETT. There is one advantage, I will say, off the record.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. On the record. We are glad to see you and will be glad to hear you.

Mr. BARTLETT. Thank you, sir.

Mr. Chairman, gentlemen of the committee, as my colleague, Representative Pollock, did, I will ask that my prepared statement be placed in the record.

Mr. EVINS. The full statement may be included in the record.

Mr. BARTLETT. Thank you, sir. And as a matter of fact, since Congressman Pollock has outlined the situation so completely, I trust, but I am never sure, I will be reasonably brief. The question may arise in your minds—you have considered this before; it was before you last year as a budgetary request, as it is now—why we have to have special legislation and special appropriations, and to that the answer, I quess, unfortunately, is very simple. I say unfortunately because if other Federal housing programs had application to these situations which we bring before you, then there would be no requirement at all for something of this kind.

Aside from the fact that the Farmers Home Administration has put up a few homes at Barrow, nothing in all the wide range of Federal housing laws has been or really can be made useful in what we call the bush areas of Alaska. Now, here, gentlemen, are a people of whom there are none finer in the world. Almost overnight, figuratively, they have been taken from their ancient civilization, one that endured for many, many centuries, and have been projected to a very great extent into the 20th century. Before they lived by way of subsistence, and they had no need for employment, no need for money. They could go out and hunt; they could go out and fish, and all that gave them a living. They could take furs for their clothes; it is all altered now.

So I want to say while it is in my mind that these are a particularly proud people. Some of us made a trip through a good many of these

Eskimo villages in the fall of 1965. And I recall, especially, arriving at one little community of about 200 people, isolated, no employment whatsoever, no possibility for such, and it was my guess that probably everyone who was eligible lived on relief of one kind or another. So I thought I would make inquiry, and I did. And I went to the person in charge of welfare. And out of that whole village, Mr. Chairman, gentlemen, only five people were getting welfare checks as such. They were fiercely proud.

Mr. Pollock has given you some figures. Let me just give you two or three more.

He has told you that here the average age of an American citizen at the time of death is 70 years. In Alaska he said it is 35. Let me add these figures. In 1966 infant mortality among Alaska natives was 24 percent compared with 6 percent for the Nation as a whole. There are some sections of Alaska where infant mortality rises to as much as 200 per 1,000 live births.

Mr. EVINS. Senator, if I might interrupt.

Mr. BARTLETT. Please.

Mr. EVINS. You have made an impressive statement about the death rate being high, the poverty being great, and I am sure the need has been established because this has been authorized by Congress. We know that you were strong for it. You insisted it of the committee and the conference committee, as did Congressman Pollock last year. We said last year, let us take another look to see if you can refine this so you have some insurance that there would be 100-percent participation by the State authorities as far as administrative costs are concerned.

Mr. BARTLETT. Right.

Mr. EVINS. Congress was concerned with two things last year: One, that it was a new program; and No. 2, we did not know what the ultimate cost would be.

Do you have any figures as to what the ultimate cost of this program will be?

Mr. BARTLETT. No one can have that, Mr. Chairman, at this time. It wil be a gradual program, a long program. Mr. Crittenden may be, since he is the housing expert representing——

Mr. EVINS. You can understand, in view of the budgetary situation, why they are looking with sharp pencils to new programs at this time.

Mr. BARTLETT. Yes. Well, of course, if the budgetary situation is not corrected in one way or another before the $10 million authorization receives full appropriation, the United States is going to be in a very devil of a fix. We are going to crash. So before the Congress ever appropriates the full $10 million authorization—we can believe—we have to believe, and we have to work toward correction of this deficit that faces us at this time.

Mr. EVINS. Senator, I am very sure that this Congress is very sympathetic to your housing needs.

Mr. WYMAN. Mr. Chairman, why does the Senator make that statement before the Federal authorization has been funded by an appropriation. Did I understand the Senator to say it would be a long time away?

Mr. BARTLETT. Well, I think so. We asked for $1 million last year. We did not get it. We are asking only for $1 million this year. In other

words, the approach is being gradual, as it ought to be. We do not want to plunge in and try to spend a lot of money overnight. We want to see how the program works.

Mr. WYMAN. Mr. Pollock's statement included the statement that Alaska's Governor has proposed the appropriation of $1 million by the State legislature to match a Federal authorization of $10 million. That is in terms of an authorization at the Federal level, but will require an appropriation this year, will it not?

Mr. POLLOCK. Yes, sir. That will be—if you would yield just a moment, Senator.

Mr. BARTLETT. Yes, sir; surely.

Mr. POLLOCK. This would be a $1 million appropriation at the State level for the administrative costs for the 10-year program.

Mr. EVINS. Administrative costs?

Mr. POLLOCK. Administrative costs, plus some construction costs out of this also to match the $10 million Federal authorization which we visualize would be $1 million a year for 10 years.

Mr. BARTLETT. And it ought to be emphasized, Mr. Congressman, that when Congress approved the enabling act here, no such participation on the part of the State was contemplated or demanded. This is a voluntary gesture on the part of the State because they feel so strongly about that. They want to help.

Mr. WYMAN. Is there any part of this program that is projected for the Aleutian Island area?

Mr. BARTLETT. It is projected for all over the State. Where and when it will have its commencement will depend chiefly upon the Alaska State Housing Authority, for which Mr. Crittenden is the executive director.

Mr. EVINS. Where the needs are most acute?

Mr. BARTLETT. I should surely hope so and think so.

Mr. WYMAN. Where, in the opinion of this authority, is the need the most acute at the present time?

Mr. BARTLETT. I will give you my personal opinion. The need is most acute in some of these remote Eskimo villages.

Mr. WYMAN. Where they are all packed together in the little shacks and do not get enough air and all the rest of it?

Mr. BARTLETT. Yes.

Mr. TALCOTT. If the elements are so severe in these remote areas, is there any possibility that the people could be moved—to avoid the certain future hardships and suffering?

Mr. BARTLETT. The fact is a very considerable migration is occurring now. However, as is the case with all other Americans, all people everywhere, I suspect, this has to be voluntary.

Mr. POLLOCK. If the Senator would yield, I would like to respond to that also.

We have tried in years past to move communities or tell them that they are going to have to move somewhere else, but it really does not fit the philosophy of the American people to say you are going to move over here and live, and we are going to build you something and you cannot have anything there. The fact is, some of these people have been there for centuries and they live in this environment. Some of them as they are coming into our civilized world are having great

difficulty adjusting. The real problem is that we have a tremendous death rate now. We have a low lifespan for these people. This is what must be corrected.

Mr. TALCOTT. Are we doing them a favor by locking them into this hostile employment and these adverse conditions?

Mr. POLLOCK. I do not think we are doing this. They are not going to leave this general area, but they are living in housing now which is totally substandard, pitifully inadequate, and they are conditions under which no American could survive. So I do not think we have the right or prerogative to say we are going to move you lock, stock, and barrel. I think this might happen in some totalitarian countries, but not here.

Mr. WYMAN. If this program is funded at the level that has been requested, what type of physical activity is going to take place in respect to these people? Can you give us an example? Are they going to brick and mortar, and so on? And if so, do they have any economic interest in the property or will it be rental to people who don't care?

Mr. POLLOCK. Yes, sir. We will get into it in the testimony of Mr. Crittenden. I will be happy to answer it. I covered it in the written testimony, but I skipped it in my oral presentation.

Mr. Chairman, if I could emphasize two points that we tried to make. Last year when we came before this committee there was a question of refinement of the plan, which Mr. Crittenden will touch on. And on the Senate side, there was a question about whether the State would be willing to participate in the administrative costs. And we have met both of these things, so we feel we have satisfied the conditions which were previously set up by the committee.

Mr. TALCOTT. Mr. Pollock, I commend you for a persuasive and extraordinary presentation of the terrible plight of these people. But as you have suggested, we had other questions last time, I guess the situation is so bad and you have made such a spectacular presentation for them. It is difficult for people to appreciate how grim the conditions can be.

Mr. EVINS. The maximum authorization by law is $10 million at this time.

Mr. POLLOCK. At this time?

Mr. EVINS. It provides for 75 percent matching grants, that is, for whatever expenditure there is in housing the Federal Government would put up 75 percent, the State of Alaska 25 percent.

Mr. WYMAN. I would just like to add, Mr. Chairman, that I am familiar with this situation. It is time this was done.

Mr. POLLOCK. Could we have Mr. Crittenden say a few words?

Mr. EVINS. Mr. Crittenden, if you would like to make a brief statement, you may proceed.

Mr. BARTLETT. Mr. Chairman, may I conclude with this remark only?

Mr. EVINS. Yes, surely.

Mr. BARTLETT. In my over 23 years in Congress as a delegate from the Territory of Alaska and as now a Senator from Alaska, naturally I have introduced and had passed many legislative proposals, and I merely want to say that nothing has been or is closer to my heart than this, because I think that is is so urgently needed for these people, forgotten almost literally, to join the new society.

Mr. EVINS. As new housing is built, there will be an inducement to bring an effort to move these people into better housing. It will take time, of course.

Mr. BARTLETT. Thank you.

(Senator Bartlett's full statement follows:)

STATEMENT OF SENATOR E. L. (BOB) BARTLETT

Mr. Chairman, I appreciate the opportunity of presenting testimony in support of the Alaska remote housing program. This program was established by Section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966, incorporating language of a bill I had introduced in 1965.

Section 1004 authorizes loans and grants not to exceed $10 million to the State of Alaska or its designated agency to provide housing in Alaska's remote villages for those unable to obtain housing by other means, the average maximum cost of which will not exceed $7,500 per dwelling. Grants under the program shall not exceed 75 percent of the aggregate cost of the housing and related facilities, and the law provides for the use of self- and mutual-help in construction.

The law requires that the housing shall be provided in accordance with a State plan which has been developed and has been approved by the Secretary of Housing and Urban Development. We are seeking now $1 million, requested by the President in his budget, to begin the first phase of the program.

Mr. Chairman, adequate housing in Alaska's remote villages, primarily for our native people, is vitally needed. The annual toll in death, disfigurement and disability because of the lack of decent and safe housing is appalling, even though a certain measure of progress has been attained at terrific cost.

In hearings in 1966 before the Senate Committee on Banking and Currency, Martha R. Wilson, M.D., of the Division of Indian Health at Anchorage testified that in 1964 the incidence of tuberculosis among Alaska natives was 630 per 100,000 population while the incidence for the total U.S. population was 26 per 100,000. Infant mortality among Alaska natives that year was 24 percent while it was only 6 percent for the Nation. The average age at death for Alaska natives was 34.6 years in 1964 while for the rest of the Nation it was 69.4 years. The average rate of infant mortality in 1963 was 55 per 1,000 live births for Alaska natives and 21 per 1,000 live births for the country as a whole. This latter statistic is misleading for there are certain areas in Alaska where infant mortality may rise to as much as 200 per 1,000 live births.

As Dr. Wilson stated in her testimony, "* * * our major losses begin after the end of the first month, when these children are returned to this hostile, unsanitary environment and they start coming down with these infectious diseases."

Dr. Wilson went on to state, "As high as the losses are, the incidence of badly damaged children is even higher, and this is a point that we think we should be concerned about greatly. We have a high incidence of mental deficiencies and over half of the mental deficiency we see is a residual of severe infectious diseases incurred in the first year of life."

Dr. Wilson also believes that the high rate of accidental deaths among Alaska native infants is due to very overcrowded housing since most accidents for children less than 1 year old are home accidents.

Shelter of almost any kind is necessary in Alaska. For the most part, native Alaskans are not concerned with good appearance and spaciousness. They are concerned that their shelter provide them a place to be warm and reasonably comfortable. I have traveled in a great many Alaska villages and I have seen few warm and reasonably comfortable dwellings occupied by other than Government employees. I have, however, seen tar paper, uninsulated shacks housing 14 or 16 people in a space no bigger than 12 feet by 14 feet. Indeed, someone once wrote to me one of the saddest commentaries on what we are doing to the Alaska natives by failing to provide them with the means of acquiring decent housing. He reported that he had encountered a young Eskimo boy at play about 3 a.m. and, on asking the child why he was not home in bed where he belonged, he received the response that it was not the child's turn to sleep.

As members of the House Committee on Appropriations, you know well the millions and millions of dollars we have spent in health and environmental improvement programs. We may go on spending these millions to cure disease when a relatively small investment in a housing program could prevent it.

Frequently the question is posed as to what Alaska's native people did about housing years ago. The fact is that those living in the tundra areas built semi-subterranean sod and driftwood dwellings which were entirely adequate. But the coming of tuberculosis turned these sod huts into death traps. In order to begin a cure of the tuberculosis problem, it was necessary to bring the native people out from under ground. However, in doing so, we failed entirely to provide them with other means and materials for building shelters. As a consequence, they used whatever lay at hand, building houses to conform with modern design but which were structurally inadequate. They exchanged one bad environment for another. The progress that has been made against tuberculosis has been made because of drugs and not because of improved environment.

What the Alaska remote housing program proposes is an assault on the environment of the Alaska native people which produced the scourge of disease and disability. It is an attempt to remedy their situations so that their children may grow in healthy environments and become fully productive citizens. I see no reason for putting up with high mortality and disability rates. It is extraordinarily costly to the individuals as well as to the Federal Government which must provide health care, welfare payments and other social services needed by badly damaged people.

Is it not better to provide these people with proper home environments so that they will be able to take full advantage of their schooling, so that they will remain well, or even more basic, so that they will survive?

In 1965 I introduced S. 1915 because it had become clear that after years of trying, no existing housing program could be made to work in Alaska's remote native villages. There simply were no housing programs which could be made to work in the majority of our villages.

The Federal Housing Administration's mortgage insurance program would not work because the cost of a house built to minimum standards would have exceeded the maximum mortgage insurance amount and the people needing housing live, for the most part, on a subsistence economy. They would have no cash with which to repay their mortgages. The lack of cash and a wage economy prevents the rural housing program of the Farmers Home Administration from working in most cases.

The public housing program requires dwelling of such a high standard that the people could not afford even the minimum of rent. These same standards provide for housing too expensive to heat and maintain.

The program I proposed offers no promise of elegant dwellings in our villages. Indeed, the homes which would be built would be small and lacking in most conveniences. They would be warm and safe, however, and would provide a far better environment for our native people than anything they can build at the present time.

Mr. Chairman, I believe it is in the country's best interests to permit Alaska's native people to share fully in the benefits of our modern society. It is to the country's benefit to reduce vast expenditures in health and welfare by reducing the need. We have enacted a vast range of programs to assist needy people throughout the country to become productive citizens. Unless something is done to improve the housing of Alaska's native people, we will derive little benefit from the education, vocational training and other programs we offer them. They will not be well enough to take advantage of them.

Mr. Chairman, in 1965 Mrs. Marie C. McGuire, former Administrator of the Public Housing Administration, characterized the Alaska native villages as the worst slums she had ever seen, worse than the worst in our urban communities. Not only are the homes in our urban slums better structurally, they are also located in far less hostile physical environments.

Mr. Chairman, I urge most strongly that the appropriation request for $1 million be approved. We, as a nation, have a special obligation to our American Indian and Alaska native people. We cannot continue to permit the suffering these people undergo simply because there is no housing program to help them. Alaska's native people are not asking for another government handout. They are asking for a chance to help themselves. Given a chance they can become fully participating citizens in our growing State. Many serve and have served in the legislature, both territorial and State, and many serve in the executive branch of the State Government and on advisory boards and commissions. They are a fine people and the State of Alaska needs them as healthy, educated participants.

STATEMENT OF MR. ED CRITTENDEN

Mr. EVINS. Mr. Crittenden, you may proceed as you wish.

Mr. CRITTENDEN. Mr. Chairman, Congressmen, I am really here as a technician. The Congressman and Senator have described the program and the concerns that we have, and I think I have the ability to answer the more technical questions.

My first experience with the native housing program was 18 years ago when I worked on what was called the remote dwelling program which was the first aid to the Alaskan natives. It was a $500 character loan. That was part of the Alaska Housing Act which was pushed through you might say by then Delegate Bartlett, and gave the first opportunity for the natives to have some kind of materials to bring themselves out of the ground.

In the document which I have placed before each of you, you will see a report by Charles Abrams. I think this was probably given to you last year. It is a very thorough analyses of the existing programs and the problems in carrying out a housing program. In the testimony which I have, I have documented from the original source some of the information which both the Congressman and the Senate have given us as to the facts and figures on average age of death and mortality, and so forth.

On the second page is some documentation on the median income levels which Congressman Pollock mentioned. And then we have some pictures which I think are more graphic than any word description could be of existing conditions, and in the last section of pictures some of the experimental or demonstration housing that has been accomplished in Alaska.

Mr. EVINS. Mr. Crittenden, will you tell the committee what have been the refined plans last year to which Congressman Pollock referred?

Mr. CRITTENDEN. Yes.

Mr. EVINS. What has been accomplished by way of refining your plans for the program?

Mr. CRITTENDEN. At the time of your hearings last year, there was a plan in almost final stages of preparation for submission to Secretary Weaver of Housing and Urban Development. At that time it was not in final stage, had not been approved by the Governor. Before the Senate hearings this was approved by the Governor and submitted to Secretary Weaver and was given by Secretary Weaver general approval as being a workable plan.

That document is included in your material. It has been modified during the year in minor points primarily having to do with financing, the method of handling funds between the Housing and Urban Development agency and the State of Alaska.

Some of the questions you had were, Where will the housing be and how will it be undertaken?

I would like to correct an impression that was given a little while ago on the dollar amount.

The law says that the maximum dollar amount per house on an average across the State will be $7,500. Of that, 75 percent may be a grant and 25 percent or more may be a loan.

The intent of the plan is that this be a maximum loan program.

As far as location is concerned and staging, we have programed a 4-year program in contrast to what is implied in the 10-year program.

Mr. WYMAN. Mr. Chairman, what does he mean by that statement, maximum grant program, minimum loan program? How would that work in relation to the natives?

Mr. EVINS. You mean you are going to lend them the money in order to fix the houses?

Mr. CRITTENDEN. We will lend them such money as they are able to repay. Many of these people are in a position to make some payments. They all want to make payments. They do not want to receive grants if they can afford to pay. And under this program the way we have it written up, the flexibility will be based on the cost of the house, the income of the people, the number of people in the family, and so forth.

Mr. WYMAN. Do you project a certain minimum interior square-foot area in relation to your incidence of tuberculosis, that is necessary to areas you are going to finance for them?

Mr. CRITTENDEN. The plans that are proposed are still in the process, or rather the studies which are included in here and the process is being reviewed by the Health Research Center in Alaska, which is proposed as the review agency for health studies. The studies that we have in here generally conform with studies that have been reviewed by them and discussed.

Mr. WYMAN. Would much of this be prefabricated housing?

Mr. CRITTENDEN. It may and it may not. We have programs that are projected primarily based on village construction, and if the village chooses to work through a prefabrication operation that is the way it would go. In the case of a project in Bethel, we expect that EDA will finance—and it is in the last process of application—a plant in the city of Bethel that woudl be able to produce homes.

Mr. WYMAN. I was going to ask you that. Are there prefab assembly plants in Alaska now anywhere?

Mr. CRITTENDEN. In Anchorage; there is a minor degree of prefabrication. This application would be based on a turnkey project which is proposed for Bethel which is a low-rent development. Bethel is in the heart of a warehousing area.

Mr. EVINS. Gentlemen, we thank you very much for the fine presentation. It was very impressive.

Mr. POLLOCK. Sir, we certainly appreciate the time, we know you have many witnesses. We appreciate the consideration and the attention you have given us.

PUBLIC HEALTH SERVICE WAREHOUSING FACILITIES

WITNESSES

HON. DURWARD G. HALL, REPRESENTATIVE FROM THE SEVENTH DISTRICT OF THE STATE OF MISSOURI

JIM BOWMAN, ASSISTANT TO THE PRESIDENT, OZARK TERMINAL, INC., NEOSHO, MO.

Mr. EVINS. The committee will come to order, and we have with us our colleague Durward G. Hall, the able Representative from Missouri.

Congressman, we will be pleased to hear your statement.

Mr. HALL. Thank you, Mr. Chairman. It is a pleasure to be before you and your distinguished subcommittee.

As I said, I have with me Mr. Jim Bowman, the assistant to the president of Ozark Terminal, Inc., in Neosho, Mo.

My purpose in appearing before your distinguished subcommittee is to call your attention to what I consider a gross miscalculation by the U.S. Public Health Service, and to solicit your help and assistance in maintaining the present depot for emergency civil defense medical supplies in a location which is adequate, which possesses a number of advantages over the proposed alternate above ground, a frame construction, World War II warehousing site which has been shown by a General Accounting Office audit to be more economical than the alternate site proposal. I am aware that you have had the Public Health Service people before you to the contrary. I know Dr. Huntley. I have pursued this with Deputy Surgeon General Leo Gehrig and Dr. Huntley, and as I will say later, asked the GAO to make this study.

Now, as you know, Mr. Chairman, and gentlemen of the committee, the Public Health Service, Division of Health Mobilization, proposes to consolidate the present warehousing facilities at Neosho, Mo., underground with Seneca and Carterville, Ill., at a Government-owned facility at Dixon, Ill., above ground. When this proposal was first called to my attention, it was stated by Public Health Service that the prime, if not the entire motivation, was based on the so-called directive from this subcommittee expressing concern about the warehousing cost of this overall program. I think this concern was good. This directive, as nearly as I can determine, is based on a single sentence from the fiscal year 1966 report of this subcommittee and its former chairman, whom we all revered, Mr. Albert Thomas, which says as follows:

> The committee is of the opinion that warehousing costs in this program are out of line and should be scaled down considerably.

That is your Report No. 320 of the 89th Congress, first session.

These same hearings on page 799, Mr. Chairman, praised the Neosho facility for a number of reasons, including constant temperature, easily controlled humidity, dust-free fireproof storage, and other factors.

Another significant point which can be confirmed by the fiscal year 1966 hearings: The then Acting Chief of the Division of Health Mobilization, Mr. Arnold H. Dodge, said referring to storage problems, including quality control, that storage of such items as Dextran, which is a plasma volume expander used in lieu of blood, rubber goods, anesthesia apparatus, breathing tubes (plastic, acrylic, and otherwise), antibiotics, have a high degree of deterioration unless subjected to stringent quality control. This is on page 782 of the Independent Agencies Appropriations Hearings for 1966.

The Division of Health Mobilization then referred to the great advantage of underground storage such as we now have at Neosho in preventing the deterioration referred to above. Specifically, the agency said:

> The advantages of constant temperature, easily controlled humidity, and dust-free fireproof storage, found in hard stone mines have the effect of insuring longer life for materials stored under such climatic conditions. In addition the

excellent natural security and the low maintenance and repair aspects make such facilities highly desirable for storage of critical materials. Substantial dollar savings by extension of the shelf-life of medical stockpile materials through this technique is expectant and has been demonstrated by storage surveys performed by other agencies.

This is the Independent Offices Approprations Hearings for 1966, page 799.

I submit, then, can there be any doubt that if the GAO inquiry had checked into this aspect of underground storage, the cost advantages of Neosho would have been even more profound?

Now, as a result of my own personal study and inspection, I felt that there existed reasonable cause for doubt as to the accuracy of the Public Health Service figures and the alleged cost savings of this consolidation at Dixon, Ill.

And let me interpolate here, Mr. Chairman, to say that I believe in the principle of rotation of supplies. There will also be necessary reissuable expendables in the medical business which must be stored until they are reissued.

And I believe in the principle of dispersion. But believing that these doubts could and should be resolved, I asked the GAO on December 14, 1967, to review the alleged cost savings claimed by the U.S. Public Health Service, and Dr. Huntley in particular.

That review was completed and a report furnished me on March 5, 1968, and a copy of the GAO report has been furnished to the committee. I will, of course, be happy to discuss the GAO findings in more detail, if the committee desires, but in essence the report finds that the savings claimed by PHS are virtually nonexistent, that instead of an alleged consolidated savings of $146,436, as claimed by PHS—and even this figure did not include the considerable cost of moving 24 million pounds of supplies, or the cost of Government-owned property to the taxpayer, and other relevant costs—the cost of operating a consolidated depot at Dixon, Ill. would be only $3,000 less than consolidating Seneca and Carterville, with the ongoing operation at Neosho.

When other additional cost factors are taken into consideration, for example, depreciation, deterioration, the efficiency of the operation at Neosho, which I visited, and where I saw total hospital assemblies being assembled in one area, in one bay, and loaded interestingly enough for Kentucky and Tennessee 2 weeks ago, considering this as contradisposed to the widely dispersed groups of 21 buildings and three assembly areas above ground, 1.7 miles apart at Dixon, to say nothing of additional stacking height at Neosho, 18 feet instead of 12 feet at Dixon——

Mr. Evins. Doctor, if I might interrupt for a few questions. The committee over the years with all of the agencies has told them to promote efficiency and economy. We are all trying to bring about some economy. And several years ago, as I understand it, the Public Health Service set upon a program of consolidating some of their warehouses. There was a depot in Massachusetts in the district of our colleague, Mr. Boland. This was closed down because they said it was more efficient to consolidate it with Boston or somewhere else. They testified that there has been a number of consolidations, and this is

probably a follow-on of a longtime request for bringing about economy.

How long has this Neosho contract been in existence?

Mr. HALL. Eleven years.

Mr. EVINS. Eleven years.

Mr. HALL. Of which 10 years was by condemnation, and only the most recent year by lease.

Mr. EVINS. What is the annual rental or lease charge for the facility?

Mr. HALL. It was $111,000 at the old rate. There is an additional offer at this time of $104,000 that includes enough space to consolidate Seneca and Carterville at Neosho.

Mr. EVINS. They testified to us that the Government has a warehouse in Illinois that they could move these medical supplies into and save this $104,000 a year rental cost. This is the only question, as to whether or not they can save some money by this consolidation. They have had a rental contract now of about $111,000. They are proposing to consolidate it in an existing Government warehouse and you, after a study by the GAO, claim that the cost of transporting it and transferring it will be more than the savings which would be made by the consolidation.

Mr. HALL. Plus the loss of tax income from a private concern, plus the loss of hardening, and that is what I want to impress on you, Mr. Chairman.

Mr. EVINS. What is the loss of the tax income? The facility is there.

Mr. HALL. GAO found that it would be $33,300 a year. They said the total saving would be $3,000 a year.

Mr. SHIPLEY. You mean the savings would be less than $3,000 a year considering the cost of moving and all these other things?

Mr. HALL. Yes. Now, we have mailed to GAO and to the U.S. Public Health Service everything, the entire tax returns and everything of this facility.

Mr. EVINS. It must be a large and commodious facility.

Mr. HALL. It is.

Mr. EVINS. And could it be rented otherwise? It might not be rented at as favorable a contract as you have with the Government but it still could be utilized for storage if a private enterprise——

Mr. HALL. Part of it is, Mr. Chairman, but you just do not throw 190,000 square feet on the market in Neosho, Mo., overnight and not receive a serious setback in the situation.

Mr. EVINS. Doctor, I want to ask you two questions. How much did the Public Health Service claim they would save in rental costs by this transfer? And then how much do you and your constituents claim that they are in error?

Mr. HALL. They claimed $146,000 a year.

Mr. EVINS. Savings a year?

Mr. HALL. Yes. GAO claims less than $3,000 a year.

Mr. GIAIMO. They claim $146,000 savings a year and you claim a savings of less than $3,000?

Mr. HALL. I believe their own records show that they later adjusted it downward.

Mr. GIAIMO. That does not include the cost of transporting the materials, does it?

Mr. HALL. No. This is underground and hardened, and that is what I wanted to get to, Mr. Chairman.

Mr. JONAS. Wait a minute. Before you move on, as I understand you are going to talk about hardening, I asked Dr. Huntley, about hardening and he said it was not necessary, that there would be no danger from fallout to these medical supplies, and it would not require any substantial renovation of the warehousing space. I wish you would devote a little attention to that.

Mr. HALL. Now, Mr. Chairman, if I may answer your colleague's question, I think most of you know that I serve on the Committee on Armed Services and specifically on the Subcommittee on Airlift Research and Development. This is a matter of very vital concern, and as you know we have oversight over Civil Defense since it was taken away from OEP under the Kennedy administration and placed under the Department of Defense.

I just cannot think of a more inept or inopportune statement than that. Now, here we have from 40 feet required by NTMA, for example, National Traffic Management Association, which has been directed and is under directive to go underground and harden in places where there is coaxial cable, where there is a good road network and with so many pounds per square foot quality in the overhead. We have this all built in. This varies from 40 feet to over 105 feet.

Mr. EVINS. Doctor, I do not think there is any member of this subcommittee that has visited the Neosho site and inspected it, but we had some testimony that you would have to have a large expenditure for concrete flooring there—the dampness and deterioration was thrown into the picture. You would know. You have been there.

Mr. HALL. I exactly do know, and I want to submit to you that there is absolutely no truth to this statement. I was over every square foot of it.

This is on solid rock. Don't you see? This is not a cave. This is a limestone mine where the aggregate has been used but it was engineered with this specifically in mind. There is 2 to 4 inches of asphalt over the entire floor now. I saw literally hundreds of trucks. I saw 12 freight cars sitting there being loaded and unloaded. I saw all kinds of forklifts all over this place 2 weeks ago. It is smooth. There is no moisture.

Mr. EVINS. There is no need for more concreting?

Mr. HALL. Absolutely none in my opinion.

Mr. JONAS. Will you yield right there?

Mr. HALL. Yes.

Mr. JONAS. I examined the doctor right closely about that. If there was any dampness or any possibility of deterioration, it is inconceivable to me that they would have moved 3 million pounds of additional medical supplies to the Neosho plant last year—if the storage facilities there are not fully adequate.

Mr. HALL. Exactly correct. Not only that but there is equipment there which I inspected. I opened some packages and looked into them 2 weeks ago, that have been there for 11 years with respect to inventory control and looked at them carefully and there is no dete-

rioration. I am sensitive to this, to mold and mildew, improper humidification as a user of medical supplies. This gives you an overall view of why this was mined and worked this way.

Now, Mr. Chairman, we are talking about something that can happen somewhere else, but this is a Mississippi deposit of limestone. This is an upcropping in the whole Mississippi Basin of the central west of limestone from which this is carved. This limestone is very valuable. It is almost like dolomite in the first place. The calcium carbonate concentration is 98.3 percent. It does not even have to be processed. But this, as I say, is used in the making of cement and concrete, and liming the soil and aggregate uses, road building. It is used in this way.

Mr. EVINS. According to your figures the saving would be about $3,000 a year, and you indicate to the committee that this has been confirmed by an investigation by the GAO.

Mr. HALL. I do, sir, and I submit further that the $437,000 additional requirement that was submitted later, after the GAO agents were there on request of the Public Health Service, to the GSA regional office in Kansas City is so much hanky-panky, and certainly flooring and the humidifying is not necessary.

Mr. EVINS. Is the Government using as much space for storage now as they used initially, or are they using less storage?

Mr. HALL. They are using more than they used initially, Mr. Chairman.

Mr. JONAS. They moved 3 million pounds more in there in 1966.

Mr. HALL. Not only that, but I was responsible for urging them to move in there in the first place in 1957 when they moved out of the old O'Reilly General Hospital in my hometown, above ground warehouses. Now, I am perfectly willing, with your permission, to file the rest of this in the record.

Mr. EVINS. Yes, you may file your statement.

Mr. HALL. I would like it in the record. I think it is very positive. It touches many of these things that you are asking questions about, and just tell you, getting back to your question, Congressman Jonas, I think we must have more than our three commercial warehouses, of the 11 we eventually expect to get down to, for civil defense underground, hardened, protected, and in a better geographical area for distribution and in a going concern.

Gentlemen, do you realize that in the other two underground warehouses there is no ingress and egress for trucks, let alone railroad cars, and that here you can move a train of 12 boxcars right into the mine and the working area and the assembly area and load directly? Do you realize that you cannot put a truck in the other two underground warehouses, and that here they drive in; they load, they turn about? There are pictures here of a Campbell Sixty-Six Express in the warehouse—this one right here.

Mr. EVINS. Well, I would say certainly that Missouri is in the middle of America and for disbursal, they certainly have a location that would seem to be central.

Mr. JONAS. I asked the doctor, too, about renovating, the need for capital expenditures at Dixon, and he downgraded the idea that any capital expenditures, to speak of, would be required. And that is sort

of hard for me to believe in view of your testimony that you have to have humidity control and other controls.

Mr. HALL. I have lived and trained at Camp Grant, 30 miles north of Dixon. I know when those warehouses were built. I have not inspected them recently.

But getting back to another question of yours, if we have bomb blast damage in or near Chicago, Fort Sheridan, or Glencoe, who is to tell me that there will not be fallout there? But even assuming that there would not be renovation, Mr. Jonas, how can we justify aboveground storage for the saving of $3,000 a year when we have an on-going concern with egress and ingress underneath, and when there are three different areas of warehousing to which you would have to go with forklifts or trucks to assemble any 100-bed civil defense hospital up to 1.8 miles apart, whereas this could all be done in one bay underground in this facility?

Now, I would like to get back to the question the chairman asked originally about whether there is other commercial storage in those areas condemned and used by GAO for Public Health Services civil defense packaging.

Mr. EVINS. Well, the Government does not utilize all of it.

Mr. HALL. It does not utilize all of it; no, sir. There are additional bays available, and expansion is one of the things we think is important.

Mr. JONAS. Would you expand—you say this space was condemned by the Government for storage?

Mr. HALL. Yes. I think this was a means of expediting a contract under which they could operate and move it, rather than a disagreement as to the amount or agencies, but it was condemned. They moved right in on the basis of the court order.

Mr. EVINS. Is this contract negotiable and renewable year by year?

Mr. HALL. It has been on the condemned basis and we tried to get it on a 5-year basis at least, or a 10-year basis. This was not done. This was one of the reasons that the organization's own survey in 1963 or 1964 was not carried out further: (A), because it was not felt that it was necessary; (B) because they could not get a contract and (C) because the very thing has happened. They have just peremptorily picked up and said we are going to leave without any——

Mr. EVINS. Well, the contract has expired as of what date?

Mr. HALL. It expires as of May 31, and there is an additional clause for 120-day notice. The Public Health Service, if they are going to move, is anxious to start in order that they can foregather in Dixon at the proper time. Now, one other factor, please, in these simple photographs, and I walked through every one of these.

Mr. EVINS. All these are medical supplies of the Public Health Service?

Mr. HALL. That is right.

Mr. EVINS. All existing in these six photographs?

Mr. HALL. Yes, but notice that they are stacked three pallets high instead of two. This is on solid rock. They can be stacked as high as they can stack them. There is still sprinkler fire protection overhead above that. In the warehouses they can only be stacked two high.

Mr. EVINS. Mr. Shipley, do you have any questions of our colleague?

Mr. SHIPLEY. No, I do not believe I have any questions. I can understand your concern, Dr. Hall, because all of us are hesitant to see any installation disposed of or closed in our districts. I think you have some legitimate arguments here. Of course, this is in Illinois, and I have an interest in it like anyone would have representing that State. They tell us, as I understand it, this will be a savings. In my opinion, if it is a $3,000 savings a year, we should save it. I know that you are a leader in the Congress as far as conserving whatever money we can. I know that we went through the same thing on the Denton installation a few years back, and it is very difficult for any of the agencies to come forth from any savings because nobody wants to give up anything that he has in his State. But if this is a legitimate saving of $3,000, I would have to take issue with you and say that I am for consolidating it wherever we can to save a little money, because as you know this is going to be the toughest, thinnest year that we have ever had as far as funds and appropriations are concerned. But I do appreciate your views.

Mr. HALL. Well, I appreciate yours, and I appreciate the difference in the two locations here, but if my statement had continued I would have ended up by proving to you that this is not a savings, in fact, to my own complete satisfaction. Second, I would have proved to you that we are foregoing things for $3,000 a year such as underground hardening, such as complete protection from overblast or fallout, such as better geographical distribution, such as an ongoing concern, and such as rapid egress and ingress with truck and train. Now, to me that amounts to more than $3,000 a year.

Mr. EVINS. Mr. Giaimo, any questions?

Mr. GIAIMO. Yes. I was going to ask you that very thing, Doctor. Let me try to get this a little clearer in my own mind.

Do I understand that the basic reason that they are consolidating and changing is because of the fact that they have been told by Congress to do this in that directive you mentioned earlier to try to save some money?

Mr. HALL. That is correct.

Mr. GIAIMO. All right. Let us get down to the actual operation of this consolidation. It's your point that there will not be a savings, is that right——

Mr. HALL. That is correct.

Mr. GIAIMO (continuing). Because of the allied——

Mr. HALL. Because of the deterioration, because of the decreased efficiency of loading and assembling new hospitals, because of the 18-foot stacking instead of 12-foot stacking, because of the depreciation factor in aboveground warehouses, and then, of course, because of the lack of protection, lack of ingress and egress, and because of the better geographic distribution.

I am talking about a spot that is exactly centrally located between St. Louis, Kansas City, Wichita, Tulsa, Oklahoma City, Little Rock, Memphis, and so forth.

Mr. GIAIMO. If it is not a question of saving, is there any other valid reason for making the consolidation and eliminating Neosho?

Mr. HALL. Well——

Mr. GIAIMO. Can the Public Health Service say that there are other factors involved here: better operation, more centralized distribution, or reasons of that nature? In other words, are there reasons other than savings which would justify their doing this?

Mr. HALL. Yes. They claim that they drew new lines for regional centers for distribution which lends itself better to their way of thinking in these consolidated areas than the existing location here.

Mr. GIAIMO. Will you address yourself to that?

Mr. HALL. There is an advantage in distribution facilities. As I say, I have lived at Dixon, as our colleague here knows. I used to live there when I was soldiering at Camp Grant. It's in northwest Illinois. It's about 90 miles out of Chicago, I would say.

But anyway, be that as it may, I think road net, coaxial cable, rail net: Missouri Pacific, Kansas City Southern—a direct line from Kansas City to New Orleans, runs trains right into this cave, into the loading docks. It was built that way. The St. Louis and San Francisco Railroad, which has access to the gulf coast and also to the west coast with the Missouri Pacific is a factor, to say nothing of the coaxial cable, and to say nothing of the hardening. I say that the 60 million people that live in those towns that I named awhile ago, although they are all supplied by the periphery of this new map which was drawn by someone in the Public Health Service, which I think should not necessarily be a face-saving device or a rule for being, are more important for immediate distribution along Interstate Highway 44, Interstate 70, and Interstate 69 than any others.

Mr. WYMAN. Has the spot been chosen where they are going to locate from where they are now?

Mr. HALL. Dixon, if their present plan goes through.

Mr. EVINS. The Government has an unused warehouse at Dixon, Ill., and they propose to move in there and not pay rent.

Mr. GIAIMO. Will you yield?

Mr. HALL. The reason they moved them there was because they moved that one out to another place back East.

Mr. GIAIMO. Is the one at Dixon above ground?

Mr. HALL. Yes, and it's frame warehousing.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. HALL. If I may just inject one other thing, gentlemen.

I respect Leo Gehrig and, as you know, have worked with Bill Stewart. I didn't know Dr. Huntley until I came here. But they have been critical of lease space, and he did testify and stipulate to me that the prime reason for this move was the statement in the appropriations hearing which Albert Thomas put in.

Mr. EVINS. Well, this has been going on for several years.

Mr. HALL. That it was economy, as the chairman has so well reaffirmed here. But I know it's almost paradoxical that Huntley himself works with the Division of Health Mobilization in commercial space leased from Lee Building down on Wisconsin Avenue. That is apropos to the region even, but leasing is a good function for Government if it is economical and if it protects that which we are going to need in time of disaster. And this is my real plea, that there are considerations above the pure economy factor which we are giving up and walking

right off and leaving, which is a going concern, which has better geographical and rail and facility distribution.

Mr. WYMAN. And you, in substance, are asking us to deny the funds for such a move?

Mr. HALL. No, it is entirely up to the committee in the first place.

Mr. EVINS. Let us clear up one further thing which will be helpful to the committee, Dr. Hall, and this is the tax angle.

GSA is not in agreement with you on the tax angle. At the present time it's paying taxes because it's private property. If the Government moves out, they will continue to pay taxes, if it leases space to other commercial users.

Mr. HALL Well, that is a pretty big if. As I said a while ago, Mr. Chairman, if you throw 190,000 square feet on the market in Neosho, Mo., immediately there is some question whether their income will be taxable or not. GAO determined it was a valid factor.

Mr. EVINS. They are paying taxes because it is profitable.

Mr. HALL. That is right.

Mr. EVINS. Well, what about the real estate tax? The disagreement seems to be on the tax angle.

Mr. HALL. This, of course, is a tax angle as far as the real or property tax is concerned down there, and it is considerable.

Mr. EVINS. How much of the space percentagewise is utilized by the Government and how much percentagewise is used by other sources?

Mr. HALL. Forty to sixty.

Mr. EVINS. About 40 percent Government and 60 percent private?

Mr. HALL. That is right.

Mr. EVINS. Well, could not this 40 percent possibly be rented for storage space?

Mr. HALL I am sure it could, and I am going to be around knocking on doors if this happens to see if the Army or Marine Corps, or somebody that appreciates hardening and protection and need for something after fallout, and so forth, needs this space. But there is a time factor, Mr. Chairman. I am sure you realize that.

Mr. EVINS. The Government has a declared policy of promoting, protecting, and preserving small business. We have a declared policy, declared many times, to help small business. They employ people; they pay taxes.

If this is being utilized largely by private enterprise now and has a possibility for further use, and the Government can make a savings, this appeals to me. Their contention for consolidation might be of some merit, since they have done this before.

Mr. JONAS. As much as I sympathize with the owners of an installation that is being closed, I would not vote to leave this contract at Neosho solely because of that, as much as I like to promote small business. I think the considerations that will influence me are whether the savings in the move are going to be substantial enough to offset some of the disadvantages. The primary consideration is whether we aren't, if we permit this move to take place, taking a step backward.

We have been building below-surface fallout shelters. They are crying for basements and wanting to store survival equipment in

places that are protected against fallout. And it seems to me that they are going to have to overcome the strong argument that this is an ideal place for storing medical supplies. I don't think—and I examined the doctor on that—I can't quite follow his argument that there is no danger to this equipment from fallout or deterioration in ground-level wooden warehouse storage. And I think that is the thing that is going to decide this issue for me.

Mr. HALL. I associate myself with that completely. I think the blast effect alone, let alone fallout, in this radius, if we get a 100-megaton bomb over Chicago or that area, will flatten the area there. And I certainly agree with my colleague from Illinois here who has said that I am a stickler for economy. That is why I wear this bulldog here. The members all know that I want to save money, and I am no defendant of Government waste or unnecessary cost. And I would not have pursued this matter to the degree that I have to maintain this operation in Neosho if it were not economically but, even more important, strategically advantageous to the Government in a time of need. As my prepared statement will show, even the alleged $3,000 savings disappears when one considers the additional stacking height at Neosho, higher depreciation at Dixon, and the longer storage life which Public Health Service itself admitted earlier is insured by underground storage at Neosho.

(The prepared statement of Mr. Hall follows:)

REMARKS BY REPRESENTATIVE DURWARD G. HALL (REPUBLICAN, MISSOURI)

Mr. Chairman, with me today is Mr. Jim Bowman, assistant to the president, Ozark Terminal, Inc., Neosho, Mo.

My purpose in appearing before your distinguished subcommittee is to call your attention to a gross miscalculation by the Public Health Service, and to solicit your help and assistance in maintaining the present depot for emergency medical supplies in a location which is adequate, which possesses a number of advantages over the proposed alternate site, and which has been shown by a General Accounting Office audit to be more economical than the alternate site proposal.

As you know, the Public Health Service, Division of Health Mobilization, proposes to consolidate the present warehousing facilities at Neosho, Mo., and Seneca and Carterville, Ill., at a Government-owned facility at Dixon, Ill. When this proposal was first called to my attention, it was stated by PHS that the prime, if not the entire motivation, was based on a so-called directive from this subcommittee expressing concern about the warehousing costs of this overall program. This directive, as nearly as I can determine, is based on a single sentence from the fiscal 1966 report, of this subcommittee, which says as follows:

"The committee is of the opinion that warehousing costs in this program are out of line and should be scaled down considerably. (Rept. No. 320, 89th Cong., 1st sess.)"

These same hearings on page 799 praised the Neosho facility for a number of reasons including constant temperature, easily controlled humidity, and dust-free, fireproof storage, and so forth. Another significant point which can be confirmed by the fiscal 1966 hearings: the then acting chief of the Division of Health Mobilization, Mr. Arnold H. Dodge, said referring to storage problems including quality control, that storage of such items as dextran (a plasma volume expander), rubber goods, anesthesia apparatus, breathing tubes, antibiotics, and so forth, have a high degree of deterioration unless subjected to stringent quality control. (P. 782, Independent Agencies Appropriation Hearings for 1966.)

The Division of Health Mobilization then, quite specifically, referred to the great advantage of underground storage such as we now have at Neosho in preventing the deterioration referred to above.

Specifically, the agency said:

"The advantages of constant temperature, easily controlled humidity, and dust-free, fireproof storage, found in hard stone mines have the effect of insuring longer life for materials stored under such climatic conditions. In addition the excellent natural security and the low maintenance and repair aspects make such facilities highly desirable for storage of critical materials. Substantial dollar savings by extension of the shelf life of medical stockpile materials through this technique is expectant and has been demonstrated by storage surveys performed by other agencies." (Independent Agency Appropriations Hearings, 1966, p. 799.)

Can there be any doubt that if the GAO inquiry had checked into this aspect of underground storage, the cost advantages of Neosho would have been even more profound.

As a result of my own personal study, and inspection, I felt that there existed reasonable cause for doubt as to the accuracy of the PHS figures and alleged cost savings of this consolidation at Dixon, Ill. Believing that such doubts could, and should be resolved by the General Accounting Office, I requested that agency on December 14, 1967, to review the cost savings claimed by the Public Health Service.

That review was completed and a report furnished me on March 5, 1968, and a copy of the GAO report has been furnished to the committee. I will, of course, be happy to discuss the GAO findings in more detail, if the committee desires, but in essence the report finds that the savings claimed by PHS are virtually nonexistent, that instead of an alleged consolidated savings of $146,436 . . . as claimed by PHS (and even this figure did not include the considerable cost of moving 24 million pounds of supplies, and other relevant costs). The cost of operating a consolidated depot at Dixon, Ill., would be only $3,000 less than consolidating Seneca and Carterville, with the ongoing operation at Neosho. When other additional cost factors are taken into consideration; e.g., depreciation, deterioration, the efficiency of the operation at Neosho vis-a-vis the widely dispersed groups of 21 buildings at Dixon, the additional stacking height at Neosho (18 feet versus 12 feet at Dixon), the geographic dispersal of supplies, the Neosho site becomes not slightly more but considerable less costly than the Dixon site.

Consider these additional factors, above and beyond the cost comparisons found by GAO. By moving from Neosho, PHS will lose the value of storing these supplies in a hardened facility—I might add the very facility at which the Government gained its experience which has been used as the basis for its specifications of current acceptance for all underground warehousing. I'm sure this committee is aware of the additional security afforded by underground storage, with 50 to 100 feet of solid limestone overhead, especially in the event of nuclear attack, and/or severe weather occurrences such as torandos.

Consider also, the fact that the Neosho underground site provides limited ingress and egress for security, and unlimited ingress and egress in regard to accessibility by rail, and over-the-road transportation. (Site has a 12-boxcar capacity dock located within the perimeter of the overall storage area, as well as roadways permitting accessibility by over-the-road trailers to all storage areas.) Geographically, abandonment of the Neosho site would leave a large gap in the heavily populated Central-Southwest section of the United States.

To further illustrate the advantages of the Neosho site, even above and beyond the cost factors demonstrated in the GAO report, consider these specifications listed by GSA itself, in an invitation for bids for underground storage—in this instance anywhere in New York State.

"In determining which bid is most advantageous to the Government the contracting officer will consider the following factors:

"1. The efficiency the proporsed storage area offers in terms of amount of usable cube area based on clear ceiling height up to a maximum of 20 feet. (Obviously refuting the PHS contention that they cannot store above 12 feet, a contention further disproven by pictures which shows they are even now stacking to 18 feet at Neosho—a fact which significantly increased the cost advantage of Neosho over Dixon, even above the GAO findings.)

"2. Compactness of area offered which shall create the least amount of travel between storage sections as such distance may affect the efficiency of material handling. (At Neosho a maximum of 650 feet versus 1.7 miles at Dixon.)

"3. Ability and capability of entering the mine area and the storage sections with over-the-road trailer trucks to afford the least amount of handling in loading and unloading of storage travel.

"4. Maneuverability of trailer trucks within the storage area.

"5. Accessibility to highways to and from the mine."

In every instance the Neosho site is ideally suited to the above requirements. Furthermore, at the present time, the PHS is using and paying for underground facilities in Pennsylvania, neither of which meets the specifications just described. For this space the Government is paying 60 cents a square foot, while Ozark Terminal at Neosho offered, as long ago as September 23, 1966, to renegotiate its lease, and even more recently (Oct. 3, 1967) offered a 32-percent reduced rate of 40 cents a square foot, for better facilities. Which, in fact, were once deemed so desirable for Government needs that they were acquired under condemnation to avoid security problems that previously existed at Springfield, Mo.

Interestingly enough, with no real basis on which to compare, the Ozark Terminal computations missed the final GAO findings of operating at Neosho by some $7,409.

On the other hand, GSA for PHS (who are now operating this facility, and have for the past 11 years) missed the operational cost by over $67,000. It is interesting to point out that they only missed the projected cost of operating the Dixon facility by $1,350, and have never operated in this location as they have at Neosho.

At almost the last moment, after the GAO data had been compiled, PHS belatedly threw in an alleged requirement for a $437,000 capital improvement requirement at Neosho. First, let me say that even if the alleged requirements for hard surface floors and dehumidification equipment were needed, they could be provided at a fraction of the cost estimated by GSA. The very lateness of this alleged requirement questions how serious the need. For example, there are presently nine dehumidification machines at Neosho. At no time in the past 2 years have even a third of these machines been required. In fact, the average use over the past year has averaged only two machines per day. Furthermore, to say that 6 inches of concrete flooring is needed on top of solid rock, is to demonstrate a very poor knowledge indeed of the Neosho underground site. I suggest that this belated survey of "necessary" capital improvements was generated by the awareness that the original cost comparisons would not stand up under GAO scrutiny.

One final comment. I believe members of this committee know that I am a stickler for saving money, and no defendant of Government waste or unnecessary cost. I would not have pursued this matter to the degree I have merely to maintain this operation at Neosho, if it were not both economically and strategically advantageous to the Government.

In summary, the Neosho site would maintain a more rational geographic dispersal of emergency medical supplies; is a going concern; offers overburden and hardening advantages praised by the Division of Health Mobilization itself, and not available at Dixon; excellent ingress and egress; capacity for expansion; and cost advantages now aptly demonstrated by the GAO report.

I believe the findings of the GAO, an independent arm of the Congress, clearly shows that PHS made a serious mistake, that it would be a great disservice and false economy to proceed with this move. I earnestly beseech the committee to instruct PHS to accept the counterproposal of Ozark Terminal, and avoid an unnecessary cost at a time when Congress is searching for ways to reduce this year's Federal deficit.

Mr. EVINS. Dr. Hall, you have made a very impressive statement, and the committee appreciates your testimony. We will take the matter under advisement.

Mr. HALL. Thank you, Mr. Chairman.

Mr. EVINS. Thank you very much.

Thank you, gentlemen, for coming with your very articulate and very able Congressman.

WITNESSES

JOSEPH BARR, SECRETARY, DEPARTMENT OF COMMUNITY AFFAIRS, COMMONWEALTH OF PENNSYLVANIA

JAMES MARTIN, ASSISTANT DIRECTOR, OFFICE OF FEDERAL-STATE RELATIONS, NATIONAL GOVERNORS' CONFERENCE

KARL SMITH, EXECUTIVE ASSISTANT TO THE SECRETARY, DEPARTMENT OF COMMUNITY AFFAIRS, COMMONWEALTH OF PENNSYLVANIA

Mr. EVINS. Mr. Barr, you are secretary of the Department of Community Affairs of the State of Pennsylvania.

Mr. BARR. That is right, sir.

Mr. EVINS. You are testifying for the Council of State Governments regarding housing programs.

Will you indicate for the record who is accompanying you here?

Mr. BARR. Yes. I have on my left Karl Smith, who is my executive assistant, and James Martin, of the Council of State Governments.

Mr. EVINS. The committee will be pleased to hear you, Mr. Barr.

Mr. BARR. Thank you. I think you have copies of my testimony.

Mr. EVINS. The full statement may be included in the record.

Mr. BARR. Yes. All right. I will just summarize quickly, then. And I would like, if I may, to address myself to five items in the President's appropriations request: model cities appropriation; urban planning assistance, 701——

Mr. TALCOTT. May I please ask what the Community Affairs Department of Pennsylvania is? Could the witness identify himself?

Mr. BARR. You mean what the department is?

Mr. TALCOTT. What is your function? Who do you work for? Do you work for the State of Pennsylvania? or the Federal Government?

Mr. BARR. The State of Pennsylvania, the Pennsylvania Department of Community Affairs, which is a new State-level department comparable to the one in New Jersey, you know, and there is one in Connecticut.

Mr. TALCOTT. I don't know about them. Is it housing and urban development?

Mr. BARR. In my testimony here I explain a little bit about the operation of the department.

Mr. GIAIMO. May I interject and say that we have a new Department of Community Affairs in the State of Connecticut.

Mr. BARR. Yes.

Mr. GIAIMO. And for the record, I would say that what the States that have departments of community affairs are doing is trying to do some of the work which we have been trying to do here in Washington, and they are making a pretty good start at it, I think.

Mr. BARR. The main element in this new concept is coordination of programs, of course, yes.

Mr. GIAIMO. Right. I think they are doing a good job in Connecticut. It is new. I have not heard much about yours, but I would be delighted to hear about it.

SUMMARY OF STATEMENT

Mr. BARR. We have had close contact with the Connecticut department and Leo Jones, and it is an excellent department, I might say. We have learned a lot from them.

Well, in the course of this I would like to talk about title VIII and title IX, title VIII under the Housing Act of 1964, the manpower and training program; title IX under the Model Cities Act, which is technical assistance primarily, and then I will just brush over section 205 of the Model Cities Act, supplementary or incentive grants for regional planning.

The Department of Community Affairs in Pennsylvania has been in operation a little more than a year, and it is, as you suggest, a kind of a focal point at the State level where we can bring to bear on community problems—the name community affairs means just that—the multiplicity of resources at the local, State, and Federal levels in such a way that they can be brought to bear in a more orderly and effective fashion.

We are really a problem-solving agency, you might say, rather than as against the traditional line agency operation. We do administer programs, but we are primarily concerned with bringing together an integration of programs in a problem-solving orientation, and I will illustrate that a little later.

We are looking at problems first and then programs second.

So in this context the model cities mode of approach to community problems in Pennsylvania is most significant, and so far it has been very successful with us. We have developed there a model cities program—actually it is the most extensive State-aided model cities program in the Nation. We are contributing more dollars, State dollars, at this point in the planning stage of our model cities program than any other, than the Federal Government is contributing. And this is because we do believe in the multiresource, integrated, planned systems approach really to the complex problems of communities rather than the hit-or-miss program-by-program approach.

We are funding at the State level with State funds for federally designated model cities, and we are doing a good deal of coordinative work and funding for other cities which will be potential model cities applicants in the next go-around. And beyond that we are encouraging the model cities multiple-resource overall type of approach to community problems whether the cities are going to be Federal model cities aspirants or not, because we think the total approach is the proper one. We are encouraging this and supplying expertise and funds to encourage it.

Now, I would like to emphasize, just in passing, that obviously Philadelphia and Pittsburgh are major urban problems, just as Newark and New York are, and the other States, but in the long run this is possibly of even greater importance to our smaller cities, and we will probably have before we are finished 10 or 12, 16 maybe, midle-size cities in Pennsylvania involved in either the Federal program or a State counterpart of this thing. We are moving rapidly in that direction.

The important thing to be said here, then, I think is that if this model cities program is to work at all and be comprehensive enough and bold enough and adequately financed to do the job, we must have the money, and so we do support, of course, this billion dollar proposal for funding it.

I think nothing could really discredit or destroy these remedies to the urban problem more quickly and completely than an inability to carry them out with considerable dispatch and comprehensiveness.

For similar reasons, we are strong proponents of the Federal matching assistance to local comprehensive planning as has been carried on under the 701 program. In fact, the Pennsylvania program again is one of the most active and largest programs in existence. It is hard to imagine community development in Pennsylvania in the magnitude and the scope that has been accomplished over the past decade without adequate funded comprehensive planning assistance. And I will admit, and I think it is proper to make the comment here, that the system needs a drastic overhauling. The original concept has been outrun by need and by changes.

I think the Scott bill amendments, that you people are familiar with, may be the prototype of a future overhauling of planning. But anyhow, the current level of local and regional planning must be sustained because good planning has become really an indispensable basic component of all effective community efforts. So we support very strongly, out of our own experience, the need for the $52 million appropriation.

But now I come to something I really warm up to rather passionately. All of these program dollars to us serve no real purpose unless we buy with them enhanced capacity on the part of local governments, local agencies, or local community institutions to respond to their problems, to meet their responsibilities.

Mr. EVINS. Doctor, I think we would endorse that wholeheartedly in this committee. This is what we have been urging, that the local communities do more than just have Federal dollars handed out to them. We want local initiative, local imagination, local effort, and local drive. When you have this, you should have success.

Mr. BARR. Yes, this is the foundation of it, we feel. So the committee's institutional capacity is what we are reaching for here, and if these dollars don't buy that it's kind of a dead end street, it seems to us. So this consideration underlies, we think, the tremendous significance of title VIII and title IX.

Now, outside of our metropolitan cities, Pittsburgh and Philadelphia, the need for technical expertise is just phenomenal. Vital as programs are, the potential in our upstate middle-sized cities for releasing additional local resources through its enhanced expertise is just tremendous.

I illustrate this by a situation we have introduced ourselves to in the city of Johnstown, which is one of our typical upstate middle-sized cities.

We have taken our task forces, which I won't go into here unless you want me to later, into Johnstown, and we say to the Johnstown power structure and city government, "Let's talk about your problems. We are not purveyors of programs. We want to talk about Johnstown's problems. We will bring the expertise to you to sit at your hand for a period of 90 days, and we will assist the whole new future of

Johnstown. If you will contribute a comparable task force coordinated by a coordinator at your end, we will match these people man for man, and we will be able to generate some additional local-State-Federal dollars that will help move Johnstown in the direction you want to go."

Well, involved as this is going to be, we are going to have to leave with them and they are going to have to develop some professional assistance which they don't know if they are going to sustain this long-range heavy development program in Johnstown.

Through title VIII and title IX assistance, we can, presumably, I think quite definitely, help the Johnstowns of Pennsylvania to structure themselves so they can carry this load.

Here again it is very difficult for them to know how to respond to these State and Federal programs, to know how to make these dollars pay off unless they have local organization, local expertise there.

So title VIII and title IX does represent the payoff by, oh, you might say, repairing the local plumbing so that the downflow of dollars does not leak out and be wasted.

So this to me is the most important part of my testimony, really.

I will move, then, down to section 205 and the Model Cities Act, which obviously is putting incentives on the regional approach to evaluating the application of Federal program dollars to certain facilities like airports, libraries, open space, and so forth. And in principle, without question, we endorse that heartily because it is a thrust in the direction of regional planning.

I would like just in passing, too, to mention the advance acquisition of land under the Housing Act of 1965 and its proposed amendment in the 1968 housing bill. This has been an underutilized program. We endorse the amendment as it appears in the 1968 act.

Now, just in closing let me say these foregoing programs are vitally important components in a network of programs which glue the Federal-State-local relationship into an effective working whole, delivering an impact to the desperate urban and community scene which is far greater than could be accomplished if each of us were to be working separately.

The State-level department of community affairs concept is of central importance as a powerful mechanism for marshalling the resources effectively, and the foregoing programs which I talked about, along with their related programs but particularly these, are essential tools in the hands of the States and the urban and community agencies.

Mr. EVINS. Thank you, Mr. Barr, for a very impressive statement.

Mr. BARR. Thank you very much.

Mr. EVINS. We will insert your entire statement at this point.

(The prepared statement of Mr. Barr follows:)

STATEMENT BY HON. JOSEPH BARR, SECRETARY, DEPARTMENT OF COMMUNITY AFFAIRS, COMMONWEALTH OF PENNSYLVANIA

Mr. Chairman and members of the committee, I am Joseph W. Barr, Jr., secretary of the Department of Community Affairs from the Commonwealth of Pennsylvania.

I am pleased to appear before you today in support of the President's fiscal year 1969 appropriations request for the Department of Housing and Urban

Development. I would like to make some observations in support of appropriations as proposed for five programs in particular:

1. Model Cities Appropriation.
2. Section 701 Planning Grants.
3. Title VIII of the Housing Act of 1964 Manpower and Training Program.
4. Title IX of the Model Cities Act—State offices of information and technical assistance to local governments.
5. Section 205 of the Model Cities Act—Supplementary or incentive grants for regional planning and action.

As you know, Pennsylvania's new Department of community affairs has been in operation for a little more than a year. The department as it gathers momentum, is strengthening the administrative capacity of the State to deal with urban problems. It is the focal point in the development of a more effective and vigorous Federal-State-local working relationship. The department is unique in the fact that its function is to coordinate programs, to marshall resources from the local, state, and Federal levels and bring them to bear, in a problem solving way, on the problems of communities. The department serves a clientele, which is communities, rather than administers programs as such in the traditional line agency style. The department exercises coordinating and convener prerogatives derived from enabling legislation and gubernatorial executive order, and brings together appropriate representatives of the departments and agencies of government at all levels, as required to solve any given problem or set of community problems, through interagency task forces under the chairmanship of regional deputies who are direct representatives of the secretary in the field.

In this context, the "model cities" mode of approach to community problems in Pennsylvania has been most significant and successful.

The Department has developed the most extensive State-aided model cities program in the Nation. In fact, the State is contributing more dollars to the planning stage of the model cities program in Pennsylvania than is the Federal Government. This is because we believe that the multiresource, integrated, planned "systems" approach to the complex problems of communities is more effective than the hit-or-miss program-by-program patchwork approach.

We are currently participating in the funding of four federally-designated model cities, and we are assisting financially in advance planning activities of four other cities which are applicants for the second "go-round" for the Federal program. Our interdepartmental, intergovernmental task forces are deeply involved and effectively active with these and some dozen other cities on integrated multiresource programs. In addition, we are encouraging the model cities mode of total planned approach for all communities as they address themselves to their problems, whether they are Federal model cities aspirants or not.

The Model Cities and Urban Development Act, in short, opens unparalleled opportunity for cities to marshall in a more orderly and effective way than even before the vast array of resources, both public and private, to the task of creating a liveable and stable urban society. It offers a means for bringing these resources to bear with more telling impact and greater clarity of purpose.

The objectives of the model cities type of program are possibly even more important to our smaller cities, which, incidentally, constitute the majority of our applicants. It is the smaller cities which have the most to gain from the program and, conversely, a great deal to contribute in return to the Nation's economic and social vitality.

If the program is to become a reality to all, be comprehensive enough, bold enough and adequately enough financed to do the job expected of it. Nothing could discredit and destroy these proposed remedies for the urban problem more quickly and completely than inability to carry them out with dispatch and efficiency, with comprehensiveness in scope and with adequate funding from the Federal level of Government.

We also wish to express our concurrence with the planning features of the model cities and urban development legislation. This is fundamental to the entire concept, the very essence of which is comprehensiveness, and a high degree of overall coordination.

Comprehensiveness in attack on the total problem has not always been a notable characteristic of metropolitan programs in the past, often to the detriment of many of these programs. The legislation offers an opportunity to correct this deficiency and to establish trends and precedents in the direction of adequate

metropolitan and regional planning, recognizing this as the soundest possible underpinning one can give to any community development undertaking.

The requested $1 billion appropriation represents a public dollar investment in our cities which at best is minimal relative to the magnitude of the task before us.

For similar reasons we are strong proponents of Federal matching assistance to local comprehensive planning, such as the well-known section 701 planning program. It is hard to imagine community development of the magnitude and scope accomplished by Pennsylvania communities over the past decade without the disciplining, guiring influence of comprehensive community planning. Admittedly, not all of it, in the course of this decade of experience, has been of the quality desired. And admittedly, the entire system needs drastic overhauling, the original concept of its administration having fallen considerably behind present needs and realities—the Scott bill amendments being the prototype for future Federal assistance to local planning. But in the meantime the current level of local and regional planning activity must be sustained, for it is the indispensable basic component of all effective community development effort. We in Pennsylvania support the request for a $52 million appropriation.

But program dollars serve no real purpose, in the end, unless they also buy an enhanced capability on the part of local governments, local agencies, local community institutions to respond to their own problems, meet their own responsibilities, capture their own opportunities by the exercise of their own initiatives. The community's institutional capacity to respond is paramount. Without it, or the potential for developing it, the investment of State and Federal program dollars is futile, a dead end operation.

This consideration underlies the tremendous significance of title VIII of the Housing Act of 1964 and title IX of the Model Cities Act.

Outside of the major metropolitan cities, Pittsburgh and Philadelphia, there is a need for expertise, for technical and professional assistance almost more than the need for program dollars, vital as the latter are also. But the potential for releasing additional local resources through enhanced expertise in the management of complex community affairs—through more effective, efficient, resourceful utilization of municipal management techniques—is tremendous. The field of municipal borrowing and of fiscal management in general is one case in point.

Title VIII and title IX, if adequately funded, will enable the States to accomplish, in this field, a job which is essentially theirs, which only they can do effectively, and which addresses itself to the foundation of all urban and community development effort.

In the face of the volume requests, such as Pennsylvania's, pouring in for attention, the $7 million proposed for title VIII and the $5 million for title IX are obviously short of the need. But they represent a good start.

Section 205 of the Model Cities Act—supplementary or incentive grants for regional planning and action: This program authorizes $30 mililon for the Department of Housing and Urban Development to make a supplementary grant of up to 20 percent of the cost of certain projects with a Federal ceiling of 80 percent. The 20-percent incentive grant covers regional projects in open space, health, airports, libraries, water and sewerage facilities, highways, and land conservation. To be eligible, the sponsors of such projects must show that they are actually programing and implementing regional plans with specific implementation measures as zoning, codes, subdivision regulations, and similar land-use and density controls. There is perhaps no single program at the Federal level than the incentive grant that could do more good to bring about coordinated, orderly and rational development on a regional basis throughout America. No other program could better serve the interest of intergovernmental action and implementation of mutually agreed upon goals on a regional basis. Countless reports have documented the need for just this kind of action.

The full funding of these programs is no substitute for State action because that is already taking place, but rather reasonable cooperation in the solution of some of the crucial intergovernmental problems facing all levels of government today.

Advanced acquisition of land—Housing Act of 1965: This has been an underutilized program, in part because of the doubt which existed over whether the various States were meant to be eligible applicants. The current Housing Act clarifies that—Pennsylvania is one State that can use the funds—and I would like to express my support of this section of the appropriations bill.

The foregoing programs are vitally important components in a network of programs which glue the Federal-State-local relationship into an effective working whole, delivering an impact to the desperate urban and community scene which is far greater than could be accomplished if each of us were to be working separately. In fact, as is well known, our only hope for the survival of our system of domestic and community institutions lies in our ability to marshal to their desperate needs all the resources at hand, locally, statewide, nationally, and in the private sector.

The State-level department of community affairs concept is of central importance as a powerful mechanism for marshaling the resources effectively, and the foregoing programs, along with their related areas, are essential tools in the hands of the States and their urban and community agencies.

Mr. EVINS. You have four model cities announced for the State of Pennsylvania. I was interested in your testimony there that you envisioned about 15 more.

Mr. BARR. Well, not all federally aided, but these will be probably State-aided types.

Mr. EVINS. In view of the budgetary situation with which we are all faced at this particular time, if this committee has to make some decision in priorities in the housing field, which one would you list as foremost, or which would you indicate would be of the lowest priority, if you wanted to make such an assessment?

Mr. BARR. Well, within the purview of the programs I have been talking about here, the model cities, I would say, without question.

Mr. EVINS. Would be your highest?

Mr. BARR. Yes. And then the title VIII and title IX funds.

Mr. EVINS. Which would be the lowest of the programs?

Mr. MARTIN. Mr. Chairman, pick five—I think there's about 71 out of a total of 76.

Mr. BARR. Yes. And the ongoing urban renewal programs, it would be difficult to discount the importance of those.

Mr. TALCOTT. I would be interested in knowing how much the State of Pennsylvania contributes, in addition to the Federal subsidies, to housing.

Mr. SMITH. In model cities, sir?

Mr. TALCOTT. Yes.

Mr. SMITH. We have contractual——

Mr. TALCOTT. Not just in the model cities program, because the law provides that you must contribute a certain percentage in matching the different programs, but how much does Pennsylvania, other than by participation in Federal programs, participate through this community affairs program to the cities?

Mr. BARR. Just a minute. I will give you a comment here in a minute. But in our department with respect to the programs that we are primarily responsible for, I think we total around $70 million annually. This covers urban renewal grants, 50–50 matching funds for the renewal, antipoverty money. We are covering about half the community action agency's local cost.

Mr. TALCOTT. These are just matching Federal funds?

Mr. BARR. Yes.

Mr. TALCOTT. Is this $70 million all State money?

Mr. BARR. Yes.

Mr. TALCOTT. You have no independent State moneys for these housing purposes?

Mr. BARR. Well, yes and no. We will on merit cases where they think it is worth while match 50–50 and urban renewal programs, for instance. We are not getting intensively into that, but more and more we are in it. These are relatively small programs. One of the major components of that is a large mass-transit program, too, where we are matching the Federal mass-transit funds.

Mr. TALCOTT. I appreciate all these matching programs, but do I also understand from your statement that the State of Pennsylvania isn't much interested in housing programs except when there are matching Federal funds? Or have you tried on your own, independently, to do some community affairs work just from funds of the State of Pennsylvania itself?

Mr. MARTIN. You had your department in 1924 that was the first in the country.

Mr. BARR. To answer your question, we respond in larger measure to Federal programs in a matching way. However, we are trying to utilize Federal programs in innovative ways.

Mr. TALCOTT. I understand.

Mr. BARR. We don't want to be just a slave to reacting to the Federal programs. We want to, as I mentioned earlier, talk to the problem and, if we can, come up with State money which will maybe help tailor the situation.

Mr. EVINS. Mr. Barr, we commend this effort of Federal-State cooperation, and we especially commend the local effort on local development. We thank you for your statement.

Mr. BARR. Thank you very much, sir. We appreciate the chance to be here.

Mr. EVINS. Thank you, gentlemen.

FEDERAL STATISTICS FOR HUD

WITNESS

JOHN H. AIKEN, EXECUTIVE DIRECTOR OF THE FEDERAL STATISTICS USERS' CONFERENCE

Mr. EVINS. We have with us Mr. John H. Aiken, executive director of the Federal Statistics Users' Conference.

Mr. Aiken, the committee will be pleased to hear you.

Mr. AIKEN. Fine. It is a very short statement.

First, of course, we want to express our appreciation to the committee for the opportunity to present the views of our organization on certain items in the budget for the statistical programs of the Department of Housing and Urban Development.

FSUC is an association whose membership is comprised of business firms, labor unions, and nonprofit research groups who have a common interest in obtaining adequate, timely, and reliable information from Federal statistical programs. We regularly evaluate current and proposed statistical programs of the various Federal agencies in the light of certain criteria which we have established, the principal one being that a statistical program should provide data of optimum usefulness at minimum cost.

We have carefully reviewed the proposed new programs of the Department of Housing and Urban Development and urge the subcommittee's consideration and support of certain of these programs.

At the outset, I wish to say that the conference feels that one of the weakest areas in the Federal statistical system is that concerned with construction and housing statistics. The crisis in our cities and the many new programs adopted and proposed in the housing field underscore the necessity for adequate, up-to-date information to guide decisionmakers in planning and implementing the various programs and for gaging the progress and effectiveness of such programs.

A high-priority item is the proposal to initiate a quarterly survey of residential mortgage lending by savings and loan associations, commercial and mutual savings banks, and insurance and mortgage companies.

In his housing message, the President said that to achieve our housing goal, among other things, we must summon the commitment of "the capital and mortgage finance markets, to supply the private funds which are the lifeblood of the construction industry. These funds must flow steadily and in increasing scale."

The Economic Report of the President outlined 10 specific key items in economic statistics that are in urgent need of improvement. One of these calls for a comprehensive system of quarterly and ultimately monthly statistics on mortgage flows and commitments.

Current data on mortgage lending activities are considered inadequate and in recent years there has developed an increasing need for more comprehensive and more timely data in this area. The proposed program would provide such data for the first time. What is particularly important is the need for gross mortgage flows for the principal mortgage lenders in order to provide a comprehensive picture of how demands for mortgage credit are being met. It is generally felt that we can no longer rely upon the net changes of outstanding mortgage loans as a barometer of the mortgage market activity, because they do not tell the total amount of loans being made.

The program would also supply much needed consistent data on mortgage loan acquisitions (originations plus purchases) which would be broken down by property type and loan type. These would give us quantitative measures of the volume of mortgage lending during a period and would indicate whether loans for residential properties are rising and falling. We would also be able to determine the extent to which mortgage credit is being used for homes or apartment houses, as distinguished from nonresidential properties.

Information from this program would be of considerable assistance to Government agencies responsible for credit policy, supervision of financial institutions, housing finance, and for assessing the future course of the economy. It would be particularly helpful for measuring the degree of tightness or ease in the supply of mortgage credits by property type and loan type.

Another priority item is the proposal to provide data on housing units removed from the housing supply. The survey is aimed at obtaining reliable comprehensive estimates of the number of units altered by demolition, conversion, and merger. This would be a continuing series that would fill a serious gap in housing statistics. Although certain

data are available for measuring removals from the housing supply, they have not been satisfactory because they are available only between very long intervals and we need to know what is happening during these 10-year intervals. Such data are also greatly needed to balance the data on additions to the supply which seems to be becoming more plentiful and more useful. There are wide variations in housing market conditions between regions and metropolitan areas and it would be extremely helpful if such data could eventually be developed on this basis.

A program of considerable importance is that proposed which would determine the rates at which new rental units are absorbed by the market. It would provide us with information showing the number of new rental units of different sizes and rents that become available for rent, the rate at which units of different size and rental become occupied, and the number of different types which remain unoccupied. Such information is needed to guide builders and other private and public activities in the construction of new rental units. The information should also be helpful in preventing or minimizing the overbuilding of rental units at certain sizes and rent. Such a situation has occurred in recent years in some regions.

On behalf of our conference, I wish to thank you and this subcommittee for the opportunity to appear before you and present our views.

Mr. EVINS. Thank you, Mr. Aiken.

Is the Federal Statistics Users' Conference a professional private association?

Mr. AIKEN. It is a nonprofit association of business firms, labor unions, and nonprofit research. Our people primarily are economists, marketing research people.

Mr. EVINS. The information that you obtain from Government statistics and Government reports is disseminated to your members?

Mr. AIKEN. Actually we keep them apprised of new reports that are out, new programs that are being planned. We study them, evaluate whether they are needed or not needed, and try to express our views.

Mr. EVINS. Your testimony is directed principally to the appropriation for Federal statistics for HUD?

Mr. AIKEN. That is right, sir.

Mr. TALCOTT. Do you pay anything for this information which you get from the Federal Government?

Mr. AIKEN. We don't get anything from the Government. We merely keep abreast of what they are providing and let our members know, and particularly we work with them if they want to consult with us on needs for data. We often do that.

Mr. EVINS. Thank you, Mr. Aiken.

Mr. AIKEN. Thank you very much.

FEDERAL POWER COMMISSION AND HUD APPROPRIATIONS

WITNESS

ALEX RADIN, GENERAL MANAGER, AMERICAN PUBLIC POWER ASSOCIATION

Mr. EVINS. Gentlemen, we have with us, Mr. Radin. He is the general manager of the American Public Power Association.

Mr. Radin, I believe you appear in connection with funds for HUD and the Federal Power Commission.

Mr. RADIN. Yes; primarily for the Federal Power Commission today, Mr. Chairman. We would like to submit a statement for the record at a later time about HUD.

Mr. EVINS. Well, you address yourself to the appropriations for the Federal Power Commission and give us the benefit of your expert knowledge. You may submit a statement later on the other area.

Mr. RADIN. Thank you, sir. I have a prepared statement that I would like to submit for the record for the Federal Power Commission appropriations, and I will summarize it very briefly at this time.

Mr. EVINS. The full statement may be included in the record.

FPC APPROPRIATIONS

Mr. RADIN. Thank you, sir.

Mr. Chairman, as you know, our association represents primarily municipally owned electric utilities. We represent about 1,400 of those in 47 States, Puerto Rico, and the Virgin Islands, and through your extensive experience in this field you know, also, that this is the most numerous group of utilities in the entire utility industry. We serve only about 9 million customers or 30 million Americans, but in terms of numbers of electric systems the municipally owned are more numerous than the private power companies.

These systems primarily are quite small, and about 1,000 of them buy power wholesale from power companies that are subject to the jurisdiction of the Federal Power Commission. In recent years the Commission has proven to be extremely valuable to these utilities, both in connection with electric rates and various conditions of service.

In my prepared statement I have pointed out a number of specific cases in which the Federal Power Commission has been extremely helpful to municipal utilities in connection with rates as well as in connection with being able to interconnect with power companies and correct inequities in the conditions of service.

So we are quite impressed with the value of the Commission. And because of the smallness of so many of these municipal electric systems, we feel they need the help of the Federal Power Commission, which has been described as a silent presence at the bargaining table.

I might point out that this assistance has been felt, not only through formal proceedings but also through informal proceedings. We think the Commission has done an excellent job in trying to bring the parties together, either before a formal complaint is filed or even after a formal complaint is filed. They try to bring the parties together and avoid the long and sometimes expensive procedure of going through formal proceedings.

In this listing of cases, which is in my formal statement, you will note that many of those have been settled informally.

The record of the Commission is quite good. Again, in my formal statement, I have listed the increases and reductions in wholesale rates that have been filed in the period 1960 to 1967. It is quite an impressive record.

During that period, reductions have totaled more than $21 million, and increases only $1,800,000. These reductions are on an annual basis, but, of course, are cumulative. Once a reduction is made, it continues until there is any further change in the rate structure.

So we think the Commission has been extremely helpful in obtaining wholesale rate reductions. The FPC has also helped in connection with giving municipal facilities an opportunity to interconnect with private power companies and other utility companies—interconnections necessary for efficient service.

The Commission is asking for a total of $60,060,000 this year, of which $7,132,000 is for electric power activity.

That represents an increase of approximately $600,000 for electric power work over fiscal year 1968.

It is our understanding that because of the Federal pay increase the Federal Power Commission actually is operating with fewer employees than it did the previous year. So we feel that this increase is necessary in order to sustain the level of work of the Commission.

Mr. Chairman, if it is agreeable with the committee, I would like to insert in the record at the close of my testimony an article from the Wall Street Journal about the problem of electric rates. While it deals primarily with retail rates that are not subject to the jurisdiction of the Federal Power Commission, it also has a bearing on the Federal Power Commission activities in wholesale rates. If it is agreeable with the committee I would like to ask that it be inserted in the record of the hearing.

Mr. EVINS. Based upon your recommendation, this article may be included with your statement in the record.

Mr. RADIN. Thank you, sir.

That concludes my statement, Mr. Chairman.

(The complete prepared statement of Mr. Radin, above-referred to, follows, together with the article from the Wall Street Journal, entitled, "Rate Wrangle":)

RATE WRANGLE—FIGHT BETWEEN UTILITIES AND CRITICS OVER COST OF ELECTRICITY HEATS UP

CONSUMER ORGANIZATIONS CALL RATES OF RETURN TOO HIGH; ACCOUNTING IS QUESTIONED

FIRMS CITE COST PRESSURES

(By Elliott Carlson)

Electric prices keep going down, down, down—and some buyers of power keep getting madder and madder.

The utilities can't understand why. The Edison Electric Institute says the average price per kilowatt hour of electricity supplied to resdential customers was 2.16 cents in 1967. That compares with 2.37 cents 5 years before and 3.22 cents just after World War II.

What's more, says the institute, this decline has occurred while the overall cost of living has been increasing inexorably, to say nothing of the labor and materials costs of the utilities themselves.

But this cuts no ice with critics. They claim that the utilities still are reaping profits that exceed the returns on investments in plant and equipment approved by regulatory bodies, and they insist that the companies trim charges to customers further.

In a number of States, consumers are banding together to press for lower rates. The Federal Power Commission, which has no direct authority over retail

electricity rates but keeps close track of utility operations and rates of return, is getting more complaints. So are the State regulatory agencies that control rates. All the fuss has prompted lawmakers and regulators at both levels to take a more critical look at rates.

A shocked customer

Much of the protest is coming from the grass-roots level. Consider Mrs. Elizabeth Keefer, a 28-year-old housewife from Leesburg, Va. She and her family moved to the Fairfax County community early last year. After living in their new all-electric house for 59 days, the Keefers got a $111 bill from Virginia Electric & Power Co. "We were shocked," she says, "I decided something ought to be done about these outrageous rates."

So she joined The Commmittee of One Thousand, a recently formed consumer group that hopes to raise a modest $5,000 to finance a study of Virginia Electric's rates. The committee is nearly halfway to its goal.

The Church of the Ascension in Claymont, Del., is one of a number of churches that recently have complained of high rates to the FPC. The Episcopal church's bill nearly tripled after a wing was added; Philip F. Crosland, senier warden, says: "Our actual use of electricity increased much less than that." A few weeks ago the FPC agreed to study the rates charged churches and publish its findings for possible use by State regulatory agencies.

In Philadelphia, a new citizens group called Consumers Education and Protective Association is circulating petitions to residents and businessmen asking refund of an alleged $10.5 million overcharged by a Philadelphia Electric Co. in 1965. In Box Elder, S.D., the Douglas Independent School District thinks the rates charged by Black Hills Power & Light Co. are too high; the district wants to link up with public power sources in the area. Robert S. Spelts, superintendent, thinks the district could save $25,000 a year by buying power this way.

How rates are set

Utility charges to customers are set in accordance with an overall rate of return allowed the company by regulators. This return is a percentage arrived at by dividing the utility's rate base (the value of its plant, equipment and other assets) into its net operating income.

The bigger a company's rate base and the smaller its operating net, the lower its rate of return will appear—and the more justification it will have for maintaining current charges, minimizing reductions or, in a few cases, actually boosting its charges to customers.

When a company does seek a rate increase, a full-scale hearing and investigation by State regulators is almost automatic. Even when retail rates stay level or decrease, State regulators are generally supposed to keep a constant surveillance on a utility to make sure it isn't drifting too far above its approved rate of return.

In practice, say cities, these agencies either don't perform their watchdog role adequately or tolerate accounting methods that make a utility's rate of return look lower than it really is. As a consequence, consumers pay more than they should, it's argued.

Area of disagreement

The norm for rate of return observed by most State regulatory bodies is 6 percent. Senator Lee Metcalf (D., Mont.), long a gadfly to the investor-owned utilities, also advocates 6 percent as a fair standard in "Overcharge", a controversial book about utility rate practices he wrote with Victor Reinemer, an aide. It was published last year.

There is a great deal of disagreement, however, over what items a utility should be allowed to include or omit in calculating its rate base and net operating income. For example, in a number of cases companies have drawn heavy fire for reducing operating net by deducting charitable and other contributions that critics maintain aren't valid business expenses; presumably, consumers must underwrite these contributions in higher payments for electricity.

In testimony before New York State regulators last year, Arnold H. Hirsch, an attorney and a consultant on utilities operations, claimed that Consolidated Edison Co. had improperly charged to its customers hundreds of thousands of dollars in contributions to 164 organizations from July 1965 to June 1966. Consolidated Edison replied that the payments, many of them made to chambers of commerce and various civic groups, were a necessary part of doing business in New York and therefore were properly a part of operating expenses.

Senator Metcalf and other critics make the same charge against Virginia Electric that Mr. Hirsch does against Consolidated Edison, J. Justin Moore, senior vice president of the utility, replies that a utility has got to be a good citizen to the community it serves.

Failure to display such an attitude, he avers, might lay the utility open to community hostility and the possibility of discriminatory taxes, and the consumer would be the first to suffer. Besides, says Virginia Electric, the donations are miniscule compared with the company's earnings; last year, says the utility, they amounted to only one-fourth of 1 percent of its net income before taxes.

State regulatory bodies are split in their handling of such write-offs. Roughly half of all state commission, including Virginia's, consider donations to charities and civic groups as part of a utility's operating expenses. The rest do not.

There's even less agreement on how rate bases should be computed. Some states permit utilities to use the "fair value" method of giving a value to their plant and equipment—a value between what the assets cost when acquired or built and what it would cost to replace them today. Others will allow only original cost less depreciation. Still other States use different guidelines.

Overcharge alleged

There are additional complications. For example, Virginia regulators adhere to the "depreciated original cost" method, which is also followed by the FPC and is considered the most realistic by such critics of the utilities as Senator Metcalf. But the State also allows Virginia Electric to include in its rate base the value of construction work in progress, an allowance not made by the FPC.

This practice swells the utility's rate base unreasonably, say critics. The Committee of One Thousand charges that Virginia Electric is overcharging its customers $9 million a year as a result basing that figure on the difference between the ideal 6-percent rate of return and the actual rate of more than 7 percent as calculated with the FPC's method.

By its own accounting, Virginia Electric's 1967 rate of return (the FPC doesn't have its own version prepared yet) is only 6.09 percent. It would have been higher, says Mr. Moore, the executive vice president, if costs hadn't risen more than expected during the year. Because of rising costs of labor, fuel and interest on borrowings, many utilities maintain that they have to project rates of return somewhat above 6 percent under systems of accounting allowable in their States, if they hope to wind up the year at that level.

For this and other reasons, utilities strongly resist being tied to a 6-percent rate of return when planning ahead. "How long can any utility go on fighting inflation before its rate of return sinks so low that investors will be too discouraged to buy its stock?" asks Mr. Moore. He and other utilities executives also feel that a fair actual rate of return would be 7 to 7½ percent.

Senator Metcalf and other critics insist that the utilities are shedding crocodile tears. In his book, the Montana Senator claims the Nation's electric utilities overcharged their customers $618 million in 1965—a figure based on the difference between the ideal 6 percent and the actual median of 7.39 percent for the 192 companies that reported to the FPC that year. Senator Metcalf's claim is, of course, based on the conviction that the FPC's way of accounting is the right way, a conviction disputed by utilities executives and by many State regulators as well.

Bulging rate bases?

Senator Metcalf, however, remains convinced that as a consequence of lax regulation by some State commissions, rate bases tend to bulge with overpriced or unused equipment, causing the consumer to pay higher rates than he should. The Senator is also critical of utilities' alleged foot-dragging in providing rate-base information to Federal and State regulators.

Early last month he introduced a bill that would compel the companies to act faster. "It often takes months to find out how a utility has computed its rate base," says Mr. Reinemer, Senator Metcalf's aide, "and consumers can lose millions of dollars while a case is being decided. Utilities often complain that they operate in a fishbowl. We want to make sure they do."

Some State legislators also are zeroing in on the utilities. In Massachusetts, for example, a strongly worded proposal is now before the legislature; among other things, it would provide a public counsel to represent consumer interests before the State department of public utilities.

The protests of power users have paid off in some cases. Last fall, the Maryland Public Service Commission reduced by $1.3 million annually the electric rates of

Baltimore Gas & Electric Co. The action was taken after the people's counsel, a recently formed State agency that represents consumer interests, attacked the utility's rates as "excessive, unjust and unreasonable."

New York City is hoping its own protests can forestall a rate increase by Consolidated Edison. In hearings last year, the city strongly opposed tentative approval for a $32 million increase granted by the New York State Public Service Commission. The commission expected to hand down a final decision shortly.

STATEMENT IN SUPPORT OF FPC APPROPRIATIONS FOR FISCAL YEAR 1969, SUBMITTED BY ALEX RADIN, GENERAL MANAGER, AMERICAN PUBLIC POWER ASSOCIATION

My name is Alex Radin. I am general manager of the American Public Power Association, which represents more than 1,400 municipal and other local publicly owned electric utilities in 47 States, Puerto Rico, and the Virgin Islands. Our offices are located at 2600 Virginia Avenue NW., Washington, D.C.

Although local public power systems serve only about 13 percent of the Nation's electric consumers, they operate more separate electric utilities (in excess of 2,000) than any other segment of the electric industry, and they are second only to the private power companies in the number of consumers they serve. Altogether, local public power systems serve about 9 million homes, businesses, and industries, or a total of about 30 million Americans.

MOST MUNICIPAL SYSTEMS SMALL POWER PURCHASERS

Most local public power systems are (a) small in size and (b) purchase all or part of their bulk power supply from other utilities. Studies published by the Federal Power Commission in 1965 showed that 1,901 of the Nation's 2,101 local public power systems had load requirements of under 25,000 kilowatts. (To give a rough approximation of size, this compares with a system peak of about 5,700,000 kilowatts for Consolidated Edison Co. of New York, 6,800,000 kilowatts for Pacific Gas & Electric Co., and 6,500,000 kilowatts for Commonwealth Edison Co. of Illinois.)

Nearly 1,000 local public power systems obtain all or part of their power from private power companies subject to the jurisdiction of the Federal Power Commission. This is a principal reason for our support of adequate appropriations for the FPC. The economic well-being of many municipal electric systems is strongly dependent on securing agreements for purchase of power at reasonable rates and under equitable arrangements. Wholesale power costs are the largest element of the overall operating expense of municipal systems, constituting on the average about 65 percent of the total.

Thus, APPA members are particularly interested in the Commission's work in regulating the wholesale charges and contract conditions of jurisdictional companies which sell to municipalities and other public agencies.

CASES INDICATE VALUE OF FPC JURISDICTION

Local public power systems have found that the Federal Power Act represents an opportunity to obtain remedial relief from existing inequities in rate level, rate design, restrictive provisions, discrimination, and interconnection. Sometimes these complaints can be settled informally, with the Commission staff serving as mediator. In other situations, a formal proceeding is required. In either event, the ability of small systems to deal on equal terms with large wholesale suppliers has been materially enhanced. Here are a few examples of what has been accomplished through application of FPC jurisdiction.

1. The municipal utility of Shrewsbury, Mass., had been served for years by a devious route which brought power to Shrewsbury via two affiliated power companies, both operating at the Shrewsbury substation. The city was forced to pay the higher rates of one of the companies, and went to the FPC for help in obtaining direct service from the company with the lower rate. FPC ruled with the city and ordered New England Power Co., to serve the municipal utility at its lower rate.

2. The city of Fayetteville, N.C., filed a complaint with FPC, charging that rates of Carolina Power & Light were excessive, unjust, and unreasonable. After the Commission accepted a settlement reduction of $238,175, the city withdrew its complaint. Subsequently, as part of the agreement, Carolina Power & Light filed a reduction of $362,897 to its other wholesale customers.

3. A complaint by Truckee Public Utility District in California requested that Pacific Gas & Electric Co. wheel Bureau of Reclamation power to Truckee. The complaint was withdrawn when Sierra Pacific Co., which had previously furnished all energy requirements to Truckee, agreed to a rate reduction of approximately 20 percent.

4. Springfield, Ill., requested that the Commission order either members of the Illinois-Missouri pool, Illinois Power Co., or Central Illinois Light Co. to establish an interconnection with Springfield on a reasonable reserve basis. The case terminated when Central Illinois Light Co. agreed to interconnect with the city and share reserves on the same basis as the company shared reserves with the Illinois-Missouri pool.

5. Georgia Power Co. had for a number of years restricted its municipal customers from reselling power for industrial and commercial loads above certain sizes. FPC asked the company to show cause why such rate schedule provisions should be maintained, and a hearing was held. The Commission found that these limitations were "unjust, unreasonable, and unduly discriminatory," and ordered them eliminated. It is not "normally consistent with the public interest for a wholesale supplier of electric power to restrict the manner in which its customer may resell the power," the Commission said.

6. A cost-of-service study of Ohio Edison resulted in a 9.1 percent reduction totaling $456,118 to 18 municipal customers.

7. The village of Freeport, N.Y., sought an economically desirable pooling agreement with Long Island Lighting Co. which the company refused to grant, offering instead to buy the Freeport system. An informal complaint to the FPC yielded a satisfactory pooling agreement which insured the integrity of the Freeport system.

8. A cost-of-service study of the Virginia Electric & Power Co. by the FPC staff indicated excess revenues. Staff consultation with company representatives resulted in total reductions of $451,538 to 20 municipalities and one private power company.

During fiscal year 1967, the Commission received 2,006 rate filings and completed 1,963. Rate reductions of $4,284,777 were accepted for filing. Rate increases accepted for filing amounted to only $93,241. FPC activity was responsible for a substantial portion of the reductions, following studies which indicated that lower rates were warranted. In the 5 fiscal years 1963 through 1967, the Federal Power Commission accepted rate filings totaling $21,527,386 in rate reductions and only $1,873,954 in rate increases.

In July 1967, the Federal Power Commission published a report entitled "Federal Regulation of the Electric Power Industry Under Parts II and III of the Federal Power Act." I would like to place in the record for the information of the subcommittee the following table, taken from that report:

RATE FILING RECEIPTS AND COMPLETIONS

Fiscal year	Filings received, number	Filing matters completed		
		Number	Increases	Reductions
1960	894	(1)	$534,400	$106,300
1961	469	(1)	996,900	136,500
1962	477	576	2,030,900	127,000
1963	1,882	1,494	278,900	1,204,800
1964	1,295	1,323	395,200	1,448,100
1965	2,576	2,686	1,050,685	8,024,782
1966	2,649	2,796	55,928	6,564,927
1967	2,006	1,963	93,241	4,284,777

[1] Not applicable.

In addition to its importance with respect to wholesale rates, FPC regulation is of increasing significance with respect to the ability of local public power systems to participate in power pooling plans. Many municipal electric systems are small and are often physically isolated. If they are to take part fully and fairly in the economic benefits of bigness expected with large generating units and extra-high voltage transmission lines, then they must rely heavily on FPC action to insure that the private companies equitably share with them economies of scale. Although FPC action has been required in some of the cases I have

cited above in order to permit smaller municipal electric utilities to participate in power pools, experience has shown that the large as well as small utilities have derived benefits from such pooling arrangements.

The trend toward giant generation and EHV transmission by interconnected interstate companies which are continually merging into fewer and larger entities complicates the task of regulation and increases the need of the FPC for expert personnel. It is therefore vital that the FPC staff be maintained at an adequate level in order to deal adequately with the job which it was assigned by Congress, and to maintain the present pluralistic character of the electric industry.

Although FPC has no direct jurisdiction over retail rates, reductions in wholesale rates allow wholesale customers to reduce retail rates, and information filed with FPC aids in State regulation. Thus, rate reductions to wholesale customers and subsequent rate reductions to their consumers offer a "competition by comparison" which encourages other utilities in the area to lower their retail rates.

Nevertheless, consumers are becoming increasingly concerned with their electric bills and have taken an active part in obtaining rate reductions. An article in the Wall Street Journal of March 11, 1968, illustrates the present consumer concern. The article states:

"In a number of States, consumers are banding together to press for lower rates. The Federal Power Commission, which has no jurisdiction over retail electricity rates but keeps close track of utility operations and rates of return, is getting more complaints. So are the State regulatory agencies that control rates. All the fuss has prompted lawmakers and regulators at both levels to take a more critical look at rates."

I would like to submit the entire article for inclusion in the hearing record at this point.

This year, the budgeted request for the Federal Power Commission is $16,060,000, of which $7,132,000 is for electric power activity. This represents an increase of approximately $800,000 for electric power work over fiscal year 1968.

Due to the Federal pay raise last year, the Federal Power Commission has been unable to replace many employees who have retired or resigned. The reduction in number of filled positions has resulted in some slowdown of the Commission's regulatory activities. Additional funds therefore will be necessary to maintain regulatory effectiveness. In addition, the FPC will be proceeding with an updating of the National Power Survey and a comprehensive survey of power resources of the State of Alaska.

The additional appropriations requested by the FPC will aid in the completion of these two important surveys and will benefit wholesale customers and electric consumers generally by allowing the Commission an adequate staff for effective regulation. APPA therefore supports the full appropriation requested for electric power work.

Mr. EVINS. Thank you, Mr. Radin.

We recognize that the Commission is a silent partner in disputes. We recognize that it performs a lot of services for the local utilities.

Has your association been able to assist them in trying to hold the electric utility rates down?

Mr. RADIN. Yes. We certainly do everything we can to try to keep rates as low as possible. That has been one of the cardinal principles of our association. And we assist our members in setting up appointments and other relationships with the staff of the Commission in order to keep rates as low as possible.

Mr. EVINS. You have been nice to come by, Mr. Radin. We thank you for your statement.

Mr. RADIN. Mr. Chairman, we appreciate the fine work that you have done in this field through the years.

Mr. GIAIMO. Mr. Radin, admittedly there have been some instances where FPC has ordered rate reductions which have resulted in a reduction in rates to the municipals which in some instances have not been passed on to the users?

Mr. RADIN. I am not aware of any specific case of that nature, Mr. Giaimo.

Mr. GIAIMO. I have been informed of this by some people who are customers of some of the municipals, and I wonder if there is a reason why this might be done.

Mr. RADIN. Well, I don't know, with the possible exception of the fact that other costs may have increased so the reduction of the wholesale costs may be offset by increases in other costs of operation, but generally I think the practice is and we encourage the members of our association to reduce their rates, if they have a reduction in their wholesale power costs.

Mr. GIAIMO. I have one other question off the record.

(Discussion off the record.)

HUD APPROPRIATIONS

Mr. EVINS. Thank you, Mr. Radin. We will insert your statement on HUD appropriations at this point in the record.

Mr. RADIN. Thank you, sir.

(The statement follows:)

STATEMENT OF AMERICAN PUBLIC POWER ASSOCIATION IN SUPPORT OF HUD APPROPRIATIONS FOR FISCAL YEAR 1969

The American Public Power Association, representing more than 1,400 local publicly owned electric utilities, mainly municipal systems, in 47 States, Puerto Rico, and the Virgin Islands, supports the budget request of the Department of Housing and Urban Development for fiscal year 1969.

As an integral part of city government in the communities which they serve, APPA members are vitally concerned with problems of their communities, and, therefore, are deeply interested in HUD programs aimed at helping to solve these problems.

APPA believes that HUD activities can facilitate the orderly planning of electric power distribution facilities and increase the use of electricity; both results may aid in reducing utility expenditures and assist in keeping power costs down, to the benefit of electric consumers.

In addition to general backing of HUD goals, APPA members have a direct interest in particular HUD programs. These include: advances for public works planning, urban planning assistance, grants for advance acquisition of land, grants for basic sewer and water facilities, public facility loans, urban renewal, urban mass transportation grants, model cities, metropolitan incentives, and urban research and development. The following are examples of aid to local publicly owned electric utilities which illustrate specific reasons for our interest in these programs:

URBAN PLANNING ASSISTANCE

Urban planning assistance often results in improved city lighting and comprehensive development plans for a city. Improved lighting results in a greater electrical load for a utility, and improved planning aids the utility in its construction of distribution facilities.

1. A 1959 grant to Weatherford, Tex., resulted in a comprehensive community development plan. Included in implementation of the plan was an estimated $100,000 expenditure on street lighting improvements.

2. Recent grants for urban planning have been given to the Springfield-Eugene, Oreg., metropolitan area; Princeton, Mo.; Chatahoochee, Fla.; Sterling, Kans.; Lansing, Mich.; and Cuyahoga Falls, Ohio. All of these cities are served by municipally owned electric utilities.

ADVANCES FOR PUBLIC WORKS PLANNING

Local publicly owned electric utilities may benefit both directly and indirectly from public works planning loans.

1. In late 1967, Cordova, Alaska, a municipally owned electric utility, received a $47,500 advance to plan a badly needed hydroelectric station.

2. In March, 1968, Reading, Ohio, received a $34,720 advance for improvements and additions at several schools. Additional space in these schools will result in additional use of power from the community's municipal electric utility.

PUBLIC FACILITIES LOANS

Operations of a municipally-owned electric utility are enhanced when public facility loans are granted to a city in which the municipally-owned electric system is located.

1. Itta Bena, Miss., received a $90,000 public facility loan, covering the entire cost of required alterations and improvements for the community's municipal electric system. The project will include construction of a new outdoor substation with necessary feeders, replacing transformers, and a general modernization of the entire system.

2. In March 1968, Teague, Tex., received a $520,000 public facility loan for construction of a 30-bed hospital. This hospital will provide a new and stable electrical load for the city's municipal electric utility.

URBAN BEAUTIFICATION GRANTS

The American Public Power Association has actively encouraged local, publicly-owned electric utilities to take cognizance of esthetics in their electric facility construction. Beautification grants facilitate a more rapid program of improving the appearance of utility property.

1. In 1967, Seattle, Wash., received a beautification grant of $351,875. Activities to be undertaken in the Seattle program included an acceleration of Seattle city light's program to replace overhead utility lines with an underground service system and a comprehensive program to upgrade the appearance of public facilities, including power substations.

2. Tacoma, Wash., received a $150,015 grant in April 1966. Included in Tacoma's plan was landscaping around electrical substations and screening and landscaping of high voltage transmission lines.

WATER AND SEWER GRANTS

Water and sewer grants aid in growth of cities and attraction of new industry, providing new residential and commercial loads for the municipal electric utility.

1. Dickson, Tenn., with a population of 5,028, claimed that their water and sewer project was helpful in attracting an industry which manufactures automobile equipment and which will employ 600 people.

2. Lafayette, Ga., reported that two new residential subdivisions were prompted by their water and sewer grant. They stated, "without the help of CFA programs, neither sewerage nor improvement to our electrical system would have been possible."

URBAN RENEWAL

Urban renewal activities may attract new or improved industry to an area, providing new or increased residential, commercial, and industrial loads for a municipal utility.

1. Urban renewal activities of the city of Harrisonburg, Va., attracted new commercial establishments, including a service center, a supermarket, a bank, and small retail shops.

2. A Morristown, Tenn., urban renewal project replaced an overcrowded slum area with a light industry complex. The industries, which served as redevelopers, constructed modern plants and accelerated their operations, increasing employment. Many former slumdwellers moved into new housing developments with modern conveniences.

URBAN TRANSPORTATION

The American Public Power Association has been extremely interested in the potential of electric vehicles, which would be noiseless, nonpolluting, and provide an excellent off-peak load. HUD offers both research into this field and recognition of achievements.

1. A HUD grant to the University of Pennsylvania, in cooperation with General Motors, resulted in development of a hybrid electric-internal combustion engine vehicle concept which could potentially be converted into an all-electric vehicle.

2. On November 29, 1967, HUD presented its first Urban Transportation Award to Westinghouse Electric Corp. for the company's achievements in the field of urban transportation technology, specifically including the "Marketeer," an electric vehicle developed and marketed by Westinghouse.

OTHER HUD PROGRAMS

Other HUD programs may also indirectly aid municipally-owned electric utilities. For example, public housing projects in Jonesboro, La., paid approximately $10,000 for electricity to the town's municipal utility from 1959–1964.

MODEL CITIES

The model cities program, for which $647,500,000 was requested in the fiscal year 1969 budget, combines the objectives of many present HUD programs for a total effort in a portion of a city. Benefits to a municipally owned electric utility would be similar to those obtained from present program; however, these benefits would be multiplied because of the overall effort put forth within an area.

Because no model city plans have been implemented to date, no success stories may be derived. But the model cities concept is one that could potentially demonstrate electrified individual and mass transportation, attract industrial and residential growth, and provide funds for beautifying electric utility facilities.

In the first round of planning grants, the following cities with local public power systems were chosen: Huntsville, Ala.; Trinidad, Colo.; Columbus, Ohio; Kutstown, in Berks County, Pa.; Nashville, Tenn.; San Antonio, Tex.; Seattle, Wash.; and San Juan, Puerto Rico. In cities with municipally-owned electric utilities, there can be mutual cooperation between the utility and the model cities planning agency.

American Public Power Association urges your subcommittee to appropriate the full budgeted amount for HUD, and gives its particular support to the programs described above which directly affect local public power systems.

Housing Programs

WITNESSES

LLOYD E. CLARKE, PRESIDENT, NATIONAL ASSOCIATION OF HOMEBUILDERS
JOSEPH B. McGRATH, LEGISLATIVE COUNSEL, NATIONAL ASSOCIATION OF HOMEBUILDERS
EUGENE GULLEDGE, FIRST VICE PRESIDENT AND LEGISLATIVE COMMITTEE CHAIRMAN

Mr. Evins. We have with us Mr. Lloyd E. Clarke, president, National Association of Homebuilders; Mr. Joseph B. McGrath, the legislative counsel for the National Association of Homebuilders; and Mr. Eugene Gulledge, vice president and legislative chairman.

Gentlemen, I believe you appear in connection with the appropriation for the HUD programs.

Mr. Clarke. That is correct, Mr. Chairman.

Mr. Evins. Do you have separate statements?

Mr. Clarke. We have a single statement to file for the record.

Mr. Evins. You may proceed as you wish. The committee will be pleased to hear you.

Mr. Clarke. Mr. Chairman and gentlemen of the committee, I have also with me today Mr. Richard Canavan, who is the staff vice president of the National Association of Homebuilders, and he is in charge of our entire technological department.

As you indicated Mr. Chairman, Mr. Joseph McGrath, who is the legislative counsel of our association, is with me, and especially I am proud to have brought with me the first vice president of the National Association of Homebuilders. He is from Greensboro, N.C., and he is experienced in some of the fields that we are going to discuss.

Mr. EVINS. You may proceed.

Mr. CLARKE. We appreciate the opportunity to appear at the hearing and to provide the committee with our experience and our viewpoint on the housing programs which form a basis for the appropriation requests now pending before you.

As you know, the National Association of Homebuilders is a trade organization composed of the men who build America's homes. Our membership is now approximately 50,000 and we are organized in 447 State and local affiliated homebuilders associations. These are located in all of the 50 States and in Puerto Rico and the Virgin Islands.

Our testimony this morning is confined solely to those appropriation requests which are now pending before you for decision. It is our understanding that there will be further need for appropriations action at a later date on a number of programs proposed in the general housing legislation now pending in the Committees on Banking and Currency, should these proposals receive congressional approval during this session.

We testified yesterday, for example, on H.R. 15624 and related bills which propose a number of new programs depending upon authority for appropriations in order to become effective. If these are enacted into law, we would like to return to this committee with a statement of our views as to the necessity for appropriations to fund the new concepts.

At present we are principally concerned with the funding of mortgage credit programs leading to the creation of new housing units. For this reason we strongly support the appropriations request for $65 million for continuation and expansion of the rent supplement program. We are convinced that the results which will flow from these rent supplement projects are wholly to the advantage of the public interest, that the program will bring about excellent results in achieving housing for low-income families and that the concept makes a maximum use of the energies and initiative of private enterprise.

May we stress, also, that it is vital to this program for the Congress to act on the President's recommendation for legislation to provide the Department of Housing and Urban Development with authority to set a more flexible interest rate ceiling. A premise on which the Congress has enacted and funded rent supplements is that the basic mortgage financing for the program will flow from private lenders. Yet, in today's money market, the statutory 6 percent ceiling on all mortgage insurance programs of the Federal Housing Administration is strangling the flow of private funds into FHA insured mortgage investments.

This is not the committee which has the responsibility, of course, for legislation on the interest rates, but the relation between the availability of private mortgage funds and, in their absence, the necessity for Government funding, is a relationship of great significance to the matters for decision in this committee.

For your information, I have attached to this statement a series of charts and tables pertaining to the present availability of private

funds for FHA and VA financing. They show quite clearly, as we see it, the necessity for a more flexible authority to set a higher ceiling on FHA and VA interest rates.

This committee should know, also, that we support a full funding of the model cities program and the continued advance funding of urban renewal, some of which is specifically tied to a use in connection with model cities.

We also support the request for $20 million for the funding of a program of urban technology and research. In our own research activities, we are doing everything within our means to tackle the problems of new techniques and new materials in housing construction. But we think a far greater effort must be made on a national basis and we commend your start in this direction last year in initiating the funding of the HUD research program.

And at this point, Mr. Chairman, I would like to give you a copy of the current issue of the NAHB Journal of Home Building which goes out to our 50,000 members. I would be happy to provide this also to any other members of the committee. The only reason that I am particularly calling your attention to this issue is that it is an issue dedicated to research and some of the research projects that we have carried on. There is a picture of the National Association of Home Builders Research Laboratory which is here in the metropolitan area of Washington. We have built many research houses across the United States, and we are currently developing something I think your committee——

Mr. EVINS. Did you get a pretty good catalog of houses available to the builders?

Mr. CLARKE. Yes, sir.

Mr. TALCOTT. How much money did you spend on research this year?

Mr. CLARKE. We have a foundation that our association contributes to as well as other private organizations of the United States and the Department of HUD itself and the Department of Labor——

Mr. TALCOTT. I mean just the National Association of Home Builders.

Mr. CLARKE. The National Association of Home Builders currently spends $125,000 a year in direct funds into a research foundation and research——

Mr. TALCOTT. All of the homebuilders of the United States spend only $125,000 in research?

Mr. CLARKE. No, sir; that is incorrect.

Mr. TALCOTT. How do you publish the book?

Mr. CLARKE. The National Association of Home Builders as a trade association contributes to the NAC Research Foundation $125,000 a year.

Mr. TALCOTT. Can you tell me the total amount that homebuilders spent, for the record?

Mr. CLARKE. No, sir; I don't have that record. I do want to point out to you for your interest, just within walking distance of the Capitol some research townhouses that are being built by our reseach foundation. They are in Urban Renewal Project No. 1. They are at K Street between First and the Capitol. They are very close to the Gonzaga school.

Mr. TALCOTT. Have you built any that weren't in connection with Federal projects?

Mr. CLARKE. About 80 percent of them have been built not in connection with any Federal project. And in the Journal I think you can see the different areas of the United States in which we have involved ourselves in research. I think the point that we are trying to make, Mr. Chairman, is that if the money that we recommend is funded for research and technology in the Department of Housing, we hope that that money will be directed, not necessarily just to our research foundation, but to private research foundations which are concerned with practical solutions to technological problems in providing better housing at lower costs, rather than it all being directed into poor research in the so-called Think Tanks.

Mr. TALCOTT. For a progressive private industry, I don't think you spend very much on research.

Mr. CLARKE. I would agree.

Mr. EVINS. Continue with your statement, if you will, please. Then we will have some questions.

Mr. CLARKE. In the appropriations for low-rent public housing, we suggest that wording be incorporated in the bill or in the legislative history so that newly authorized funds may be directed primarily into the so-called Turnkey program for production of this form of low-income family housing. We also think that Turnkey and other public housing projects should pay their full share of local taxes and that, if necessary, Federal annual contributions should be increased accordingly to cover the payment of a full tax equivalent. This would make such projects much more acceptable by communities throughout the country.

We support additional appropriations for grants for basic water and sewer facilities and for urban transportation. Communities generally throughout the country need help with the basic facilities which make city living possible. We also support the requested increase in grant funds for creation of neighborhood facilities projects.

Finally, to return to the subject of housing, we earnestly hope that this subcommittee will correct any misunderstanding as to the legislative intent of the Congress in funding the rent supplement program with respect to design and type of construction. The requirements of HUD with respect to these projects, under the impression that this is required by congressional action or legislative history, are resulting in construction of housing projects which in some degree are obsolete in terms of the future because of arbitrary design or construction limitations at the time they are built.

We agree with the purpose and intent of HUD and the Congress that these projects should be of "modest design and cost." But this does not necessarily mean the elimination of two bathrooms, for example (where a sizable family apartment today is expected to have two bathrooms or 1½ bathrooms) or the elimination of air conditioning (where in many areas of the country today other comparable new construction is no longer built without air conditioning)—any more than you wouldn't put the proper heating plant in an apartment in northern Minnesota.

The mortgage amount limitations in the basic statutory authorization for these programs, together with the mortgage credit and income

limitations applicable to them, necessarily control both cost and design. Other restrictive limits are not really necessary. It simply does not make sense to build a structure on which the Government has a direct or indirect liability over a period of 40 years and to do so with design or construction criteria which inhibit the livability and extended desirability of the projects. This is especially so when it appears that there may be some prospects of converting these projects later to homeownership as cooperatives or condominiums.

This subcommittee, therefore, can do a great service for the homebuilding industry and for the programs in which you are interested by directing HUD to make sure that its requirements provide the greatest flexibility and freedom of choice with respect to amenities, design, equipment, materials, and the other elements which will make a project livable and desirable in coming decades.

Gentlemen, we thank you very much for the opportunity of appearing.

Mr. EVINS. Well, thank you, Mr. Clarke, for your statement.

We notice that interest rates continue to climb and you are appealing for the lifting of ceilings, and in your charts as the interest rates go up the number of new homes starts to go down.

Doesn't that have some related effect on construction?

Mr. CLARKE. Yes. I had an opportunity to discuss that subject with Mr. Barrett in the Banking and Currency Committee, and he has also expressed the same concern, sir, you expressed. And I want you to know that the National Association of Home Builders has for many years said exactly the same thing, and we have been concerned with exactly the same concern that you have.

We are opposed to increasing interest rates or increasing anything——

Mr. EVINS. Well, you advocate lifting the ceiling for interest rates in your testimony.

Mr. CLARKE. It is unlikely— if you passed a law in your State that said that lumber was going to sell for $100 a thousand board feet, you would have a fine price on lumber but no lumber, and that is what is happening to our industry.

One of the ways that our industry—and I am also a mortgage banker—tries to equate itself with the cost of money, if there is an artificial ceiling fixed on it, is through the route of discounts.

And by the way, these discounts have become so prohibitive that it is now up around 7 or 8 percent of the total mortgage amount in discounts, and as a result the equities of many people who have bought a home 5 years ago have been totally destroyed by these discounts, or they find themselves in a negative equity position.

Mr. JONAS. Pardon me. How can you go back and impose discount points on somebody who made a contract 5 years ago?

Mr. CLARKE. Because they want to sell their house and they may want to sell their house with FHA or VA financing, and the seller has to pay the discounts in order to place the mortgage for the buyer, since the buyer is prohibited by law from paying it, under FHA and VA.

Mr. EVINS. Any questions, gentlemen?

These people are the experts in the housing field.

Mr. MARSH. Following up on what Mr. Talcott says, you know, it becomes difficult to justify to the American people a request for $20 million in funding of Federal funds for research when you testify that your own organization has put $125,000 for research into your foundation.

Mr. CLARKE. But you see this is only as an association, and the question that the Congressman at the end of the table asked is a good one, and I am sorry I don't have that kind of figure at the tip of my tongue.

Mr. MARSH. How much is in the foundation, all told?

Mr. CLARKE. Well, our foundation is almost three times that—over double, I think, in total.

RESEARCH IN THE HOUSING INDUSTRY

Mr. EVINS. Do you think your association might get a ball park figure by the builders, the members and the foundation, and supply in addition to your testimony a statement as to how much of an expenditure is being made by the private homebuilding industry in research?

Mr. CLARKE. We would attempt to do that, sir; yes. I would be happy to try.

Mr. MARSH. I think it would be very helpful, because the emphasis has been in trying to develop the private sector in this field. And it makes our job much easier when we can show that a substantial effort is being made in the private sector.

(The requested information follows:)

RESEARCH IN THE HOUSING INDUSTRY

(Prepared by the National Association of Home Builders)

I. THE HOUSING INDUSTRY GENERALLY

It is difficult and perhaps impossible to identify completely the total amount of research and its cost within the housing industry as a whole. Within recent years, for example, the United States Chamber of Commerce and the Building Research Advisory Board of the National Academy of Science have both attempted to document the amount of such research, but neither was successful in this effort.

The National Science Foundation annually reports an estimate of research and development funds spent by industry. This data is inadequate, however, to document and fully identify all research in the housing or building industry.

For example, research done by DuPont, Dow Chemical, and other chemical companies in the home building field is reported as chemical research; research done by steel companies such as U.S. Steel or Armco is reported as steel or metal industry research; research done by companies such as B. F. Goodrich to develop a new adhesive for use in home building is reported as rubber industry research; etc.

The 1963 Building Science Directory published by the Building Research Institute listed 454 associations and societies, 284 private testing and research laboratories, and 119 colleges and universities then conducting building industry research. In the intervening period of time, the number of such organizations has increased. While some of their activity has been funded by governmental agencies such as the U.S. Department of Agriculture, the Department of Defense, and the predecessors of the Department of Housing and Urban Development, most of the research conducted by these private companies and organizations is privately funded by the building industry and its related manufacturing industries.

There is no way to differentiate between housing industry research conducted by such organizations and other types of building research. Conservatively stated, however, at least half of the research conducted by these organizations pertains directly to the home building industry.

In addition, manufacturers, builders, professional engineers and architects working in the housing and home building industry conduct a substantial amount of research in their own spheres of activity. Research conducted by builders and professional engineering and architectural firms is typically not identified and reported by the National Science Foundation as industry research. The dollar volume of such research is unknown, but certainly of a high amount.

Many builders are continually conducting research on markets, financing, methods of construction, and design to improve the value of their product. Some very large home building organizations have their own research departments. In most builders' operations, the research is conducted by the builder, by consulting firms, or by professional employees of the builder. Such research is always aimed at trying to produce a better value product at a lower cost to improve the builder's competitive position in his market.

Manufacturers of building industry materials and products also conduct a very substantial amount of research and development. The exact amount of their research is typically not reported publicly and is considered to be information private to the company. For business reasons, they are always reluctant to divulge the size of their research operations or the studies in which they are engaged.

The Staff Vice President and Director of the NAHB Research Foundation, Inc., however, on the basis of personal visits to the laboratories of many of the building industry materials companies, has supplied the following estimates and indications of size:

(1) In a general building materials manufacturer: Approximately 700 research employees.

(2) A floor-covering manufacturer; Approximately 650 research employees.

(3) A gypsum and related products corporation: Approximately 300 research employees.

(4) In another gypsum and related products corporation: Approximately 150 research employees.

(5) In a large chemical corporation: Building and housing industry research employees more than 50.

(6) At another large chemical corporation: Building and housing research employees—50 to 100.

(7) In a major steel corporation: Building and housing industry research—a substantial program, impossible to estimate number of employees.

(8) At several aluminum corporations: Substantial home building industry research programs—impossible to estimate number of employees.

(9) In a subsidiary of a glass manufacturer: Approximately 75 employees almost all of whom are working on building industry research, most of which is applicable to home building.

(10) A fibrous glass manufacturer: Research employees—several hundred, with a substantial portion of research directed to the home building industry.

(11) A wood and wood products manufacturer: Research employees of more than 200.

(12) At another wood and wood products manufacturer: Research employees, approximately 50.

(NOTE.—These are illustrative examples which are included here to give some idea of the scope of privately funded and privately used and controlled research.)

In general, research budgets will average between $25,000 and $30,000 per professional employee per year. Therefore, a research organization with 100 professional employees, and without substantial pilot plant development facilities, might be expected to have a budget of about $2.5 to 3 million per year.

In addition to the research conducted by builders, engineers, architects and manufacturers which is directly related to the housing and home building industry, there are a number of major industry trade associations which also conduct substantial research programs. Some of these are listed below:

Amberican Plywood Association.
Portland Cement Association.
American Iron and Steel Institute.
National Forest Products Association.

Structural Clay Products Institute.
Gypsum Association.
Insulation Board Institute.
Tile Council of America.
Plumbing Fixture Manufacturers Association.
National Particleboard Association.
American Gas Association.

II. THE HOME BUILDING INDUSTRY

The National Association of Home Builders expends approximately 10 to 12 percent of its annual budget for research on technical, land and marketing problems. The total sum is modest compared to the size of the industry, of course, but it is substantial in relation to the budget of our organization, which for fiscal 1969 will almost equal $3.5 million.

In NAHB's technical research programs, particularly the Research House program, it has had for the last 12 years splendid cooperation and assistance from numerous manufacturers and other home building industry trade associations. This has enabled the NAHB to realize and benefit from an expansion and increase in the research funds which it has been able to expend. For example, in NAHB's current Research House VII program, NAHB is attempting to develop a new lightweight aggregate prestressed concrete system for building urban low-cost housing. The research expenditures by the Association have been nearly matched by funds from the Portland Cement Association. In previous Research Houses, manufacturers have expended research funds which probably approach 5 times the amount which NAHB was able to fund. Attached are a series of articles from the NAHB *Journal of Home Building* which describe in more detail the research house program and other aspects of NAHB's research activities.

The construction and technical research program of the National Association of Home Builders is now conducted by the NAHB Research Foundation, Inc., and is aimed at improving productivity, reducing cost, and improving value of housing. In research laboratory efforts, fundamental scientific studies are conducted on items such as the determination of the effect or, as it turned out to be, the lack of effect of bridging in residential floor systems. This research showed the floor bridging is unnecessary. Many building codes and regulations have been changed to eliminate this requirement and as a result housing costs have been reduced.

The NAHB pioneered, with the Stanley Works and a cooperating builder, Robert F. Schmitt, on industrial engineering studies of home building to improve productivity. Industrial engineering studies have become a substantial part of NAHB's research program and are a continuing effort in this field. For example, detailed time and motion studies show that approximately 40 percent of all on-site labor in home building is expended on materials handling. As a consequence, the NAHB funded a study by its Research Foundation to develop a Manual on Materials Handling for builders, to try to reduce excessive labor costs for materials handling.

In addition, the NAHB technical research program includes a number of special studies and full-scale field trials to try to determine the practicality of new products and construction systems. NAHB pioneered in the field application of plastic piping to residential construction more than nine years ago. NAHB has made full-scale field trials of stress skin panel construction with foam plastic cores, new truss and wall systems, new foundation systems designed to minimize the extra cost effect of bad weather, and many other items.

In almost all of these endeavors, the NAHB research funds have been supplemented by cooperation and participation from appropriate manufacturers or their trade associations. Most recently, for example, as sound conditioning became more significant, NAHB, through its Research Foundation, has begun basic research studies aimed at determining the in-place performance of floors and walls, appliances, plumbing and heating systems, background sound levels and their relation to occupants' reactions. In the first study, NAHB had the cooperation of three manufacturers with its Research Foundation. The direct research funds spent by NAHB were thereby more than doubled by the indirect expenditures of the manufacturers on the same research project. This fundamental study is aimed at determining the practical problems and obtaining sufficient scientific data so as to be able to cost-out the effective design and construction of a satisfactory acoustical environment.

NAHB established its Research Foundation three-and-a-half years ago in recognition of the need for a private resource for home building industry research. The Foundation is a subsidiary corporation of NAHB and performs the technical research work for NAHB. In addition, the Foundation performs research for manufacturers, trade associations, builders, and others on a private client basis. This additional contract work has enabled the Foundation to more than double its total research volume, and most of this work conducted for private clients is directly beneficial to the entire home building industry.

Conclusion

As stated in the beginning, no one knows for sure nor is there any available method of accurately identifying or estimating the total amount of money spent on research by the many elements of the home building and housing industry. Based on a general knowledge of the industry, however, it is a conservative estimate that something in the order of $150 to $250 million per year or more is spent directly or indirectly by the home building industry on technical and construction research. This represents a reasonable minimum though it would be hard to document or prove the total figure in detail. It is simply impossible to obtain from every firm, individual, or organization in the country the precise amount of funds which they expend on home building industry research.

Almost all of this research described above, however, is designed for private use, for private gain or competitive advantage, or for product or system advancement. Aside from the broad research conducted by NAHB and a few other trade associations, very little of the privately controlled research is available for public use or for public purposes.

Moreover, almost none of the research, except for NAHB's efforts, is devoted to the total housing package, the construction and development of housing in its entirety. Therefore, there is an urgent need for the Federal Government to advance the public interest in a comprehensive construction research program which will treat of the complete house and will coordinate and cover the many separate elements which create housing.

The direct and indirect investments of the United States in its housing and mortgage finance programs more than warrant this type of public interest, publicly controlled program. In the end, such a research program will save funds for the Government, will expand the benefits and results which flow from its housing program expenditures, and will stimulate and make more useful to the country generally the results of the present scattered, haphazard and independent, privately controlled and funded research activities.

[From the March 1968 issue of the NAHB Journal of Home Building]

NAHB Research Chief Urges Study of Ways To Help Solve Problems

(By Ralph J. Johnson, staff vice president, NAHB Research Foundation, Inc.)

It would be exciting to contemplate the many fanciful items which may be dreamed up to produce instant housing for the opulent jet set of the distant future.

Imagination could run wild about factory-stamped plastic bubbles on stilts transported to the site by helicopters; houses with automatic controls for circulating colored liquids between clear layers of the dome to provide mood-lighting; solar-powered self-contained energy units to take water from the air, dispose of wastes, perform all heating and cooling functions, and power all the ultra-automatic devices for cleaning, cooking, sewing, etc.

Exciting as these dreams are, they are not vital to the objective of improving profitability through new product development.

On the other hand, it is easy to look around and see a 20-year-old house and note that bricks, 2x4s, nails, paint, shingles, gypsum board, insulation, plumbing fixtures and wires were used. When we look at a home built just last week, we see that apparently much the same materials were used. So we might conclude that not much change has occurred and that there won't be much change.

But this is not true. There have been changes, and there will be more. Instead of deploring the moderate rate of past progress, it is more useful to consider what principles should be followed in developing new products for future markets.

The prices of labor, materials, land, land development and money continue

to rise. Of these cost factors, builders by themselves can exert significant control only over direct construction costs. They are stuck with the price of money, land, labor and materials, and with code requirements. Consequently, they will focus increasing attention on new products, technological advances and improved methods keyed to certain principles. These principles provide a guide for new-product research and development and are also applicable to improving and finding new applications for existing products.

New products developed with the following principles in mind should have a better chance in the market.

REDUCING ON-SITE LABOR AND SKILLS HELD VITAL

1. Reduce amount of on-site labor

By 1975, a recent economic study suggests, there must be a 40% increase (above the 1965 level) in the dollar value (in constant dollars) of residential construction put-in-place per worker. The labor shortage will get worse, and I believe the price of labor will rise faster than the price of materials. A $10 to $12 an hour wage for site workers is only a matter of time. This will increase the importance of reducing on-site costs.

2. Reduce required on-site skills

The labor shortage will be more severe among the skilled trades. Jigs, new tools and installation methods, ingenious packaging and new products can help reduce the requirement for skill. Products which can be installed by workers with lower levels of skill should gain a competitive advantage.

3. Increase use of components

The one word best describing worldwide housing trends is "industrialization." Components, large and small, contribute to this concept. They need only to be larger parts that fit with other parts rather than smaller pieces which must be cut and fitted on site. Development cost, technology and distribution of component products are major problems, and timing is critical. But components are worth the trouble.

4. Reduce total construction time

Twelve to 15 working-day schedules above the foundation are a reality for some houses. We may expect to see this reduced to five-to-eight days within a decade or so. Benefits of improved labor productivity, reduced materials waste, and increased return on working capital are so great that the pressure is on to build faster. New products which trim total construction time should have an advantage.

5. Improve materials handling

Our NAHB Research Foundation industrial engineering studies typically show that 40% of all site labor goes for materials handling. Systems for better packaging, delivery and handling need to be considered.

6. Increase use of power tools

New-product development may be aimed at taking advantage of a new tool or piece of equipment to help solve builders' handling, placement, cutting and fastening problems.

7. Develop a system

Some good new products fail or gain only a part of their potential market because a total system was not developed. For example, a new siding product requires either blind or color-matched fasteners, the corner pieces, battens, end caps, etc. All these parts should be available from the same point of sale. It is just too much trouble to buy siding one place, search for the right nails in another, etc.

8. Identify customers' problems

Industrial engineerings studies at job sites provide the best basis for determining customers' problems and helping producers design—or redesign—products to meet the need. They also help the manufacturer write detailed installation instructions, package efficiently, fix exact installed costs, and prepare better advertising.

9. Reduce materials waste and scrap

The materials-to-labor ratio for direct construction costs averages about three or four time to one. Although this ratio will tend to decline, materials costs will continue to be highly significant. New-product development should aim at the most efficient use of materials and the reduction of scrap and waste.

10. Combine functions

A single function for a product (materials or equipment) limits its value. An exterior wall formerly had 12 to 14 layers, counting coats of paint, with each layer having a separate function. Walls in Research House VI had only three site-applied layers, and one layer served as siding, sheathing, diagonal bracing and finish.

11. Consider modular dimensioning

Modular dimensioning, now widely used by builders, saves materials, increases productivity, reduces scrap and waste, and cuts construction time.

12. Reduce total weight

Weight adds to cost from raw material source to product in-place. Lighter products with equal function tend to increase value. One exception is for fire-resistant, low-maintenance materials to be used in high-density urban areas where there is a requirement for the building product to be highly resistant to human damage. I believe that this need probably will be with "heavy" materials.

In summary, not all of these principles can be followed for all products. But when product development tends to violate one or several of these principles, it is appropriate to devote extra study to the reasons.

(The NAHB Research Foundation, Inc., performs research, industrial engineering studies and technical analysis in the residential and light-commercial building field for users and producers. Contact Ralph Johnson, NAHB Research Foundation, Inc., 627 Southlawn Lane, Rockville Md. 20853.)

NAHB Experimental Homes, With Six Built and One Underway, Provide On-Site Tests

NAHB's research House program, with six houses built and a multifamily project under construction, has helped builders and manufacturers by testing methods, materials and systems on site. These experimental structures, besides helping the industry to build better at lower cost, have also served to find and eliminate problems which turn up during actual construction.

Beginning in 1955, the NAHB Research Institute, and later with the NAHB Research Foundation, has built three houses in Maryland and one each in Tennessee, Indiana and Michigan. The current project is a Washington, D.C., townhouse complex in an urban renewal area.

No attempt has been made to build "model" or "show" houses under the program. Detailed reports on the results, including public reaction, have made it possible for builders and manufacturers to put into their own operations the things which worked and to avoid or improve elements which caused problems.

The first Research House, completed in Kensington, Md., in 1957, used modular dimensions to achieve economies and simplify construction. It used textured-hardboard exterior wall panels, interchangeable face material on appliances, and provided optional add-on air conditioning.

Many items introduced in this house—such as colored and woodgrain refrigerator covering, carpeting with integral foam rubber backing, component panels, foam-backed vinyl sheet flooring and modular shelf panels—are now commonplace.

The interior partition system, which included slotted steel splines, was found to be too costly for the market of ten years ago. In recent years, however, the market has changed and the slotted wall, permitting grouping of high fidelity, stereo, television, books, etc. has become a popular feature.

The 1958 Research House in South Bend, Ind., used textured-redwood exterior panels making it possible to enclose the house in one day. The lightweight walls and roof (plywood panels with foam plastic core) permitted savings in foundation costs. An A-frame carport was made of lightweight panels. The tape sealing the roof panels on the house did not adhere properly and it was necessary to re-roof with asphalt shingles. The A-frame roof on the carport, however, performed satisfactorily and is still in use.

The 1959 Knoxville, Tenn., Research House used prewired and insulated exterior wall panels finished on both sides; light, foam-concrete deck, hardwood-tile flooring, and surface-mounted, ceiling-height doors. Density control on the foam concrete system proved inadequate and the surface was dented by high heels. This was corrected by topping with a layer of concrete, and the density control problem has been solved in present lightweight concrete systems.

The hardwood tiles, shipped at zero moisture content, lacked dimensional stability and developed adhesion problems. Since then this has been corrected and bonded-wood tile is widely used. The surface-mounted doors in the Knoxville house performed satisfactorily but have not been adopted generally because customers did not like their appearance.

In 1960, Michigan State University cooperated with NAHB in building an experimental house in Lansing using one-story construction methods for a two-story structure. Structural, foam-core, stressed-plywood panels were used as two-story-high components to speed construction.

The first floor has a corridor/kitchen between the dining/living room and the breakfast/family room. The garage, containing shop and storage facilities, adjoins the family room. The first floor has a two-story center entrance, a powder room, utility room with washer and dryer and a separate room for the furnace and water heater. Upstairs, there are four bedrooms with cathedral ceilings, two bathrooms and storage space.

Modern features which drew favorable comment in this house included the foam panel slab floor, ceramic tile set in rubber in hall and bath floors, molded fibreglass shower stall, luminous ceilings, single lever mixing valves in tub/shower and the high fidelity intercom system. The house is currently leased by the university.

ENGINEERING SYSTEMS EASE FOUL WEATHER WORK

Research House V, built in Rockville, Md., in 1963, was designed to offset adverse weather and site conditions by the use of engineered systems. It has a steel foundation system and a single-piece, wood floor-deck combining structural sheathing and oak-finished floor; prefinished exterior siding/sheathing and plastic interior finishes were used. Almost all exterior painting was eliminated and interior painting was held to a minimum by using prefinished panels.

Built-in furniture and cabinets were used throughout the house, which has a center hall that circles from entrance to family room and living room. The kitchen is at the left of the entrance. A study/ guest room, half bath and closet are at the right. The upper floor has three bedrooms, one-and-one-half baths, and a laundry center.

The garage is connected to the house by a covered patio. The privacy provided by this design and the separate heating and cooling controls on each floor drew favorable comments.

Research V used plastic pipe for water supply and drain, waste and vent systems. Solvent welding of the hot water line did not hold at first and much rewelding was required.

Research VI, built at Potomac, Md., in 1966, was designed to make maximum use of engineered systems and materials. Features included an enclosed atrium with a bridge from foyer to the carport, a family room, study/guest room and a central vacuum cleaning system. The roof system used trusses, four feet on center, had glue-nailed plywood gussets and a combined roof and ceiling system. Exterior wall panels were single-layer textured-plywood cedar siding/sheathing on 2′ by 4′ studs, four feet on center, with stiffeners. Besides savings made possible by the stud and roof-truss spacing, other economies were realized at window openings because no additional structural headers were required.

A problem with the central vacuum system, which was vented to the outside and discharged lint and dust that soiled the siding, was corrected by adding baffling so that the vent discharges farther from the exterior wall.

The current Research VII project, for which concrete panels were being put in place in February, despite exceptionally heavy rain and snow, is designed to resist fire and human damage in a high-density neighborhood.

It will be a six-unit complex of townhouses using prestressed, light-weight aggregate concrete panels for walls, floors and roofs over a structural concrete slab. The largest unit has space for up to five bedrooms, two baths (one to be added by owner), a living/dining area and a kitchen.

The units are designed for sale to low-income families.

Mr. CLARKE. I would be the first to admit that as an association we are not committing enough money to research, and as in industry there should be more money spent by us privately for research. So I agree with you to that extent.

Mr. MCGRATH. It occurred to me, Mr. Chairman and members of the committee, it's very difficult sometimes to get at builders who are actually building the projects that you are funding here. Mr. Clarke is currently in the process of building about 350 units, half of which are funded under the 221(d)(3) programs, and half of which are the rent supplement program.

Mr. Gulledge over here is currently doing turnkey public housing construction. So they have some experience, and any practical question you have they can tell you what happens when you get these programs down to the bottom level and try to put up the houses.

Mr. EVINS. I notice you also testified in support of the rent supplement program and stated that there should be flexibility in building these units, is that right?

Mr. CLARKE. This is correct, Mr. Chairman.

Let me give you an example of my own experience.

I am building a 300 unit, combination 221(d)(3) and rent supplement, and it is sponsored by the entire Des Moines Area Council of Churches, one of the first times that I know of that the whole religious conscience of a community is actively involved.

Mr. EVINS. Where is this rent supplement?

Mr. CLARKE. Des Moines, Iowa. It is in the heart of an urban renewal district.

Mr. EVINS. How many units?

Mr. CLARKE. 300; 150 will have rent supplementation, and the money will be provided for that by part of the $1 billion life insurance pool of money that has been pledged to the President of the United States by the life insurance industry. It will have rent supplementation on that half of the project, the 150 units. The other 150 will be BMIR funds.

Mr. EVINS. What is the sponsoring organization?

Mr. CLARKE. The Des Moines Area Council of Churches.

Mr. TALCOTT. Who is going to manage it?

Mr. CLARKE. Their corporation. They have formed a corporation made up of business people and lay people within the community that are active in the Des Moines Area Council of Churches.

Mr. EVINS. A nonprofit organization?

Mr. CLARKE. Yes.

Mr. JONAS. Is your interest in it only as a contractor?

Mr. CLARKE. I am the builder. I am the one who has encouraged them to move in my community and to provide housing for moderate- and low-income people. I think this is a rightful role for a builder, and we are becoming more involved in these programs all the time.

Mr. JONAS. Of course, you take a great risk in this. The argument that this is free enterprise leaves me a little cold, since the Federal Government guarantees occupancy for 40 years. And when you advocate $565 million appropriation, what you are asking us to do is obligate the taxpayers for $2,600 million in that one item.

Mr. CLARKE. What our concern is is that there is developing a tremendous negative supply of housing in this country, and it par-

ticularly is being developed in low- and moderate-income price ranges. Our industry, because of the mortgage crunch of 1966 and because of the other impediments that we have in our industry, such as snob zoning, make-work building, and things that prohibit technology and techniques that we already know about, such as excessive land use practices, land development programs, economic discrimination by cities and counties of the worst order. With these impediments we are finding it more and more difficult to provide housing for even moderate-income families, let alone low or modest.

We are trying to find in our industry private entrepreneurs who can find the best way that these kind of people can be adequately housed.

Mr. JONAS. And the best way you come up with is to have the Federal Government take the initiative.

Mr. CLARKE. We think the best way is to involve private enterprise as much as possible, but when people are of such low-income levels as to not even be able to afford the basic shelter requirement of life, then someone has to help.

Mr. TALCOTT. What's your town?

Mr. CLARKE. Des Moines, Iowa. I built in three different cities.

Mr. TALCOTT. Do you live in Des Moines?

Mr. CLARKE. I live in Des Moines; yes, sir.

Mr. TALCOTT. Have you testified before the city council about this snob zoning?

Mr. CLARKE. I have.

Mr. TALCOTT. And what happened after your testimony?

Mr. CLARKE. Well, I would have to say that I have been involved in these kind of discussions with city councils in 14 different cities in my State, and usually the next thing is they increase the size of the lot, the width of the street and require everything to be buried. Do you know what my definition of "snob zoning" is?

Mr. TALCOTT. No, I don't. I am not really concerned. I don't believe what you are saying, because if you are sincere and tried——

Mr. CLARKE. You don't?

Mr. TALCOTT. I think you're persuasive, and could convince a city council if you tried. I don't think you have done the job. I don't think you have the right people on your side. I don't think we have snob zoning in my town because the right people care.

Mr. CLARKE. What is your town?

Mr. TALCOTT. Salinas, Calif.

Mr. EVINS. Well, Mr. Clarke, give us your definition of "snob zoning."

Mr. TALCOTT. I have a couple more questions.

Mr. CLARKE. "Snob zoning" is the power that is granted to people who moved into a community 2 years ago, to keep people like them from moving in today.

Mr. TALCOTT. This is the kind of cliche that we hear quite often.

Mr. CLARKE. Yes. This is the reason the President of the United States and industry encouraged the appointment of Senator Douglas to a commission to study the problems of economic discriminations by cities.

Mr. JONAS. Give an example of what you call "snob zoning."

Mr. CLARKE. I will give you all kinds of examples.

Mr. JONAS. Just one is all I am asking for.

Mr. CLARKE. In one community in which I am building—well, I will give you the——

Mr. TALCOTT. I don't think this witness should have been called here, because I think his credentials are weak. He is a lobbyist.

Mr. EVINS. He has asked to be heard.

Mr. TALCOTT. He does not have anything to show us indicating that he or his group has contributed in any way toward a sound program for housing. He comes here seeking rather than offering. And I am disappointed with this kind of a witness before our committee.

I yield to Mr. Jonas.

Mr. JONAS. Well, I would like an example of "snob zoning" in Des Moines. That is your area.

Mr. CLARKE. Well, I will give an example, the most current one that I can, and by personal experience in Iowa.

Mr. TALCOTT. Where? I didn't hear the name.

Mr. CLARKE. In a suburb of Davenport, Iowa, where they have nearly doubled the minimum lot size in the last 5 years; where they have increased the street widths by almost 50 percent; where they have imposed upon private industry other requirements which really, in effect, are only attempting to require the affluent can live there. And this—if this isn't an example——

Mr. JONAS. How does widening the the street prevent——

Mr. CLARKE. Well, concrete costs money.

Mr. GIAIMO. It makes it more expensive to develop houses, and therefore you have to build more expensive houses in order to get an adequate rate of return.

Will you yield to me?

Mr. TALCOTT. I yield.

Mr. GIAIMO. In New England, there is a classic example of this. And my own home is a classic example. It is a suburb of New Haven. There is not one apartment house yet in my town. The zoning laws have been so restrictive that it has been impossible to build multiple dwelling units. Only this year has the zoning board seen fit to write a new code to make it somewhat easier, although it is still awfully difficult to get a multiple family dwelling.

What you do is, you increase the size of your lots to acre lots—even more than acre lots.

Mr. JONAS. You mean, by zone?

Mr. CLARKE. By zone, yes.

Mr. GIAIMO. Minimum acre.

Now, what is the purpose of all that? The purpose of all this is to make it more expensive to build houses; therefore, to have more expensive houses, and therefore, to keep out what they consider to be those people still living in the cities that they do not want to be in an economic position to move out to the suburbs. This is a real problem in New England.

Mr. EVINS. Any further questions?

Mr. TALCOTT. Gentlemen, I would like to keep the floor for a few minutes. I would like to ask if these rent supplement programs that you initiated are going to last for 40 years——

Mr. CLARKE. Yes, sir; I surely am.

Mr. TALCOTT. Without becoming slums?

Mr. JONAS. You better think so, since you build them.

Mr. TALCOTT. We have seen lots of buildings that have been built as low-cost housing that simply haven't lasted for 20 years, or 10 years even. And if this is the kind of structures you are building, we are in real trouble with our rent supplement program and some of the rent supplement programs can't possibly last 40 years.

Mr. CLARKE. I would be happy to show you the specifications and design on it some time.

Mr. TALCOTT. Downtown in Washington here we have zoning that permits eight or 10 families to live in 4,000 square feet of space. Is this the kind of anti-snob zoning that you are advocating?

Mr. CLARKE. No; I am not.

Mr. TALCOTT. I hope not, because that insures the worst kind of a slum.

Mr. CLARKE. Yes.

Mr. EVINS. Mr. Clarke, thank you for your testimony.

Mr. CLARKE. Thank you for your time.

Mr. EVINS. Thank you very much.

We will suspend until 1:15.

NASA APPROPRIATIONS

WITNESS

HON. JAMES G. FULTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. EVINS. The committee will come to order.

We have with us this afternoon our colleague, Congressman Jim Fulton, of Pennsylvania.

Congressman, we will be pleased to hear you at this time.

Mr. FULTON. We are coming to a new day in the space program.

The Apollo VI flight that was scheduled for March 21 launch by NASA at the Kennedy Center in Florida has now been set for Thursday morning, April 4. This will achieve the man-rating of the Saturn V Apollo vehicle.

The Apollo VI mission is going to be a 10-hour mission. It will propel the spacecraft to an orbit of 12,000 nautical miles for subsequent reentry at a high speed to duplicate a moon return flight.

The first Saturn V was launched successfully November 9, 1967. As a matter of fact, the Saturn program has been proceeding without any major trouble or defects whatever.

This performance record brings up the problem of the backup boosters needed for the Apollo program. I will submit a statement to give you the details. It is a substantial part of the NASA funding picture. When we talk about Apollo booster vehicles, we are talking of the Saturn I–B, which is the smaller vehicle, and the Saturn V. The

Saturn V is a tremendously large and expensive vehicle and will be used for the manned lunar flight.

Each future Saturn I–B, without the cost of payload, launch, and recovery, costs approximately $47 million. Each future Saturn V booster, without payload, launch, or recovery costs, costs about $239 million.

Because these vehicles are so expensive, we must be very careful of the number that we produce to be sure we are not spending money on items surplus to the needs of NASA's programs.

I have pointed out for the past several years that, if the present progress of the space program continues, there is every probability of a large surplus of boosters. For example, on the Saturn I–B's, last year I pointed out that there were 12 under contract. Although the last six of this order had been completed and placed in storage, NASA, at the last minute, added four more of these boosters to their program.

Mr. EVINS. You are speaking of the authorizing legislation?

Mr. FULTON. No, the appropriations, too. This was put into the appropriation at the Conference level.

I have objected strongly to the additional four Saturn I–B's because I felt that the 12 originally ordered were sufficient, even including backup. Now, it has been shown very clearly that they were enough.

With regard to the Saturn V order of 15 vehicles, James Webb, Administrator of NASA, has appeared before the various committees of the Congress, both in the House and in the other body, and now says it looks as if the moon flight will occur on the 7th, 8th, or 9th Saturn V. Last year, because there were many more variables, I stated that probably we should plan on going to the moon as late as the 11th Saturn V vehicle, using two more vehicles than even Mr. Webb estimated. My computation last year was that we would have four Saturn V's in excess to program needs of the Apollo moon landing which can then be used, after the landing in 1969, for the Apollo applications program.

Mr. EVINS. The four that were added—what were they?

Mr. FULTON. Saturn I–B's.

Mr. EVINS. They are for the Apollo applications program?

Mr. FULTON. They will be for the Apollo applications program because they are clearly not necessary for the Apollo program. But the Apollo applications program to this day is not definitely established as to what the flights will be, when they will be launched, nor the experiments which they will carry. Using the latest NASA costs for production only, when we have six Saturn IB's in storage, and four more are added, all we need to do is multiply $42 million by 4 and we get $168 million that is being spent that we do not need to spend.

Now, if we will look at the Saturn V's that are going to be used for the lunar landing mission, we find that if we reach the moon on Saturn No. 11, which is far more conservative than the NASA estimate of nine, we would have four Saturn V's clearly in excess of our needs for the Apollo program.

Now, 4 times $239 million is about $1,056 million.

Thus, we have over $1.2 billion in surplus boosters that we do not have programs outlined definitely for.

This is particularly significant in these critical times.

Now, the amazing thing is that NASA, even with showing a surplus of four Saturn V's out of the original order of 15, has now started to order in advance and commit itself on two more, bringing the total Saturn V's up to 17. These amounts are very small, to begin with, because they are intended for the lead items only.

My comment is: Do not at this time let the contracts and become definitely committed to either the additional four Saturn IB's or the additional two Saturn V vehicles.

Now, one might ask: "How about the Apollo applications programs"? I will show you have indefinite they are. Last year NASA stated that one of the most important missions of NASA was the Apollo applications mission 1–A. That mission was to fly earth resource experiments. Shortly after Congress passed the fiscal year 1968 bill, NASA canceled the mission. Therefore, we can only conclude the mission had none of the urgency or importance originally attributed to it by NASA.

Another so-called important program originally presented to Congress and canceled by NASA was the lunar mapping and survey mission.

NASA's original plans were to launch two orbital workshops and two Apollo telescope mounts with the Saturn IB booster. This program has been reduced to the planned launch of one workshop and one telescope mount, and they will be launched several years later than was originally planned.

Hence, you can see how really loose NASA's program plans are.

Now, the question comes on the proposed manned orbiting workshop in low-earth orbit. I would favor such a program if it were going to investigate possible earth resources applications which would give us a practical application of the space program and be of great economic benefit to our country and all mankind. For example, the extent of snowfall can be evaluated and calculations made as to the amount of water potential available to water-short areas in this country and abroad.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. Proceed.

Mr. FULTON. When NASA first began to order the Saturn IB vehicle, it was felt that 28 were needed. I had opposed from the start, the manufacture of such a large quantity as being unnecessary. The total was reduced later to 20, and then to 18. Now it is down to 16. I feel that it should come down to 12.

The same process occurred with regard to the Atlas-Agena booster. NASA ordered 33 Atlas-Agena vehicles. I said it was too many. Then that was cut back to 25. NASA has use for 23, with two more coming up.

What we must do with NASA is to prevent them from engaging in the same practice as the military; to store equipment against future use.

The first objection to this practice is that it freezes the technological art at a premature level. The second is that it uses engineering and scientific talent which we should have available for wartime purposes. The third is that the increased pressure by these unnecessary purchases

on the same aerospace industry servicing our military needs is bound to drive prices up, cause inflation, and hurt our military programs.

The other point I would like to make is that we have to make sure there is no duplication with the Air Force. I have spoken of the proposed NASA manned orbiting workshop. Last year NASA said they had to have two workshops, using the Saturn IB booster. That has now been reduced to one. So there is a booster that is excess of what NASA said it would need last year when they got the extra four. In the Air Force program, they also have a manned orbiting laboratory. The Air Force is going ahead strongly on it. For example, it has spent $722 million on its manned orbiting laboratory up to the end of this year. The Air Force wants $600 million for the coming fiscal year 1969, a new high. Here in low-earth orbit is NASA also operating low-earth orbit programs. NASA and the Air Force should join up and do them together.

A good bit of the operational capability that is being developed in the Air Force is also usable by NASA. Now, with regard to the planetary programs that NASA is talking about, one of the recommendations made by the Planetary Program Missions Board is for a Venus flyby in 1970 and 1973, a Mars Orbiter in 1971, a Venus Orbiter mission in 1972, and a Mars Orbiter mission in 1973. A Jupiter mission can be put up in 1972, probably with an Atlas-Centaur booster. These programs are tentative because the experiments are not yet set, nor have the components of the experiments been determined nor purchased.

When it comes to research and development and keeping the options open so that we can keep up with the Russians, my position is we should do such research and reduce the future indefinite operations in the Apollo Applications program. For example, of the several Venus flights and three recommended planetary missions—I would cut some of those operational programs by postponing them. I don't think that they add enough scientific knowledge as an immediate necessity.

Now, the Venus flight can be attempted in 18 months, Mars every 2 years, and for Jupiter, it is so distant that one can fly to Jupiter any time.

As a matter of fact, we might arrange—you could call it— a "grand tour" with Mercury, Venus, and Mars all at once.

Mr. EVINS. As I understand it, they insist that they have perfected the Saturn I–B and they perfected the Saturn V. This is a booster that has been developed, the technology is known, and they can add on to it and use it for further advances.

I want to ask you one further question. Do you have any comment with respect to the Defense rocket and booster program? They are budgeted for over $2 billion. What should be done in this area for Defense?

Mr. FULTON. I believe we should have a survey made to see that there is no duplication and to find what boosters NASA can use that are in the Air Force program.

Mr. EVINS. We will suspend for the rollcall.

(Short recess.)

Mr. EVINS. On the record.

Mr. FULTON. NASA proposes to keep building Saturn V boosters at the rate of two per year. This will mean an expenditure of about $500 million every year. The point I am making is this: We shouldn't

at this present time makes these commitments to firm contracts where we compete with the war effort, drive up the prices for the military and, likewise, use engineers and scientists and equipment that could be used in other purposes.

Mr. EVINS. Will you address yourself to the budget for space for the Defense Department. Do you consider this more vital than the civilian space application program?

Mr. FULTON. The military program has gone up from $1.6 to $2.9 billion. My comment is that there should be a congressional check by an appropriate committee to make sure that there is a correlation between the two programs. I can see no reason why NASA is developing separate boosters when the Air Force has already developed certain boosters that could be modified for various applications.

Mr. EVINS. NASA tells us they develop these things and then the Defense Department adopts them. The civilian agency does the research and the Defense Department takes it over and uses it, and they adopt their methods and discoveries.

Mr. FULTON. That is in the statements made before our committee. But the question I raise is on the duplication. NASA has decided to cancel one of the two manned orbiting workshop flights.

Last year they said to you and to me "We must have two"; now they need one. That brings up the question that if you are going to have a manned orbiting workshop with the Saturn I–B and you cancel it, you already have one surplus to your needs or programs.

Mr. EVINS. Has your authorizing committee looked into the Defense Department's space applications program?

Mr. FULTON. They have not disclosed to us the secret programs. We do know enough about them that I believe there should be a check made so that we avoid the duplication.

Mr. EVINS. Very good.

Mr. JONAS. Assume that your authorization bill goes through next week as it is written now, what additional cuts would you invite us to consider?

Mr. FULTON. To begin with, I would cut back, as a minimum, the Apollo Applications program to what it was last year.

Mr. JONAS. What would that cut be?

Mr. FULTON. There is now $395 million in the Apollo applications program as authorized by the Science Committee. But it should be cut back to $253.2 million. We must remember that this is for operations after the moon landing.

Mr. JONAS. Yes, we understand.

Mr. FULTON. This is for the future. My feeling is that it should be $253.2 million for the Apollo applications program.

Mr. JONAS. Instead of what?

Mr. FULTON. Rather than the $395 million which the Science Committee so far has authorized. I will move to cut it on the floor to that level.

Mr. JONAS. This is $142 million?

Mr. FULTON. Yes.

Mr. JONAS. Have you any other specific items?

Mr. FULTON. Yes. Let me first give you some history. Last year when I advocated the cuts in the Apollo applications program on the floor there were loud yells and screams that this would ruin the program.

Mr. Webb said it was killing the program; that it could not work; it could not be cut like that.

The appropriations for Apollo applications was $315 million for fiscal 1968. NASA itself cut $63 million more from Apollo applications below what was appropriated. If you will remember, I said all along that $60 million more could be cut. Later NASA, on its own, initiated a cut of $63 million. The previous year I had said there was $61 million more that could be cut. Amazingly, the Bureau of the Budget cut it $60 million voluntarily, and the President approved it about 4 months later.

Mr. JONAS. What would you do with administration?

Mr. FULTON. Administrative expenses have gone clear up with regards to the percentage of total funds. For example, in 1969, it will be 14.8 percent. In 1964, it was only 9.7 percent of the budget. Between 1964 and 1969, it has gone from 9.7 to 14.8 percent of the budget. The budget this year is $648 million. I would take another $45 million off that and leave them $603 million.

Mr. JONAS. Is it your idea that they are hoarding people and transferring them to administrative operations?

Mr. EVINS. Did you take into consideration the several Pay Increase Acts which Congress passed? They tell us in their testimony the bulk of this is for two purposes: Pay Act increases and for retaining a competent staff.

Mr. FULTON. I'll answer that by a question: When the design and engineering phases of the Apollo project are practically over and when other major projects of NASA, such as Ranger, Surveyor, the Lunar Orbiter are all but completed, why do we need to maintain an in-house force at NASA of 34,900 people as requested by NASA for fiscal year 1969? The engineering and design is done, major preparatory programs are over. Yet down at Redstone Arsenal there are 7,000 employees. What are they doing?

Mr. EVINS. Redstone is an Army base.

Mr. FULTON. I mean the Marshall Space Flight Center.

Mr. EVINS. There are two facilities there; one is NASA and the other is the Redstone Army Arsenal.

Mr. FULTON. We call it that. We started there when it was Redstone and it is now the Marshall Space Flight Center.

Mr. EVINS. They are two separate installations.

Mr. FULTON. Certainly.

Mr. JONAS. You just used the word "Redstone."

Mr. FULTON. Yes. I am talking about the civilian side, NASA's Marshall Space Flight Center. There are 7,000 employees there. The injunction of the court should be looked into. My estimate is that the cost to NASA of maintaining 700 employees there which NASA wished to eliminate and which has now been stopped by court injunction, will involve an expenditure to the beginning of March of this year, of $5,500,000, and will cost by the end of the fiscal year, $7,500,000. If the injunction continues and prevents the reduction in force of NASA, which I believe they should make and interferes with the management of NASA, it is going to run at a very high rate. These employees, both contractor and NASA, should be laid off.

I criticize NASA for doing the in-house planning for the future missions under what we call advanced missions. If you remember, last year I recommended to you that you cut it out completely. They had money left over partly from 2 years before, and from the whole of the previous year, 1967, which had not been used, because NASA failed to plan.

As of January this year, they have just started to obligate that money that should have been obligated over a period of 18 months before.

Mr. EVINS. Congressman, we will be glad to consider all of your several recommendations.

PREPARED STATEMENT OF CONGRESSMAN FULTON

Mr. FULTON. I have a statement I would like to put into the record.

Mr. EVINS. Put your whole statement into the record.

(Mr. Fulton's statement follows:)

PROPOSED CHANGES IN U.S. SPACE POLICIES NASA PROGRAMS AND THE FISCAL YEAR 1969 BUDGET

By

HON. JAMES G. FULTON

Apollo Lunar Landing Mission

On May 25, 1961, President John F. Kennedy said:

> First, I believe that this Nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to earth. No single space project in this period will be more exciting, or more impressive to mankind, or more important for the long-range exploration of space; and none will be so difficult or expensive to accomplish. Including necessary supporting research, this objective will require an additional $531 million this year and still higher sums in the future. We propose to accelerate development of the appropriate lunar spacecraft. We propose to develop alternate liquid and solid fuel boosters much larger than any now being developed, until certain which is superior. We propose additional funds for other engine development and for unmanned explorations—explorations which are particularly important for one purpose which this Nation will never overlook: the survival of the man who first makes this daring flight. But in a very real sense, it will not be one man going to the moon—we make this judgment affirmatively—it will be an entire nation. For all of us must work to put him there.

On May 24, 1961, the House and later on June 28, 1961, the other body unanimously endorsed the national goal of a manned lunar landing in this decade. We have adhered to this goal year after year recognizing that the Apollo lunar landing program is contributing to the growth of our technological capabilities as a nation. Any major reduction in the Apollo program at this time would endanger the safety of our astronauts because of the lack of weight margins in our spacecraft. We must and should honor our commitment to land and safely return men from the moon in this decade.

Over the years I have strongly supported the manned space program and am still one of its strongest advocates. The space program has provided unparalleled gains in scientific knowledge, communications, weather observation and prediction, navigation and improvement in national security. These gains must not be lost.

NASA has requested $2.038 billion for the Apollo program for fiscal year 1969. This is $517 million less than the current year operating plan. Last year it was my amendment that reduced the Apollo pro-

gram by $25 million. We cannot make that much of a reduction this year. After careful review, I proposed a reduction of $13.8 million in the Apollo program for fiscal year 1969 which has been supported by the manned space flight subcommittee and the full committee. There should be no more than this amount cut from the Apollo program. The gains we have made should not be lost.

The secret of advancing our programs beyond Apollo is in developing greater booster power and more maneuverability. I have consistently supported large booster development even though not supporting the outsized NOVA concept. In the report accompanying the authorization bill last year it was my view and still is that there should be a serious study made by NASA as to integrating the research and progress on solid fuel boosters into the NASA programs for Apollo and Apollo applications programs and other efforts.

Recognizing our national commitment, the safety of the astronauts and the lower level of funds in this year's Apollo program budget, I must warn against large, across-the-board reduction without consideration of specific programs. The Apollo program should be supported at the level recommended in the bill accompanying this report.

Apollo Applications Program

The proposed level of funding for the Apollo applications program is excessive. It is especially extravagant in view of the very heavy financial burdens this country is currently bearing, such as the war in Vietnam, the other heavy defense expenditures, the poverty program, to mention a few.

I strongly oppose the request of $439,600,000 for NASA's Apollo applications program for fiscal year 1969. These are funds intended to support programs and missions not yet specifically defined.

I have always supported vigorously the manned space program and am still one of its strongest advocates. But I also believe in being realistic. The Apollo lunar landing is the largest and most complex space task facing the country. This year the Congress is asked to approve for fiscal year 1969 the authorization of $2,025 million for the program. It certainly will absorb all the energies and talents in the Office of Manned Space Flight.

The Apollo applications program, however, is still in the planning stage, the missions to be undertaken are still far from being determined, and the hardware that will be needed is still far from final selection. In fact, NASA still does not know how many boosters, how many spacecraft, and how much associated components and facilities will be left over from Apollo that could be used in the Apollo applications program.

In the dissenting views expressed in the committee report on the fiscal year 1967 NASA authorization, I said: "It is my opinion that NASA's plans for the Apollo applications program are so indefinite that any estimates as to cost increases are purely speculative. They cannot be considered as substantive factors by the Congress in reaching a decision on this matter. The hardware planned to be purchased by NASA will surely be obsolete by 1970, which is the earliest date for any flights under the Apollo applications program. The present generation of boosters, spacecraft, and hardware, as well as fuels, will look

like 1914 Fords by 1970. What are we to have: 'Army and Navy and space' surplus sales stores on every town corner?" I continue to hold these convictions.

If NASA is successful in man-rating the Saturn V booster and they are to be commended for their successes to date, there will be seven Saturn I–B boosters, six Saturn V boosters and numerous command, service and lunar module spacecraft surplus to the needs of the Apollo program. Yet NASA is asking Congress to approve the purchase of still more Saturn I–B and Saturn V boosters for missions not yet definitized and without realistic planning for the surplus boosters and equipment from the Apollo program.

These Saturn I–B and Saturn V boosters to be ordered will not be cheap, besides being obsolescent, if not obsolete, by the time they are produced. Each Saturn I–B, without any payload or launch costs, would cost $47 million. Each Saturn V booster, without payload or launch costs, would cost $239 million.

With every expectation that the lunar landing mission will take place in 1969 with Saturn V vehicle Nos. 7, 8, or 9; this would leave from six to eight surplus Saturn V vehicles. Why should we order any more of these vehicles at a cost of a quarter of a billion dollars each when we don't know now exactly how many will be surplus to Apollo?

The type and number of booster vehicles for the Apollo applications program should be determined after the Saturn V is man-rated. That is the time for decision.

Last year I stated that the Apollo applications program missions are still not definite and are being changed frequently.

Last year NASA stated that one of their more important missions was the AAP–1A mission to fly earth resources experiments. Now we are told that this has been canceled and we can only conclude that it really wasn't important as NASA advised previously. The lunar mapping and survey system has been canceled. NASA's original plans were to launch two orbital workshops and two Apollo telescope mounts with the Saturn I–B booster. Now this has been reduced to the planned launch of one workshop and one telescope mount several years later than planned.

A new entry into the field has been observed. A Saturn V workshop will be flown, using the quarter-of-a-billion-dollar booster to duplicate an earlier workshop.

All of this near-earth orbit work is to take place in the 1970, 1971, and 1972 period while the Department of Defense manned orbiting laboratories are also in near-earth orbit with men performing experiments.

The advance purchase of obsolescent vehicles and spacecraft by NASA at this time, as contemplated under the Apollo applications program, will freeze out new technological developments as they become available in the next few years. There must be provisions made for the use of the 260-inch solid rocket booster which is an inexpensive booster capable of storage for an indefinite period. Some consideration should be given to upgrading the Saturn I–B boosters, such as the use of strap-on solid rockets. Also, provisions should be made for the incorporation into the booster of the 1970's of new and exotic

liquid fuels as well as nuclear propulsion. Space storable fuels should also be developed for use on such boosters.

In fiscal year 1968, NASA stated that their request of $454.7 million for Apollo applications was a minimum program needed to maintain the national capability. On the floor during debate, it was stated that any reductions to this program over the token $10 million cut would severely affect the better development of manned space flight capabilities. It was also stated that the Apollo applications program presented by NASA "is an austere program—to do less would be to cripple the program." Notwithstanding these claims, congressional authorization and appropriation action reduced the amount requested to $315.5 million. When I stated that NASA could absorb still another $60 million reduction, NASA stated that such a cut would be disastrous. Yet, immediately after the appropriation action, NASA, on its own initiative, reduced the funds for Apollo applications from $315.5 million to $253.2 million, a cut of $62.3 million.

What credence can we put in the NASA statements that any cut would cripple the future of our space capabilities when, after a substantial reduction by Congress, NASA in its own wisdom apparently felt that the program had such a low priority that it could stand another reduction of over $60 million so as to provide funds for other programs in NASA?

I strongly recommend that the fiscal year 1969 authorization for the Apollo applications program be reduced to $253.2 million, the same level that NASA programed for use in fiscal year 1968. Under the present controlling circumstances, the Apollo applications program can very well carry out constructive research and planning with this amount while at the same time leaving our options open for the future.

Advanced Missions

NASA continues to request funds for advanced mission planning and studies far in excess of its capability to effectively use such funds.

In fiscal year 1968 NASA requested $8 million for advanced mission purposes despite the fact that it still had over $8.2 million unobligated from prior year authorizations. At that time I recommended that NASA not be granted any funds for fiscal year 1968. The Congress agreed with this recommendation and deleted all funds for that year.

This year the situation has not improved. NASA is requesting $5 million for advanced missions for fiscal year 1969. Despite the fact that no funds were provided for this purpose in fiscal year 1968, NASA still has, as of this time, over $5.45 million unobligated from fiscal year 1967 funds.

Because of NASA's inability to use the funds provided to date, the committee accepted my amendment to reduce the current request from $5 to $2.5 million. Even this lower figure may be too high in the light of available funds from prior year appropriations.

It is hard to believe that NASA, which has only obligated $2.7 million from January 1967 to the present, will be able to obligate all of the $5.45 million remaining from fiscal year 1967 funds by June of this year. To do this, NASA would have to obligate funds at a rate more than six times the rate that has been in effect for the last 13

months. NASA may begin fiscal year 1969 with at least several millions of dollars of fiscal year 1967 funds still unobligated and hence available for use.

Planetary Exploration

There is apparent misdirection and lack of long-range planning in NASA's planetary exploration program. My basic criticism is that there are serious imbalances in this Nation's planning for planetary exploration starting in fiscal year 1969.

NASA's present plan is strictly Mars-oriented, consisting of: two flyby missions to the planet in 1969; two orbiting missions in 1971; and two orbiters plus two small, survivable hard lander capsules in 1973. There is only limited "study money" in the NASA fiscal year 1969 budget for the future exploration of the other planets.

The committee view contained in the legislative report accompanying H.R. 15856 concerning the planetary exploration program states:

> "It is to be hoped that sufficient flexibility will be retained in the planetary exploration program so that other scientifically attractive missions such as the Venus swingby to Mercury, the flyby of Jupiter, and the "Grand Tour" flyby of Jupiter, Saturn, Uranus, and Neptune can be given serious consideration beginning with next year's budget presentation."

I endorse the committee view insofar as it expresses concern over the lack of diversification in our Nation's planetary exploration efforts. But I do not feel that our future efforts should be based on the "hope" that better balance will be achieved. The Congress must forcefully insist on a more diversified program.

I have always strongly supported the early exploration of Mars. Last year I supported the Voyager program and as a House conferee, insisted on the restoration of funds for the program that had been cut by the Senate. Unfortunately, because of budgetary restraints, that program is now dead. In lieu of Voyager, NASA now plans a six-mission program over a 5-year period at a cost of $639 million plus $34 million for the construction of two 210-foot antennas in Spain and Australia.

The proposed 1971 and 1973 missions are really only an extension of the Mariner Mars 1969 flyby spacecraft uprated for orbital operations. This spacecraft has considerably less scientific capability for measurements from orbit than previously planned for the Voyager orbiter. The useful orbiter weight planned for Voyager was about 4,000 pounds compared to 900 to 1,000 pounds planned for the 1971 and 1973 orbiters.

Likewise, the landers proposed for the 1973 missions are much smaller than planned for Voyager. The Voyager lander would have weighed 6,000 pounds. The proposed 1973 hard landers will only weigh between 800 and 1,000 pounds. Since both the orbiters and landers in the proposed missions are much smaller than previously proposed for Voyager, the same scientific results cannot be attained.

The United States should plan to be the first Nation to impact Mars. I have always said that our earlier Mariner flights to Mars should have contained probes or impact devices.

I favor more and wider use of landing capsules in the Nation's planetary effort. I oppose the extensive use of the flyby concept of planetary

exploration. The results obtained through occulation experiments in flyby missions are not nearly as comprehensive nor as reliable as can be obtained through hard or soft landers, or even probes for that matter.

The hard landing attempt on Mars under NASA's present plan will not be made until 1973. Scientists speculated while testifying during the recent hearings that the Soviet Union may attempt unmanned Mars landings as early as 1969. Again, the United States will be "too late with too little" as was the case in the recent Soviet and United States flights to Venus.

The Russians impacted Venus, thereby relegating our flyby Mariner to the secondary role of only filling in some of the details. While our scientists now say that the results of the two missions complimented one another, the sad fact is that the United States again has played second fiddle. Our mission to Venus should have impacted the planet instead of merely flying by. As one scientist put it, "We need not always be first, but must not always be second."

Favorable launch opportunities for planetary flights to Venus and Mars occur relatively infrequently, only every 18 months for Venus and about every 24 months for Mars. We must take advantage of every favorable opportunity by either landing a capsule or injecting a probe and not rely on flyby missions alone.

The President's Science Advisory Committee in its report of February 1967, strongly advocated a planetary probe to Venus in 1970 to measure atmospheric properties (temperature, pressure and molecular constituents). I support this objective, even though the Russians have already gleaned much of the data.

The Science Advisory Committee also urged that more attention be given to the possible use of unmanned systems to obtain and return samples of the surface material of both Mars and Venus. Unmanned missions of this nature will doubtless be expensive but they will be far less expensive than manned missions and would require a much shorter development time. I also support this view and repeat that objectives of this nature cannot be accomplished by flyby spacecraft.

I would also place almost as high a priority on new pioneering missions to Mercury and Jupiter. Technically, such flights are feasible as early as 1970 and could lead to results of even greater scientific and national prestige value than did Mariner IV, because existing ground-based information is even less definitive for the more distant planets.

Opportunities for Jupiter occur almost yearly and a presently available excess Saturn V launch vehicle from the Apollo program could be used for such a mission. A Venus swingby to Mercury is possible in 1970 and 1973, but not again until the 1980's. The existing Atlas-Centaur launch vehicle would be adequate for such a mission. NASA has these launch vehicles already in the stable awaiting a mission and the spacecraft to do the job.

We are not exploiting the use of already developed and highly successful technology in our planetary exploration program.

The Saturn V booster is capable of placing 80,000 pounds of payload in the vicinity of Mars. NASA plans to use either a Titan III–D/Centaur or a Titan III–C at an estimated cost of $38.4 million for the 1973 Mars mission. If the Titan III–D/Centaur combination is chosen as the launch vehicle, an additional $30 million in nonrecurring

costs will be incurred to integrate these two stages and to establish a launch capability at the Kennedy Space Center.

The Titan III D/Centaur launch vehicle can only place 8,000 pounds of payload in the vicinity of Mars, while the Titan III–C would limit the payload to around 3,500 pounds. Again, we are proceeding with the development of another launch capability tailored to a specific mission rather than using existing technology.

We have surplus Saturn V boosters in the inventory. Why can't these surplus boosters be used for unmanned planetary exploration?

The 80,000 pound capability of the Saturn V could place multiple mission space vehicles in the vicinity of Mars, or other planets for that matter. A tremendous potential would be provided to accommodate hundreds of experiments with plenty of onboard power and without the usual competition for critical space within specified weight limitations imposed by the use of marginal thrust launch vehicles.

Likewise, NASA is not exploiting the already proven technology developed in the recently concluded and most successful Surveyor and Lunar Orbiter programs.

The soft landing techniques developed and used on the surface of the moon in the Surveyor program should not go to waste, nor should the photographic and soil sampling technology developed in that program be set aside.

With comparatively limited expenditures and development time, this vehicle could be uprated and soft landed on Mars, in lieu of the hard landers proposed, and with a relatively good chance of returning more valuable scientific data than will be possible from the planned 1973 hard landers. In my opinion, should such a program be initiated in fiscal year 1969, this Nation could effect a soft landing in 1971 instead of a hard landing in 1973.

The Lunar Orbiter project has been unusually successful. The technology developed in the lunar exploration program by this amazingly discrete spacecraft now lies idle, while NASA orients its planetary program toward the use of the Mariner class of vehicles.

In the short lifespan of the Lunar Orbiter, modern day scientists have learned more about the surface of the moon than their predecessors learned since the beginning of time. It is inconceivable that proven technology should be wasted in this manner.

This most versatile spacecraft could be uprated for photographic coverage of Mars and Venus at comparatively little expense and in much less time than developing new payloads from scratch. With the addition of radar sensing equipment it could prove to be of inestimable value in the topographic exploration of Venus and other planets.

I am in favor of the exploration of Mars and we should proceed promptly. I feel that our landings on this planet should be accomplished sooner than presently envisioned in the NASA plan and with capsules that will provide more sophisticated data. However, I do not subscribe to the theory of putting all of our eggs in the "Martian basket."

This Nation's planetary program must be more viable and diversified and must point toward broader objectives and goals than the NASA fiscal year 1969 program indicates. We must insist upon the development of carefully conceived plans, not only for the exploration of Mars, but for Venus, Mercury, Jupiter, Saturn, Uranus, Neptune and Pluto, as well as the Astroid Belt.

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This Nation is rapidly approaching the post-Apollo period and my evaluation is that our plans are not well laid. We appear to be living from budget year to budget year with little regard for long-range planning and with little regard for the further exploitation of proven technology to gain scientific knowledge and national prestige.

In the absence of firm leadership on the part of the Executive Branch in this regard, the Legislative Branch must exercise its prerogatives.

The Congress must insist that NASA develop and present a 10-year plan for unmanned planetary exploration which will assure diversification; economy through the use of surplus boosters, existing launch complexes and teams; exploitation of developed technology; and balance within the program.

Earth Resources Survey

I strongly support the Earth Resources Survey Program, but I am not satisfied that NASA's efforts in the development of an earth resources technology satellite are sufficiently vigorous to bring about early benefits for the public good.

For fiscal year 1969 NASA had requested $12.2 million for the earth resources survey program. Of this amount $10.2 million was for the aircraft program and only $2 million was for the earth resources technology satellite. The aircraft part of the program is to develop and test remote sensing techniques, sensors, and data handling systems. The $2 million requested for the satellite was merely for definition and design study effort of an earth resources satellite system.

The committee wisely redirected NASA's efforts for fiscal year 1969 in this program by reducing the amount for the aircraft program by $2.5 million and making a commensurate increase in the earth resources technology satellite part of the program. I strongly endorse this action on the part of the committee.

NASA is not moving ahead fast enough on this program. An operational satellite system of this nature in terms of its potential benefits to mankind would represent a greater direct return for dollars spent than any other aspect of our space program. The actual value of such a system will become apparent only when it is in operation. In my opinion, the development of a satellite of this nature should be among the higher priority programs of the Nation's space effort.

The natural resources of the world become more critical as the world population expands. The efficient use and conservation of these resources is most important. Space technology developments over the past decade now make it possible to move forward toward improving controls over food, water, and mineral resources. The basic objectives are to discover new resources, exploit, manage, and conserve known resources, and apply them for the public good.

In agriculture alone the economic benefits would be tremendous. Farm productivity is essential to all of us. Studies conducted by the Department of Agriculture have indicated a dire need for comprehensive land-use surveys and have shown the cost advantage of making these surveys from space.

Repetitive inventories of land use would show changes as urban areas and roads encroach upon croplands, ranges, and forest areas. Detection of diseased crops and estimated crop yield would represent

another benefit of inestimable value. For the individual crop farmer an operational earth resources satellite would provide information for crop selection, development of disease resistant strains, irrigation needs, and timing for harvest.

Tremendous benefits would accrue to the mining and petroleum industries. These groups spend millions of dollars in their search for oil, metallic ores or other valuable mineral deposits. Pictures from space can be of great benefit in focusing these ground search efforts on likely areas.

Mere spacecraft mapping will neither furnish specific mineral identification nor supplant aerial photography and ground exploration. The value of spacecraft data lies in its ability to identify, in remote areas, terrain features which are normally associated with mineral deposits.

We need to deemphasize the accumulation of earth resources data from aircraft surveillance and place further emphasis on the development of an operational earth resources satellite system. Aerial photography will never be totally supplanted. There are some jobs it can do, some levels or detail it can attain that surveillance from space cannot equal. However, for covering large areas it is a slow, expensive system, always at the mercy of the weather and severely limited in capability.

It is clear that the development of our spacecraft technology is far enough along to handle most requirements for earth resources satellites. We can design, orbit, and control a satellite with enough power, communications capability, and reliability to do the job but this is the only area that is far enough advanced for a fully operational program. Sensors, resources identification components, and data management need considerable work before their application can be fully operational.

Because of the tremendous benefits that would accrue from a satellite system of this nature I strongly urge that NASA proceed with a vigorous development program for an earth resources technology satellite. This program should receive a relatively high priority in our Nation's space program.

The NERVA Nuclear Rocket Development

Adequate funding by NASA and the Congress should be provided now to continue the development of the NERVA nuclear-powered rocket engine.

Congress strongly supported NERVA nuclear engine development last year. Congress authorized $73 million of the amount of $74 million requested by the President to develop the large NERVA II rocket, of 200,000 pounds thrust. Because of appropriations restrictions NASA was forced to reduce the program to the smaller NERVA I, 75,000-pound-thrust engine.

The request approved by the Bureau of the Budget for NERVA I in Fiscal Year 1969 was $60 million. The committee, on a divided and strongly contested vote, approved a subcommittee reduction of $48.3 million. These funds are necessary for the continuation of the U.S. nuclear rocket development program. Otherwise contracts must be canceled, laboratories and installations dismounted, and scientific and technical personnel discharged.

NERVA I will be used for earth-lunar transportation. The NERVA third stage booster will represent a real economy as it doubles the size of the Saturn V payload. The United States, through NASA and AEC, must do the research and development to reduce the tremendous and soaring costs of space travel and transportation. Clear, forward-looking vision and planning require development of U.S. nuclear space power.

Therefore, I fully support the development of the 75,000-pound NERVA I.

The United States must develop adequate power systems for space. Our country must have a full range of propulsion capability available to the space program for peaceful and military purposes. The future of the U.S. space program and the very existence of our people as a nation depend upon long range programs constantly developing newer and more efficient vehicles, with higher capabilities and efficiency. The ability to perform research and to apply this research to United States future needs in the strategic area of space is the key to United States survival in future decades.

It is rather ironic that those who attack this program have made not a single comment in opposition based on lack of technical progress or mismanagement of the effort or, for that matter, have they questioned the value of the funds expended to date. The reason is there is no justification for any such criticism. We are being asked to sacrifice the nuclear rocket program on the economy block this year with vague references to there being no national goal which justifies development of the nuclear rocket engine, or that it is a backdoor maneuver to gain justification of a manned planetary landing sometime around 1986.

The hotly disputed action by the House Committee on Science and Astronautics cutting the authorization for NERVA nuclear engine development is a tragic and short-sighted mistake. Further growth in U.S. future space capability is held back, freezing U.S. space power at present levels. The United States would have to rely on our current inventory of boosters during the decade from 1975 to 1985. This technology is now approaching ten years in age. It has been successful as first generation booster and space vehicle development. But it is weak in terms of need, horribly complicated and terribly expensive.

For these reasons I believe that we should continue the development of the NERVA I this year. The United States cannot succeed in space nor hope to compete with the U.S.S.R. further in space without aggressive research and development programs of this type, to insure adequate power. The United States will continue to lag behind the Russians in space power and military programs if Congress does not do so.

Congress must and should seriously consider the impact of the Science Committee's divided decision in canceling and closing down completely the U.S. development of the NERVA I nuclear rocket engines. Congress is now deciding irrevocably whether the American people are going to be shocked and embarrassed before the world again just 6 years from now, by canceling research and development programs that wise counsel and serious judgment require. Congress is deciding now whether the United States is going to concede to the Soviet Union a tremendous advantage in space.

Finally, consider the implication of our decision on the future national security. It is evident that we remain under technological attack by the U.S.S.R. We read reports of fractional orbital bombardment systems, of planned reconnaissance and surveillance stations manned by Soviet personnel, and of the whole variety of new Soviet space undertakings. Our security will be greatly strengthened in the decades ahead if we have a nuclear propulsion system. It will enable us to maneuver heavy manned spacecraft through different orbital altitudes or orbital planes and enable us to rendezvous with and inspect unknown spacecraft. No chemical rocket engine, even if developed to its theoretical optimum, can compete with a nuclear rocket engine in performance of such missions.

Red China is placing now much emphasis on space development. China has established a large space center in western China, a space institute at Peking, and is greatly expanding training, engineering, and technical personnel for space development and rocket capability at various universities and technical institutes, including principally the Nanking University (reported working almost around the clock!). Natonal security and national defense require that the United States not become complacent in forward thinking and research or other nations by foresight will obtain a strategic advantage in space and rocketry that the American people by tardy later action might not be able to offset.

The nuclear rocket is a major new advance in propulsion capability. It is an important step in insuring that this country continue to exercise leadership in space in the years to come. The NERVA nuclear rocket engine is a versatile system which provides significant payload and operational benefits in a wide variety of large payload and high energy missions.

NERVA can double the payload and mission capabilities of the Saturn V launch vehicle for maneuvering heavy payloads in earth orbit, for landing heavy payloads at any point on the moon's surface, and for sending unmanned probes into deep space. For such missions it is clear that the payload capability of the Saturn V will increase by as much as 100 percent. In addition, NERVA can be the power system for a moon-earth shuttle in continuous vectored flight, or earth or moon parking orbit, available at all times for payload and for earth orbit or moon orbit rendezvous. This is a terrific advance, in efficiency of operation, and cost reduction.

The NERVA system is the only rocket under development that can supply the needed thrust to perform rendezvous and inspection in orbit of a foreign payload and permit neutralization or deflection in orbit. These performance gains for U.S. missions, lunar and planetary, manned and unmanned, also simplify operations and are translatable into cost benefits which can pay off the development cost in a relatively few missions.

During the past several years the nuclear rocket program has been establishing the base of technology required for this development. The progress has been good, demonstrating the high performance which the nuclear rocket has promised.

Technology work required for the NERVA engine is nearing completion. There have been nine successful test firings of the experimental reactors. They have performed phenomenally for 70 minutes, of which 60 minutes was at full power and having a specific impulse two times that of any other rocket engine now in use. This is engine technology research, not basic research. This has all been completed to date most successfully. To defer the NERVA nuclear engine project as recommended by the divided House Science Committee is the kiss of death. Shall NASA be forced simply to abandon the results of the 200,000-pound Phoebus reactor, already delivered to the Nuclear Rocket Development Station at Jackass Flats, Nev., and scheduled for test firing this spring?

I would not be acting with responsibility as a concerned member of the House Science and Astronautics Committee if I let this action go unchallenged. I compliment NASA for continuing on this bold research and development project leading toward this powerful nuclear rocket propulsion system.

The nuclear rocket is a long lead time development, but not longer than that of other systems required for advanced missions. Because of that fact, it is necessary that the development of the NERVA engines proceed now in order for the system to be available in 1975 for the missions of the late 1970's and the 1980's.

The current NERVA program capitalizes on the outstanding U.S. development competence that has been established. This effort assures an orderly progression toward the establishment of this propulsion capability on a time scale consistent with the logical evolution of the U.S. space exploration and defense programs. To defer the program will cause cancellation of contracts, ruin of physical equipment and loss of laboratories and scientific working teams.

In my firm opinion, the key to success in the exploration of space and space defense is propulsion and space power systems tailored to future needs. It is as simple as that. The United States is now at the point in planning for future missions where the present outstanding chemical propulsion systems cannot produce the performance that the United States needs to accomplish U.S. required future objectives. The United States needs big booster power, and big power for space. I recommend these strongly. Space storable fuels, reusable boosters as well as space vehicles, reusable lunar modules, reusable command modules, guidance and control systems are absolute necessities. Development of alternative power systems, such as large solid boosters, higher energy liquid fuels and nuclear space power must absolutely be pressed vigorously.

The NERVA engine development technology that is coming within our grasp can be funded well within the budgetary limits that I consider practical and manageable. I believe the Congress should support this program as indispensable to our future progress in the exploration of space. Congress should not cut NERVA development, which results in shameful retreat and abandonment at the peak of our U.S. nuclear research success.

The SNAP–8 Electric Power Generator

I strongly oppose the committee action in reducing the SNAP–8 nuclear electric generator by $2,500,000. This turnabout action of the committee is appalling since it has done so much in the last 2 years to get this program on its feet. This is particularly true in view of the progress that has been made in the last 6 months in component testing. Testimony reveals that in the last 6 months more cumulative component test hours have been completed than in the 3 prior years. There were 60,150 component test hours completed in this period against 50,200 test hours in the past 3 years. This is another example of bringing a program almost to completion and then failing to carry through to a logical conclusion.

To date NASA has spent $76,100,000 in developing this important power source. Now the committee's action would bring the program to a halt without it having made its full contribution to our future capability. Not only is this the sole nuclear reactor powered electric generator under development for space use but it is the major item being researched to provide the many kilowatts of power needed in space. The lack of on-board space power now seriously limits our space capability. The advantages of a reliable, long lifetime power source such as SNAP–8 would make direct broadcast satellites for television a reality. It would provide the power to allow man to live in space for periods up to a year rather than limit us to about 2 weeks as is now the case in Apollo which is power limited.

It would allow us to use electric propulsion, which has almost unheard of specific impulse, in excess of 10,000 and very high efficiencies. This compares with a specific impulse range of 225 to 400 with current propulsion systems. We could have large orbiting space stations, advanced lunar base concepts, and advanced military reconnaissance and command post systems for our Nation's security.

I have always been a strong proponent of research in these new fields. If our country does not step out vigorously in these high-potential payoff areas our programs will suffer from outdated methods. Our technological capability will not be utilized and our program costs in the long run will be excessive. These new program requirements will be upon us before a reduced program such as that imposed on NASA by the committee's action can come to fruition. In fact, the requirements for these new systems, made possible by these new propulsion and power generators which are proposed, are already upon us. The problem is that the country does not have the capability to perform them, the reason being that the needed research has not been performed. We must do more research, not less. We must direct our work to give us the capability that is within our grasp. We must help, not hinder, our Nation's progress.

Being a strong supporter of research, I have insisted that adequate research emphasis should be placed on nuclear power and propulsion. We should have a forward-looking research program in electric power generation that is more than refinement of current processes and parts.

Solid Booster Rocket Development

There is considerable concern caused by the lack of recognition given to increased propulsion development by NASA and the administration. Although the Committee on Science and Astronautics has shown some minor concern on this subject, I remain almost a one-man show in pushing hard for more booster and for additional upper stage propulsion capability. I have consistently advocated more funds to insure our future superiority in this important field. Only by my efforts have we been able to get NASA to place emphasis on exotic fuel research. This has resulted in research in boron and fluorine mixtures that can provide upward to 45 percent more push-per-pound or specific impulse to our rockets. This is the type potential that needs to be explored. My criticism continues to be that NASA tends to emphasize the large engineering and manufacturing projects with less and less emphasis on science and research. It is necessary that NASA respond to these needs to push back the frontiers of science. This research is needed to keep this country abreast of our Russian competitor so that we will not be overwhelmed by them.

There is the imminent possibility of another shock such as October 1957 when because of our too little and too late booster capability the Russians were able to put tons in orbit and all we could do is belatedly launch a "grapefruit." Now, in testimony before our committee, Administrator Webb stated that the Russians are expected to have a new booster of more than 10 million pounds of thrust. He also testified that the Russians have always had a forward-thrusting development program with respect to large boosters. Their new booster will be almost one-third larger than our Saturn V rocket. Where does that leave us?

This leaves us with the same second-best propulsion capability that has throttled us since the inception of our space program. Therefore, NASA should place all propulsion research under the authority of the Office of Advanced Research and Technology. It should provide sufficient funding to provide a broad, forward-looking, and vigorous program in this field.

The current NASA program leaves us without a single new booster project in our space program, as well as no new research for boosters in NASA. They have a contingency for $3.1 million which they may utilize for further development. I contend, as I have for years, that NASA needs to complete the development of the 260-inch large solid booster. This development has progressed remarkably, but as NASA gets close to the final item they begin to reduce the funds. Now we have no project at all, only a contingency. The important thing about the 260-inch solid booster is that it is a means for placing large weights in orbit economically. Additionally, its propellant is storable for long periods of time. It provides momentary reaction capability. It is easily strapped together to double or treble the thrust at boost.

It is much simpler than the more expensive, more complex liquid engines. It is a part of the advanced technology which should be fully supported to make progress in our space program. I recommend that NASA organize a sustained effort to bring their large solid

technology to fruition and to plan programs which could utilize this booster. This is particularly true for the advanced nuclear engine stages, the spike nozzle concept for upper stage use and engines using the boron and fluorine and other exotic additives. Such a program would give our country the propulsion capability it needs to stay foremost in the space field.

Administrative Operations

The annual appropriations for NASA Administrative Operations continues to increase while the research and development level of effort shows a steady decline.

The administrative operations appropriation provides the funds for personnel compensation, benefits, and operational functions at all NASA activities. It is from this appropriation that the direct and indirect costs of directing, managing, and executing NASA research and development programs are defrayed.

The strength of the NASA in-house work force has increased from 9,235 personnel in fiscal year 1959 to a projected authorized level of 34,909 personnel planned for the end of fiscal year 1969, a 278 percent increase in just 10 short years! The annual administrative operations costs for this 10-year period will have risen from $85 million in fiscal year 1959 to a requested level of $648.2 million for Fiscal Year 1969.

In more recent years the administrative operations appropriation has been commanding an increasingly larger share of the total annual budget. For fiscal year 1964 the administrative operations appropriation represented 9.7 percent of the total NASA budget. This percentage has increased each year since then except for fiscal year 1966. In fiscal year 1965, it was 11.9 percent; in 1966, 11.4 percent; in 1967, 13.1 percent; in 1968, 13.3 percent. For fiscal year 1969, the NASA request for administrative operations constituted 14.8 percent of the total appropriation request.

Paradoxically, the fluctuations in the research and development programs of NASA have not paralleled the administrative operations growth. The annual level of research and development appropriations rose from $196.6 million in fiscal year 1959 to $4.1 billion in fiscal year 1964. The R. & D. level peaked at $4.5 billion in fiscal year 1966, and since then has shown a steady decline to a NASA projected level of $3.7 billion for fiscal year 1969.

Now that the design and engineering phases of the Apollo project are over, and other major NASA projects such as Ranger, Surveyor, and Lunar Orbiter have been concluded, why do we need to maintain an in-house force of 34,909 personnel as requested by NASA for fiscal year 1969?

The Committee on Science and Astronautics cut the NASA fiscal year 1969 request for administrative operations from $648.2 million to $646.7 million, a minor reduction of only $1.5 million. Part of the reduction was the denial of a requested increase of 75 positions at the Electronics Research Center (NASA had requested an increase of 150 positions. The committee recommends only 75). This is a step in the right direction. However, in my opinion, the committee did not go far enough. The Congress must insist that research and development programs be efficiently managed and directed, but at

the lowest possible cost. A declining R. & D. level of effort warrants a commensurate decline in the level of administrative operations.

I strongly recommend that the NASA fiscal year 1969 administrative operations authorization be further cut by $43.5 million from the committee approved level of $646,673,000 to $603,173,000. This action will reduce the amount to be authorized for fiscal year 1969 to a level more consistent with the declining R. & D. budget.

Manned Orbiting Laboratory Program

I strongly oppose the administration's placing the manned orbiting laboratory (MOL) program under the jurisdiction of the U.S. Air Force.

MOL should be placed under the jurisdiction of NASA, the research and development agency of the Federal Government for space and aeronautics. Or, MOL should be placed under the joint jurisdiction of NASA and the U.S. Air Force for development.

This action is a serious mistake, both in organization and philosophy, as well as for public relations purposes.

Latest information shows that the overall cost of the MOL program has now risen to $2.9 billion over a 10-year period. This is a $1.4 billion increase in the predicted total costs of the R. & D. program since August 1965 for a seven-flight program. By the end of fiscal year 1968, about $722 million will have been expended on this costly and duplicative program. For fiscal year 1969, the Department of Defense is requesting $600 million, which is a new high. It was initially expected that MOL flights would begin in late 1968. Now, the first operational flight will not take place until 1971, a slip of at least 3 years.

Surely, prudent management and good judgment dictate a common earth orbital program where NASA launch facilities, knowledge, existing hardware and capability are used to avoid the cost increases and launch schedule slippages.

I strongly oppose the action of Secretary of Defense McNamara when, in his December 10, 1963, news conference, Mr. McNamara announced without prior notice of any kind that the manned orbiting laboratory program would be assigned to the Air Force. Neither Congress nor the scientific community of the country had had any prior notice or inkling that this was to be the case until Mr. McNamara made his bland announcement.

I also oppose the announcement by the President on August 25, 1965, at a news conference that the MOL program would be worked upon by certain major contractors. This is certainly not the way to do business nor is it appropriate to ignore the existing science and research facilities of the Federal Government without any consultation or authorization by Congress whatever.

It is complete fiction to state, as Secretary of Defense McNamara has assumed, that MOL is completely a military task and therefore can be handled by him as Secretary of Defense, as if he and the Department are the only people concerned in this tremendous development.

The announcement by Secretary McNamara makes a fiction and is in direct violation of the expressed intent of the Congress in section

102(a) of the original Space Act, Public Law 85–568, dated July 28, 1958, wherein it was expressed that:

> The Congress hereby declares that it is the policy of the United States that activities in space should be devoted to peaceful purposes for the benefit of all mankind.

The action of Secretary of Defense McNamara is also in direct violation of the provisions of Resolution 1472, "International Cooperation in the Peaceful Uses of Outer Space," adopted by the United Nations at the 856th Plentary Meeting of the 14th General Assembly on December 12, 1959.

Under this resolution, the United States, along with other countries including the U.S.S.R., agreed to foster international cooperation in the peaceful uses of outer space. It was a privilege and a real responsibility for me to be able to work as one of the delegates on the U.S. mission to the United Nations for this purpose, under the leadership of Henry Cabot Lodge, chief U.S. delegate.

On January 27, 1967, the United States, U.S.S.R., Great Britain, and many other nations signed the treaty on principles governing the exploration and use of outer space. On April 25, 1967, the U.S. Senate ratified the treaty, and the U.S.S.R. similarly ratified the treaty on May 18, 1967.

The treaty specifically provides for peaceful exploration of space and bans the orbiting of nuclear weapons and weapons of mass destruction in space. It also prevents the use of the moon and other celestial bodies for military purposes. It is provided in the space treaty that space shall be used exclusively for peaceful purposes. Thus, is the U.S. policy on the use of space facing two directions? Has the United States already been violating this treaty at the time of signing?

The Congress of the United States should decide the basic national policy on space according to the will of the American people, after thorough study and due deliberation.

Being first in space for scientific and prestige purposes is one thing. Being first in space to better deliver weapons of destruction or nuclear and atomic weapons is quite another field entirely.

Do the American people want the administration to have the first manned orbiting laboratory solely dedicated for military purposes? This would have the fatal result of excluding all peaceful purpose research and development or, at best, make a poor second the research and development that could be done by NASA for the benefit and progress of the American people and all mankind.

The announced objective of the MOL program is to put two-man crews in near-earth orbit for 30-day periods to conduct experiments. This is exactly the purpose of the Apollo applications program where NASA intends to put men into near-earth orbit for periods of from 30 to 45 days to conduct experiments. This is the same program for which NASA received over one-quarter of a billion dollars in fiscal year 1968 and for which NASA is requesting about $440 million for fiscal year 1969.

The MOL program is clearly a wasteful and duplicative program. Why should the Nation, particularly in these times of financial crisis, develop another launch complex, additional launch stands, additional launch vehicles and spacecraft, additional tracking and data acquisi-

tion facilities, and additional recovery forces when all such facilities already exist in NASA?

Why cannot the Department of Defense train its crews, develop its special equipment and use NASA facilities, vehicles and spacecraft? If there is any data collected which is classified, this can be handled much like classified operations are conducted simultaneously in industrial areaospace plants together with unclassified and even commercial work?

Why spend several billions of dollars on a separate program when there is no sound reason for it to be truly separate?

In addition to insuring that our activities in space are for truly peaceful purposes, the United States, acting through the appropriate organs of the United Nations, should press for early codification of the "rules of the road" regarding all inspection and operational activities in space.

The Space Capsule Atmosphere

On May 5, 1961, Astronaut Alan B. Shepard, Jr., in Freedom 7 made the first manned suborbital flight. This marked the beginning of our manned space flight program and the use of a 100-percent oxygen atmosphere in our space capsules. Seemingly, without any further consideration NASA continued to use a dangerous 100-percent oxygen atmosphere throughout the Mercury and Gemini programs. Fortunately, no accidents occurred. On January 27, 1967, while conducting a simulated launch countdown demonstration in an Apollo space capsule Astronauts Virgil I. Grissom, Edward H. White II, and Roger B. Chaffee lost their lives in a flash fire at Cape Kennedy.

With our latest and most sophisticated spacecraft, the Apollo command module, we were using a 100-percent pure oxygen atmosphere at the high pressure of 16 pounds per square inch. Since that tragic accident more than $100 million has been spent in the redesign. Approximately 2,000 pounds of additional weight has been added to the command module. On March 12, 1968, Mr. James E. Webb, Administrator of NASA, approved and subsequently announced on March 14, 1968, the decision to use an oxygen-nitrogen, two-gas atmosphere during manned Apollo launch preparations and in preorbital flight. It is their plan to revert to 100-percent oxygen at 6 pounds per square inch pressure during the orbital portions of the Apollo operations.

Flammability tests have been conducted for sometime on the materials used in the spacecraft. Following the Apollo accident 1,412 potentially combustible nonmetallic items were identified in the capsule. Plastics such as nylon netting and other inflammable materials were used extensively in the capsule. It is difficult to understand why Beta cloth was not used earlier as a replacement for nylon and other inflammable plastics. Even with the elimination of 1,113 of the inflammable items, NASA's tests have demonstrated that a 100-percent oxygen atmosphere at 16 pounds per square inch of pressure could not be tolerated.

When we made the investigation at the Manned Spacecraft Center in Houston of the accident, the testimony indicated to me at that time that a two-gas system should have been adopted. Now that the decision has been made it is obvious that it should have been made earlier.

At this late date why has NASA finally reached the conclusion that they must use a two-gas system on the launch pad and prior to orbital flight? The Soviet space program for sometime has used a mixed atmosphere in their space capsules. It is unthinkable that it should have taken this length of time to come to this conclusion. Most important it is still likely that even by using a mixed gas atmosphere on the launch pad and in preorbital flight the problem will not be eliminated. For the safety of the astronauts and the success of the program, NASA should continue to review the problem of the space capsule atmosphere to insure the safety of the astronauts and the success of the program.

Alternative to Military Operations in Space

As I have stated previously, one of the most important gaps in our space program is the development of an efficient, long-duration and highly maneuverable upper stage. Such a stage should utilize nuclear propulsion. This Nation must be able to place into orbit for extended periods of time a vehicle which can change plane or orbit on command from the earth on numerous occasions.

Under our present policy, our first response to an unidentified object in space is military. This is wrong.

To think in terms of neutralizing such spacecraft by use of military missiles like the antiballistics missile is foolhardy. Military action would be wrong and irretrievable. There would be no time for meaningful discussions with other countries on the nature of such unidentified spacecraft.

A highly maneuverable, long-duration upper stage conceived and developed by NASA would serve the purpose. It would be able to remain in orbit for long perods of time and could be rerouted to approach and identify any objects of concern to the Nation. If necessary, such an upper stage could also use its superior on-board propulsion to force the unidentified spacecraft into a different and safer plane or orbit while discussions were being held with the interested parties.

Such a development would prove to be a peaceful substitute for the only capability existing, that is, of possibly using military missiles to destroy objects in orbit which could ultimately prove to be of a peaceful nature.

Basic and Applied Research

I have always been a strong supporter of basic and applied research throughout the Federal Government and more particularly in NASA. It is through the exertion of scientific and engineering effort in the research field that better defined projects and programs emerge.

Basic and applied research, as well as the advance studies related thereto, provide sound bases for the early definition of objectives for future programs, more firmly establish technological criteria in advance of hardware development, and undoubtedly lead to economies in final project costs.

The proposed NASA level of effort for basic and applied research and advance studies was $397.3 million or 10.8 percent of the total research and development budget request. According to information received from NASA, $108 million of this amount will be spent on basic research ($12 million for advance studies) and $289.3 million on

applied research. NASA should be commended for holding the line by warding off cuts by the Bureau of the Budget in these areas and maintaining a relatively stable program.

But not enough is being spent in this area. There are tremendous imbalances in the NASA program. We should discontinue the advance purchase of unneeded equipment, such as boosters, which undoubtedly will require expensive modifications later to permit lateral transfer of new developmental hardware. We must reduce operational activities and reorient the NASA team and its resources toward the fields of research.

It is only through a redirection of efforts of this nature that the options will be kept open for the future. We must continue a vigorous research program so as not to freeze the state of the art.

Also within NASA's available resources for basic and applied research, there should be a realignment of priorities. The success of this Nation's effort in space exploration lies in better propulsion systems. I have consistently emphasized basic and applied research in high energy liquid fuels, solid fuels, and advanced propulsion technology and engines.

More research effort in this direction will result in larger payloads, longer missions, space storable fuels, weight decrease of boosters and increased payloads, and the elimination of heavy and bulky insulation materials now required. Likewise, adequate research emphasis should be placed on nuclear propulsion and power.

The exploration of the eight other planets of our solar system as well as their 31 moons will be too expensive using the present generation of boosters, capsules, components and hardware.

I have been urging the development of boron-fluorine-hydrogen combinations that will give much greater specific impulse. Specific impulse, of course, means "push per pound." Experiments have already shown that with the use of boron and fluorine additives or mixtures, there can be additional power and energy output varying from 30- to 45-percent increase with the fuel used. Such a surprisingly productive avenue should not be overlooked by NASA.

My criticism has been, and continues to be, that NASA tends to be a large engineering, plumbing, and manufacturing concern with the emphasis on science becoming less and less. The emphasis on programs has increased geometrically through the successful Mercury program, through the successful Gemini programs, to the staggering size of the Apollo moon flight program.

It must be kept in mind that these programs are really production, engineering, and development, with very little scientific knowledge or invention being added in the process. It certainly takes research of a high level to have the equipment and personnel adequately perform under these programs and to be able to take advantage of the tremendous new fields in which they will be operating.

But this research and development is in the nature of refinements of processes and present components and parts. This is using much present knowledge in new conjunctions, rather than the basic and applied research necessary for the new generation of boosters, fuels, capsules, components, and hardware that are so necessary. My estimate is that 95 percent of the NASA budget is not research and development in the ordinary scientific meaning of the term.

In addition, NASA should be conducting research programs to develop an all-purpose booster vehicle which can be used by both NASA and the Department of Defense. Such a vehicle should be capable of recovery and reuse. Likewise the costly and complex guidance and control instrumentation units associated with such vehicles should be developed so as to be recoverable and reusable.

The Congress must assure itself and the public that the Nation's resources are being used wisely, and that funds are being applied to program areas which will result in the best possible payoff in the future. The Congress is in a position during the annual legislative process to correct misdirection of effort. We must insist upon more basic and applied research in the NASA program and less emphasis on hardware development.

Office of Inspector General

For many years I have strongly recommended that an Office of Inspector General, with necessary staff and facilities, be established in the National Aeronautics and Space Administration. I again want to emphasize the critical importance of such an organization to the efficiency and safety of NASA operations and programs.

The current NASA program contains a myriad of complex scientific and technical projects designed to meet a wide variety of objectives of importance to the Nation. The current NASA request contains 19 separate and distinct research and development programs, of which the multibillion-dollar Apollo lunar landing program is only one.

It is inconceivable that many serious management problems will not arise as a result of the various programs and objectives. These involve not only an annual Federal expenditure of over $4 billion but also the future of the national space program. It is necessary that the Administrator of NASA be provided with the capability of obtaining independent evaluations and examinations of management actions by personnel other than those involved in the formulating or implementing management policies. To maintain their complete objectivity and for greater effectiveness, such personnel should not be taken from the ranks of current NASA or aerospace contractor personnel. Their orientation should be independent.

The chairman of the committee has assured the committee for the past few years that the establishment of an inspector general in NASA would be the subject of hearings. These hearings have never been held. I introduced during the last session of the Congress, H.R. 4473, for the creation of an inspector general organization in NASA.

It is significant to note that numerous other agencies of the Federal Government have recognized the importance of utilizing the functions of inspector general offices to effectuate internal and periodic examinations, evaluations, and corrective measures. These offices have been singularly effective. These agencies are the Department of Agriculture, the Atomic Energy Commission, the Central Intelligence Agency, the Departments of the Army, Navy and Air Force, the Department of Housing and Urban Development, the Department of State, the Veterans' Administration, the Department of Labor, and the Department of Commerce.

An adequate inspector general organization might have been able to uncover the inadequate safeguards which led to the Apollo 204 disaster. It is significant that the Apollo 204 Review Board included a representative of the U.S. Air Force inspector general. If such participation was considered desirable on an after-the-fact basis, why was not such participation equally desirable in the period before the accident? Similarly, if the Air Force inspector general proved of use during the Apollo accident investigation, would not a NASA inspector general office have fulfilled the same purpose? If the inspector general concept is not worthwhile, as may be implied from the continued NASA resistance to my proposal, should all such offices in other Government agencies be abolished and the money now spent used for other purposes?

It is of urgent and vital importance that NASA establish and maintain an inspector general to insure that the space program and objectives of this Nation are carried out and met with both economy and efficiency.

Safety

I continue to be concerned over the apparent apathy in NASA toward establishing a viable safety organization with appropriate checks and balances to insure the safety of our astronauts whether they be on the Earth in test chambers, in flight, or on the lunar surface.

NASA is to be criticized that only five members of the Aerospace Safety Advisory Panel, which was literally forced on NASA by the Congress in fiscal year 1968, have been appointed to date. These appointments, significantly, were made just prior to the President's budget message for fiscal year 1969.

Despite the internal actions taken by NASA as a result of the Apollo 204 accident, there is still no long-range safety program or separate safety organization established. I have on many occasions said that a preliminary step toward developing such a program and organization would be to establish an Office of Inspector General which could continuously inspect and audit internal activities to insure that safety is not compromised by operational considerations.

In 1966, the staff of the House Committee on Science and Astronautics undertook a study of space flight emergencies and safety. NASA in its published reply promised the committee that it would present by the fall of 1967 a comprehensive 5-year plan to identify programs and funding requirements necessary, in their words, "for provision of safety in future recommended space programs." This 5-year program has yet to be furnished to the House committee.

One of the recommendations of this same staff study read in part as follows:

> That, in addition to the space flight safety efforts that are integral to specific programs of the two Government agencies (NASA and DOD), there be established and maintained in each agency a separate and unique flight safety group which would be responsible for, among other tasks, providing separate inputs, on an overall system basis and keyed specifically to the problems of space flight safety, into the design of systems for specific missions.

It is obvious to me that no such separate and distinct inputs are now being fed into the design of specific missions by experienced safety engineers who are separate and apart from any operational elements concerned with meeting deadlines.

I have yet to see any alternative designs or plans based on providing more safety to the Apollo astronauts, even at the expense of eliminating some of the present payload. The weight budget on the Apollo spacecraft is now at its limit. Yet NASA has not given any serious consideration to reducing the experimental payload so as to provide more safety features for the astronauts.

Nor have any plans been presented which provide for an emergency escape procedure should astronauts be stranded on the lunar surface through a malfunction of the ascent engine or for other reasons. There should be some way to provide for an emergency solid fuel escape booster pack that the astronauts could use to escape from the lunar surface and rejoin the command and service module orbiting around the moon. Even more appropriate would be the development of an escape platform which could use the fuels common to the descent and ascent engines, thereby eliminating the need for carrying emergency escape fuel.

Likewise, no provision has been made for emergency escape or aid should the astronauts returning from the moon find it impossible to achieve their landing pattern. It would appear feasible, as an emergency measure, to have an earth orbiting vehicle on station at the time of the lunar landing mission to provide for an emergency rescue in earth orbit should it become necessary.

Safety cannot be considered a one-time measure to be invoked after a disaster has occurred, as in the case of the Apollo 204 accident. The measures taken by NASA as a result of this accident are commendable but do not take into account the many other hazards that can occur, particularly in space flight.

Safety is a matter of continuing surveillance.

The organization, as well as the design of vehicles and spacecraft, should be modified so as to permit separate and unique safety reviews by nonoperational personnel who are in a position to immediately suspend operations when they believe that safety considerations are being compromised. Such an independent organization would be invaluable in providing an avenue of appeal to an astronaut who desires to question the safety features of a particular spacecraft or mission. Such questions should not be directed to contractors or program-oriented personnel.

There should also be provision to require vehicle and spacecraft contractors to post performance bonds to insure that such vehicles and spacecraft are of acceptible materials and workmanship. This would have prevented many of the equipment problems which occurred during Colonel Glenn's flight.

NASA Information Practices

I have long insisted that NASA provide candid and full disclosure of their activities in all operational and management elements of the

organization. In a monthly statistical summary under a section called "Policy Notes" NASA states:

Public Information

> It is NASA's policy to encourage prompt and complete release of information of its activities except that information classified to protect national security. The intent of this policy is that information will be issued in advance of events as well as after events, and both success and failure will be reported.

These are fine words, but NASA has failed to follow its own stated policies with respect to disclosure of information. Year after year the committee and the Congress are asked to endorse legislation for support of NASA programs.

A. Without clear statements of the *intent* of NASA in specific programs;

B. Without thorough analysis of NASA program *costs*; and

C. Without adequate presentation of NASA *schedules and priorities*.

In short, Congress does not have the facts on which to base judgment of the program.

In this year when we need hold expenditures to a minimum while supporting the necessary aspects of our space program, the ranking minority leader of the House, Congressman Ford, and I jointly requested Mr. James E. Webb, Administrator of NASA, to advise me on what the effects of various levels of budget reduction would have on NASA programs. Mr. Webb's reply was as follows:

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION,
Washington, D.C., February 28, 1968.

Hon. JAMES G. FULTON,
House of Representatives,
Washington, D.C.

DEAR MR. FULTON: Responding to your joint request with Congressman Gerald R. Ford regarding the effect on NASA programs of a reduction in the fiscal year 1969 budget of $200, $400, $600, or $700 million, you are advised that under the provisions of the Budget and Accounting Act of 1921 NASA is not at liberty to answer such questions.

Sincerely yours,

/s/ J. S. BROWN
for ROBERT F. ALLNUTT,
Assistant Administrator for Legislative Affairs.

There was no thought to "encourage prompt and complete release of information" by NASA.

This year, as last year, a new section, section 6, has been added to the NASA authorization bill to require NASA to keep the Congress fully and currently informed. This was accepted by the House last year and deleted in conference with the other body. Inclusion of section 6 in this year's bill is as important as last year.

If this committee is to properly discharge its responsibilities to the public at large, it is essential that NASA establish adequate in-

formation practices. The confidence of the American people in the worth and direction of our national space effort has been shaken. NASA must respond to congressional needs for adequate informaton if that confidence is to be restored.

Efficient Use of Manpower Resources by NASA

In the committee report of the last session of Congress on the authorization of the NASA budget, I expressed my firm conviction that NASA is not managing its professional manpower as efficiently and broadly as it could, that scientists and engineers make up 40 percent of the total civil service personnel within NASA. The same is as true today as it was then.

An example is the Electronics Research Center located in Cambridge, Mass. NASA has repeatedly requested additional personnel for this Center which it expects to house in rented quarters. As yet, not one single building has been constructed to shelter their activities.

This year, 150 people were requested for the Electronics Research Center. The testimony revealed that these people would be engineers whose duties would be to translate the research of the Center into practical devices and components. Is it not possible that engineers already part of the NASA organization who are less than fully occupied could not be assigned to that mission?

The committee has recommended the authorization of 75 people for the Center to concentrate on aeronautical applied research. It is difficult to conceive the possibility that research at the Electronics Research Center will be seriously restricted if these engineers are not hired.

This serves to illustrate the major questions concerning NASA's personnel management. Is NASA using the people they have on board at this time in the best possible fashion? Is NASA responding properly to the sudden changes in the space program and the Nation's aeronautical programs as projects phase out and new ones phase in?

I don't think there are any reliable answers to these as well as many other questions until a comprehensive survey is conducted by a competent, experienced and nongovernmental management organization of the management techniques and the utilization of scientific and technical personnel in NASA. Such a survey is of paramount importance to the decisionmaking process of the President, the National Aeronautics and Space Council and the Congress with regard to the human resources really necessary to our space and aeronautical research programs.

A study in depth of NASA manpower utilization by the appropriate committee of Congress—the House Post Office and Civil Service Committee or the House Government Operations Committee—is a vital need. This study should take into consideration the effects of the Vietnam war, the current inflationary trends of our economy, the professional personnel requirements for defense industries, private industry, and educational institutions. I strongly recommend these actions be taken before the fiscal year 1969 authorization bill for NASA is enacted into law.

Inadequate Field Monitoring of NASA's Activities

It is very apparent that there is a complete absence of an adequate technical review of all NASA programs by technically qualified people, both in the Bureau of the Budget and in Congress. At no other time does this lack become more apparent than during the period of authorization and appropriation of NASA fiscal year budgets.

Up to now, the Committees on Science and Astronautics in the House and Aeronautical and Space Sciences in the Senate, the Bureau of the Budget, and the General Accounting Office are forced to consider the enormous scientific and technological complexity of the national space program in relation to the proposed expenditures solely on the evidence presented by NASA. This raises serious questions with regard to the validity and the thoroughness of considerations given to factors affecting the judgments of the Bureau of the Budget and the Congress.

Using only very few people, four to be exact, over a period annually of 5 to 6 weeks, the Bureau of the Budget makes sweeping and drastic decisions as to the NASA budget which in turn has equally sweeping effects on NASA programs. The committees of the House and Senate are strictly limited to knowledge and evidence produced by a limited number of committee staff members and from the testimony of NASA officials themselves in attempting to arrive at logical and realistic conclusions. This is obviously a very poor procedure that leaves open the possibilities of gross mistakes by the Bureau and the Congress.

The General Accounting Office has made very few comprehensive management surveys or audits of NASA and its installations, and those few have been made only in recent weeks. True, the Accounting Office has investigated contractual and procurement activities of NASA, but not management to any extent.

To insure a reasonable understanding and grasp of NASA's management of its programs, and a thorough knowledge of the many factors that are involved in NASA's management and policy decisions, current and continuing program evaluations of NASA's management is badly needed and sorely lacking at this time.

For several years members of the committee have been urging the Science and Astronautics Committee to increase its technical staff by at least five scientists, engineers, and accountants, for continuous field investigatory duties. This recommendation is most relevant today, particularly in view of the fact that the committee seldom uses all of its allocated funds.

To safeguard the interests of the U.S. taxpayers and for efficiency in management of research and development, involving so many highly technical programs, the Government must have sufficient research and development, construction and technical management personnel assigned exclusively for field evaluation and monitoring duties separate and apart from program responsibilities or contractor personnel.

Minority Staffing

Over a period of many years, in committee meetings and on the House floor, I have pointed out the dire need for committee staff support for members holding minority views to committee decisions. These views have not and cannot receive sufficient attention and un-

derstanding by the committee without an adequate staff of professional people to implement them adequately through more extensive research and documentation. The appointment of a minority staff along with other staff specialists added to the existing staff will broaden the committee capabilities to meet steadily increasing responsibilities.

The exploration of space, research and development in science and aeronautics, has had vigorous bipartisan support over the years. There are certainly significant divisions of opinion in the scientific community, the business community, among research and development personnel, and among members of the Science and Astronautics Committee that are important, and transcend partisanship. These differences of opinion are to be found in any research and development activity, whether in Government or in business, in universities or in research foundations. This means progress.

The development of a staff to serve the minority regardless of party will provide such technical scientific, research, engineering, and management know-how for the members on particular issues. This is a vital necessity if balanced judgments leading to sound committee and congressional decisions can be achieved.

This is not to say that the present committee professional staff assistance is unavailable to all members of the committee to help in individual problems. Nevertheless, the present situation does not permit the concentration of a staff team on the really big problems. It does not allow the urgency and need for evaluation to be called to a member's attention. This means the individual member is unable to have the full benefit of the technical personnel resources of the committee on issues that require definite professional staff assistance and guidance.

Therefore, I strongly recommend that a minority staff be developed on the House Committee on Science and Astronautics at the earliest practical time.

ADEQUATE COMMITTEE STAFFING

Consistent with my views on the minority staffing I firmly believe that the professional staff available to the Members as well as to other Members of the House not on the committee is understrength. It is impossible for the 12 professional and technical staff members to handle adequately the workload associated with the committee's broad responsibilities in the fields of science and space. The committee staff is one of the smallest in Congress to assist in the authorization and oversight of one of the largest budgets in the Federal Government. This must be corrected.

Additional technical, scientific, and engineering staff is vitally necessary. In the committee meeting of April 5, 1967, I made the following observation: "I do believe we need extra staffing for people to go and see * * * we have brought it up time after time * * * we should have three, four, or five people in the field." On February 21, 1967, I also commented in the organization meeting of the committee, "On staff, I have suggested previously that we have an outside permanent liaison staff (at appropriate locations) * * * reporting back * * * so there is a closer liaison with the contracts, contractors, as well as the facilities." On February 18, 1967, in full committee I again raised the question: "I have made a suggestion previously that we ought to have

* * * staff members who are really field representatives." This point has been made again and again in the reports accompanying NASA authorization bills in 1963, 1965, 1966, and 1967.

Regardless of the individual competence of the committee staff the committee is hampered in its operations by the fact that it does not contain enough people trained in technical management, in engineering, electronics, scicence, and other aerospace-disciplines to assist in this important work.

The committee is frustrated in fully meeting its responsibilities of reviewing the National Aeronautics and Space Administration budget, analyzing thoroughly the management and costs of scientific research and development sponsored by the Federal Government, which is costing the taxpayers approximately $17 billion a year, and in its continuing legislative oversight not only of NASA but also the National Science Foundation and the National Bureau of Standards. Here is an instance where the legislative branch of Government, because of inadequate staff, is unable to monitor properly huge departments of the executive branch. The situation contributes to the inefficiencies of our system of government.

Congress must be capable of exercising to the fullest practical extent its constitutional prerogatives and responsibilities. To do otherwise will compound a waste of taxpayer dollars in large quantities, thereby undermining the Nation's fiscal strength and contributing significantly to inflation.

Last year I recommended that $30,000 be added to the committee budget to begin the creation of a committee of much broader scope and capability. This was denied in the committee and on the House floor. In my view this is short-sighted, channel vision. I maintain the same position and urge again the addition of funds to the committee budget to initiate my proposal.

JAMES G. FULTON.

Mr. FULTON. My total cuts right as of now would run about $180 million to $188 million below the committee cut.

Mr. EVINS. Meanwhile, this committee will await with interest the action on the authorizing legislation.

Mr. JONAS. You will probably get that through before we mark up.

Mr. EVINS. Do you have any comments regarding the NERVA–I program?

Mr. FULTON. I am glad you brought that up. Yes, NERVA–I is our future in space. That is the third level booster.

Mr. TALCOTT. Are you for it?

Mr. FULTON. Very strongly for research.

Mr. EVINS. This is nuclear power?

Mr. FULTON. Nuclear power, yes. We have a Phoebus reactor now sitting out at Jackass Flats at Nevada, ready to be engine tested. Our committee postponed it on the basis that one Member said it should have more basic research. That is a misunderstanding. Now we are up to engine development. The reactor has had nine tests. Amazingly, the United States is now tremendously successful with a nuclear reactor and nuclear power in space, but we failed on the engine, nuclear-powered engine. Unless we go ahead with that, here is what we are up against: The Saturn V is too expensive a vehicle to use for moon flights. The second thing is the parts are not reusable. I believe there should be a program to get reusable parts and to save them. Another is this: We are losing that equipment all the time. The guidance and control equipment should be either moved up into the capsule and kept in orbit or moved down and picked up after the booster rises. Where we have it now, it is lost every time.

Another point is we should have a shuttle in operation, maintaining an orbit around the earth or around the moon. We should not have to put it up all the time for moon flights. The next thing is we need space storable fuels. The NERVA will be space storable. Another thing with NERVA, it gives you a sudden thrust and large power. The NERVA–I will develop from 55,000 to 75,000 pounds of thrust. This may save, if we develop the NERVA–I, the need for an antiballistic missile. Under the United Nations—where I am one of the advisers to our U.S. mission on space—we have developed rules of the road. If any nation does not conform to the rules of the road, then we should have the engine power to go out, overtake, and inspect. Otherwise with the antiballistic missile system the first shot fired in defense is a military shot.

Mr. EVINS. Congressman Fulton, we know you are knowledgeable in this field and we appreciate your testimony.

Mr. FULTON. Thank you.

The NERVA–I is a very promising program. We will waste a Phoebus reactor which is just sitting out there if we do not develop it. The cut that has been made in committee is from $60 to $11 million, and that doesn't even give them enough funds to cancel the contract. It will take $16 million to cancel the contract.

Mr. EVINS. Thank you very much for your testimony.

WITNESSES

JAMES HARVEY, AMERICAN FRIENDS SERVICE COMMITTEE
FRANCES E. NEELY, ASSOCIATE SECRETARY FOR LEGISLATION, FRIENDS COMMITTEE ON NATIONAL LEGISLATION
THE REVEREND MATTHEW J. O'ROURKE, THE JOSEPHITE FATHERS
ISAAC D. RUSSELL, DIRECTOR AND SECRETARY, EPISCOPAL METROPOLITAN MISSION, HARTFORD, CONN.
MISS BEULAH PALMER, HOUSING SPECIALIST, COMMUNITY ASSOCIATION OF THE EAST HARLEM TRIANGLE, NEW YORK, N.Y.
THE REVEREND FRANK JONES, EXECUTIVE DIRECTOR, COMMUNITY ACTION COMMITTEE, NEWBURGH, N.Y.
THE REVEREND CHARLES WARD, FIRST BAPTIST CHURCH OF RALEIGH, N.C.
THE REVEREND FRANK HUTCHISON, DAVIE STREET UNITED PRESBYTERIAN CHURCH, RALEIGH, N.C.

Mr. EVINS. We have with us this afternoon, Mr. James Harvey of the American Friends Service Committee; the Reverend Matthew J. O'Rourke, of the Josephite Fathers, a nonprofit religious group; Mr. Isaac D. Russell, director and secretary of the Episcopal Metropolitan Mission, of Hartford, Conn.; Miss Beulah Palmer, Housing Specialist of the Community Association of the East Harlem Triangle, New York, N.Y.; the Reverend Frank Jones, executive director, Community Action Committee, Newburgh, N.Y.; the Reverend Charles Ward of the First Baptist Church of Raleigh, N.C., along with Rev. Frank Hutchison of the Davie Street United Presbyterian Church, Raleigh, N.C.

Thank you for coming, ladies and gentlemen. I believe you all appear in connection with housing programs of HUD, especially the rent program.

Mr. Harvey, we would be pleased to hear from you.

STATEMENT OF MR. JAMES HARVEY

Mr. HARVEY. Mr. Chairman, my name is James H. Harvey. I am the national representative for housing and urban affairs of the American Friends Service Committee. I speak on behalf of the AFSC and the Friends Committee on National Legislation. The two organizations speak for themselves and for like-minded friends. No person or organization can speak officially for the total membership of the Religious Society of Friends.

We appreciate the opportunity to appear before the committee to ask that the funds requested for the model cities and the rent supplement programs be appropriated in full amount. We recognize both programs as useful means to offer hope to residents of our urban centers. We have observed a growing cynicism among our city ghetto dwellers as they have experienced the gap between promise and performance.

Our cities are in trouble. Hope must be restored.

We are not prepared at this time to give interpretive testimony on the budget items or the technical aspects of the programs. The Rent Supplement program is the area in which we wish to direct most of our comment.

Our testimony in support of the funds requested grows out of our deep concern for the individuals for whom these programs offer some hope of relief from their present dismal housing conditions. We testify today on the basis of 16 years' experience in the housing field. Presently we are at work in the core city areas of Boston, Chicago, San Francisco, and Oakland. Our program approach is to put staff in a ghetto area to support the people struggling with the difficulties arising from deteriorating and dilapidated housing.

We seek, along with the residents, to improve the quality of their lives. Basic to the lives of those living amid decay and despair is an honest chance to occupy adequate housing. We are conscious of how important good housing is to a family's attitude and stability. Our experience indicates that there is an urgent need to provide subsidies for families who are unable to pay the cost of living in decent, safe, sanitary housing.

Two rather distinct classes of people are identified in our present society: the consumer producer segment and the segment requiring subsidies in order to live decently with dignity. It's to the latter group that we must give increased attention and help.

Many of our ghetto poor are paying a disproportionate amount of their income for totally inadequate housing—some as much as 35 to 40 percent of their income.

A beginning has been made. Although the rent supplements program had a slow start, word about the projects already occupied and those definitely committed for construction has spread rapidly. There is never a need for attracting applicants. The hopes and aspirations of our poor must not be crushed because of the lack of funds. The only hope of obtaining decent housing at a price they can afford is through rent supplements.

The investment in human renewal through the model cities and rent supplement programs will be returned in building a better urban society.

We are aware of some of the limitations and restrictions which prevent enthusiastic responses from the private sector. Those impediments can be overcome. We trust that HUD will respond to the limitations pointed out to them by making changes, speeding up processing and offering technical assistance.

I would like to note one such limitation: Subsidies should be paid directly to the individual. This would allow persons to obtain housing of his choice in scattered areas and also permit an economic mix.

We have assisted in family situations where the possession of decent living quarters through rent supplements has changed the recipients' entire outlook on life. Permit me to cite some examples.

Mrs. Coleman lived on one of the worst streets in the Roxbury section of Boston. She and her seven children occupied a small two-bedroom apartment. Mrs. Coleman, a welfare recipient, paid $85 per month rent. Payment to the landlord was irregular. Complaints against the landlord were frequently filed. The landlord was unhappy

with the Coleman family. Problems arose concerning her children's attendance at school. Mrs. Coleman was just managing to survive. With the intervention of our program staff and other agencies, Mrs. Coleman was able to apply for and obtain housing under the rent supplement program. The Colemans are now in a four-bedroom unit, located in a much nicer neighborhood. The rent paid by Mrs. Coleman is $30 less than what was being paid for her previous housing. Payments are always on time. Now her active interest and participation in the school life of her children occupies a great deal of her time. One of our staff in Roxbury said: "Her entire outlook on life has changed."

One elderly lady who applied for a unit under the rent supplement program insisted that she could pay $81 per month rent out of her $96 monthly income. She was attracted to the housing project at the invitation of a friend who was already receiving a rent supplement. As the elderly lady put it when asked how she could manage on the remaining $15 per month, "All my life I've wanted to live decently."

Mrs. McKnight, an elderly lady, was paying $30 per month for a no-heat, cold-water flat in Boston. Her living conditions added particular hardships because of Mrs. McKnight's physical handicaps. Within 5 months Mrs. McKnight had moved three times. She never bothered to unpack her meager belongings. Through the efforts of our program staff and others, Mrs. McKnight was able to obtain housing in a 221(d)(3) project under the rent supplement program. Her life is now stable. Mrs. McKnight wondered aloud if others like herself would "be lucky enough to live like humans."

To a large degree the growing despair, frustration, bitterness, and distrust of our poor stems from a failure to deliver on built-up hopes and expectations. There is a great need for delivery power. To make delivery requires the necessary resources of funds, dedicated people, initiative, and good follow-through on program. Adequate funding is essential. Our financial resources must be brought up to match program purpose and potential.

The manager of a 104-unit project in Philadelphia with 20 percent of the units receiving rent supplements stated: "We are very reluctant to put applicants on a waiting list because there will probably never be a vacancy. The people are too well situated and greatly satisfied with the rent supplement units."

I'm sure many similar experiences can be cited as examples of individuals who are positively affected by the rent supplement program.

Visible evidence that our Nation, and its housing programs in particular, is committed to helping the poor and disenchanted is urgently needed.

In summary we want to emphasize that from our experience the rent supplement program adequately funded:

Offers the only hope to families in dire need of housing assistance;

Provides one of the best means of assisting poor families to obtain decent living accommodations;

Has a definite affect on the attitudes of stability of families receiving the aid; and

Is a means of demonstrating to the poor the Nation's commitment to a "decent house in a suitable living environment" for all Americans.

We urge the committee to grant full appropriations for both the model cities and the rent supplement programs.

Mr. EVINS. Thank you, Mr. Harvey, for a very fine statement. We appreciate your testimony.

I, for one, think I could subscribe to everything you said with perhaps one reservation. Throughout your statement I noticed one new idea to this committee that I do not believe has been proposed before. You suggested the payment of the rent subsidy to the individual rather than to the nonprofit corporation, church, or organization with which HUD deals and contracts.

In dealing with one organization you have one contract. They, in turn, manage it. It is privately owned, privately managed, privately operated, and it remains on the tax rolls. This makes it, under the proposal you have made, a subsidy to the individual which would mean thousands of individual contracts if you were to seek out every person individually who was eligible under the rent supplement program. It would be a tremendous workload. Don't you think it is better administration to deal with one church organization rather than, as you propose, to give the subsidy to the individual and then let him seek his own housing?

Mr. HARVEY. I would think that one would not be exclusive of the other. I think we could experiment in this area, for example, by working through some of the welfare agencies which are in direct contact with welfare recipients, and which would be the middle agency to administer it.

Mr. EVINS. You know that your plan would involve a new enactment of the Congress because the law specifically defines the type of people and organizations to which the rent supplement contract applies. Your proposal would mean that you would have to address your testimony to a legislative committee.

Mr. HARVEY. I understand, sir. There is no provision in the present legislation.

Mr. EVINS. It is a very interesting suggestion and a novel one. I am going to turn this hearing over to Mr. Giaimo briefly.

Mr. TALCOTT. I have just one comment. I, too, appreciate, as the chairman said, your statement and your interest. You have said in your summary that the rent supplement offers the only hope to families in dire need of housing assistance. I may say that if our only hope is the Federal Government, we are sunk. If that is the only hope for better housing in the country, we have got a pretty hopeless future ahead. It would seem to me that you people could devise better techniques, systems, better institutions for providing satisfactory housing than the Federal Government, because the Federal Government isn't in the housing business and shouldn't be, it seems to me.

That is all I have to say, Mr. Chairman.

Mr. GIAIMO. Do you want to respond?

Mr. HARVEY. Our primary point, sir, is that the housing which is available, people just can't afford. You have to fill this gap between what people can afford and what is available in the open market. I don't know of any other way of filling that gap except through some kind of subsidy.

Mr. TALCOTT. If this is the epitome of your hope, if this provides the only hope for your families, we have a pretty bleak future ahead.

Mr. GIAIMO. Thank you very much, Mr. Harvey, for your testimony.

STATEMENT OF THE REVEREND MATTHEW J. O'ROURKE

Mr. GIAIMO. At this time we will call on the Reverend Matthew O'Rourke.

Father O'ROURKE. Mr. Chairman and members of the committee, I don't have a statement. I want to thank you for the opportunity of testifying in behalf of the rent supplement appropriation. I represent the Josephite Fathers which is a religious community of priests and brothers who work mostly in the Deep South. We have 70 churches, parishes, in 52 cities, mostly in Alabama, Mississippi, Louisiana, and Texas. We have been working with the poor for over 75 years. We are very much interested in the programs the Federal Government has to provide housing for the poor. Being aware of the fact that there is this wide divergence between the income of the poor and the cost of a building, the possibility of providing adequate housing for a large segment of our population is a very difficult thing. This has been our experience.

With the introduction of some of these Federal programs, people who live in poor communities began to see some light in the possibility of supplying housing. Particularly with the combination of the 221(d)(3) program and the rent supplement program, that is.

Private industry does not have the market here because of the costs involved, but a nonprofit group under 221(d)(3) working with the rent supplement program has the possibility of supplying housing for the poor. We think this is a very important thing for all the things that housing can supply in the development of the overall human person. We believe it provides hope for people, it gives them the opportunity of having a degree of permanence in the housing which this kind of program supplies because, as their income increases they may retain their home or their apartment in that kind of a development. Finally, it provides a nonprofit group, whether it be a labor union, church, or fraternal organization, with the opportunity of providing social service programs for the development of poor people.

Now, we are presently involved in two of these programs. One is in Natchez, Miss., and the other is in Port Arthur, Tex. In Natchez, Miss., we are working with the FHA for the development of 30 units. We have obtained an option on a parcel of land. We have had a commitment from the HUD office for a rent supplement for this program, and we have made our original financial commitment by way of fees to the FHA office.

At present we are dickering to try to come to a resolution of our differences as far as the financial arrangements are concerned. We are a little bit over the costs as they are required by FHA standards. What I want to indicate by this is that our experience in Natchez is that 52 percent of the housing is substandard. For the first time the people of the community who are poor have the hope of getting at least a beginning of some decent housing. The same thing is true of our situation in Port Arthur, Tex. We have there a parcel of land which is in an urban renewal area and we are contracting there to build 132 units of housing which will involve people who have been dislocated.

Here again 25 percent of the people in the area are below the poverty level. Approximately 20 percent of the housing in the area is declared substandard.

Again, the people of the community have hope. We feel this kind of a program, at least, is a technique which can provide some kind of housing for the poor. It is not the absolute answer but it is a technique which presently is being offered and which can provide an answer. Whether it can provide the total answer is not within my competence.

I do believe it offers a hope particularly in view of the fact that private industry does not or cannot provide the housing because the market is not there.

Now, we are in interested in more programs of this type and other nonprofit groups are similiarly interested. Therefore, in order to continue what we feel is a definite hope, we would ask the committee to seriously consider the possibility of funding the rent supplement program.

Thank you.

Mr. GIAIMO. Thank you very much, Father. You speak of Natchez where 52 percent is substandard. You are putting up 30 units. How much of an impact does that make?

Father O'ROURKE. Actually, it is not much of an impact.

Mr. GIAIMO. How many units are reflected in that 52 percent?

Father O'ROURKE. The population of Natchez, according to 1960 statistics, was 12,000 white population and 12,000 Negro, for a total of 24,000. The number of substandard homes, according to the statistics, would be just 52 percent. I do not know the number of family units.

Mr. GIAIMO. In any event, the 30 would not reduce it substantially?

Father O'ROURKE. No.

Mr. GIAIMO. It would be just a start?

Father O'ROURKE. It is a question of supplying a hope.

Mr. GIAIMO. And a technique.

Father O'ROURKE. We would hope that if this thing did come through that we would be able to have some kind of a followup and further development.

Mr. BOLAND. Father, would you think in these 30 units that there would be a mixing of the races?

Father O'ROURKE. Of course, the requirement is that the project would be open.

Mr. BOLAND. Yes.

Father O'ROURKE. In fact, I would say there would be no mixing of the races.

Mr. BOLAND. What about at Port Arthur, Tex., where you have 130?

Father O'ROURKE. In Port Arthur, Tex., the probability of a mixing of the races would be slight. I say that for this reason: There is a public housing development in Port Arthur which is completely integrated. However, it is in another section of town which is predominantly a white section where this property which we are interested in is in a neighborhood which is completely Negro at the present time. I would hesitate to say that there would be white people who would choose to move in here.

Mr. BOLAND. How close are you in the final stages of the plans in Port Arthur?

Father O'ROURKE. We have an appointment next week with FHA to meet and decide our commitment on the project. We have taken an option on the land; paid our initial fees with FHA. Our problem again is the cost. We are going down on Tuesday of next week to decide and see if we can come to a resolution of the cost, and then go to our final commitment.

Mr. GIAIMO. Mr. Talcott.

Mr. TALCOTT. Your church and most other churches and labor unions are in a better condition of solvency than the Federal Government. I am just wondering if you had ever given any consideration to being the financier of some of these housing projects. Obviously, housing is needed for the poor and disadvantaged.

Father O'ROURKE. I wouldn't accept your statement as such that we are in a better condition of solvency.

Mr. BOLAND. The Josephite Fathers certainly are not.

Father O'ROURKE. Yes.

Mr. TALCOTT. Are you supplicants or mendicants of some sort, then? I do not know your order.

Father O'ROURKE. We have to depend for continuing operation on our appeals to the public. This is our source of our operation.

Mr. TALCOTT. You are not using deficit financing?

Father O'ROURKE. We have capital resources; yes.

Mr. TALCOTT. The Federal Government does not now.

Father O'ROURKE. But you have the public. I mean, you have the total resource of the United States, in my opinion, which is the people.

Mr. TALCOTT. Yes; the same resource that you have.

Father O'ROURKE. Yes; but it is not on the same scale, let us say.

Mr. GIAIMO. Yours is voluntary donations?

Father O'ROURKE. Yes.

Mr. TALCOTT. You don't accept my premise a proposition at all?

Father O'ROURKE. I don't accept your premise that we are in a better position of solvency than the Federal Government. I also feel that as a matter of principle there is a common effort, that the total community makes, which will serve the common good and the improvement of the total community.

Mr. TALCOTT. You don't want to be in the financing part of the housing, you just want to be in the management part of it?

Father O'ROURKE. That is right, yes.

Mr. TALCOTT. Thank you.

Mr. GIAIMO. Thank you very much, Father.

STATEMENT OF ISAAC D. RUSSELL

Mr. GIAIMO. Our next witness is Mr. Isaac D. Russell, director and secretary of the Episcopal Metropolitan Mission of Hartford, Conn.

Mr. RUSSELL. Thank you.

I am Isaac Russell, secretary and one of the five directors of the Episcopal Metropolitan Mission, a federation of eight Episcopal churches in Hartford and West Hartford, Conn.

The Metropolitan Mission is sponsoring the construction of 112 units of moderate-income housing in the city of Hartford under the FHA's 221(d)(3) program.

I would like to list for you briefly the reasons why it seems to be working out so well.

The project is the beneficiary of many encouraging cooperative efforts: (1) The city of Hartford is conveying to us an 8-acre site in the middle of the city, presently occupied by an obsolete public works garage; (2) the city is able to convey this land to us at a reduced price of $72,000, because the Urban Renewal Administration of the Department of Housing and Urban Development is treating the public works yard as a separate urban renewal area and is planning to make a grant to the city of three-quarters of the net project cost after the city sells the land to us; (3) the Hartford area insurance companies have agreed to lend the $1,750,000 needed to build the project, and have agreed to forgo a portion of the discount to which they are entitled under Government regulations; (4) the Federal Housing Administration has committed itself to insure the mortgage over the 40-year term of the loan and has cooperated at every stage in helping us plan and finance the project; (5) our architects and lawyers have been working for us without payment, and many other persons, particularly the clergy of the eight churches which comprise the mission, have devoted large amounts of time to development and planning; (6) our paid consultant is working for a reduced fee which will be paid only if and when the project is an accomplished fact—if the project folds, his expenses will be defrayed by business leaders in the local chamber of commerce; and finally and most important, the Department of Housing and Urban Development announced that a rent supplement allocation of $146,000 has been reserved for our project.

I cannot exaggerate the importance of this last item. To us, the rent supplement reservation makes this project economically feasible and morally sound. Of course, there is nothing immoral about a housing project which caters only to moderate income families; but it is the poor families of our city whose need is greatest. These are the people we hope to serve. It is only through the rent supplement program that low-income families can find a home in this new project.

As a church group, we hope to offer these families more than just shelter. Because the churches are institutions which outlive any one man, we hope to participate in and support the community we are creating long after the 40-year mortgage is paid off. Our energies and manpower can, we hope, be channeled directly into providing supportive services to the neighboring families. We say "neighboring" because our project directly adjoins one of the eight churches in the sponsoring group. It is building an addition to its parish house which can double as a community center for the families moving into the new housing. That same church is also donating a small portion of its own land to provide additional parking for our project.

And, make no mistake about it—our project might never have been built without the rent supplement program. The FHA requires a nonprofit sponsor such as the metropolitan mission to covenant that it recognizes a moral obligation to do everything in its power to see that the mortgagor corporation meets its mortgage payments, particularly during the first year of the project when it may not be fully rented. This might have raised a real problem for us as the mission has no funds of its own and no legal rights to obligate any of its member

parishes. Church officials, although generally sympathetic, might well have opposed any such open-ended commitment. Just as we were considering this problem, our rent supplement reservation was announced. This seemed to answer our problem. The availability of rent supplements all but insures full occupancy of the project from the very beginning. The rents we shall have to charge will be high—they run from $140 to $175 per month, the latter being 3½ bedrooms. Without rent supplements, we might have faced considerable difficulty in finding tenants promptly for all our units.

We intend to do everything in our power to see that the project is fully rented and that mortgage payments are made on time. But we are deeply grateful for the rent supplement moneys which make it unlikely that our time, energy, and resources will have to be devoted to making mortgage payments rather than to making the new community a fine place to live.

You can see from the foregoing recital how valuable the rent supplement program has been to this one small project. We believe that the Government's commitment to provide rent supplement funds for our project was crucial to its development from the very beginning.

It is not built yet, but all along the way it has helped us get the thing started.

Ask yourselves, would the city of Hartford have made the site available to us if it were to be used only for moderate-income families? I doubt it. What factors were weighed by the insurance company loan officer in determining whether or not his company wanted to write the mortgage?

It is likely that he considered the source of funds represented by rent supplements as an extremely favorable factor in passing on the mortgage application.

The rent supplement program has helped us all along the way as we tried to plan and construct the project. We have held a series of six meetings with tenants of existing public housing projects and other potential tenant groups. They are tremendously excited about the rent supplement program and have been of untold help to us and our architects in the planning and development stage. The rent supplement program has already helped us and soon it will begin to help its true beneficiaries, the many low-income families of our city who will at last have decent housing. We earnestly request your committee to recommend funding of this program in the full amount requested by the President. I thank you.

Mr. GIAIMO. Thank you, Mr. Russell. Is your rent supplement program sponsored by the Episcopal Metropolitan Mission operational at this time or is it in the development stage?

Mr. RUSSELL. It is in the development stage. The city of Hartford is ready to give us the land if it gets the OK from another Government agency, namely, the Urban Renewal Administration of HUD. This will be announced, I hope, in May. We will begin clearing the land in July.

Mr. EVINS. Is it planned to build this all as one unit?

Mr. RUSSELL. They will be two story, but connected, if that was your question.

Mr. EVINS. They are, in other words, duplexes.

Mr. RUSSELL. These are duplexes and they could be restructured as either a co-op or a condominimum.

Mr. EVINS. I am sure that your church mission will follow the policy of trying to induce the tenants to become homeowners.

Mr. RUSSELL. Maybe. Maybe though, with our long-range commitment to this project, we actually would prefer to stay in the rent area. This is a question that we have not fully decided, but there are many of us who think that the best thing we can provide is continuing services.

Mr. EVINS. The public housing program has been on the books for 30 years. We have nearly 1 million, more than 780,000 public housing units now throughout the United States. It started out 30 years ago under the Roosevelt administration. Now some of them are getting old and they are asking for money to rehabilitate and rebuild them. In public housing they remain there; they do not get out of public housing.

The rent supplement concept is a new one which allows the tenant to purchase the units they occupy. This is written into the law. It is part of the philosophy of the new concept. So if you are just going to keep the people in the housing, it might just as well be public housing. But this is the new approach. I hope you will think about this idea which was written into the law to try to stimulate economic growth and pride in ownership.

Mr. RUSSELL. I think this is very valuable and we will try to carry that observation back.

Mr. BOLAND. I think in addition to the concept the chairman talks about, part of the philosophy of this law is the ability to integrate the people. This is one of the reasons why the rent supplement program was authorized and passed by the Congress. In addition to taking care of the people in the low income brackets, that is. I would presume this would be an integrated housing development, the rent supplement development, will it not?

Mr. RUSSELL. Yes; it will.

Mr. BOLAND. So you are performing quite a service by that action, and that is, I think, part of the philosophy of the rent program, too. I would presume that a number of the people who would be on the rent supplement program, as their incomes increase, the subsidy would decrease and perhaps some of them would like to stay right there. This isn't too bad, either.

Mr. RUSSELL. We hope to start with two types of integration. Since Hartford is a mixed city, we will probably have a mixed racial integration, but we also want integration in the economic sense. The fact that the Government has set aside a rent supplemental allocation of $146,000 is based on only 112 families being on rent supplements, but that is not the way our tenant selection will work. I don't know what percentage will be paying full freight but these will be moderate-income families who are eligible for federally supported moderate project, and they will be paying the full rent. Also, in the next apartment to them will be families eligible for low-income public housing and they won't be paying the full rent.

Mr. BOLAND. How many units will you have?

Mr. RUSSELL. 112.

Mr. BOLAND. As I recall your organization, the Episcopal Metropolitan Mission was one of the first groups that came before this committee in favor of this program a couple of years ago, was it not?

Mr. RUSSELL. That is correct.

Mr. BOLAND. You were one of the first groups, in addition to others around the country. You did experience some difficulty in getting started. I am delighted to see the project is off the ground, at least the planning stage well on its way, and you are getting cooperation from the insurance industry in the Hartford area. Of course, that is the insurance capital of the world. I am delighted to know that not only in this particular instance but in many other instances private business is now cooperating with local communities to meet some of the very difficult problems that face cities such as Hartford, New Haven, Springfield, and others.

Mr. RUSSELL. I think the recitals in my statement show a tremendous amount of cooperation.

Mr. BOLAND. No doubt about it. I would like to compliment you and the Episcopal Metropolitan Mission for your backing of this program and also your very dedicated service in this area.

Mr. RUSSELL. Thank you.

Mr. EVINS. We have a very valued and very able member of this committee from your State, Mr. Giaimo of Connecticut.

Mr. GIAIMO. Thank you, Mr. Chairman. It is a pleasure to welcome you here, Mr Russell.

I certainly have heard about the work that you are doing at Hartford. I want to commend you for it. One of the complaints which we have experienced in this committee and in the Congress on rent supplements is in its slow starting characteristics. In fact, this very committee has questioned HUD quite closely on why isn't there more activity and why isn't there a faster start made in many of these projects. Can you tell us from your own experience whether it took a long time from the time when the mission had the original idea and concept to get to the point where you are now?

Mr. RUSSELL. The longest wait was to get the land and, truly—following the advice of the gentleman at the end of the table——

Mr. EVINS. That is Mr. Talcott of California.

Mr. TALCOTT. I didn't give any advice to anyone on this.

Mr. RUSSELL. You suggested possibly the churches might use some of their endowment to provide housing if there is such a crying social need. It is true that if we had found some privately owned land and had bought the land we could have started earlier. However, in the city of Hartford within the 17 square miles there is very little private land that is being set aside for housing that the owner is willing to sell for any price that we felt we could possibly find money for. The city of Hartford has been planning to devote these 7.2 acres to housing, and they were delighted to have another party willing to build on this site. We decided to wait for this site and have been working with the city and its redevelopment agency in trying to spring it loose. It has been approved by all of the city agencies, the redevelopment agency has had its hearings and the city council has voted this. As I said, the Urban Renewal Administration will approve this by May 1, we believe.

Mr. TALCOTT. The rent supplement is limited to 10 percent of the total units, I understand. Isn't that correct? The rental of only 10 percent of your apartments can be subsidized by the Federal Government.

Mr. RUSSELL. This was not as I understood it. The eligible tenant need not pay more than 25 percent of his income and the Government will pay not more than 70 percent of the rent for any particular unit.

Mr. TALCOTT. Your understanding is that all of the 112 units can all be subsidized?

Mr. RUSSELL. They could be rent supplement units.

Mr. TALCOTT. You won't get much economic and racial integration in that way, will you?

Mr. RUSSELL. No.

Mr. TALCOTT. This was the whole purpose of the rent supplement program, to establish racial and economic integration.

Mr. RUSSELL. No. The purpose primarily was to provide housing.

Mr. TALCOTT. No. We already provided public housing, low-income housing. The thrust behind rent supplement was to obtain economic and racial integration.

Mr. RUSSELL. I believe that that was a purpose, possibly, but I believe the greatest purpose was to provide housing and not have it be owned by the Government. In Hartford 1 out of every 9 families has the city as its landlord. We have a very high percentage of public housing. No one, as a social planner, would want any more public housing in our city.

Mr. TALCOTT. Have you tried the rent certificate program?

Mr. RUSSELL. No, sir; I believe New Haven has been doing that successfully.

Mr. TALCOTT. When this bill was first presented to the Congress there was a limitation of 10 percent of the units of an apartment for the rent supplement program.

Mr. BOLAND. I think one of the prime objectives was the fact that we were going to get private enterprise into this area. This is in addition to the objective Mr. Talcott mentioned, and the objective which I mentioned earlier.

Mr. EVINS. We wish you and your group good luck, Mr. Russell.

STATEMENT OF MISS BEULAH PALMER

Mr. EVINS. Miss Palmer, housing specialist, Community Association of the East Harlem Triangle, New York. We will be glad to hear from you at this time.

Miss PALMER. Thank you, sir.

First, I would like to thank you for the opportunity of speaking before you. My name is Beulah Palmer. I am the director of housing service for the Community Association of the East Harlem Triangle.

Today I am also representing All Saints Roman Catholic Church, Associated Communities East, Addie Mae Collins and United Block Association.

The East Harlem Triangle is a 60-acre area located in the northeastern part of Manhattan.

In June of 1961, the area was designated for urban renewal action by the city government for predominantly industrial uses. This provided the spark that rallied local citizens into a working organiza-

tion and began what has been a 6-year fight against being displaced for factories.

The residents wanted to work together to provide decent housing for themselves as well as opportunities for employment.

The rent supplements program gives us this opportunity.

The triangle represents a concentration of what are possibly the city's most disadvantaged families.

Report from the community and from social agencies indicate that many families in this area are ineligible for public housing under existing regulations and economically or physically incapable of finding private housing in other parts of the city, but they are eligible for rent-supplemented nonprofit housing.

The majority of present housing is seriously below standard, but the large number of vacant residential buildings in the triangle area offer a substantial relocation source and make phased and varied redevelopment feasible.

Rent supplement funds are particularly useful here for low income relocatees.

The community association is sponsoring, along with a neighborhood church, rehabilitated housing for 150 families. We hope to sponsor at least 1,500 more units.

We have met with architects and builders to make sure that the development meets our needs. The plans were shown to the people of the community at a number of meetings, while the project was still in the discussion stage and met with overhelming approval.

Allowing people the opportunity to help themselves gives back some of the dignity which has been stripped from triangle residents by the conditions which have been allowed to exist here for too long.

The aid of the rent supplement program is a must for the betterment of urban ghetto communities.

Mr. EVINS. Thank you, Miss Palmer.

You appear in support of the appropriations for the rent supplement program.

Mr. BOLAND. You are an experienced person in this field. You have been on the Hill before. I have seen you before at other hearings, have I not?

Miss PALMER. I did appear at the Senate hearings.

Mr. BOLAND. I recall seeing you there, and you made a fine impression.

Miss PALMER. Thank you.

STATEMENT OF THE REVEREND FRANK JONES

Mr. EVINS. The Reverend Frank Jones, executive director, Community Action Committee, Newburgh, N.Y.

Reverend JONES. Mr. Chairman, thank you for this opportunity to appear before this committee of distinguished Congressmen, who have the great responsibility of recommending appropriations for significant and vital programs that are to lead our country forward in this great age of progress, confusion and even uncertainty and hopelessness on the part of many of our citizens.

During this urgent moment in the history of our country, I humbly request and significantly urge this committee to appropriate, as re-

quested by President Johnson, $65,000,000 for the rent supplement program to provide additional hope and decent housing for low-income families who are living in substandard houses.

Approval of such an appropriation would be most meaningful in and to the city of Newburgh, N.Y. The newly elected mayor of our city is most interested in the implementation of the rent supplement program, not only as it relates to the city of Newburgh, but to our country.

The A.M.E. Zion Church of Newburgh, Inc., has been approved as an eligible sponsor of 221(d)(3) moderate-income housing by the Federal Housing Administration to sponsor 128 units of garden-type apartments. The feasibility of the same is "now applicable" to FHA's guidelines, and this development is being given high priority by the acting regional director, Mr. John B. Maylott. Although the need is greater than what can be provided by this project, the A.M.E. Zion Church would like to do more, as well as other interested groups in our community. This can only be achieved by using the resources of the Federal Government.

Therefore, Mr. Chairman and distinguished members of this committee, I would ask you now to support the President's request of $65 million for the rent supplement program.

Mr. EVINS. Thank you, Reverend Jones. Your plan is also in the development stage and not operational as yet?

Reverend JONES. Development stage only.

Mr. EVINS. How many units do you propose to sponsor?

Reverend JONES. 128.

Mr. EVINS. In your community, percentagewise, how many tenants will this accommodate as compared to the need? Just a small fraction, I suppose.

Reverend JONES. That is right. The 1960 census stated we have approximately 11,071 housing units, and of that amount 2,162 are deteriorating, 5.4 percent of them are dilapidated, or 597 houses.

Mr. TALCOTT. Some of those homes are owned by the occupant, even among the dilapidated units and the substandard units, are they not?

Reverend JONES. Some are. However, we do have an urban renewal plan, as some of you perhaps know, which has been in the making for the past 9 or 10 years which has not been executed. We have had the demolition of many homes in the eastern half of Newburgh, displacing many of the families to other sections. This has increased the density of the area.

Mr. TALCOTT. My point is that some people who own their own home would prefer to have a low-standard home and a high-standard car. You wouldn't take that right away from them, would you?

Reverend JONES. It depends on their sense of value. We are interested in providing decent, sound housing for the individuals, and at the same time to establish an environment for the community in order to make it wholesome and meaningful.

Mr. EVINS. Reverend Jones, you appear in support of the full budget request for the rent supplement program?

Reverend JONES. Yes.

Mr. EVINS. Thank you very much.

STATEMENT OF REV. CHARLES WARD

Mr. EVINS. The next witness is Rev. Charles Ward, First Baptist Church, Raleigh, N.C.

The committee will be pleased to hear you.

Reverend WARD. I am Charles W. Ward, pastor, First Baptist Church, Raleigh, N.C., and chairman of Raleigh Inter-Church Housing Association, Inc. This association is made up of five churches located in Raleigh, N.C. Three of these churches are considered to be of predominate Negro memberships and two are of predominate white or non-Negro memberships.

In 1966, the Reverend Frank Hutchison and I presented a proposal to our membership to build some 221(d) (3) housing. Other ministers and churches asked permission to join us and we formed this association.

We are of the opinion that the housing authority is not prepared to meet the housing needs of Raleigh. This might be true of many other cities throughout the Nation.

A study developed by University of North Carolina revealed that North Carolina is far down in the list of States making application for FHA funding. North Carolina is also far down the list in providing adequate and safe housing for its citizens.

One of the aims set forth in a demonstration housing proposal for the State is to aid a captive rent group in attaining standard housing at rents not exceeding 25 percent of family income. Even this 25 percent seems high and, in some cases unfair, especially in large families.

The rent supplement allows groups in other places to help fill the need for more and better housing. Without the assistance of rent supplement it would be impossible for prospective tenants to afford the rents proposed for our project: $105 to $140 per month.

It is also imperative that more marketable apartments be provided under the provisions of this plan so that stable communities may be created and maintained.

It was required of us by HUD to obtain a written statement from the mayor of the city of Raleigh, giving his approval of the rent supplement plan for the city of Raleigh. Mayor Travis Tomlinson enthusiastically endorsed the plan and gave written approval of same. Our association also had the support of the North Carolina Planning Task Force set up with a grant from the Federal Government to study ways and means of providing better housing for the State.

It has the support of the housing authority for the city of Raleigh.

It has the support of the urban redevelopment commission.

In a news conference held in the city council chamber when our association received commitment from FHA, Mayor Travis Tomlinson stated in the presence of the above-mentioned organization heads, that the city of Raleigh endorsed our association and the rent supplement program, and pledged the support of the city in helping our association to build the proposed 100 units. Members of the city council were also present for this news conference.

Without the rent supplement program, it would be impossible for us to build this project.

Sir, we have asked to appear before you today to ask of you to look with favor upon the continuing of the rent supplement program, and if at all possible to expand the same.

Thank you for giving us this audience and if we can be of any service to this committee we shall be glad to comply.

Reverend Hutchinson also has a statement to make.

STATEMENT OF THE REVEREND FRANK HUTCHINSON

Mr. EVINS. Five churches are sponsoring this movement. I understand you have a statement to make in support of that which Reverend Ward has just made.

Reverend HUTCHINSON. Yes, sir; I do.

Mr. EVINS. You may proceed and if we have any questions we will ask you jointly.

Reverend HUTCHINSON. I am the Reverend Frank W. Hutchinson, pastor of the Davie Street United Presbyterian Church of Raleigh, N.C. Along with the Reverend Charles Ward, I helped stimulate one of the first rent supplement sponsorships in North Carolina, which began to take shape on December 28, 1966. I am now secretary of the corporation that was formed, known as Raleigh Inter-Church Housing, Inc. (RICH). We are presently accepting second-round bids on our 100 unit 221(d)(3) rent supplement project, to be known as RICH Park. We have brought along an artist's sketch of this worthwhile project for your viewing.

I would like to speak a very positive word for the extension of the rent supplement program for the following reasons:

First, it is a Federal program that enables the private nonprofit sponsor to help those who need housing the most; that is, the low-income family. The rent supplement program is the creative handle available to church groups to help them be the good Samaritan in providing safe, sanitary, and decent housing for those families in greatest need.

Second, the rent supplement program is the foundation stone for five Raleigh churches—interfaith and interracial—to help build a community. We are not primarily interested in building low-income housing, however important that may be. We are primarily interested in building a community of persons who are concerned with each other and who participate fully in the American democratic process. The board of directors, made up of four members of each of the five churches, is already making plans for working with the tenants, the two churches in the neighborhood, and the neighborhood organization now functioning in building this community of concerned persons. Some of the social services that we plan to provide through innovative cooperation of the churches; local, county, State, and Federal social service agencies; civic clubs; private foundations; and various volunteer groups include:

Tenant organization for self-determination.

Family counseling.

Consumer education. We will tie this in with a new statewide group.

Homemaker service. A definite need with low-income families.

Day care. This service is needed in practically every community, but especially among the poor.

Recreation. A program for the whole family and not just the youth.

Basic adult education. We have some excellent resources in North Carolina for this.

Employment service. That will go beyond the public services available. This is very important.

A program for senior citizens.

Health-medical care. A program of preventive services is needed.

Public services. City and State social services made readily available.

Mr. Chairman, none of these social services would ever be tapped for the 100 tenant families and the families of the neighboring community—except through the stimulus of the rent supplement program.

The third reason for encouraging the Congress to extend the rent supplement program is that this program has helped in no small measure to unify the city of Raleigh—getting diverse segments of the community to cooperate for the common welfare. To support this statement, I would like to submit exhibits 1, 2, 3, and 4. These are newspaper clippings, including front page and lead editorials praising our successful work with this rent supplement project.

In conclusion, Mr. Chairman, we would like to recommend three changes, based on our firsthand experience, that you should make as you go about your important work of extending and hopefully enlarging the rent supplement program:

(1) Remove the 5-percent seed money requirement on the part of the nonprofit sponsor. Let the local FHA office determine if the nonprofit sponsor-applicant will measure up.

(2) 20 percent should be the highest percentage required from a prospective tenant's paycheck. And the larger the family, the maximum percentage should be decreased. In other words, a sliding scale based upon the size of the family.

(3) The formula for determining the amount of construction money for a 221(d)(3) rent supplement project should be reworked in order to allow for the rapidly increasing costs of construction. The four bids we have received thus far to build our project are well over 50 percent of the amount allowed by FHA. It is depressing to our morale to be hung up at this point, after so much prior work.

I would be glad to speak to these recommendations if you have any questions, Mr. Chairman. Thank you.

Mr. EVINS. Thank you very much, Reverend Hutchison.

Reverend HUTCHISON. May I enter theses exhibits?

Mr. EVINS. They may be left with the committee. I like your statement here in which you state that this program provides private enterprise to jointly cooperate. You have had the Government in the business for 30 years and have not solved the problem. This is the concept of bringing in private groups, nonprofiit sponsors, and church groups, to provide low-income housing. Then you say that the rent supplement program is the creative handle available to church groups to help them be the good Samaritan in providing safe, sanitary, decent housing for those families in the greatest need. I think that is a good statement.

You both appear in full support of the budget amount recommended for the rent supplement program?

Reverend WARD. Yes.

Reverend HUTCHISON. Yes.

Mr. EVINS. Your plans are not underway. You say that at the last moment you are a little discouraged. You have the cooperation of the city, the States, HUD, and Congress has appropriated the money. Uncle Sam just can't build all the housing for everybody. It is going to take the people to want to do this. I think you have that motivation. What is the cost of your project? You say that "The four bids we have received thus far to build our project are well over 50 percent of the amount allowed by FHA."

Reverend HUTCHISON. Yes.

Reverend WARD. The lowest bid came in some $278,000 above the allowable amount.

Mr. EVINS. $278,000 above the allowable amount?

Reverend WARD. Yes. We were allowed a little over $7,000 per unit, near $8,000, but this is running approximately $11,000 per unit.

Mr. EVINS. In other words, you were allowed $8,000 per unit and your builder wanted to build them at $11,000 per unit?

Reverend WARD. Yes. This was the lowest of the four.

Mr. TALCOTT. So you people might be in the nonprofit business but the builder is making a big profit.

Reverend WARD. Somebody.

Reverend HUTCHISON. The builder is not making a big profit because he can't have it.

Mr. JONAS. I don't see how you can build much of a house for $11,000 today.

Reverend HUTCHINSON. We are requesting that the formula be reworked in order that we can build a decent house.

Mr. JONAS. What is your plan, for single or multiple units?

Reverend WARD. Multiple garden type, row type.

Mr. JONAS. That would reduce the unit cost.

Reverend WARD. We think so. In fact, this is reducing us far below the level of public housing. We were hopeful of giving people the upward thrust. We are interested in working with upward moving people.

Mr. EVINS. They do not put a limit on the housing that you can build.

Mr. JONAS. If the chairman will yield, you remember there is a 25-percent differential already in the law that applies to high-cost areas. I think somebody from the Department testified that about every community in the country now is extra cost.

Reverend HUTCHISON. Sir, that is nice to know because Raleigh is a booming community, fast growing city, and construction costs are up.

Mr. JONAS. But that will increase the amount—well, it could not be more than 25 percent of the income anyway.

Mr. TALCOTT. Who is managing this for you? Who is running it? Who is the key executive?

Reverend HUTCHISON. Mr. Ward is the chairman.

Mr. TALCOTT. You are the chairman, so you know all about it.

Reverend WARD. I don't know all about it. I have learned a lot here today. We are all studying together. We do a lot of research.

Mr. TALCOTT. You know the plans, the cost, you are the one who is in charge of preparing the plans and specifications, seeing that the costs are in line, and getting it out to contract; you have these responsibilities?

Reverend WARD. We are working, the architect is working and he is traveling many miles. Actually, we are trying to negotiate with a person rather than to committing it to bids again to see if a person can build this within the money. We are free to negotiate and just notify the other contractors who submitted bids. We feel that they wouldn't be interested in it anyway. In fact, when the bids were opened, the person submitting bids much above the lowest bidder walked out, and said, "We can't meet this." So we know they aren't interested even in negotiating.

Mr. JONAS. Are there any substandard houses in Raleigh that are rehabilitatible?

Reverend WARD. We are planning——

Mr. JONAS. Were you aware of the program that is on the books now and is an ongoing program? It is housing more people than we have been able to house under rent supplements, rehabilitated single-unit houses under lease, which has the same rent guarantee arrangement.

Reverend WARD. We are not very knowledgeable about this program. We plan to look into it.

Mr. JONAS. I recommend that you do, because if you have any houses in Raleigh that are rehabilitatible, now substandard, you can get people housed in them a whole lot quicker than you can get them in under this program.

Reverend WARD. One of our dilemmas is this: We are in a redevelopment area. 1,668 families—houses, rather—are scheduled to be demolished over the 3-year period beginning at the end of this year. This is why, of course, I suspect that we have had such excellent cooperation from the city officials, from urban redevelopment. You take the southwest quarter, it is scheduled for urban redevelopment. This affects some 1,668 families. Now, HUD said to the city fathers "You can't displace these many families without adequate housing." So they cut it in half and said "All right, if you can develop half of this, if you can provide 700, all right." While this is on the way they found 268 more families that had to go. So that we are scheduled for some 500 units of public housing, and so forth, and so forth; everybody is trying to come up with the number of houses that can be built.

Mr. JONAS. This program I am talking about is called by some "instant public housing." We don't have to go through a housing authority and build a massive structure. You repair and rehabilitate a house and make it habitable.

Mr. EVINS. We have several tools available. One is the rent-certificate program which Mr. Jonas speaks of. We have had public housing. Now the rent supplement is a new concept. Are there any further questions, Mr. Jonas?

Mr. JONAS. No. I just wanted to throw that idea out.

Mr. EVINS. Mr. Talcott?

Mr. TALCOTT. I always like to follow through when the chairman says this is a great thing for private enterprise. It seems to me as soon

as private enterprise becomes wholly dependent upon the Federal Government for the project—and each one of you people have said that the project wouldn't be possible without the Federal Government—it becomes a little less private and a lot more public.

Reverend HUTCHISON. May I respond to that?

Mr. EVINS. You may.

Reverend HUTCHISON. As a private citizen, I certainly do not feel that the Federal Government is my enemy. The cities are in trouble, sir. Our city of Raleigh has tremendous problems.

As a private citizen, we cannot, we must cooperate at all levels of government in the private sector, too. This is a program where we are just beginning to try to cooperate, it is a cooperative venture, Government and private citizens doing something that the private sector has definitely let go. So I resent your hostility toward the Government and the private sector for cooperating. I would hope that you would develop a better attitude as a representative for our country relative to cooperation with this great Government of ours.

Mr. TALCOTT. I would like to say I don't have any hostility toward any government cooperation, but I do harbor a great disappointment toward the churches and the clergy because they have let their people down terribly. They haven't done what they should have done in a Christian mission. So have the labor unions and a lot of other people in private industry. The Federal Government has done much more than the churches. But here the churches come beseeching the Federal Government. I don't want to get into an argument and I don't want you to think that there is too much hostility, but I believe I have a reason to be disappointed with the churches and the clergy for their neglect of their Christian mission.

Mr. EVINS. Reverend Ward, do you have a statement?

Reverend WARD. Yes. I think right here this is an attempt on the part of the churches. Now we realize this. I don't resent your hostility toward the churches. In fact, I am prepared for any group that may picket my church Sunday morning. But the point is that here the churches are expressing willingness to try to do something. Of course, we put up some money. We were required to put up some money. We have advanced some money. We almost had to singlehandedly carry our congregations along on this because they didn't see this. Frankly, we talked about this 6 or 8 months, Reverend Hutchison and I, before we ever talked to our people. We were able to sell them on advancing some money finally. We were going to spend $75,000 renovating our building and they couldn't see it. But they have faith in their minister. Here we are trying to do something. We feel the Government would like to have a good sponsor. We were able to submit to FHA our financial reports for the past 3 years, and they said "OK, we think you are a safe risk and we will go along with you."

We got commitments for $1,020,700 and we feel we can liquidate this over the period of years. But now we have this roadblock. We are trying; we are trying. This is an attempt. We believe if we can be successful that there will be other churches who will do this. But now to ask you, even as a churchman, if you were a member of my church, I wonder how willing you would be for us to say, "Let's peel off $10,000" if we were required to put up this 5 percent. This is what we

would have to do, five churches have to put up $10,000 each. You see what I am trying to say? There is an unwillingness on the part of the people. We are trying to bring them along the way. At least, this is an attempt.

Mr. EVINS. Mr. Boland, any questions?

Mr. BOLAND. No; except to say I don't know whether this is the churches' responsibility anyhow. I think there is perhaps a responsibility on the part of the Government to do what it can to alleviate some of the problems that afflict our cities, particularly in housing, which I think is one of the most important problems facing this Nation. The churches have a lot of other areas in which they have to expend their energy and their money.

Mr. EVINS. Gentlemen, I hope these hearings have been helpful. We appreciate your testimony. I do not want you to go away with the idea that we see in certain press editorials, that we have problems in the cities and Congress is doing nothing about them. Congress is the constant whipping boy.

In the President's message, he points out that we are making financial commitments for more than $22 billion to the cities' problems through more than 100 programs. Then he goes on to say that HUD estimates that the Federal Government financial commitments for urban social and community development aids could exceed $37 billion in 1969, more than twice the level in 1961. What grieves me is people saying that Congress hasn't done anything. I think $37 billion is a substantial commitment.

For the new rent supplement program, we have approved $42 million to date. Much of it hasn't gotten underway. The redtape and other difficulties are very disappointing, but to date we have approved contract authority—and this goes on for 40 years—of $42 million in the rent supplement program.

In the model cities program we have appropriated $323 million. This is also brand new, and $1 billion is recommended to expand the model cities program in fiscal year 1969.

In public housing, I alluded to this earlier, we will have had at the end of this year 787,000 public housing units, approaching 1 million housing units. The appropriation request for payments of contracts is $358 million in 1969.

So, gentlemen, don't let some of these people that want to inflame this country tell you that the Congress isn't doing anything, that we are not concerned about it. I want to appropriate for the rent supplement and model cities programs, but I resent very much the statement that we are not doing anything.

We thank you very much.

CIVIL DEFENSE

RESOLUTION OF THE AMERICAN LEGION

Mr. EVINS. The committee has received a copy of the resolution relating to civil defense that was adopted by the American Legion convention last year, and it will be included in the record as they have requested.

(The resolution follows:)

49TH NATIONAL CONVENTION OF THE AMERICAN LEGION HELD IN BOSTON, MASS., AUGUST 29–31, 1967

Resolution: No. 562.
Committee: Civil defense.
Subject: Restoration of funds deleted from civil defense budget.

Whereas the executive branch of the Federal Government, being responsible for the defense of our Nation and having the expertise in these matters, has stated its conclusion that a fallout shelter system is an essential element of our general nuclear war forces, and

Whereas the legislative branch of our Federal Government has so drastically cut the Federal civil defense budget as to seriously curtail the effective implementation of civil defense programs of States and local governments; and

Whereas, in the light of the present tense world situation, it is inadvisable to legislative any retrenchment in our national defense: Now, therefore, be it

Resolved by the American Legion in national convention assembled in Boston, Mass., August 29–31, 1967, That it urge the Congress to immediately restore the funds to the civil defense budget as requested by the President in the interest of national security.

VETERANS' ADMINISTRATION

STATEMENT OF THE AMERICAN LEGION

Mr. EVINS. The committee is in receipt of a statement from the American Legion supporting appropriations for the Veterans' Administration. We will include the statement in the record.

(The statement follows:)

STATEMENT OF E. H. GOLEMBIESKI, DIRECTOR, NATIONAL REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. Chairman and members of the subcommittee, the Congress, by its approval of H.R. 12555, has given new evidence of its continuing concern for the veterans of our wars. This act, in effect restructuring the death and disability pension, and dependent parents' dependency and indemnity compensation programs, is an indication of congressional intent to preserve the benefits that have been accorded war veterans and their dependents.

In the spirit that moved the Congress to approve this legislation, the American Legion approaches your committee with the request that every consideration be given the war veteran and his dependents in the approval of funds for the operation of this and all other veterans' programs that have been created by the Congress.

The American Legion, down through the years, has considered the cost of veterans affairs as a delayed portion of the cost of war. Discussion of the cost of such programs, therefore, becomes more meaningful when we talk of the calculated or projected costs in terms of the person to be served by these programs.

Your committee and the people are in agreement, we think, with the concept that economy at the expense of benefits and service to these wards of the Veterans' Administration or to their dependents and survivors, is a false economy—one not in keeping with our Nation's long-existing policy that it provide its war veterans with a program of benefits that reflects the esteem in which our Nation's veterans are held by those whom they have served.

The American Legion has followed, with great interest, the year-long study of veterans' affairs conducted by the U.S. Veterans' Advisory Commission. That body has now completed its report, and has given to the Congress a report of its study and recommendations. While we are aware of the fact that such recommendations shall have force and effect only to the extent that proper legislation has been considered and approved by the Congress in regard to such proposals, we do believe that the 79 recommendations of the Veterans' Advisory Commission have an important place in the thinking of those who have the responsibility for providing the dollars to assist the war disabled, the needy veterans, and their dependents in meeting the costs of living.

In presenting its report to the House Veterans' Affairs Committee, the Veterans Advisory Commission stated:

"Military service in times of national stress constitutes the highest response to the obligations of citizenship and should continue to be on the basis of a reciprocal obligation on the part of the Nation to provide reasonable assistance to veterans commensurate with the greater sacrifices experienced by them. With this in mind, the obligation to provide for the disabled and needy veteran as well as his dependents is a national commitment."

And the Veterans' Advisory Commission stated further that "the Nation has accepted three basic principles as fundamental commitments to the veteran population."

These are defined as—

(1) the commitment to compensate (*a*) disabled veterans for disability incurred in their Nation's service, and (*b*) veterans' dependents for the loss of life or earning capacity of the veteran;

(2) the commitment to promote the rehabilitation and readjustment to civilian life of those veterans who have suffered physical or economic loss because of their service to the Nation; and

(3) the commitment to care for needy veterans who cannot be completely rehabilitated.

There are those who say that the 4 cents of each Federal dollar expended to care for the disabled and needy war veterans and their dependents is too great a cost. The validity of such a position is not supported by the facts governing the contribution to the Nation's economy produced by the veteran population. In its analysis of the VA budget, that agency has stated that war veterans with their families constituted a total of 92.3 million, or 47 percent of the population as of June 30, 1967.

The same source has provided an analysis of the working veterans in the year 1965. In this analysis the statement is contained that "Nearly all war veterans (97 percent) and nonveterans (93 percent) 25–64 years old worked in 1965. The working war veterans had a median income of $7,000, 24 percent above the $5,600 median of working nonveterans." The acceptance of such an estimate indicates that the working war veteran is a responsible citizen, contributing his share of the cost of government in taxes, including those expended for the good of the less fortunate veteran through the programs conducted in the Veterans' Administration.

The war veteran population has increased greatly since the end of World War II. It is perhaps needless to say that such an increase has come through, or as a result of, the Korean conflict, and the Vietnam war effort. It is noteworthy that there has not been a relative increase in the cost of veterans affairs. This is important in view of the fact that the Nation has experienced a continuous expansion of its economic growth since the close of World War II; and in a period when the cost of government generally has had a comparable increase.

In its study of the "Price of the U.S. Government, 1948–67," the American Enterprise Institute discussed the growth of the major expansionary programs in the period 1948–67. Regarding the Veterans' Administration, the Institute had this comment:

"Reductions since 1948 in caseloads of benefits for World War I and World War II veterans had by 1967 been largely offset by benefit liberalizations, increased costs of medical care, and benefits provided for Korean war and later groups of veterans. Consequently, although expenditures of the Veterans' Administration declined from $6.5 billion in 1948 to $5.5 billion in 1965, they had by 1967 returned to a $6.4 billion level. However, when these expenditures are translated into per capita equivalents in 1965 consumer dollar values, as shown in the accompanying chart, a 48 percent reduction from 1948 to 1967 is indicated."

The American Legion is aware of the fact that the fiscal conditions which caused the Congress to approve House Joint Resolution 888 in 1967 have not abated. Notwithstanding that these conditions continue to exist, it should be remembered that the operations of the Veterans' Administration have been increased greatly due to the war effort in the Vietnam struggle.

The 1969 budget estimates reflect increasing attention to the needs of the new group of war veterans. More than 800,000 servicemen are currently being separated annually from military service. An expanded and intense effort is being made to see that each and every veteran is advised of the benefits which accrue to him as a result of his military service. This means an increase in the cost of administration of the various veterans' programs. In addition to the great increases in the cash and readjustment benefits, it is anticipated there will be an

expanded need for the services performed by the VA's Department of Medicine and Surgery.

In view of all of these factors, it is the hope and the request of the American Legion that the budget estimates of the Veterans' Administration will be treated by your committee on the basis that the needs are great; that interruption of any supply to the VA Department of Medicine and Surgery, whether on medical manpower or in maintenance of hospitals and hospital construction, in administrative forces to meet the demands on the claims for compensation or pension or rehabilitation services will not suffer and may be met promptly and efficiently.

Housing Appropriations

STATEMENT OF THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. Evins. The committee is in receipt of a statement from the National Association of Housing and Redevelopment Officials. We will insert this statement in the record.

(The statement follows:)

STATEMENT OF THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

There are great issues at stake in urban America in 1968. The National Association of Housing and Redevelopment Officials, representing the local officials who administer the Nation's low-income housing, urban renewal and housing code enforcement programs are conscious of a special responsibility, in this year, to speak forcefully and candidly about the Federal assistance which is needed to meet urban conditions. Our members represent 6,000 officials in some 2,500 localities.

The budget of the Department of Housing and Urban Development which is currently before the subcommittee ($2.8 million) already reflects reductions made by the administration, to meet the need for prudent economy in fiscal 1969. Water and sewer facilities and public facility loans are reduced substantially from 1968 levels; the first by $25 million and the second by $10 million. Five programs remain at the same fund level as in the current fiscal year: rehabilitation loans, housing for the elderly loans, public works planning advances, city planning fellowships, and moderate income housing (221–d–3, below market interest rate). In addition, the department is proposing to make additional economies by transferring a substantial amount of mortgage financing from Government to the private market; it is estimated that HUD budget outlays for certain FNMA special assistance programs will be reduced by some $669 million in each of the next 2 fiscal years, compared with 1968.

It is true that a number of programs of the Department of HUD will receive important increases in funding for fiscal 1969. This is a deliberate policy on the part of the administration to respond to critical urban needs—to give these needs a special priority for the ensuing fiscal year. NAHRO supports strongly this recognition of need and priority. In fact, it is well known that even the increases proposed are far below what is required to make a full impact on the need. To do any less than is proposed would, in our judgment, not be an adequate response to the need that is so clearly evident.

HOUSING FOR LOW- AND MODERATE-INCOME FAMILIES

A number of the important increases in the HUD budget for fiscal 1969 are related to an expanded program of low- and moderate-income housing, particularly public housing and rent supplements. A recent critical review of progress toward providing decent housing for low-income families describes past efforts in low-income housing as a national failure to keep faith with pledges for a decent home for every American family. The proposed appropriations in the 1969 HUD budget are a first step in a planned 10-year program to rescue this pledge. The public housing program will move to a production level of 85,000 for fiscal 1969; this is the highest rate of proposed production since World War II. The public housing program now has new flexibility to provide needed housing in a variety of ways, including the private leasing program for utilizing existing housing and the turnkey method of production. The program is now housing some of the most

deprived of the Nation's poor. It needs to be strengthened by realistic support of social housing management services and by an adequate program to modernize older housing developments, some almost 30 years old. The rent supplement program, authorized in 1965, is just beginning to show what can be done by utilizing the resources of private enterprise in the low-income housing area—it needs to be given the resources to move ahead. The 1969 proposed level of 72,000 units for rent supplements and the $65 million in contract authority has our firm support.

MODEL CITIES

One of the largest proposed increases for fiscal 1969 is in model cities—from $312 million to $1 billion. Since the designation of the first "model cities" in 1967, over 60 localities throughout the Nation are earnestly at work endeavoring to make a concerted, comprehensive attack on the worst of their substandard areas. The second round of model cities applicants are shortly to be selected. This effort needs to be encouraged and expanded. The encouragement provided by the start on model cities must not be allowed to decline; it must move ahead from planning to reality. Such a concerted effort has already been delayed too long.

URBAN RENEWAL

The 1969 budget proposes an increase in urban renewal funds, over the current level, of $500 million (to accommodate model cities activity) for a total of $1.25 billion. It also proposes a level of urban renewal funding for 1970 of $1.4 billion. Such funding does not nearly meet the backlog of need. By July 1, 1968, there will be a backlog of some $2 billion in eligible urban renewal applications which cannot be accommodated in the current authorization. The proposed authorization for fiscal 1969 accommodates only a part of it—$750 million in authorization to meet $2 billion in backlog demand. NAHRO recommends that the urban renewal authorization be increased by $1 billion for fiscal 1969 to enable localities to proceed with eligible urban renewal. This is still short of the demand; it is our hope that the new urban renewal process—the neighborhood development program currently pending before the Congress—will be adopted, and enable localities to operate on a shorter term basis in utilizing Federal assistance. But the momentum of interest and activity in urban renewal among local communities must not be allowed to stall.

There are some critics today who are inclined to make superficial judgments about what is happening in the urban renewal program—to use slogan references describing the program as "Negro removal" or oriented solely to assisting business. There are other well-motivated persons who see urban renewal as a one-purpose program—the purpose being to create sites for low- and moderate-income housing. Both of these observations are, in our judgment, shortsighted. We need both expanded programs for low- and moderate-income housing and an urban renewal program which is oriented to total community development—including methods to provide more housing sites.

NAHRO strongly supports the proposed Housing and Community Development Act of 1968 (S. 3029 and H.R. 15624) because it would provide—for the first time since the passage of the Housing Act of 1949—an opportunity to move forward with an expanded program of low- and moderate-income housing in concert with an expanded and more flexible urban renewal program. Neither housing programs or renewal can proceed independently with success; they complement each other. The urban renewal program must be concerned with development of the total community—its economic, physical and social health. It cannot permit the city to become a place of low-income or ghetto concentration—or a place where inhabitants cannot support the essential public services which they require. Urban renewal must utilize—with a new flexibility and as never before—the full powers to insure that low- and moderate-income housing can be part of a total, viable community setting.

SUPPORT FOR BASIC URBAN PROGRAMS

There are a number of programs in the 1969 HUD budget which represents essential counterparts to the success of housing, model cities and urban renewal programs. They are: the open space program; the concentrated code enforcement program (section 117); the neighborhood facilities program, the rehabilitation loan program (section 312); and demolition grants. Two of these programs are retained at the 1968 budget level—demolition grants and rehabilitation loans. The open space program and the neighborhood facilities program are increased by $10 million each for fiscal 1969 and the section 117 concentrated code enforcement program by $48 million; the latter funding is included in the total urban renewal

authorization. Although only authorized in 1965, the section 117 concentrated code enforcement program is anticipated to be utilized by 175 communities in fiscal 1969; it is rapidly becoming one of the most effective tools for improvement of declining neighborhoods.

In addition, there are a number of programs designed to take the first steps to control urban sprawl—urban planning grants and area-wide development grants; action in these areas is already past due. NAHRO supports these programs at the proposed 1969 budget levels.

RESEARCH, MANPOWER, AND TECHNICAL ASSISTANCE

The tasks involved in the renewing of urban centers and directing further urban growth is complex. It requires both knowledge and skill. Because of past lack of attention to needed urban research, there is a large catch-up required in knowledge about the causes and solutions to urban problems. For the first time in the history of urban programs, in fiscal 1968, a research authorization of any size—$10 million—was granted to the Department of HUD to undertake this needed research. This program is just beginning to get under way; it is in a critical stage of development. It is essential that research be kept moving at sufficient level; NAHRO recommends that the Congress approve the $20 million research request of the Department.

The skill to carry forward difficult urban programs requires a large commitment of manpower, training, and technical assistance. The 1969 budget requests of $7 million for community development training and $5 million for information and technical assistance are an important start toward such a commitment; NAHRO recommends that this need be recognized and funded.

HUD ADMINISTRATION-REGIONAL SERVICES

Another aspect of the skill required for urban programs is the staffing of the Department of HUD, and particularly, its Regional Offices. NAHRO recommends that the budget proposals for administration of HUD in 1969, be approved, particularly to permit the adequate manning of the Department at the regional level, which has been chronically understaffed.

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