

TO AMEND THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT
OF 1965 TO EXTEND THE AUTHORIZATIONS FOR TITLES I
THROUGH IV THROUGH FISCAL YEAR 1971

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HEARING

BEFORE THE

COMMITTEE ON PUBLIC WORKS
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

H.R. 15712

TO AMEND THE PUBLIC WORKS AND ECONOMIC DEVELOP-
MENT ACT OF 1965 TO EXTEND THE AUTHORIZATIONS FOR
TITLES I THROUGH IV THROUGH FISCAL YEAR 1971

FEBRUARY 10, 1970

Printed for the use of the Committee on Public Works



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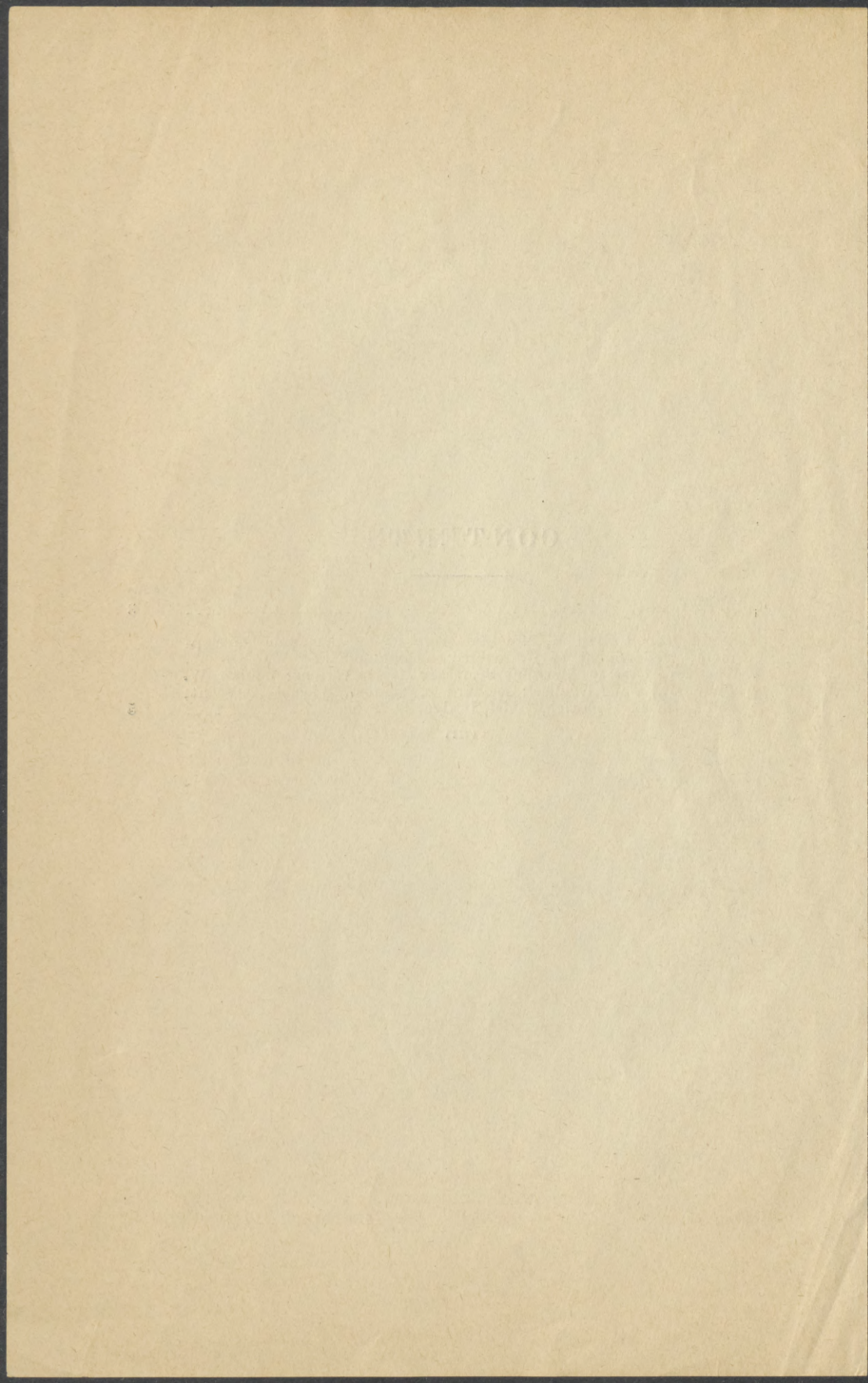
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TO AMEND THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 TO EXTEND THE AUTHORIZATIONS FOR TITLES I THROUGH IV THROUGH FISCAL YEAR 1971

TUESDAY, FEBRUARY 10, 1970

HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The committee met at 10:05 a.m., in room 2167, Rayburn Building, Hon. Frank M. Clark, presiding.

Mr. CLARK. The full committee of the House Public Works Committee will now come to order.

This morning we are holding public hearings on H.R. 15712 by the chairman of the committee, Mr. Fallon, for himself, joined by myself, Mr. Blatnik, Mr. Edmondson of Oklahoma, Mr. Harsha of Ohio, and Mr. Cleveland of New Hampshire.

The purpose of this bill is to amend the Public Works and Economic Development Act of 1965 to extend the authorizations of titles I through IV through fiscal year 1971. This bill simply provides for an extension of the present authorized amounts to those titles that expire this year in order to continue the authority in the next fiscal year.

As you know, an evaluation of the economic development programs is now underway by the Economic Development Administration and our Special Subcommittee on Economic Development Programs. As time permits, we expect to have complete and thorough hearings on the substantive proposed changes to the Economic Development Act with the benefit of the evaluations being conducted by the subcommittee and the proposals of the Administration as a result of their evaluations now underway.

At this time, we have an opening statement by the Honorable George H. Fallon, chairman of the Public Works Committee, on H.R. 15712.

The CHAIRMAN. Because of the limitations of time, we are holding hearings today on H.R. 15712 to amend the Public Works and Economic Development Act of 1965 to provide for the extension of authorizations of the expiring titles I through IV for an additional year.

The Public Works and Economic Development Act of 1965 is an outgrowth of prior Economic Development legislation such as the Public Works Acceleration Act and the Area Redevelopment Act. They were the forerunners in developing solutions to the unemployment and underemployment in the lesser developed areas of our Nation. I believe these programs can show many positive results in alleviating the problems of unemployment and underemployment in distressed areas. They can provide a new labor market for a deprived

area, eliminate or cut down basic unemployment, coordinate the training and educational programs needed for proper development, and can cut down on the outmigration into our overcrowded urban areas.

Since 1965 there has been a broadening of the authority of the title V regional commissions by amendments enacted in 1967 and again in 1969. Last year the technical assistance provisions were amended to permit demonstration projects and this year's authorization was increased by \$25 million for this title. The special impact criteria of the Economic Opportunity Act was added to title IV last year to further expand the designation of redevelopment areas. However, there has not been a thorough review and examination of this legislation since its enactment in 1965.

The time has come for a thorough reexamination and evaluation of the Economic Development programs. With this purpose in mind I directed our own Subcommittee on Economic Development programs to make an in-depth study and evaluation of the Economic Development programs. The findings of the subcommittee as well as the evaluations presently being made by the Economic Development Administration, when completed, should be of great assistance to the full committee in its deliberations on the proposed changes to this economic development legislation.

Mr. CLARK. Thank you, Mr. Chairman. I ask unanimous consent to place in the record at this point the bill H.R. 15712.

The CHAIRMAN. Hearing no objection, so ordered.

(Bill referred to follows:)

91ST CONGRESS
2D SESSION

H. R. 15712

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 5, 1970

MR. FALLON (for himself, Mr. BLATNIK, Mr. EDMONDSON, Mr. HARSHA, and Mr. CLEVELAND) introduced the following bill; which was referred to the Committee on Public Works

A BILL

To amend the Public Works and Economic Development Act of 1965 to extend the authorizations for titles I through IV through fiscal year 1971.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That (a) section 105 of the Public Works and Economic
4 Development Act of 1965 (42 U.S.C. 3135) is amended by
5 striking out "June 30, 1970" and inserting in lieu thereof
6 "June 30, 1971".

7 (b) Subsection (c) of section 201 of the Public Works
8 and Economic Development Act of 1965 (42 U.S.C. 3141)
9 is amended by striking out "June 30, 1970" and inserting
10 in lieu thereof "June 30, 1971".

I

1 (c) Section 302 of the Public Works and Economic De-
2 velopment Act of 1965 (42 U.S.C. 3152) is amended by
3 striking out "for the fiscal year ending June 30, 1970" and
4 inserting in lieu thereof "per fiscal year for the fiscal years
5 ending June 30, 1970, and June 30, 1971".

6 (d) Subsection (g) of section 403 of the Public Works
7 and Economic Development Act of 1965 (42 U.S.C. 3171)
8 is amended by striking out "June 30, 1970" and inserting
9 in lieu thereof "June 30, 1971".

Mr. CLARK. I now recognize the gentleman from New Hampshire, Mr. Cleveland.

Mr. CLEVELAND. Thank you, Mr. Chairman. I am happy to welcome Secretary Podesta to speak on H.R. 15712, of which I am a cosponsor. And with others I will be looking forward to his return later, at which time this committee should hear some interesting proposals resulting from EDA's own evaluation of its mission.

In anticipation of such proposals, I have just read, Mr. Secretary, your annual report for 1969. I was gratified to note that the subject of the very first article was to discuss the fact that rural disadvantage is closely related to the urban problems that plague the Nation. Many times I have discussed and urged this view during EDA hearings from as far back as 1965.

Your report points out that the economics of rural areas and large urban complexes are interdependent. You state:

This is clearly demonstrated by the mass migration of jobless rural Americans to major metropolitan areas in recent years. This movement has intensified the problems of urban poverty and contributed to social turmoil in the cities.

In hearing after hearing, I have suggested the same general idea. The economic decline of many rural areas and small cities has been accompanied by a piling up of people in urban areas where they create a whole new set of problems, and ones that have not been easy to solve. I have related how those with "get up and go" do "get up and go," and primarily because of the absence of jobs with some promise of a future in the rural areas. Many people are thus drawn to the higher paying jobs in the metropolitan areas. Their migration not only adds to the problems of the metropolitan areas, but also contributes to the downward, never-ending spiral of rural decline.

The pileup of people in urban areas threatens to destroy the quality of American life. It was gratifying to hear President Nixon express this thought in his state of the Union message when he declared the need to develop a new national growth policy—and a balanced one.

The words he used are worth quoting here:

At the same time, we will carry our concern with the quality of life in America to the farm as well as the suburb, to the village as well as to the city. What rural America needs most is a new kind of assistance. It needs to be dealt with, not as a separate nation, but as part of an overall growth policy for America. We must create a new rural environment which will not only stem the migration to urban centers but reverse it. If we seize our growth as a challenge, we can make the 1970's an historic period when by conscious choice we transformed our land into what we want it to become.

I believe your report echoes that concern and that the Economic Development Administration will be a useful tool in implementing a long-needed national policy that, at long last, has found such eloquent and thoughtful support.

Mr. CLARK. Thank you, Mr. Cleveland.

We are very happy to have with us today Assistant Secretary Robert Podesta. You may proceed.

**STATEMENT OF HON. ROBERT A. PODESTA, ASSISTANT SECRETARY
FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE,
ACCOMPANIED BY THOMAS M. THAWLEY, DEPUTY ASSISTANT
SECRETARY FOR OPERATIONS; WILLIAM W. BLUNT, JR., CHIEF
COUNSEL; RICHARD L. SINNOTT, SPECIAL ASSISTANT; AND
LORIN L. GOODRICH, CHIEF, BUDGET DIVISION**

Mr. PODESTA. Thank you, Mr. Chairman. I have with me some of my associates. On my left is Thomas Thawley. I think it is the first time he has met this committee. He is the new Deputy Assistant Secretary for Operations, which means that if anything goes wrong, I can blame it on Tom Thawley. He comes from Houston to Pittsburgh to Washington. I am glad he is here.

On my right is our chief counsel, William W. Blunt, Jr., and Mr. Richard Sinnott, special assistant; and Mr. Lorin L. Goodrich of the Budget Division who keeps track of the numbers.

Mr. Chairman and members of the committee, I want to thank you for the opportunity to again appear before you to discuss further extensions of authorizations to the Public Works and Economic Development Act of 1965, as amended.

As I have indicated to you in previous statements before this committee, the programs authorized by the act and administered by the Economic Development Administration offer tremendous potential for dealing with many of this Nation's most pressing and immediate economic and related social problems. At this juncture, I am convinced that EDA is realizing this potential.

Our public works and development facilities program is providing the basic facilities for meaningful long-term economic development. Since EDA was brought into existence on September 1, 1965, a total of 1,669 public works projects have been approved as of January 5, 1970. Construction has been completed on 654 of these projects. Currently, there are 499 such projects under construction while 516 projects are in preconstruction stage. These statistics are most significant as showing the scope of potential commercial and industrial development in heretofore relatively underdeveloped areas in which EDA is playing a critical role. These public works projects also have a significant short-term impact on the income level of workers involved

in the construction of such projects. For example, during the month of December 1969 more than 14,000 construction workers received some or all of their pay from direct employment on EDA projects under construction.

The EDA business development loan and guarantee program is enlisting the resources and support of the private sector by stimulating the industrial, commercial, and financial community to locate investments in disadvantaged areas. New permanent employment and higher levels of personal income have resulted directly from this imaginative effort in Federal-private sector cooperation. Through January 5, 1970, the EDA Office of Business Development had approved 237 loans for a total obligation of \$198,481,000 since our act was passed in August 1965. Also, during the same period EDA guaranteed working capital loans made by private lending institutions totaling \$23,900,000. We estimate that EDA's business loan activity in fiscal year 1969 alone may provide more than 9,800 full-time jobs. We have reason to believe that we are doing even better in the first half of fiscal year 1970.

EDA's planning, technical assistance, and research authority is providing a flexible tool to supplement private and public initiative with expert assistance on a local, area, and district level for the purpose of achieving lasting economic improvement. Here again, we have evidence of the necessity and utility of Federal-private sector cooperation. Through January 5, 1970, EDA had approved an aggregate of 864 technical assistance projects at a total cost of \$43,911,000.

I stated before you last spring that if a 1-year extension of titles I and V of the act were authorized, the Department of Commerce and EDA would come back to the committee with some definite plans as to certain basic changes and additions in the economic development programs under the act.

As you know, Public Law 91-123 passed on November 25, 1969, extended the appropriations authorizations for titles I and III of the Public Works and Economic Development Act through June 30, 1970, and the title V appropriations authorizations through June 30, 1971. In addition, that law made various substantive amendments to titles I, III, and V so as to allow EDA and the title V regional commissions greater authority and flexibility.

While these amendments to the act were much needed, we believe that further amendments are necessary, as well as extensions of appropriations authorizations, to make the EDA economic development program more effective. During the past 10 months, the Commerce Department and EDA have been evaluating and studying EDA's role, activities, and authority. We have been preparing specific legislative proposals and recommendations for submission to this committee during this session of Congress.

We expect to submit our proposals and hope that you will give us the opportunity to discuss them some time next month.

In the meantime, we understand that a bill has been introduced, H.R. 15712, to extend the appropriations authorizations for titles I, II, III, and IV of the Public Works and Economic Development Act through June 30, 1971. We favor the 1-year extension of these provisions of the act at this time, but we are most anxious to gain your consideration of our recommendations later in the year.

Mr. CLARK. Thank you very much, Mr. Secretary. How are you progressing in your evaluations?

Mr. PODESTA. Well, our evaluation is taking the form of in-house studies. As you know, the subcommittee, Mr. Lorenz and Mr. Yates, have been all over our agency. I was glad to get a letter from Congressman Edmondson thanking us for our cooperation. We have opened the records to them in every place that they have asked us to. In the meantime we have had an ongoing evaluation program underway.

That time schedule has been collapsed very greatly. It is the kind of thing that we were sort of getting underway so we could keep doing it. But we have been requested to accelerate that, and some time around June or July we will have some very definitive answers to some very definite questions of the kinds that are asked by members of the committee and also by the administration as to just what we are doing, how is it working? That evaluation will be completed some time in the middle of the year.

I think that the one your subcommittee staff members are conducting will be finished much before that. That is my impression.

Mr. CLARK. Thank you.

Mr. Kee.

Mr. KEE. Thank you, Mr. Chairman.

Mr. Secretary, I think you have made a very excellent statement here. I fully agree with everything you have said. I want to congratulate you for an outstanding job. Thank you.

Mr. PODESTA. Thank you, Mr. Kee.

Mr. CLARK. Mr. Cleveland.

Mr. CLEVELAND. Mr. Secretary, I wonder if you could tell the committee what preparations you are making toward implementing the recently authorized special impact areas?

Mr. PODESTA. Well, the language of the new special impact amendment is such that it requires us to make some kind of ground rules in order to respond to it. The simple fact is that we cannot do much about it this year. I am talking about fiscal 1970 anyway because our urban funds are committed and allocated, so that we have gone at it in the way that we will not have to patch up later on.

We have before us four or five, at least, different theories of how we should address ourselves to this problem.

One is, it would be, frankly, the language that had been suggested many times before, the language of what we call in-house the Farbstein language, we might choose that one.

We have a task force working on, if we choose the census poverty tracts for example, as a place to start, what that would do, how many areas are there, having in mind always the restrictions of our dollars. It is getting top attention. We are certain that in fiscal 1971 we are going to have to spend money in special impact areas and we better know what they are.

Mr. CLEVELAND. In that connection, I wonder if you would like to comment on the EDA role in the urban areas before the special impact area legislation was passed and include the type of projects, estimates of expenditures in urban areas?

Mr. PODESTA. Well, let me say just briefly, when I first came into this agency, somebody made a statement that said EDA wants part of the action in the city. I asked our staff: do we? The answer was that EDA felt they had a role, or could play a role in the cities if the

Congress and administration decided we should go there. I am sure the committee is very familiar with the basic argument about rural versus urban areas, but nevertheless we have done work in the urban areas.

For example, there are, I think, nine large urban areas that qualify for EDA assistance. Those areas are all in parts of Cleveland, Washington, Newark, Brooklyn, Oakland, East St. Louis, Chicago, Los Angeles, and Omaha.

We have spent \$86.3 million for all types of assistance. For instance, in Cleveland, \$2,900,000; Washington, \$2,700,000; Newark, \$13,500,000; Brooklyn, \$14 million; Oakland, \$32 million; East St. Louis, \$2,200,000; Chicago, \$15,400,000; Los Angeles, \$3,400,000; Omaha, \$100,000. I should correct what I said. We have not spent, we have obligated funds in those dimensions in these areas as of June 30, 1969.

Mr. CLEVELAND. In your statement you itemize 1,600 for 1969, EDA public works projects approved as of January 5, 1970. Can you state an approximate dollar amount that that represents?

Mr. PODESTA. That represents between \$800 and \$900 million of Federal money. There is a larger amount of money involved in the projects because of the other funds that go into them.

Mr. CLEVELAND. Now, aside from the temporary construction jobs created during construction of those public works projects, do you have any estimate of the direct or indirect jobs created by the 654 completed projects?

Mr. PODESTA. Well, Congressman Cleveland, you know this argument about jobs created, and I have got an estimate, but I want to say before I start that a public works project which creates facilities in an area does not necessarily produce immediate direct jobs. The number of jobs that it does produce is very likely to either be overstated, or understated. It is understated, because if it works, if the whole theory works, somebody opens a barber shop and something else, and the induced jobs are great. But our guess is that those jobs created by the 654 projects are 80,000, in that area.

Now, we have actually made a head count as I told the committee last year. On certain projects we have gone out and gotten a head count, because people want this answer, but I always want to throw in the caveat that it is not really an exact answer. It does not tell the whole story.

Mr. CLEVELAND. Mr. Secretary, I think you have heard me comment before on the fact that I am not sure that the criteria that you have established for designating disadvantaged areas are fully effective or really reflective of the actual situation in an area. I would like to ask you: are you satisfied with the criteria that you are using to designate these areas of disadvantage in which the EDA can operate?

Mr. PODESTA. Mr. Cleveland, you have asked me that question. I have always given you the same answer, that what we operate under is statutory. Those are your criteria. The answer is that I am not satisfied with it.

Mr. CLEVELAND. Are you going to be in a position one of these days to give us the benefit of your dissatisfaction with the criteria and make some recommendations?

Mr. PODESTA. We are going to make some recommendations. We have got a designation criteria committee, which Mr. Blunt heads,

and I must say that whatever we end up with, people are not going to be satisfied, because there just is no right way to do it—no one right way to do it. There is language in the act at one place that says, “any place the Secretary determines.”

Now, if you ever got that kind of language, then we would really have some problems. But we will address ourselves to it specifically, and have some new suggestions.

Mr. CLEVELAND. There are ways to measure disadvantage, however, other than just simply a body count of the unemployed or income statistics?

Mr. PODESTA. Indeed there are.

Mr. CLEVELAND. Have your evaluations and studies of EDA's role and its activities and authority progressed to a point to where you can comment on a particular strength or weakness that you would like to share with us now before you come back at a later date?

Mr. PODESTA. I suppose I could last all day talking about that general area, but I do not think I have any new brilliant ideas on that today, Mr. Congressman.

Mr. CLEVELAND. Thank you, Mr. Chairman.

Mr. CLARK. Mr. Blatnik.

Mr. BLATNIK. I welcome you, Mr. secretary, to the hearing. We understand we are not to get into any discussion on programs or recommendations you are working on now. The gentleman from New Hampshire raised a very good point. We would be very interested in knowing after an evaluation of the performance of the program in the past several years, what areas are strong, and ought to be further continued, the efforts continued, and what areas have not quite worked as well as they ought to, so how can we readjust or realine them to give them a further push in new directions so they do work better?

Perhaps other areas better be trimmed off, the rough spots and soft spots ought to be gouged out and reshaped. I am sure we have a very, very meaningful report from the Secretary and his competent staff.

Mr. Secretary, I will not go into any detail at this point, but we are beginning to come into an area that I think EDA will find itself playing a more significant role than just that of helping distressed areas or areas that have been bypassed by the general advance of the economic growth of our society.

What I am trying to get at is, that we are trying to encourage population to remain in favorable areas where economic opportunities can be enhanced and benefitted by EDA programs, both by loans to the private sector and by grants to the public works sector.

In another committee of Congress we have reported out upon the President's request, a Commission to study the population growth and its distribution and its impact, not only on our resources of the Nation, but also on the public resources, public facilities.

With that in mind, last January, a year ago, quite a few members of this committee, headed by Mr. Don Clausen and myself, and a number of Congressmen mostly from this committee provided a bill to study the need for increased expenditures for public works in smaller urban areas as a means of reversing the migratory trends toward large metropolitan areas.

I am very interested in understanding better two aspects of this problem, Mr. Secretary. We will put this down in writing to make it more precise, as precise as we can at this stage. We do not fully understand it, but there is something there that attracts our attention, and I would recommend your attention to population movements in this area.

No. 1, continued massive expenditures on these enormous metropolitan sprawls. I think in some areas it is definitely already now measurable in the sense that it has already passed the point of diminishing returns. I am just beginning to realize that in some areas like mass transit, parking spaces, subways, traffic congestion, water pollution, air pollution, garbage removal, solid waste disposal, urban renewal. Too many people are compressed and squeezed into too small a space, and that trend is always a little ahead of our attempts to keep up with providing the facilities for these people.

I do not think we are going to keep up. I think some of that money can be better spent to encourage people to remain where they are. For example, in New Hampshire, which I am sure is one of the loveliest States in the Union—off the record.

(Discussion off the record.)

Mr. BLATNIK. Back on the record.

Getting back to the emphasis on the quality of life, which will become more and more dominant in the last 30 years of this century, you will find that you do have in the smaller cities that are within short range, short reach of larger metropolitan areas, you have the Interstate Highway System pretty well completed, access into metropolitan areas will be pretty well greatly improved, and relatively inexpensive short-range air transport. We can fly 300 or 400 miles in 1 hour.

We should be in a position to encourage these people to stay in these places where their resources are near the fresh rivers, forests, fields, and open spaces. I have seen this happen over and over again, and have seen the results in raising children in that kind of atmosphere, in a metropolitan sprawl, including, as an example, our so-called upper middle income suburban areas, which are supposed to be pleasant and attractive. In another sense they are pretty monotonous.

I have lived there—I think the gentleman knows what I am talking about, knowing the wilderness area and open area of the Midwest. But, Mr. Secretary, I did not mean to make this long speech.

Do I have a point? Is there something here? Do you think there is something here that should command the attention of EDA, as being more than just the release for economic upgrading here?

Mr. PODESTA. Congressman Blatnik, I could start by saying you are playing my song, or our song. We have insisted in papers that have been submitted over the years that there really cannot be just a rural policy or urban policy. There has to be sort of a national policy that involves both of them. Because you push a button here and it comes out over there [indicating].

We are sort of in the position, I think, as an agency, of not really insisting on anything. I have the impression, and I am really talking about people—I am proud of the people that I brought onboard. but I am also proud of the whole agency. I think we have a capability of addressing ourselves in EDA to these problems, and if we reach out and try to get the action in any one of them with the rather limited resources that we have, I think we are going to make a mistake.

We stand ready to address ourselves to those problems. I could not agree with you more on the migration thing. I suspect that they cause problems, and we as a Federal Government, or as a nation, address large sums of money to solve the problems which tend to compound the problem, rather than solving it.

Mr. BLATNIK. We will put this in writing, and see if part of this study which we have in H.R. 3853, jointly sponsored, as I mentioned, by several of our colleagues, both on the committee and off the committee, in which Congress recognizes that the increasing growth of large metropolitan areas creates serious economic and social problems, and this costs us, of course, a lot of money.

It is declared to be the purpose and intent of the Congress to determine whether or not a program on public works within smaller urban places may help to solve the economic and social problems of the Nation—or reducing, reversing the trend toward migration in large metropolitan areas. We do not state here that we also mean to take advantage of the quality of life that is already there.

It seems people just congregate and crowd in these enormous congested metropolitan sprawls, and in high-rise developments. Every time they have a vacation, there is a mad rush, like trying to clear out a public hall when the alarm rings for a fire. I understand there is an Executive order going to be given out concerning public places that the janitor shall not mop floors on 5 o'clock on Friday afternoon, because there is such an immediate exit to get out and tramp over each other. There is such a rush to get out of these metropolitan areas and get in open places.

I notice you have in your very well done annual report for fiscal 1969, you have at least a beginning page that says, "Rural development: one answer to urban decay."

Mr. Secretary, we will write this in good form, in as precise language as is known to us now on this problem, and see what areas perhaps EDA can get into and really make a very important and significant contribution to this problem. This, without question, is going to be plaguing us from now on out, and I am encouraged that EDA is already looking into this area.

I did not mean to make a speech. But I do not have any questions. I do hope we will not have any difficulty in extending the EDA program for another year. It is doing badly needed work in many areas, and in areas where it is not, we will have good reason why it isn't. We will see what further legislation may be required to further upgrade the program, or streamline it, or give it new direction.

Mr. PODESTA. Thank you, Mr. Congressman.

Mr. BLATNIK. Thank you, Mr. Chairman.

Mr. CLARK. Mr. Schadeberg.

Mr. SCHADEBERG. I certainly am in favor of this program.

Mr. Secretary, do you have any working relationship with the Rural Affairs Council? Are they involved in this in any way?

Mr. PODESTA. They certainly are. As you know, our Secretary is a member of the Rural Affairs Council, and the Rural Affairs Council Subcommittee has been in. We have met with them. They are very much aware. We have sort of briefed the staff of the Rural Affairs Council on EDA, and I think we have a rather close relationship with them.

Mr. SCHADEBERG. Thank you.

Mr. CLARK. Mr. Anderson.

Mr. ANDERSON. No questions.

Mr. CLARK. Mr. Clausen.

Mr. CLAUSEN. I have no questions. It is my understanding that the committee's general approach to this is to simply extend the act for the year, and that then you will be presenting to the committee a more comprehensive proposal for future consideration.

Mr. PODESTA. That is right.

Mr. CLAUSEN. I will be looking forward to working very closely with you on this. Mr. Blatnik made reference to our so-called reverse migration, which has great and expanding support.

Thank you.

Mr. CLARK. Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Mr. Chairman, I just want to say it is always a pleasure to have Secretary Podesta before this committee. He heads up one of the most important programs and agencies. As the chairman a moment ago said, it is going to have a very important role in furthering a national policy that speaks to reverse migration and quality of our environment and all those things that deal with national growth policy.

Mr. Cleveland asked were there any weaknesses in the program, and I would just like to reiterate things that he mentioned. The weaknesses I see are statutory, really. I think we will find that we have economic development districts and counties being phased out of the program because of the criteria we are now using, even though they still may be 32 percent below the national average per capita income.

We must develop some better criteria.

I think another weakness is in counties themselves, that are not designated counties, where we may have a growth center. Half that county may come in for extra help from EDA because it is a growth center redevelopment area. Yet the other half of the county, usually a poverty stricken half, with the most need, we cannot reach under the law.

I think that is another statutory weakness. I want to get it in the record that I am looking forward to developing better tools to work with this.

Thank you.

Mr. CLARK. Mr. Miller.

Mr. MILLER. Mr. Chairman, I also wish to thank the Secretary for being here and presenting his remarks. I do notice in your remarks, Mr. Secretary, that since the act was passed in August 1965, there have been 237 loans for \$198 million. Could we have a breakdown of what total has been spent—not only loans, but grant money. How much is grant, and how much is loan?

Mr. PODESTA. Since the passage of the act?

Mr. MILLER. Do you have that information?

Mr. PODESTA. I do not have it in my head at the moment. We will have to supply it for the record.

(The following was received:)

Funds obligated from the beginning of EDA through January 31, 1970, are as follows:

Public works grants and loans	\$839, 023, 000
Business loans and guarantees	212, 687, 000
Planning and technical assistance and research	91, 927, 000
Total	1, 143, 637, 000

Mr. MILLER. I see. The payback on the loans, you have what rate of interest today that you are charging?

Mr. PODESTA. We charge $6\frac{1}{4}$ percent on business loans and $5\frac{3}{4}$ percent on loans to municipalities, for the public works part of the program.

Mr. MILLER. That is up from how much in 1965?

Mr. PODESTA. I think it is up a full percentage point. It was $4\frac{3}{4}$, and then $5\frac{1}{4}$ —it is up much more than that since 1965. A year ago it was $4\frac{3}{4}$ to $5\frac{1}{4}$. It was much below that in 1965. I do not know what it was. (The following was received:)

Interest rates for EDA loans in fiscal year 1966 were as follows:

	(In percent)
Public works loans.....	$3\frac{3}{4}$
Business loans.....	$4\frac{1}{4}$

Mr. MILLER. I see. So far as the amount of money that you extend in asking for authorization now, does the interest rate become involved, and is it a great factor?

Mr. PODESTA. Not particularly. Congressman Miller, I come from the investment business, and this interest rate is the biggest thing we have got going for us at the moment. But, of course, markets, being what they are, can change. The Treasury makes a judgment every year, and tells us about what money is costing them. We fix that. That is fixed for a year. I can see a period of time when this might hurt us. At this specific time it has nothing to do with authorization. It does have something to do with people wanting our money. These are very attractive rates.

Mr. MILLER. My question really was: If the interest rate is higher and you would have an appropriation of the same amount of money for 1 year, you would be able to do less with that total budget; is that correct?

Mr. PODESTA. Well, it depends on how much higher. I think that the answer to your question is yes, broadly speaking. But it is not a great big factor at the moment. It does open people's eyes that we have $6\frac{1}{4}$ percent.

I hope I have answered your question. My answer is: if the interest rate was higher, we would have fewer loans, just as it is the ordinary marketplace. Even if it were a prime rate at the moment, people would be wanting this money because everybody does not get the prime rate, which is $8\frac{1}{2}$ percent at the moment. But it does not involve the total amount of money we put out. The interest rate is not a factor. If we have got roughly a \$50 million appropriation for business development loans, we keep \$45 million of it to make such loans, and we keep \$5 million in reserve for what we call collateral protection, if something happens in the middle of the year.

Mr. MILLER. Thank you.

Mr. CLARK. Are there any other questions to my right or left?

If not, we adjourn until the call of the Chair.

Thank you very much for coming.

(Whereupon, at 10:42 a.m., the committee was recessed, to reconvene at the call of the Chair.)

