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# EXTENSION OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

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## HEARINGS

BEFORE THE

COMMITTEE ON ECONOMIC DEVELOPMENT

OF THE

COMMITTEE ON PUBLIC WORKS

UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

S. 3041

A BILL TO AMEND THE PUBLIC WORKS AND ECONOMIC  
DEVELOPMENT ACT OF 1965, AS AMENDED, TO EXTEND  
THE AUTHORIZATIONS FOR A 1-YEAR PERIOD, TO  
ESTABLISH AN ECONOMIC ADJUSTMENT ASSISTANCE  
PROGRAM, AND FOR OTHER PURPOSES;

TO REVIEW THE REPORT TO CONGRESS OF FEBRUARY 1,  
1974, BY THE DEPARTMENT OF COMMERCE AND THE  
OFFICE OF MANAGEMENT AND BUDGET;

AND

S. 3641

A BILL TO AMEND THE PUBLIC WORKS AND ECONOMIC  
DEVELOPMENT ACT OF 1965 TO EXTEND THE AUTHORI-  
ZATIONS FOR A THREE-YEAR PERIOD, AND FOR OTHER  
PURPOSES

APRIL 3 AND JUNE 26, 1974

SERIAL NO. 93-H38

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# EXTENSION OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

WEDNESDAY, APRIL 3, 1974

U.S. SENATE,  
COMMITTEE ON PUBLIC WORKS,  
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,  
*Washington, D.C.*

The subcommittee met at 10 a.m., pursuant to call, in room 4200, Dirksen Senate Office Building, Hon. Joseph M. Montoya (chairman of the subcommittee) presiding.

Present: Senators Randolph (chairman of the full committee), Montoya, Stafford, McClure, and Domenici.

## OPENING STATEMENT OF HON. JOSEPH M. MONTOYA, U.S. SENATOR FROM THE STATE OF NEW MEXICO

Senator MONTOYA. The committee will be in order.

We are meeting today to consider S. 3041, a bill that would extend for 1 year the Public Works and Economic Development Act of 1965, and that would establish a new economic adjustment assistance program.

[The bill, S. 3041, follows:]

(1)



IN THE SENATE OF THE UNITED STATES

Mr. McCURE (for himself, Mr. BAKER, Mr. RANDOLPH, Mr. MONTOYA, Mr. BENTSEN, Mr. DOMENICI, Mr. GRAVEL, and Mr. STAFFORD) introduced the following bill; which was read twice and referred to the Committee on Public Works

To amend the Public Works and Economic Development Act of 1965, as amended, to extend the authorizations for a one-year period, to establish an economic adjustment assistance program, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Economic Adjustment  
4       Act of 1974".

## STATEMENT OF PURPOSE

6 SEC. 2. It is the purpose of this Act to extend the Public  
7 Works and Economic Development Act of 1965, as



1 amended, for one year in order to provide an orderly transi-  
2 tion to an economic adjustment assistance program, and to  
3 establish an economic adjustment assistance program to help  
4 States and local governments to deal more effectively with  
5 problems resulting from changes in economic conditions.  
6 Some of the problems that must be surmounted are unem-  
7 ployment and underemployment, ineffective use of capital  
8 and natural resources, and deterioration in the quality of life  
9 within communities. The administrative structure provided  
10 in this Act, in which Federal, State, and local governments  
11 will function as partners, is intended to place the initiative at  
12 the State and local levels, and permit States and local gov-  
13 ernments to make more effective use of Federal, State, local,  
14 and private resources to adjust to economic changes. The Act  
15 is to encourage cooperative intergovernmental action to  
16 solve problems as they occur, to return resources to produc-  
17 tive use as soon as possible, avoid or reduce unnecessary  
18 hardship for the American people, and prevent the creation  
19 of new economically distressed areas.

#### 20 DEFINITIONS

21 SEC. 3. For the purposes of this Act:

22 (a) "Federal region" means an economic adjustment  
23 assistance region created by section 303.

24 (b) "Federal regional administrator" means a regional



1 economic adjustment administrator appointed pursuant to  
2 section 302.

3 (c) "Fiscal year" means the fiscal year of the Govern-  
4 ment of the United States.

5 (d) "Multijurisdictional entity" means any consortium  
6 of general purpose political subdivisions in a State.

7 (e) "Multistate organizations" means a multistate  
8 organization authorized pursuant to section 209.

9 (f) "State" or "States" means the several States, the  
10 District of Columbia, the Commonwealth of Puerto Rico, the  
11 Virgin Islands, Guam, and American Samoa.

12 (g) "State plan" means an economic adjustment assist-  
13 ance plan formulated pursuant to section 205.

#### 14 TITLE I—TRANSITION

##### 15 AUTHORIZATION OF TRANSITIONAL APPROPRIATION

16 SEC. 101. The following transitional appropriations are  
17 authorized by amendment to the Public Works and Eco-  
18 nomic Development Act of 1965, as amended:

19 (1) The first sentence of section 105 is amended  
20 by striking out the word "and" after the words "June  
21 30, 1973," and by striking out the period at the end  
22 thereof and inserting in lieu thereof a comma and the  
23 following: "and such sums as may be necessary for the  
24 fiscal year ending June 30, 1975."

25 (2) Subsection (c) of section 201 is amended by



1 striking out the period at the end thereof and inserting  
2 in lieu thereof a comma and the following: "and such  
3 sums as may be necessary for the fiscal year ending  
4 June 30, 1975."

5 (3) Section 302 is amended by striking out the  
6 word "and" after the words "June 30, 1973," and by  
7 striking out the period at the end thereof and inserting  
8 in lieu thereof a comma and the following: "and such  
9 sums as may be necessary for the fiscal year ending  
10 June 30, 1975."

11 (4) Subsection (g) of section 403 is amended by  
12 inserting after "1974", the following: "and such sums  
13 as may be necessary for the fiscal year ending June 30,  
14 1975,".

15 (5) The first sentence of subsection (d) of section  
16 509 is amended by striking out the word "and" after  
17 the words "not to exceed \$305,000,000" and by strik-  
18 ing out the period at the end thereof and inserting in  
19 lieu thereof a comma and the following: "and for the  
20 fiscal year ending June 30, 1975, to be available until  
21 expended, such sums as may be necessary."

22 CONTINUATION OF REDEVELOPMENT AREAS

23 SEC. 102. (a) Section 2 of the Act of July 6, 1970,  
24 as amended (Public Law 91-304), is amended by strik-  
25 ing out "1974" and inserting in lieu thereof "1975".



1 (b) The amendment made by subsection (a) of this  
2 section shall take effect June 30, 1974, and any area  
3 designated as a redevelopment area for the purposes of  
4 the Public Works and Economic Development Act of 1965,  
5 as amended, on or before that date and which has had  
6 such designation terminated or modified in accordance with  
7 section 402 of such Act of 1965 on or before the date of  
8 enactment of this title shall, for the purposes of such Act of  
9 1965, be held and considered as a designated redevelop-  
10 ment area during such period and shall continue to be  
11 designated as a redevelopment area until otherwise termi-  
12 nated or modified in accordance with the provisions of sec-  
13 tion 402 of such Act of 1965 and section 2 of the Act of  
14 July 6, 1970 (Public Law 91-304), as amended by this  
15 title.

16 TITLE II—ECONOMIC ADJUSTMENT ASSISTANCE  
17 PROGRAM

18 OBJECTIVES OF PROGRAM

19 SEC. 201. The Federal financial assistance authorized by  
20 this title is to be used by States to pursue the following  
21 objectives:

- 22 (1) Provide smooth and orderly adjustment to  
23 changes in regional, State, or local economic conditions,  
24 through stimulation of alternative economic activities  
25 or other actions which will minimize persistent unem-



1       employment, ineffective use of resources, and other eco-  
2       nomic hardships;

3           (2) Reduce unemployment and economic distress  
4       in areas suffering from persistent and substantial unem-  
5       ployment, through stimulation of economic activities or  
6       other adjustment actions; and

7           (3) Increase personal income levels in areas with  
8       low average income, through stimulation of more pro-  
9       ductive employment opportunities for the underem-  
10      ployed, and other adjustment actions.

11           ACTIVITIES ELIGIBLE FOR ASSISTANCE

12       SEC. 202. Funds provided to States pursuant to this  
13      title to achieve the objectives of section 201 may be used—

14           (1) for assistance for public facilities, public serv-  
15      ices, business development, planning, research, technical  
16      assistance, and such other economic adjustment pur-  
17      poses as the States may deem appropriate;

18           (2) through grants, loans, subsidies, loan guaran-  
19      tees, tax rebates, salaries and wages, or such other form  
20      of assistance as the States may deem appropriate;

21           (3) by public entities, private profitmaking and  
22      nonprofit enterprises, organizations, and individuals; and

23           (4) for administrative costs of State, local, multi-  
24      state or other multijurisdictional or single governmental  
25      organizations resulting from responsibilities for plan-



1       ning, coordinating, or implementing economic adjust-  
2       ment activities pursuant to this title.

3               AUTHORIZATION OF APPROPRIATIONS

4       SEC. 203. (a) There are hereby authorized to be appro-  
5       priated \$100,000,000 for fiscal year 1975 and such sums as  
6       may be necessary for the four succeeding fiscal years. Such  
7       sums shall remain available until expended.

8       (b) (1) For the purpose of affording adequate notice  
9       to the States of funding available under this title, appropria-  
10      tions under this title are authorized to be included in an  
11      appropriation Act for the fiscal year preceding the fiscal year  
12      for which they are to be allocated for obligation.

13      (2) The authorization of this subsection (b) (1) may be  
14      exercised notwithstanding that its initial application may  
15      result in the enactment in the same year of two separate  
16      appropriations, one for the then current fiscal year and one  
17      for the succeeding fiscal year.

18              ALLOCATION OF FUNDS AMONG STATES

19      SEC. 204. (a) The funds provided from appropriations  
20      pursuant to the authorization of section 203 shall be allocated  
21      for the States, as follows:

22      (1) A minimum of 80 per centum shall be allo-  
23      cated for the States by the President in a manner to be  
24      established by regulations of the President, and in  
25      accordance with the following formula:



1           (A) 15 per centum of the amount allocated  
2           under this paragraph shall be allocated on the basis  
3           of the relative number of persons residing in the  
4           State as compared to the population of all States;

5           (B) 25 per centum of the amount allocated  
6           under this paragraph shall be allocated on the basis  
7           of relative number of persons residing outside metro-  
8           politan areas of one million or more population in  
9           the State as compared to such population in all  
10          States;

11          (C) 10 per centum of the amount allocated  
12          under this paragraph shall be allocated on the basis  
13          of the geographic size of the State as compared to  
14          the geographic size of all States;

15          (D) 30 per centum of the amount allocated  
16          under this paragraph shall be allocated on the basis  
17          of the relative number of unemployed persons resid-  
18          ing in areas of persistent and substantial unemploy-  
19          ment within the State as compared to such numbers  
20          in all States; and

21          (E) 20 per centum of the amount allocated  
22          under this paragraph shall be allocated on the basis  
23          of the relative number of persons in families with  
24          an annual income below the poverty level residing  
25          in areas with a median family income of 50 per



1           centum or less of the national median within the  
2           State as compared to such numbers in all States.

3           (2) Amounts not allocated for States pursuant to  
4           paragraph (1) may be allocated by the President based  
5           upon special needs for the funds arising from regional,  
6           State, or local problems or from motions of the Federal  
7           Government. Such funds may be allocated by the Presi-  
8           dent for specific States, or allocated to Federal regional  
9           administrators for allocation by the Federal regional  
10          administrators to one or more States within their regions.

11          (b) The amounts allocated for States pursuant to sub-  
12         section (a) will be apportioned by the President to the  
13         appropriate Federal regional administrators for obligation to  
14         the States in accordance with sections 205 and 206.

15          (c) Any funds allocated for a State pursuant to sub-  
16         section (a) will remain available for that State until ex-  
17         pended, except as follows:

18                 (1) Funds allocated for a State may be re-  
19                 allocated among States of a multistate organization  
20                 in accordance with section 209 (e).

21                 (2) Funds allocated for a State may be re-  
22                 allocated among States of a multistate organization  
23                 allocation has been terminated, reduced, or limited pur-  
24                 suant to section 207.

25                 (3) Funds allocated for a State may be re-



1 allocated to other States by the President if funds allo-  
 2 cated to a State have not been obligated to that State  
 3 within two years of the date of the allocation, for  
 4 whatever reason: *Provided*, That the State shall be  
 5 notified of the proposed reallocation at least ninety  
 6 days prior to reallocation and may take action to  
 7 obtain obligation of the funds during that period.

8 (4) Any funds reallocated pursuant to this sub-  
 9 section may be allocated in accordance with paragraph  
 10 (a) (2) of this section even though this may result  
 11 in a final per centum of less than 80 per centum allocated  
 12 in accordance with paragraph (a) (1) of this section.

13 STATE PLANNING AS A CONDITION FOR OBLIGATION  
 14 OF ALLOCATED FUNDS

15 SEC. 205. (a) Except as otherwise provided in sections  
 16 206 and 207, funds allocated for a State shall be obligated  
 17 to the State upon submission by the Governor of the State,  
 18 and approval by the Federal regional administrator, of a  
 19 State plan or plans which shall contain the following ele-  
 20 ments:

21 (1) An identification of the area or areas selected  
 22 within the State for economic adjustment.

23 (2) The criteria used in the selection of the areas  
 24 described pursuant to paragraph (1).

25 (3) A statement of economic adjustment objec-



1       tives for each of the areas described pursuant to para-  
2       graph (1), which objectives shall be consistent with  
3       the objectives of this title, and a description of the  
4       specific strategies designed to attain such objectives.

5       (4) A statement describing the funds required to  
6       implement the strategies described pursuant to para-  
7       graph (3) and the sources of such funds. This shall  
8       identify the financial resources available or to be sought  
9       from State, local, and private sources and from other  
10      Federal programs.

11      (5) A description of the types of assistance for  
12      which funds obligated under this title shall be expended  
13      to carry out the strategies described pursuant to para-  
14      graph (3).

15      (6) A description of the process used in formulat-  
16      ing the plan, and to be used in implementing the plan,  
17      which process shall be in accordance with the provisions  
18      of subsection (b) hereof. This shall include a descrip-  
19      tion of the process to be used in coordinating activities  
20      to be funded under this title with related activities to be  
21      funded by other Federal programs or by State, local, or  
22      private sources.

23      (7) Such other information, statements, or certifi-  
24      cations which may be required by regulations established  
25      by the President.



1 (b) Elected officials of general purpose units of local  
2 governments and, if multijurisdictional entities are estab-  
3 lished, representatives of multijurisdictional entities which  
4 have responsibilities for economic adjustment activities in  
5 their respective areas shall participate in the preparation and  
6 implementation of State plans. The President may establish  
7 regulations regarding procedures to be followed in develop-  
8 ing and implementing State plans.

9 (c) The Federal regional administrator shall approve  
10 the State plan and obligate funds to the State upon deter-  
11 mining that—

12 (1) the plan is consistent with this title;

13 (2) the plan was prepared in accordance with sub-  
14 section (b) ; and

15 (3) the plan meets any specific requirements es-  
16 tablished by regulations issued by the President pursuant  
17 to this Act.

18 (d) Approval by the Federal regional administrator of  
19 a State plan or modification thereto does not constitute ap-  
20 proval for allocation or obligation of Federal funds available  
21 under other Federal programs which a State has identified in  
22 its plan as required by subsection (a) (4) as a source of  
23 financial resources.

24 (e) The amount of funds obligated to a State shall not  
25 exceed the amount specified in the State plan as being re-



1   quired from funds under this title to carry out the planned  
2   adjustment activities.

3       (f) A State plan may range from a comprehensive  
4   statewide plan covering a period of several years to a lim-  
5   ited plan for a short-duration effort to deal with a spe-  
6   cific adjustment problem. State plans for use of the funds al-  
7   located pursuant to section 204 may be submitted at any  
8   time within two years of the date of the allocation and may  
9   be submitted after two years of the date of the allocation  
10  if the funds have not been reallocated by the President pur-  
11  suant to section 204.

12       (g) Modifications of a State plan may be made by a  
13  State whenever such State deems appropriate in order to  
14  carry out the objectives of this title or whenever necessary  
15  as a result of determination made by the Federal regional  
16  administrator pursuant to subsection (c) hereof: *Provided*,  
17  That any major modification, as defined by regulations to  
18  be established by the President, shall be approved by the  
19  Federal regional administrator prior to expenditure of a  
20  State's obligated funds for such modified plan.

21       (h) The Federal regional administrator shall not dis-  
22  approve any State plan submitted under this title, or any  
23  modifications thereof, without first affording the State rea-  
24  sonable notice, and an opportunity for a hearing.



## 1                   USE OF FUNDS FOR PLANNING

2       SEC. 206. Upon application by a State, the Federal  
3 regional administrator may obligate funds to the State as he  
4 determines necessary to enable the State and local govern-  
5 ments and multijurisdictional entities therein to prepare  
6 the plans required by section 205.

## 7                   REVIEW OF STATE PERFORMANCE

8       SEC. 207. (a) Within sixty days after the end of each  
9 fiscal year, States shall submit a report to the appropriate  
10 Federal regional administrator, which shall include—

11           (1) a description of the progress made during the  
12 fiscal year toward the objectives of the approved plans;

13           (2) a description of how the funds obligated under  
14 this title were used to pursue the objectives;

15           (3) a statement of reasons for substantive varia-  
16 tions from the approved plans;

17           (4) a statement of corrective actions taken or  
18 planned; and

19           (5) such other information, statements, or certifi-  
20 cations which may be required by regulations estab-  
21 lished by the President pursuant to this Act.

22       (b) Each State receiving funds under this title shall—

23           (1) use such fiscal, audit, and accounting proce-  
24 dures as may be necessary to assure (A) proper ac-



1 counting for payments received by it, and (B) proper  
2 disbursement of such payments; and

3 (2) provide to the Federal regional administrator  
4 and the Comptroller General of the United States access  
5 to, and the right to examine, any books, documents,  
6 papers, or records as they require.

7 (c) If the Federal regional administrator, after rea-  
8 sonable notice and opportunity for hearing, finds pursuant to  
9 evaluation criteria established by the President that a State  
10 is failing to attain the objectives of its approved plans due to  
11 inadequate management or other reasons within the control  
12 of the State, and that the State has failed to take corrective  
13 action, or if the State has failed to comply substantially with  
14 any provision of this Act, the Federal regional administrator  
15 may—

16 (1) terminate obligations to such State under this  
17 title, or

18 (2) reduce obligations under this title by an  
19 amount equal to the amount of such payments which  
20 were not expended in accordance with this title, or

21 (3) limit the availability of payments under this  
22 title to programs, projects, or activities not affected  
23 by such failures, or

24 (4) notify the State to return to him all or part of  
25 the unexpended sums paid under this title.



1       (d) The Federal regional administrator shall determine  
2 whether any reductions or limitations in obligations pursuant  
3 to subsection (c) hereof shall be reserved for subsequent  
4 obligation to the State when corrective action has been  
5 taken, or result in a reduction in the allocation available  
6 for the State. If it is determined that the allocation will be  
7 reduced, the funds shall be reallocated in accordance with  
8 section 204.

9       (e) In lieu of, or in addition to, any action authorized  
10 by subsection (c), the Federal regional administrator may,  
11 if he has reason to believe that a recipient has failed to com-  
12 ply substantially with any provisions of this Act, refer the  
13 matter to the Attorney General of the United States with a  
14 recommendation that an appropriate civil action be instituted.

15                                   JUDICIAL REVIEW

16       SEC. 208. (a) Any State which receives a notice of  
17 termination, reduction, or limitation in obligations or alloca-  
18 tion pursuant to section 207 (c) or (d), may within sixty  
19 days after receiving such notice, file with the United States  
20 court of appeals for the circuit in which such State is located  
21 a petition for review of the action. A copy of the petition  
22 shall forthwith be transmitted to the Federal regional  
23 administrator. A copy shall also forthwith be transmitted to  
24 the Attorney General of the United States.

25       (b) The Federal regional administrator shall file in the



1 court the record of the proceeding on which the action was  
2 based, as provided in section 2112 of title 28, United States  
3 Code. No objection to the action shall be considered by the  
4 court unless such objection has been urged before the Fed-  
5 eral regional administrator.

6 (c) The court shall have jurisdiction to affirm or modify  
7 the action or to set it aside in whole or in part. The findings  
8 of fact by the Federal regional administrator if supported by  
9 substantial evidence contained in the record, shall be conclu-  
10 sive. However, if any finding is not supported by substan-  
11 tial evidence contained in the record, the court may remand  
12 the case to the Federal regional administrator to take further  
13 evidence, and the Federal regional administrator may there-  
14 upon make new or modified findings of fact and may modify  
15 the previous action. He shall certify to the court the record  
16 of any further proceedings. Such new or modified findings  
17 of fact shall likewise be conclusive if supported by substan-  
18 tial evidence contained in the record.

19 (d) The judgment of the court shall be subject to re-  
20 view by the Supreme Court of the United States upon cer-  
21 tiorari or certification, as provided in section 1254 of title 28,  
22 United States Code.

23 MULTISTATE ORGANIZATIONS

24 SEC. 209. (a) The consent of Congress is hereby given  
25 to any two or more States to negotiate and enter into agree-



1   ments or compacts, not in conflict with any law of the  
2   United States, for cooperative efforts in pursuing the ob-  
3   jectives of this Act. The States participating in such agree-  
4   ments or compacts may establish such agencies as they may  
5   deem desirable to make such agreements effective.

6       (b) In pursuing the objectives of this title, each multi-  
7   state organization may—

8           (1) provide a forum for consideration of problems  
9       of the region, and proposed solutions;

10          (2) conduct and sponsor research and studies of  
11       the region to foster effective economic adjustment;

12          (3) develop regional economic adjustment objec-  
13       tives;

14          (4) develop joint efforts among the States to pursue  
15       the regional objectives; and

16          (5) assure that State plans are consistent with  
17       or include approved regional adjustment objectives.

18       (c) Multistate organizations established or designated  
19   pursuant to this section may require that its member States  
20   submit their State plans to the multistate organization or  
21   its agency for review or approval prior to submission of the  
22   plans to the Federal regional administrator.

23       (d) The expenses of a multistate organization shall be  
24   paid by the State members of the organization. Funds obli-  
25   gated to States pursuant to sections 205 and 206 may be



1 used by the States to pay the expenses of a multistate  
2 organization, including administrative expenses. The share  
3 to be paid by each State shall be determined by the State  
4 members of the organization.

5 (e) States participating in multistate organizations may  
6 propose in the plans to pool all or part of the allocations  
7 made for some or all of the member States of the organiza-  
8 tion pursuant to section 204 (a), and such funds may be  
9 obligated to any State or States in the organization in  
10 accordance with State plans approved by the multistate  
11 organization and the appropriate Federal regional adminis-  
12 trator. In the event the multistate organization includes  
13 States in more than one Federal region, the President may  
14 establish procedures to assure consistency of Federal actions  
15 in reviewing and approving the joint State plans and pro-  
16 posed reallocation of funds.

### 17 TITLE III—GENERAL PROVISIONS

#### 18 FUNCTIONS AND DUTIES OF THE PRESIDENT

19 SEC. 301. The authorities, functions, and duties assigned  
20 to the President by titles II and III may be delegated by  
21 the President to the Secretary of Commerce, or to any other  
22 person designated by the President by and with the advice  
23 and consent of the Senate.

#### 24 FEDERAL REGIONAL ADMINISTRATORS

25 SEC. 302. The President shall appoint a Federal re-



1 gional administrator for each Federal region established  
2 pursuant to section 303. Each of said Federal regional  
3 administrators shall be compensated at a rate to be deter-  
4 mined by the President not to exceed the rate provided for  
5 in level IV of the Federal Executive Salary Schedule. Each  
6 Federal regional administrator shall have full responsibility  
7 for administering the obligation of funds and reviewing the  
8 use of obligated funds, and shall perform the additional  
9 functions and duties assigned to him by titles II and III  
10 and as are otherwise assigned by the President. The Fed-  
11 eral regional administrators shall cooperate and consult with  
12 other Federal departments and agencies responsible for pro-  
13 grams which affect regional, State, or local economic ac-  
14 tivities, may participate in activities of Federal interagency  
15 councils and committees as necessary to promote inter-  
16 agency cooperation and consultation, and shall provide  
17 liaison between the Federal departments and agencies and  
18 multistate organizations established or designated pursuant  
19 to title II.

#### 20 FEDERAL REGIONS

21 SEC. 303. For purposes of administration of title II, Fed-  
22 eral regions shall be established and shall conform with the  
23 standard Federal regions established by the President for  
24 administration of Federal programs. The boundaries of such  
25 Federal regions may be modified as required to conform to



1 any changes which may be made in the boundaries of the  
2 standard Federal regions.

3 REGULATIONS

4 SEC. 304. The President may establish such rules and  
5 regulations as may be necessary to carry out the purposes  
6 and conditions of titles II and III.

7 NONDISCRIMINATION

8 SEC. 305. (a) No person shall, on the ground of race,  
9 color, religion, national origin, sex, or age be excluded from  
10 participation in, be denied the benefits of, or be subjected  
11 to discrimination under, any program or activity funded in  
12 whole or in part with funds made available under title II.

13 (b) Whenever the President determines that a State  
14 government or unit of local government has failed to comply  
15 with subsection (a) of this section on an applicable regula-  
16 tion, he shall notify the Governor of the State (or, in the  
17 case of a unit of local government, the Governor of the State  
18 in which such unit is located) of the noncompliance and  
19 shall request the Governor to secure compliance. If within  
20 a reasonable period of time the Governor fails or refuses to  
21 secure compliance, the President is authorized (1) to refer  
22 the matter to the Attorney General with a recommendation  
23 that an appropriate civil action be instituted; (2) to exercise  
24 the powers and functions provided by title VI of the Civil



1 Rights Act of 1964; or (3) to take such other actions as may  
2 be provided by law.

3 (c) When a matter is referred to the Attorney General  
4 pursuant to subsection (b) of this section, or whenever he  
5 has reason to believe that a State government or unit of  
6 local government is engaged in a pattern or practice in vio-  
7 lation of the provisions of this section, the Attorney General  
8 may bring a civil action in any appropriate United States  
9 district court for such relief as may be appropriate, including  
10 injunctive relief.

11 LABOR STANDARDS

12 SEC. 306. All laborers and mechanics employed by con-  
13 tractors or subcontractors in any construction, alteration, or  
14 repair, including painting and decorating of projects, build-  
15 ings, and works which are federally assisted under title II,  
16 shall be paid wages at rates not less than those prevailing  
17 on similar construction in the locality as determined by the  
18 Secretary of Labor in accordance with the Davis-Bacon  
19 Act, as amended (40 U.S.C. 276a—276a-5). The Secretary  
20 of Labor shall have, with respect to such labor standards,  
21 the authority and functions set forth in Reorganization Plan  
22 Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and  
23 section 2 of the Act of June 1, 1934, as amended (48 Stat.  
24 948, as amended; 40 U.S.C. 276 (c) ).



## REPORT

SEC. 307. At least six months prior to the end of the fifth fiscal year for which funds are appropriated pursuant to section 203, the President shall submit to Congress a report evaluating the effectiveness of the economic adjustment assistance program established by title II and setting forth such recommendations as he deems advisable for continuation, modification, expansion, or termination of such program.

## AUTHORIZATION OF FEDERAL ADMINISTRATIVE

## APPROPRIATION

SEC. 308. There are hereby authorized to be appropriated such sums as may be necessary for the Federal expenses of administration of this Act.



Senator MONTÓYA. In addition, we will review the Report to Congress of February 1, 1974, by the Department of Commerce and the Office of Management and Budget outlining the administration's proposal to restructure Federal programs for area and regional economic adjustment and development.

We meet today under more favorable circumstances than was the case 1 year ago. Last year at this time we faced a Federal budget recommendation of zero funding in fiscal year 1974 for both the Economic Development Administration and the Title V Regional Action Planning Commissions.

However, Congress and the administration both agreed that a 1-year extension was necessary in order that we might give regional and economic development programs and policies a closer look.

We are here today to explore the administration's findings. The administration proposes a 1-year transition into a new economic adjustment program, with current programs to be phased out.

In reviewing the Report to Congress of February 1, I find its criticisms of current economic development programs mostly undocumented generalizations, many of which could be levied against the proposed Economic Adjustment Act, if one cared to undertake the exercise. Take the criticism that currently public works funds are provided for each State. The bloc grant formula would, of course, do the same thing.

I might hasten to add that every State can undoubtedly put to good use any public works funds they might happen to come by.

The report does provide one important observation, though indirectly: It points a justifiably accusing finger at national policy with regard to assisting people that happen to reside in our economically distressed areas. Let us examine, therefore, the extent of this commitment. To begin with, let us turn back to 1965, the year these programs were initiated.

In fiscal year 1965-1966, appropriations for the Economic Development Administration and the Title V Regional Commissions represented one-quarter of 1 percent of total Federal budget outlays—in itself nothing to brag about. But, fiscal year 1966 represented the high point of these programs in terms of relative national importance; and by fiscal year 1974, the current fiscal year, appropriations for these programs, including supplemental appropriations, represented a mere one-tenth of 1 percent of total Federal budget outlays—a huge 60 percent drop in relative importance assigned to these programs.

In absolute terms, we provided \$51 million less in fiscal year 1974 than we did in 1965-1966, an actual decrease of 15 percent. Yet, total Federal spending over the same time interval was doubling. At that, I have been talking in terms of current dollars.

If we take inflation into account (as measured by the gross private fixed investment price deflator), we appropriated 29 percent less for these programs in 1973-1974 than we did in 1965-1966.

That is, we appropriated for the current fiscal year the grand sum of \$199.1 million for these programs in terms of fiscal 1966 purchasing power.

It would require an appropriation of \$760 million in fiscal year 1975 just to match that first commitment to the economic lagging areas of the country.



Now, what did we provide for these programs for the current fiscal year—a hard-to-come-by \$281.5 million.

As a point of comparison, what did we appropriate during this same period for economic assistance to Indochina? To date, \$450 million, with a supplemental appropriations request of an additional \$54 million pending, and the administration is asking for \$648 million in economic aid for Indochina next year.

The report and the proposed legislation do recognize one important fact in the economic life of the country, and I believe it is the key concept presented in the report—the continuing need for a national effort to address the adverse effects caused by ever changing economic and political circumstances.

I stressed this point very heavily during the Senate debate to extend current programs. The report accurately states that no existing Federal program is adequately focused on this objective.

The public works impact program is a small attempt to address these impact problems by providing immediate and useful employment.

It is my understanding that a study being undertaken for EDA will contend that the public works impact program is inadequate in terms of timeliness and efficiency—judging, that is, from the sole criterion of generating immediate short-term employment.

The value of public works put in place or of any resulting income streams are not taken into account in the evaluation.

These points are valid and valuable, however, and I am certain that the committee will give careful consideration to the report and to the proposals presented here today.

Before we proceed further, I would like to ask the chairman of the Public Works Committee, Senator Randolph, if he has any opening statement or comments to make at this time.

#### OPENING STATEMENT OF HON. JENNINGS RANDOLPH, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator RANDOLPH. Mr. Chairman, ordinarily I would not wish to delay the testimony of Secretary Dent and others who will testify, but because of my long association with this subject matter in the Public Works Committee, with you, Mr. Chairman, and others of the subcommittee which you ably chair, and the full committee membership, I want to draw just briefly on the experiences of the past. I will not be provincial in the sense of setting West Virginia and other States of the Appalachian region aside, but I want to indicate what has been done there and what we think can be done and is being done in other areas of the country.

I am very appreciative of the opportunity, Mr. Chairman, that you have provided for counseling with Secretary Dent and others.

This hearing, as I view it, is not one of confrontation; it is one of attempting to understand the basic precepts of the legislation we are considering, and to check it against the activities which have taken place under the legislation already on the books.

I think this program is one of the most important in our national life. For more than 10 years there was a feeling among Members of the Congress, administrative officials, and people throughout the



country, that there were certain areas in this Nation which had not shared in the general prosperity which was felt throughout the country.

I don't want to be misunderstood there. I don't want to say that the people could adjust to the situation, one area against the other.

I do not want to indicate that there was a reluctance of people to be creative and resourceful in one area as against another.

Neither do I want to indicate that there were severe drawbacks, the people themselves, their failure to understand, their commitment to, let's say, the society that we generally have from the standpoint of its economic strength.

But that brings me to the point that I wish to discuss. I am sure, Mr. Chairman and Secretary Dent, that you and others have recognized that in a sense the State of West Virginia was the catalyst which stimulated in the Congress this positive attack not on economically retarded areas, not backward areas, but certain areas of the country disadvantaged from the standpoint of having those developments which would help us to share in the prosperity of the country as a whole.

We were spoken of as a pocket of poverty. Well, those pockets of poverty, of course, have always existed throughout the country.

They can exist in hill country or they can exist in ghetto areas. They can exist in the North or in the South. They are not confined to one section of the country.

Sometimes there are very real reasons why poverty presses its hand more heavily at certain times than others. I will not go into the background of West Virginia from the standpoint of our coal mining industry, but, Secretary Dent. I have seen just 1 piece of equipment cut itself into a mountainside and cause 60 men to lose their jobs. This wasn't in just the last few years. This was the development of automation which came in one industry some years ago.

The situation in West Virginia was overdramatized. I wish to state that. The result was that many Americans, I think, have to this day, continued to retain a distorted picture of the State of West Virginia from the standpoint of its economic status. That is not to imply that we did not need help. Certainly we needed help.

West Virginia needed help, as other States have needed help. I go back much further than many persons in the Congress only to say today that I remember when the Reconstruction Finance Corporation was brought into being. I remember the value of that organization, not only in West Virginia, but throughout the country.

I could delineate at length many examples of where the Reconstruction Finance Corporation, just like the Small Business Administration with all of its mistakes, has attempted to help the American people in time of need.

The Homeowners Loan Corporation, for example, I remember very well. It was a successful agency. I take one instance. At Parsons, in Tucker County, W. Va., we had a woolen mill. Under the impact of the depression which hit all parts of the country, but hit with specific problems in certain areas where, frankly, our banking structure was not strong.

Our bank there was not ready and not capable of loaning money for the woolen mill, Dorman Mills, in a time of difficulty.



The bank was able to participate in a certain funding, but a very slight amount, in relation to the total that was needed.

From the Reconstruction Finance Corporation we were able to obtain a sum of money. The Dorman Woolen Mill started and never stopped through some 35 years because Government, Mr. Chairman and Senator McClure, came at a time when there was no private financing in that area available to help in its development.

You ask what that has to do with what we are talking about today. It has very much to do with it because there are times in this country when we find that conditions exist in unemployment and underemployment that we must respond to with legislative remedies—not remedies in whole but certainly attempts to cope in part with the problems.

I have talked earnestly about this because I know of situations throughout the Appalachian States where there was a need for a response by the legislative body, the Congress, in these matters.

That development, the Appalachian Regional Commission—and it, of course, was brought into being through the work of the members of the Public Works Committee of the Senate—that act, as my colleagues recall, passed in 1965.

At that time we were attempting to bring about a more evenly balanced national economy.

I don't think it does us very proud to say on one side of the street we have good houses, painted houses, and on the other side we have poor housing, and attempt to say that the persons living on both sides of the street do not have the same characteristics.

There are many factors that move in that keep the one side from developing as fully as the other. So even though overdramatized, there was at least a partial stimulus for the new programs.

I want to report, Mr. Secretary, to you today that our State of West Virginia is stronger economically—not perhaps as strong as we would like—because the application of the programs of the Appalachian Regional Development Act.

I think a significant part of the credit for the improvement that I have mentioned goes to those programs, two in number, which were created in 1965, the Appalachian Act and the Public Works and Economic Development Act, to which the leadership of Senator Montoya has been given in such great degree.

These are the products, I say only for the record, of careful planning and programing by the membership of the Public Works Committee.

We are convinced today that economic development activities must be expanded. They must be brought into being so as to have a more inclusive overall program for the country.

Senator Montoya and the members of his subcommittee have been engaged in hearings and the assessment of national needs, looking for realistic ways that, hopefully, we can cope with these problems.

I think it was a year ago, Senator Montoya, that you introduced new legislation on this subject.

The Economic Adjustment Act which is before us, the proposal of 1974, comes from the administration. I don't want to say it is a weak proposal, per se. I don't want to say it is 100 percent right. But I do want to say that it attempts to bring to this committee and the Congress a revision of the existing program from the standpoint of the administration.



In addition to the report from the Department of Commerce, which I understand will be a matter of decision or at least studied here, I think the very existence of the EDA is an encouraging sign for continued participation in this important work.

S. 3041 represents a change in the position of the administration which only 1 year ago, Secretary Dent, was urging the Congress to abolish the economic development program.

I have not attempted to define the reasoning in back of your change, but I only want to say that many of us have changes in connection with legislative matters that come before us.

So if we differ on details, that doesn't concern me, because I think both the legislative and executive branches are working, hopefully together, toward a common goal which both of us can address ourselves to with compatibility.

That is why I join Senator McClure, who sits today with the subcommittee as a cosponsor of this act of 1974, so that we could have this issue broadly brought before us in the Congress.

I think we shall work with the representatives of the administration to produce an economic development bill that, in its best analysis, represents what we believe is necessary, and also would respond to the hopes of the American people.

Economic development programs today embrace the concept of regionalism because we think it is a practical way to focus our attention on the problems of certain parts of the country.

Economic hardship does not confine itself to artificial political boundaries, and programs to overcome them should not be similarly constrained. Practical realities demand that we approach economic development on a regional basis whether it be multicounty or multistate. I hope that our witnesses will discuss the function that the existing structures might perform in a new program. Multistate regional commissions and local development organizations have been painstakingly organized and enjoy widespread support. They could be valuable in implementing a refined economic development program.

If we are to be effective, there must be, Secretary Dent, adequate funding. The very best program on paper will not materialize into a program that is effective in the field and among the people without the funding.

In recent years we have, in the Congress, been dissatisfied with appropriations that have been asked for by the administration for EDA programs.

The money has not been sufficient to carry out the programs that are proven sound at the level that has been contemplated by the Congress, itself.

So if we are to broaden the approach to economic development, I think we can find that there will be a positive response within the Congress.

I do not speak, of course, for the House, but generally there has been a good reaction to these programs on the Hill.

Among the facets of the administration's proposal that we will wish to examine very carefully is the proposed formula for the allocation of funds to the States.

A method of distribution must be determined that places monetary emphasis where it is needed without an undue penalization of any State.



Mr. Chairman, I have spoken at some length of the past history of legislation, also the beginnings of these programs. In the coming days and weeks, we can resolve, hopefully, many of the differences which exist, so that we can serve the people of the many sections of the country.

I think there is an understanding, a common goal, as I have indicated, and I am sure that Secretary Dent, Mr. Scott, and their associates will help us to develop a better understanding of the problem and also a realistic path that we can follow in working for a solution.

Thank you.

Senator MONTROYA. Thank you, Mr. Chairman. I appreciate those words. I know that you are the great authority on economic development legislation, and also the father of the legislation which created the Appalachian Commission. The experience that we have had with the Appalachian Commission which has touched the economy of 13 States is indeed something for the books in history, the history of this country.

In conducting hearings through these 13 States and comparing the economic progress that has been made up to date with the situation as it existed at the beginning of this Appalachian Commission work, we have found the progress has been very great.

Certainly, Mr. Chairman, the fine example of Appalachia has stimulated our interest in economic development in other parts of the country.

You were the forerunner and the pioneer in this type of legislation. The words that you have expressed here this morning represent a dissertation from a knowledgeable person who has had vast experience in this particular field.

I do want to thank you.

Senator RANDOLPH. Thank you, Mr. Chairman. I shall want to cooperate with you and the members of the subcommittee.

Senator MONTROYA. Senator McClure, have you a statement?

#### OPENING STATEMENT OF HON. JAMES A. McCLURE, U.S. SENATOR FROM THE STATE OF IDAHO

Senator McCLURE. Thank you, Mr. Chairman.

I want to join with you in welcoming Secretary Dent and Mr. Scott, and their associates, before the subcommittee.

We are anxious to hear their testimony on S. 3041, the administration proposal to extend the Public Works and Economic Development Act for 1 year, and to enact a new economic adjustment program.

This committee's interest and experience with economic development programs dates back more than a decade, to passage of the Area Redevelopment Act in 1961. That act was followed by other national initiatives, such as the Public Works and Economic Development Act of 1965, and the Appalachian Regional Development Act of 1965, both written in this committee.

We have had a history of more than 10 years with these programs and, frankly, I believe it is time that we examine these programs to see how they have developed over the decade, if the objective of these programs begun in the 1960's are valid today, and how effective the programs have been in meeting those objectives.



I would also note that many new Federal programs have been enacted in the past 9 years since passage of the Public Works and Economic Development Act. Other programs have undergone major revisions. Several of these programs bear directly on economic development.

It is important for the Congress and the public to understand how we can coordinate this program with other ongoing activities.

Federal involvement in economic assistance over the years has resulted in the creation of numerous categorical aid programs and planning requirements.

These programs and requirements often have no coordination whatsoever with other similar efforts. There is an obvious need to improve the coordination and to rationalize these programs.

More than a year ago, for example, Congress enacted a major program to revitalize rural communities, the Rural Development Act. That law authorizes several development programs, including facility loans, business and industrial loans, and water and sewer loans and grants. While some of these programs have not been implemented, the authority remains in the law.

The Comprehensive Manpower Act of 1973 includes grants to areas of substantial unemployment for public service employment programs.

Only last month the Senate passed the Housing and Community Development Act of 1974, which includes bloc grants for community development, plus amendments to the planning grant program.

When these various Federal laws are implemented in our cities and rural areas, they may work at cross purposes, creating unexpected and unwanted side effects, and many programs, including those for highways, water resources and environmental enhancement, under this committee's jurisdiction, have a broader impact on the growth patterns in this country than do the programs designed specifically to foster development.

I recognize that the economic development program is not and cannot be the sole or even the principal vehicle for coordinating all these other activities. But we must try to write a program that relates to these other Federal projects.

I will do all I can to that end. I know that today's testimony will be most helpful in giving us the information we need to do this job effectively.

I want to commend the chairman of the full committee. The statement that Senator Randolph made was a very eloquent statement. But it relates not only to the needs of these programs and the needs of the areas served by economic development programs; it relates also to a fundamental problem confronting the country and this Congress.

That is the question of budgetary reform and budgetary control. It does us little good to spend millions of dollars in area redevelopment that may enhance the economic growth in an area by 5 percent a year at the same time inflation is taxing them 8 or 10 percent a year in reduction of capacity to meet their own needs.

Only last week we passed the Budget Reform Act by a vote in the Senate of 88 to 0, which indicated at least some public commitment on the part of the Senate confronting the necessity of limiting the expenditures of the Federal Government, or at least bringing them in



some kind of a rational balance where the Congress establishes priorities rather than leaving it to some executive agency somewhere to make that priority decision for us.

We haven't yet tested whether the Senate will live up to the promise of that act. We confront the very harsh reality of accepting the fact that there is not enough money in the Federal budget to do all the things we ought to do in all of the areas that we would like to do them.

Each of us, and I am sure that the Senator from New Mexico shares this feeling, will fight for our own sense of priorities.

In some areas we are going to disagree within ourselves in the Congress as to whether this program or those associated with it are most efficient in doing the job that needs to be done and assisting people who otherwise are left behind.

Let's face one fact of life, if we face no other. That is that the people who have the least suffer the most in a period of rapid inflation, and if we create inflation as we attempt to help them, we have hurt them more than we could possibly help them. That would be a disservice to them, a disservice to ourselves, and certainly a disservice to all of the taxpayers of our country, if that is the ultimate result of the actions we take.

I am hopeful that in the context of the realignment of the several programs we have enacted, and in the budgetary reform which must be done if we are to be successful, these programs will not suffer unduly, that we will be able to assign them a priority which I believe they are entitled to, and that we will be able to assist the people assist themselves to a greater degree than we hurt them by our failure to confront the economic, sometimes harsh economic, facts of life.

I think the chairman of the full committee has sounded a call for cooperation in development of a program, and I commend him for that statement and the spirit in which it was given.

Mr. Chairman, I would like to ask unanimous consent that following the remarks of myself and any remarks that Senator Stafford may wish to make, that the statement of Senator Domenici may be made part of the record.

Senator MONTROYA. Without objection, it is so ordered.

Senator McCLURE. Senator Baker is in the Commerce Committee. I wonder if his remarks could appear in the record also?

Senator MONTROYA. Without objection, it is so ordered.

If any other members wish to file statements, without objection they will be permitted to do so.

Senator Stafford, have you anything to say?

Senator STAFFORD. Mr. Chairman, consistent with the characteristics of my northern New England ancestors, and understanding that you, Mr. Chairman, and the chairman of the full committee and my distinguished friend, Senator McClure, have already made opening statements, I will be short and say that I am very happy that the Secretary is here. I have no formal statement.

[Statements from Senator Baker and Senator Domenici follow:]

STATEMENT OF HON. HOWARD H. BAKER JR., U.S. SENATOR FROM THE STATE OF TENNESSEE

More than two years ago, the Public Works Committee recognized the need to review and rework the existing economic development programs. Under the



leadership of Senator Randolph, Chairman of the full Committee, and Senator Montoya, Chairman of the Economic Development Subcommittee, this Committee began a comprehensive review of development programs to draft a program better geared to today's economic needs.

Last year, the "Bellmon Amendment" to the bill extending the EDA program provided a study and report to the Congress on national economic development efforts. The conclusions of this study and the resulting legislative proposal, S. 3041, generally conform, I believe, with the direction the Public Works Committee has been moving in its consideration of new economic development legislation—as indicated in our report on the extension last year, Report Number 93-117.

I believe the Committee would like more responsibility for development programs returned to the States and local communities and greater assurance of reliable funding—such as advanced funding or some blocking of funds to these jurisdictions. We desire better coordination of all Federal grant programs at all levels of government in the planning and implementation of economic development programs.

The Administration is to be commended for the cooperative and constructive effort which this bill represents. I was heartened by the willingness of the Administration to meet with members of this Committee to discuss the report on the present EDA program and their legislative recommendations prior to the submission of the proposed "Economic Adjustment Act."

Since 1969 the Administration has been working to coordinate federal programs and regional arrangements. The A-95 review and comment procedure—established to coordinate categorical programs and to encourage area-wide and state-wide planning and program implementation is a part of this effort. Similarly, the Federal Regional Councils were established to improve coordination of the categorical aid programs and to serve for the States as a single point of contact with the various federal agencies.

I hope the Committee will be able to build on these regional efforts in order to better coordinate development programs. I look forward to continuing to work with Chairman Randolph, Senator Montoya, Senator McClure, other interested members, and the Administration in meeting our goals and objectives.

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STATEMENT OF HON PETE V. DOMENICI, U.S. SENATOR FROM THE STATE OF  
NEW MEXICO

Mr. Chairman, I am pleased to join you and other members of the Subcommittee on Economic Development in participating in these hearings on the proposed Economic Adjustment Act, the Administration's proposal to extend the Public Works and Economic Development Act and to authorize a new economic adjustment program.

I would simply like at this point to mention several issues of concern to me which I hope these and subsequent hearings and discussions will deal with. As I said when I joined you and others in introducing this bill on February 21, I am convinced that EDA programs have been among the most successful of government programs in achieving the purposes for which they were created. I am confident that by hearings such as this and such further discussion and negotiation as may be required the benefits of those programs can be sustained and increased. I, for one, am determined to settle for nothing less in the legislation which will emerge from our joint efforts.

I am particularly encouraged, Mr. Chairman, that this bill would extend for one full year the Public Works and Economic Development Act allowing most of those programs to continue current operations. As I have consistently maintained, the functions carried out under that Act are so critical that they simply must continue to be carried out while replacement programs are devised and transitions to those programs is insured, I feel in this regard that this bill provides the legislative vehicle for obtaining the invaluable advice, guidance, and assistance of concerned and affected people and organizations in helping us fashion acceptable longer range modifications and transitional procedures.

I know that you share my concern, Mr. Chairman, that steps taken in an effort to reform and improve will actually have that effect. Before we disturb and modify approaches which for the most part have been successful, we must be reasonably certain that the changes contemplated related to substance and improved performance and not simply to form and shift the responsibility. I intend



to very carefully evaluate this particular aspect concentrating especially on the capability of state governments to effectively act in the role outlined for them in this bill.

I am concerned also, as I know you are that our Indian people will continue to participate in Economic Development programs designed to deal with their unique problems. For that reason I will give particular attention to the provisions of this bill which relate to Indians to satisfy myself that Indians will not be inadvertently penalized by what we do.

In conclusion, Mr. Chairman, I look forward to the process initiated by the hearing today, a process I intend to participate in completely. I am confident that we can produce a product responsive to the demands and realities of 1974 and capable of transition to such other approaches as we may determine offer the greatest future potential for the common good. I hope we can accomplish this task and produce an enactable bill quickly so that affected people will know what to expect. You may expect my complete cooperation and assistance to that end.

Thank you.

Senator MONTOKA. Mr. Secretary, you may proceed to the witness table, bringing your aides. Would you identify them for the record?

On behalf of the subcommittee I want to welcome you here today. We are looking forward to what you have to tell us.

**STATEMENT OF HON. FREDERICK B. DENT, SECRETARY OF COMMERCE; ACCOMPANIED BY WILLIAM W. BLUNT, JR., ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT; DANIEL GARBERN, ACTING SPECIAL ASSISTANT TO THE SECRETARY FOR REGIONAL ECONOMIC COORDINATION, AND KARL BAKKE, GENERAL COUNSEL**

Secretary DENT. Thank you, Mr. Chairman.

I do welcome this opportunity on behalf of the administration to continue the dialog and consultation which has been begun by the very eloquent statements which have been made by members of the committee.

I would like to make a personal observation of having lived in a county, a portion of which is part of Appalachia, I am familiar with the work of this program over the years of its existence from a personal viewpoint.

I want to thank you and the members of the subcommittee for the opportunity to present the views of the Department of Commerce on S. 3041, the Economic Adjustment Act of 1974.

I have with me Mr. William W. Blunt, Jr., Assistant Secretary for Economic Development, and Mr. Daniel Garbern, Acting Special Assistant to the Secretary for Regional Economic Coordination, and Mr. Karl Bakke, our General Counsel at the Department of Commerce.

These gentlemen have valuable insights regarding economic adjustment and the proposed legislation, and are available to respond to your questions.

The purpose of S. 3041 is to establish an economic adjustment assistance program for the United States, and to extend the appropriations authorizations of the Public Works and Economic Development Act of 1965 for another year. I strongly recommend enactment of this bill.



The President in his state of the Union message on January 30 described the danger that State and local governments, which have traditionally been the cornerstone of our democracy, have lost much of their ability to respond to the desires of their citizens because of excessive Federal power. All of us agree with the broad principle that the people themselves must have their own decisions for their own communities.

The President predicted though that we were near the breakthrough point in revitalizing State and local governments, and specifically referred to a plan for broad new flexibility in Federal aid for breakthrough.

On February 19, the President sent to Congress a message regarding the proposed Economic Adjustment Act of 1974. In that message the President acknowledged that despite an increase in national prosperity, many areas of the country suffer chronic unemployment and low income levels. In many instances, these adverse conditions result from or are compounded by basic structural changes in the economy, such as the development of new technology and increased competition in international trade. The President's message indicated that the energy crisis adds a new dimension to structural change.

In order to deal directly with these economic problems, the President proposed a program of adjustment assistance to be planned and managed largely by State and local officials.

The President's decision and the reasons for that decision as well as the content of the resulting legislative proposal, S. 3041, are described in a report prepared by the Office of Management and Budget and the Commerce Department pursuant to section 8 of the Public Works and Economic Development Act Amendments of 1973.

This study is entitled "Report to the Congress on the Proposal for an Economic Adjustment Program." Copies were transmitted to Congress and furnished to this committee and its staff February 1.

The report notes a number of shortcomings in existing economic and regional development programs. It concludes that while current economic development efforts were directed at areas of existing high unemployment, they failed to provide sufficient assistance during the early stages of structural economic changes to prevent the changes from seriously damaging the viability of communities. In other words, present programs address the damage resulting from structural changes rather than the prevention of that damage. They are palliative rather than anticipatory.

Another conclusion of the report concerns the Federal Government's present expenditure of economic development assistance on a project-by-project basis. This form of assistance creates an additional level of administration in Washington and removes decisionmaking from State and local levels.

We also found that EDA's funds have been dispersed in relatively small amounts in a large number of geographic areas, thereby discouraging the effective concentration of limited financial resources to overcome an areas' problems. The report points out, however, that the experience with multicounty, economic development districts established under title IV of the Public Works and Economic Development



Act of 1965 has been very encouraging. The districts have frequently served to improve the effectiveness of the economic development assistance.

Another shortcoming identified by the report is the failure of existing programs to result in a planned, and comprehensive multilevel government and private response to economic adjustment. Since most of the decisions regarding the economic development planning process are now subject to Federal Government decisionmaking, State and local officials have a more difficult time planning their priorities. These officials are in close contact with development problems, and therefore are in the best position to analyze needs.

Furthermore, funds available from specified Federal economic development programs represent only a small fraction of the entire assistance available from the Federal Government, State and local governments, and the private sector, and the various forms of assistance tend to overlap.

For example, other Federal programs in transportation, manpower training, housing, and rural development may have a much greater impact on economic development in an area than a specific economic development program. Failure to coordinate these programs at the various levels of government reduces the chances of successful economic adjustment—and in the past they have not been well coordinated.

Some evaluation indicate that incentives to the private sector produce a higher return on investment in terms of jobs per dollar than does the financing of public works. Current economic development programs, however, tend to emphasize public works.

The report concludes that a different form of Federal assistance is needed to permit and encourage States and communities to develop effective, targeted, planned, and comprehensive economic adjustment efforts.

A new program of assistance should be based on broad national objectives for economic adjustment allowing greater flexibility at State and local levels in implementing these objectives.

These objectives are to assist the States and communities to take early action to adjust to economic structural changes in order to prevent persistent unemployment, to reduce unemployment in areas already suffering from persistent unemployment, and to increase personal incomes in areas with low incomes.

The report also recommends making State and local officials responsible for determining how to achieve these national objectives in their States and communities. These officials should be given the authority to consolidate adjustment efforts at State and local levels, and to focus Federal funds on their highest priority targets.

We believe that the report's conclusions and recommendations as we have related them to you deserve your serious consideration. The more I consider the implications of these conclusions and recommendations, the more I believe that they add to the development of responsive government, and provide useful guidance toward solving the country's economic adjustment problems. The report has a sound foundation in that it takes advantage of the past experiences of the Federal Government in economic development, and represents a broad



view of the multitude of Federal and State programs which relate to these problems. Chapter 4 of the report discusses the main aspects of the proposed legislation in considerable detail.

S. 3041, the "Economic Adjustment Act of 1974," has as its purpose the creation of a new program of Federal financial assistance to enable States to pursue the three national objectives proposed by the report.

The first objective, namely, to adjust to structural changes in order to prevent persistent unemployment, is also the highest priority objective. No other program focuses primarily on this objective. The proposed act is designed to prevent economic damage from occurring during structural changes rather than just trying to cure the damage after it occurs.

And persistent unemployment problems are usually associated with structural changes in the economy. For example, high unemployment in Appalachia was caused by mechanization of coal mining and agriculture, depletion of natural resources, and the absence of alternative occupations for workers displaced. Persistent high unemployment in many central cities results primarily from a reduction in the number of jobs that are available for those with poor training and education, and to a declining extent from migration of unskilled labor from rural areas.

The second and third objectives are directed at reducing unemployment and raising personal income levels in distressed areas, thus continuing to deal with the principal objectives of the Public Works and Economic Development Act of 1965.

The report clearly points out the need for a program with the first objective, and it makes it clear that the second and third objectives are still important.

At the core of the proposed Economic Adjustment Act of 1974, are provisions designed to give States and communities the principal responsibility for identifying their economic adjustment problems, priorities, and projects.

A primary provision for accomplishing this is the allocation formula in section 204. This formula would automatically allocate to the States a minimum of 80 percent of the funds available with the division among States based on five criteria that are intended to reflect the relative needs of States for assistance. These criteria call for:

First, 15 percent of the amount allocated to be based on the population of the State compared to the Nation's population;

Second, 25 percent to be based on the population of the State's non-metropolitan areas compared to the population of the Nation's non-metropolitan areas;

Third, 10 percent to be based on the geographic size of the State compared to all States;

Fourth, 30 percent to be based on the relative number of unemployed persons residing in areas of persistent and substantial unemployment in the State compared to such national unemployment and;

Fifth, 20 percent to be based on the relative population of the State with incomes below poverty levels residing in areas with low median income compared to such population in the Nation.

Neither the bill nor the report, however, makes clear our intent regarding the allocation of funds to the District of Columbia, Puerto



Rico, and the territories. We intend to clarify this matter in the near future.

The advantage of using a statutory formula is that States and local governments will know in advance the amount of Federal assistance available to them. This will allow them to plan how to use these funds, and since the level of funding is necessarily limited, they should have an incentive to use funds in the most efficient way.

A formula also assures an equitable distribution of available resources—in contrast to distribution in response to particular projects which happen to be ready at a particular time.

To avoid rigidities in this distribution system, the bill also creates a discretionary fund. A maximum of 20 percent of the funds available under the proposed program will be reserved for distribution to the States on a discretionary basis to meet special needs arising from State or local problems, or from Federal actions such as the closing of larger Federal installations.

In other words, the discretionary fund is to be used to address needs that could not be anticipated and which call for a quick reaction.

The discretionary fund can be used for any purpose consistent with the objectives of the legislation. Any funds not allocated on the discretionary basis will be distributed by formula before the end of the fiscal year.

Money allocated either through the formula or the discretionary fund would be given to the States as a block grant rather than on a project-by-project basis. The bloc grant approach gives the States responsibility for determining the pattern of project funding, including which specific projects will be undertaken.

The funds in the States' hands are not required to be expended within a given fiscal year, and States may concentrate these funds in a limited number of actual or anticipated problem areas, or even one area, with each area receiving enough money to achieve successful economic adjustment.

To further enhance the ability of States to solve economic adjustment problems, the proposed act permits them to use adjustment funds for public facilities, public services, business development, planning, research, technical assistance, and administrative costs.

States may distribute these funds through grants, loans, subsidies, loan guarantees, tax rebates, and virtually any other form of assistance to public entities, private profit and nonprofit organizations, and individuals. Thus, States have a wide range of tools to meet the peculiar needs of a particular adjustment problem.

It is my conclusion that this approach, which combines a funding formula with discretionary funds, bloc grants and a panoply of tools, maximizes the ability of States to make economic adjustments.

Funds allocated to a State by either the formula or the discretionary fund will be made available, with one exception which I will shortly explain, only after the State prepares a plan for economic adjustment which meets with the approval of a Federal regional administrator, whose functions I will outline later. In addition, funds received must be expended in accordance with the plan.

This planning requirement, and a subsequent performance evaluation, are the chief controls of the Federal Government over the use of these economic adjustment funds. The Federal role here, however,



will be limited to assuring formulation of economic adjustment programs within the framework of the three objectives of S. 3041, and proper planning based on the specific requirements of that bill.

I want to emphasize that the authority of Federal regional administrators to reject plans is not intended to permit them to overrule State or local decisions; it is to assure that State and local officials have indeed made the decisions which should be made before proceeding with their adjustment programs. The Federal regional administrators will not have authority to approve or disapprove any specific projects which the States may wish to undertake to achieve their program objectives.

The requirements in S. 3041 pertaining to State plans direct the States to specify the target areas selected for economic adjustment, the objectives for each area, the funds required to achieve these objectives, how these funds will be spent, and certain other pertinent information.

The bill would not, however, impose rigid planning requirements since plans may range from a comprehensive statewide plan covering a period of years to a limited plan for a short-duration effort to deal with a specific adjustment problem. In order to benefit from the knowledge and experience of officials at the community, county, and multicounty levels, and to obtain and encourage a multilevel government response to economic adjustment, the proposed act requires that local governments and multijurisdictional entities participate in the preparation of State plans, as well as in their implementation.

State and community planning will also be enhanced because the bill provides that funds may be appropriated 1 year in advance of the year they are actually allocated to the States. Thus, the problems inherent in planning in a vacuum, with little information as to the financial resources available, would be substantially reduced since States will have advance notice of the level of funding.

To further improve the ability of States to plan, allocated funds may be released to States prior to approval of their plans to support the planning process itself.

We believe that these planning requirements, coupled with the availability of financial support for planning, not only provide an adequate monitor, if you will, of the programs of the States, but also will induce strong roles for substate districts and multistate organizations as well as State governments.

And planning will encourage regional, State and substate levels of government to develop and implement their economic adjustment activities in coordination with related Federal programs such as manpower training and rural development. All of this will serve to continue and broaden the impact of the economic adjustment process.

S. 3041 also authorizes interstate compact to permit States to work together on common economic adjustment efforts. States participating in these multistate organizations may pool funds allocated to them under the act for joint adjustment efforts.

If regional organizations are formed, they may require member States to submit their plans to them for approval prior to submission to Federal regional administrators to assure that State plans reflect regional problems and solutions. The bill does not require States to organize into these groupings, but it permits the States themselves to



form or continue such organizations if they believe they may help to solve problems of regional significance.

The principal Federal authority and responsibility under the Economic Adjustment Act of 1974 is given to 10 Federal regional administrators, one for each standard Federal region. These Federal regional administrators will be appointed by the President and are responsible for reviewing State plans, obligating funds to the States if they approve their plans, and evaluating performance by the States in using funds.

So that administrators may effectively execute their responsibility to evaluate performance, States must submit annual reports on economic adjustment to them, and allow them to inspect their records. If an administrator finds in accordance with uniform evaluation criteria that a State is not adhering to its approved plan or is violating a provision of the act, he may withhold future funds from the State, seek the return of unexpended assistance, and recommend appropriate legal action.

We believe these provisions are adequate to enable the Federal Government to assure that the funds are used for the purposes of the act.

The Federal regional administrators are required by the proposed act to cooperate with other Federal agencies responsible for programs impacting on economic adjustment activities, and to provide liaison between multistate economic adjustment organizations and the Federal Government. It is expected that they will be members of the Federal regional councils, and will work closely with the council in their region to coordinate the numerous Federal programs that affect economic activities.

With regard to those councils, we cannot stress enough the importance that we place on their role. As you know, the management of Federal programs is being decentralized, and the Federal regional councils are being correspondingly strengthened to facilitate better coordination between Federal, State and local activities. The proposed Economic Adjustment Act will reinforce these trends.

Although the focus of S. 3041 is on regional administration, a number of duties and authorities are retained by the President, who, it is anticipated, will delegate them to the Secretary of Commerce. These include the allocation of funds by the formula and the allocation of the discretionary fund, the issuance of rules and regulations, and the preparation and submission of reports to the Congress. The President, of course, would retain the power to appoint the regional administrators.

Although the proposed Economic Adjustment Act is intended to replace the Public Works and Economic Development Act of 1965, it extends EDA and the title V regional commission program for 1 year to provide an orderly transition to the new program.

EDA in the past has carried on a variety of programs, and it is anticipated that they will serve useful purposes during the coming year while the programs of the Economic Adjustment Act get off the ground, and States prepare their plans.



## PUBLIC WORKS IMPACT PROGRAM (PWIP)

We have not, however, requested a continuation of a required level of spending for the public works impact program, better known as PWIP, as part of the EDA extension. This program was begun in 1971 to provide immediate construction jobs for unemployed workers in designated areas. In most instances, it has not proven successful.

A recently completed evaluation of PWIP, based on empirical data from fiscal 1972 projects, indicates that PWIP has not been as useful in generating employment as originally hoped, and that the employment generated has not been as geographically concentrated as intended. More than one-half of the PWIP jobs last less than 80 hours, and the average tenure of a PWIP worker is slightly less than a month.

Furthermore, most of the workers were already employed and did not live in the designated impact areas. Overall, less than 25 percent of the total jobs were held by previously unemployed PWIP area residents.

An interpretation of data trends comparing impact area unemployment, national unemployment, and PWIP, employment also indicates that the employment impact of PWIP in 1972 was procyclical rather than countercyclical. In other words, there was an increase in PWIP employment when local unemployment was decreasing and a decrease in PWIP employment when local unemployment was increasing. PWIP projects have relatively long leadtimes—so that by the time spending becomes fully effective, the need for stimulation often has passed and the program becomes inflationary.

The evaluation also found that it was expensive for the Federal Government to generate these jobs. The total cost of creating 1 man-month of employment for an unemployed PWIP area resident was approximately \$10,592, and EDA's share of this cost was \$7,432. Thus, the cost of the PWIP program far exceeds any benefits gained.

The President's 1975 budget requests \$100 million for startup funding for the new program, and \$205 million for EDA and title V commissions. In addition, \$25 million is requested as part of the Department of the Interior budget to permit it to assume responsibility for Indian economic development.

Thus, the budget provides a total of \$330 million for economic development and adjustment programs in fiscal year 1975, an increase of nearly \$50 million over the 1974 level.

The new budget does not include planning grant funds for EDA's economic development districts and redevelopment areas. They will instead be supported until June 30, 1975, with the funds made available through the 1974 fiscal year supplemental appropriation.

It is my judgment, therefore, that S. 3041 effectively attacks economic adjustment problems faced by many areas of the country. I strongly recommend enactment of the bill, including a continuation of EDA and the title V regional commission program for another year, at a level of funding proposed in the 1975 budget.

We would be glad to answer any questions you may have.  
Senator MONTROYA. Thank you, Secretary Dent.



The authorization which is provided in the proposed legislation is less than what we received 2 years ago in full funding, and certainly it reflects little more than what we received for the current fiscal year. Do you feel that this kind of an authorization, in view of the new formula which you provided in the bill, including all 50 States regardless of any special impact situations and assuming we get full funding, will be adequate to take care of the situation?

Secretary DENT. We feel this is adequate, Mr. Chairman. I might mention that we look forward in subsequent fiscal years to maintaining this program in the range of \$300 to \$350 million.

Senator MONTROYA. Let's get to my State of New Mexico. Last year we received \$11 million from EDA, and the Four Corners area received \$7 million. Let's throw all that in together, \$18 million. Under this new formula can you tell me what the distribution would be to New Mexico?

Secretary DENT. Yes, sir. Mr. Chairman, the percentage distribution of funds under the proposed Economic Adjustment Act would be 1.02 percent. The large part of the New Mexico funds last year also came under the Indian program.

Senator MONTROYA. I want to treat that separately.

Secretary DENT. I just want to mention that will be in addition to the percentage.

Senator MONTROYA. I want to treat that separately. Give me the allocation in your bill for New Mexico compared to the allocation which New Mexico is receiving now.

Secretary DENT. It is 1.02 percent of the amount which would be appropriated.

Senator MONTROYA. That is assuming that they bring in their plan, it is approved, and so forth.

Secretary DENT. That is correct.

Senator MONTROYA. It does follow, doesn't it, Mr. Secretary, that this plan is broader in application, that the legislation is broader in application, than the original commission concept which is ingrained in the present law?

Secretary DENT. It is broader in that it delegates more authority to the States as to the development and execution of their economic adjustment programs.

Senator MONTROYA. And, of necessity, then, we would have to make allowances for the additional burden from this funding structure. I will give you an example. The State of New York has a little part in one of the original commissions, the Appalachian Commission. Under the current concept, the money would be allocated to the State of New York for this particular part. Under your concept, New York would submit a statewide plan and develop its own priorities for the entire State, rather than strictly for the specified areas which have high persistent unemployment, or the ghetto areas which might be eligible for impact aid.

Secretary DENT. The States would be responsible for developing their own program which would be responsive to the needs of persistent unemployment, or the ghetto conditions. I would like also to mention that you mentioned a portion of the State being in the Appalachian Commission. That program, of course, will continue under present legislation and a separate appropriation. It is not influenced by the bill we are discussing today.



Senator MONTROYA. The State of New York would benefit in the allocation from the very fact that it has a high population and high unemployment, and it would share in this allocation irrespective of the contribution or aid which it receives under the Appalachian Commission.

Would that not be right? I see no exception here.

Secretary DENT. That is correct, Mr. Chairman. It is based on the development of those five characteristics which in large measure are weighted, as you know, in favor of persistent unemployment and low median income, which may or may not prevail in a State which is relatively highly developed from an economic viewpoint.

Senator MONTROYA. Other States would also benefit irrespective of whether they are in Appalachia and receiving money. They would benefit and come within this formula on a population basis and the other criteria set out in the formula in this legislation.

Secretary DENT. The formula would apply uniformly to all States irrespective of the participation in the Appalachian regional program; that is correct.

Senator MONTROYA. If my memory serves me right, there are now approximately 39 States receiving some kind of assistance, 39 States within the concept of regionalism in the Public Works and Economic Development Act as well as the Appalachian Act. This would extend the scope of these programs to the 50 States.

Secretary DENT. That is correct. Of course, EDA is available to the 50 States and participation in the regional commissions is a voluntary decision to be made by any of the 50 States that find it to their advantage in economic development to do so.

Senator MONTROYA. The point I want to make is that economic development funds have been distributed to the regional commissions for redistribution or reallocation to the States who are members of the regional commissions. This concept and this constriction would be done away with, and we would go into a distribution or allocation to all the 50 States.

Secretary DENT. That is correct, yes, sir.

Senator MONTROYA. Wouldn't that of necessity dilute the entitlement of many of the States considering the historical allocation of the last 2 or 3 years?

Secretary DENT. It could, depending upon the outcome of the application of the formula. In some instances it may tend to raise the allocation. In other instances it will lower it. The allocation will not work out identically to the present workout of a project by project allocation of the appropriation.

Senator MONTROYA. What do you envision by way of the States complying with one of the important requirements, with which I have no quarrel, that they present to your people here in Washington a plan, an economic plan, with special projects developed in that plan? What do you envision by way of compliance on the part of the States?

Secretary DENT. Mr. Chairman, the great enticement is participation in this program. Without question, in my judgment, there will not be a single State which will fail to develop such a program in order to take advantage of the economic assistance available in this program, particularly when the Governor considers that he may draw on his allocation in advance of developing a plan to provide the re-



sources for development by his staff or by consultants of the economic development plan for his State.

When this plan shall have been developed, it will be submitted to the appropriate one of the 10 regional administrators, not to Washington, for final approval. If they disagree with the judgment of this Federal regional administrator, States would have authority to appeal his judgment to a court.

Senator MONTROYA. You are more of an optimist than I am. Since we started this legislation, I have held hearings and have been harping on the need for meaningful regional economic planning. I don't know that we have received any real meaningful economic plan from any particular State, although some States have made great progress in this direction.

You require that the economic plan have specific projects within it upon which you can pass and authorize expenditure of funds from the allocated amount to the State. It is my feeling that because of this requirement and because of the experience which is spread on the record of hearings before this committee, that the States are going to delay complying with your requirement. Of necessity, therefore, no moneys will be disbursed, or very little will be disbursed, and this will have a dilatory effect upon the economic programs these States must have right now, not in the future.

Secretary DENT. Mr. Chairman, as we mentioned, we recommend, \$100 million for this program. If that is spread just average over 50 States, it is \$2 million available to them for public works type programs or all of the other types of programs which are authorized under the economic development program.

If they don't take advantage of developing the plan and receiving these funds, then a greater proportion will be allocated to those States which do participate under it. Some of the averages that we earlier discussed will not hold, then.

It is hard for me to believe with the various needs within the States that they would not take advantage of a Federal program which provides them with resources to achieve economic development, which could include such things as waterlines, sewers, as well as the public works type programs, as well as the development of these programs. It just seems to me that that would be a political risk that a State government would be very unwise to assume.

Senator MONTROYA. They have been doing it in the past. That is why I am concerned about this rigid requirement of having an economic plan that has to be approved here in Washington. I say this because it is my feeling that the project by project application on the part of the States under the present system has worked well because EDA has been able to tell them, "This plan which you have for this project does not appear feasible. Go back and get some more information." You are doing it on a project-by-project basis now and I think it has worked.

I am not being critical of EDA. In fact, I am being commendatory of what they have done. But these are questions that we have to resolve.

I want you to tell me what you envision by way of compliance on the part of the States under this plan vis-a-vis the present system of allocation and approval on a project by project basis.



Secretary DENT. I would anticipate full participation by all of the States because Federal resources are being made available to them in the area of economic adjustment. The only requirement is that they develop a plan.

I would like to clarify the fact that the submission and approval of this plan is to the regional administrator out in the Federal regional district headquarters and not to the Washington staff, as is presently done under EDA.

Senator MONTOYA. I know, but you are going to have to endorse that regional approval eventually.

Secretary DENT. No, sir.

Senator MONTOYA. Do you mean he has final authority under this legislation?

Secretary DENT. He has rules and regulations under which he must evaluate the plan and if it matches those, he has full authority to approve it. All he does subsequent to that is to evaluate at the end of the year that the expenditures authorized by that particular State have been in compliance with the plan which they have submitted and he has approved.

Senator MONTOYA. This is going to be the first regional office that will have final approval authority over any Federal program for allocation of funds. All the other Federal programs, while they have regional authority for approval or disapproval, still have to come to Washington. This would be the only one that wouldn't. What is so unique about this program?

Secretary DENT. It is unique in that the President retains authority to set up the rules and regulations under which the program will be operated. These will be set forth to the regional administrators and they then will pick up the responsibility.

Senator MONTOYA. It doesn't work that way in full practice. I hope you are right.

Let us go into the Indian situation. Under what authority are the activities of the Economic Development Administration's Indian desk to be transferred to the Bureau of Indian Affairs?

Secretary DENT. Mr. Blunt will answer.

Mr. BLUNT. Thank you, Mr. Chairman. The Department of the Interior and the Bureau of Indian Affairs is requesting \$25 million to carry on the Indian development program which the Economic Development Administration in part has carried on in the past. The authority is a proposed bill which would provide for bloc grants to Indian tribes. I should hasten to say here that in addition to that \$25 million which the Department of the Interior is asking for under the authority of that proposed bill, another \$9 million is being requested to support business development on Indian reservations, under an additional bill, the Indian Financing Act.

The second bill has been passed by both Houses and is awaiting action by the President. The first bill, the bloc grant bill is still under consideration by the Congress. So the authority does not exist today, but we are hopeful that before the end of the fiscal year the bloc grant bill will be passed.

Senator MONTOYA. When you take the Indians out of EDA that eliminates the concept we developed over the years, the provision that



permits EDA to make grants without any kind of matching on the part of the Indian reservations. Who did you consult with on this? Do the Indians approve of this concept?

Mr. BLUNT. Are you referring to our past practices?

Senator MONTOYA. No. I am referring to now.

Mr. BLUNT. The transferring of this authority?

Senator MONTOYA. Yes.

Did you consult with any Indian organizations on this?

Mr. BLUNT. Certainly this is a matter that has been discussed with Indian organizations.

Senator MONTOYA. Would you name those Indian organizations? I am very interested. I have a lot of correspondence objecting to this.

Mr. BLUNT. We also received some correspondence. When I say consult, I didn't mean to imply that there was necessarily concurrence by all of these organizations, but rather that discussions have been held both prior to and particularly after the budget message came out. I feel and the Administration feels that this bloc grant program, which, as you know, was introduced last year—this is not a new concept—and the anticipated transfer of the \$25 million or whatever balance EDA had not expended in fiscal 1974 into that program, is the best approach and the most flexible approach available or which would be available to the Indians for Indian development.

There would be no strings attached as far as the types of projects for which the Indians could use the funds. They could be used by the tribe for planning support, technical assistance, or any kind of public works project. I feel that if enacted it would be, certainly, to the advantage of the tribes to receive this kind of flexible funding.

Senator MONTOYA. I don't think you have answered my question yet.

Mr. BLUNT. Would you repeat the question?

Senator MONTOYA. What Indian organizations recommended that this function be transferred to BIA, or was it just BIA?

Mr. BLUNT. I can't answer at this time but I can supply it.

Senator MONTOYA. Would you do that? I have quite a bit of correspondence here.

Senator MONTOYA. How does the \$25 million for Indian development compare with past EDA funding for Indian development purposes?

Mr. BLUNT. Last year the Public Works program funds which were identified for Indian development totaled \$25 million. I think the reason for that was that originally it was intended, even last year, that the \$25 million would be transferred to BIA at such time as it gained this authority.

Senator MONTOYA. What was the total?

Mr. BLUNT. Last year, I would say the total was in the neighborhood of \$31.2 million, including public works, technical assistance and planning assistance.

Senator MONTOYA. It approximated \$35 million last year.

Mr. BLUNT. I think it was a little bit less.

Senator MONTOYA. That is fiscal year 1973.

Mr. BLUNT. I am talking about fiscal 1974. I am sorry.

If you take the aggregate of \$9 million which is being requested for the Indian Financing Act, which would be business development assistance, and the \$25 million for general development, which would



be available if the new bloc grant bill is passed, that total approximates the same amount that was available through EDA.

Senator MONTROYA. We had an economic development funding structure in BIA for Indians, other than EDA. If we are going to add what they have been getting under that to the \$25 million and try to develop comparability, I am afraid that the Indians are being shortchanged on this.

Mr. BLUNT. I have the figures, but not at my fingertips. For instance, there have been additions to the revolving fund available for community development for Indians and various other program activity requests which we have considered directly related to economic development which has given BIA, I think, adequate tools apart from the \$9 million and the \$25 million. In that regard, again we can supply some comparisons.

Senator MONTROYA. I wish you would. I wish you would compare what the Indians have been getting under BIA, under that appropriation, for economic development, plus what they have been getting from EDA by way of special project funding, and then compare the figures with what they might be getting now under this new concept from BIA. In addition, what they will be getting for the next fiscal year, on the same basis as this fiscal year, for economic development programs under BIA.

Do you understand me?

Mr. BLUNT. Yes, sir, I think so.

Senator MONTROYA. Better still, if you will, develop 3 fiscal-year comparisons.

Mr. BLUNT. 1974, 1975, and 1976?

Senator MONTROYA. Yes.

Mr. BLUNT. That is good. To the extent we can get BIA figures for fiscal year 1976 that carries the Economic Adjustment Assistance Act into its first full year of funding.

Senator MONTROYA. And get me the comparison for 2 years back.

Mr. BLUNT. Yes, sir.

[The information requested follows:]

#### INDIAN ECONOMIC DEVELOPMENT FUNDS

[In thousands of dollars]

|                                                     | 1972<br>actual | 1973<br>actual | 1974<br>estimate | 1975<br>estimate | 1976<br>estimate |
|-----------------------------------------------------|----------------|----------------|------------------|------------------|------------------|
| EDA:                                                |                |                |                  |                  |                  |
| Public works.....                                   | 22,032         | 27,456         | 25,000           | -----            | -----            |
| Business development.....                           | 24             | 1,550          | 3,000            | -----            | -----            |
| Planning.....                                       | 771            | 2,871          | 1,190            | -----            | -----            |
| Technical assistance.....                           | 1,431          | 1,494          | 2,000            | -----            | -----            |
| Total.....                                          | 24,258         | 33,371         | 31,190           | (2)              | -----            |
| BIA:                                                |                |                |                  |                  |                  |
| Indian business development <sup>1</sup> .....      | -----          | -----          | 4,000            | 4,000            | -----            |
| Indian self-determination grants <sup>2</sup> ..... | -----          | -----          | -----            | 25,000           | -----            |
| Loan guaranty and insurance <sup>3</sup> .....      | -----          | -----          | 5,000            | 5,000            | -----            |
| Total.....                                          | -----          | -----          | 9,000            | 34,000           | * 39,000         |

<sup>1</sup> Partial year funding to support all grants through June 30, 1974.

<sup>2</sup> No Indian funding in present budget. If Indian Financing Act results in appropriations but Indian Tribal Governments Grant Act is not enacted, a supplemental for EDA in 1975 would be requested.

<sup>3</sup> All amounts are dependent on enactment of pending legislation.

\* Details not available see p. (321 of the budget for fiscal year 1975).



Senator MONTROYA. Senator Randolph, you may proceed. I will defer asking any further questions until later.

Senator RANDOLPH. Mr. Secretary, if I say persistent criticism continues I would be speaking correctly of the failure to secure adequate funding. I think there is a difference between adequate funding and funding that seems to cover this program. Yes, you give us money, we will say, from the standpoint of the administration proposal and approval. But that kind of funding really doesn't do the job which is necessary to be done. I appreciate the problems in financing, yet I think there is a real difference whether something is rather thinly financed or really financed from a standpoint of adequacy to meet the needs.

I realize that there are many other programs and money must be used, of course, across a wide spectrum. You are proposing to begin this new program at the modest funding level of the current program. I do know that you indicate you hold out some hope that the funding may increase in the future.

I think it is fair to ask you at this point what eventual level of funding you foresee for this program? If that is being too pointed in my request, and you feel you can answer it in a different way, if you can give us a figure, I think it would be helpful.

Secretary DENT. Mr. Chairman, I think it is important as we look to this whole question of economic development and economic assistance that we recognize that this is one of a portfolio of programs that are provided to deal with the problems of economic development.

Included in this portfolio would be such other programs as the Rural Development Act, the Comprehensive Employment and Training Act, the Better Communities Act, and the Responsive Government Act. This program that we are discussing this morning is designed to fill in some of the cracks which occur in the overall program of economic adjustment involved in these several programs.

Senator RANDOLPH. And you do feel, when you talk about filling in the cracks at the political subdivision levels, that the involvement of the State and local officials will be there. I think by and large, if you check with them closely, they are the most informed as to the basic problems and needs. Would you agree with that, Mr. Secretary?

Secretary DENT. Absolutely.

Senator RANDOLPH. What input, if any, will these groups actually be making as you attempt to do what you say is desirable? I am wondering, in connection with the preparation of your proposal if you consulted with Governors, mayors, county officers, local development groups, individuals and members of regional commissions.

Secretary DENT. We have participated in a number of activities where this matter has been discussed and given them an opportunity for input. For instance, several weeks ago here in Washington I met with our field office representatives as well as the economic development directors of the 50 States who were invited to come in for a joint meeting.

Other members, Mr. Blunt and Mr. Bakke, have participated in various panels. Mr. Blunt was on a panel at the most recent National Governors Convention here in Washington at which time he reviewed this program. So there have been continuing opportunities for dialog of this sort with officials.



Secretary RANDOLPH. Mr. Secretary, I commend you for that. I did not want to leave the impression that you were at a distance from those that could help you. I know that Mr. Blunt has attempted and succeeded in clarifying many points, in making these programs better understood.

We think that you would realize that we measure the success of the title 5 regional commissions as a criterion for what we are speaking about here in the development of these programs. In other words, we have tried to lay them alongside what the Appalachian Regional Development Commission has been doing in West Virginia as a whole and in portions of 12 other States.

I am sure that this has been your bench mark, but I do believe that it is important to have your feeling about the value of the Appalachian Regional Commission because its program is longer in existence.

I think there have been lessons from the Appalachian Commission program. Would you enlarge on that? I know that even you, in part, come from an area where your own personal life has been touched by Appalachia.

Secretary DENT. I think without question the Appalachian regional concept applied to the economic problems which existed in these 13 States has met with success, and I think the greatest measure of success has come from marshalling the attention of leaders on economic problems and involving such people as yourself as well as men in the private sector in these areas to address the problem of economic adjustment and assistance. It is this type of attention, of course assisted with resources, that has made possible the great progress that has been achieved.

Senator RANDOLPH. I thank you, Mr. Secretary.

I think the program must never be confined within a little group of people. It must be broad based from the standpoint of the understanding of people themselves. I don't have to tell you that if you travel in any of the 55 counties of West Virginia and you talk about the Appalachian Regional Commission program, they will know what the program has been doing.

They will know how it has touched the problems of those that need medical attention, those that need a wide variety of assistance. They will understand the strengthening of the mobility of the State so as to move our products of the mine and the field and the factory. They will understand these situations that have been moving our economy up and giving us a substantial growth, which is attributable not in some degree entirely to the Appalachian program.

It brought a new sense of participation of West Virginians in working out their problems with the help of the Federal dollars which have come along through the years, especially since the early 1930's. They felt that they, themselves, were making an investment, not just in a palliative sort of way but in a long range program which would benefit their children and make it a better State in which the children could remain in West Virginia.

I am not attempting to say we become overly provincial. But West Virginia is a State with a very real future, with a potential for growth. This Appalachian program, with dollars placed where there would be growth potential, this exposure to what has been done so



people see it and feel it, that they sense it, I am sure you recognize. I don't want to make a speech, but, you see, I become excited when I talk about the program, because with its mistakes and errors it really has brought that strengthening of West Virginia from the standpoint of the individual citizen and his or her understanding of what we are attempting to do.

Do you agree?

Secretary DENT. I agree with you, Mr. Chairman. I think that the ultimate success of this is going to be the overcoming of many generations of disadvantaged to where a State and region will no longer be disadvantaged and the program can be refocused in other areas or other problems. That is the ultimate test. I think we are moving toward that.

Senator RANDOLPH. I thank you, Mr. Chairman.

I thank you, Mr. Secretary.

Senator MONTOYA. Senator McClure?

Senator McCLURE. Thank you, Mr. Chairman.

I will try to be very brief, Mr. Secretary. The questions I ask will be intended to make the record perhaps a little more definitive in some areas, although I think your statement was very comprehensive and I commend you for the approach taken in it.

In your statement you outline the criteria, the five different portions of the formula outside of the discretionary holdback. They measure existing factors. I would contrast that with the earlier portion of your statement that criticizes the present programs as being palliative rather than anticipatory.

Aren't these factors, as they do in measuring existing situations, failing also to be anticipatory?

Secretary DENT. Senator, these are based on data which is available. There is 20-percent set-aside for discretionary use so that if we have a development that is unanticipated, such as an Agnes situation, a closing of a facility, or some sort of a national disaster, funds can be made available on a very near term basis, based upon the development of a short-term plan to deal with that economic distress which has developed.

Senator McCLURE. If programs are to be anticipatory they shouldn't measure present events but measure future facts. The criteria measure present facts rather than future facts and are based on what has already happened. Is that not the same criticism you level at present programs in failing to anticipate the changes?

Secretary DENT. This formula has been developed through the utilization of the best knowledge and imagination available. We are willing to consider any suggestions as to how to reflect that which you have just described, but it is hard to put your finger on it. We have an open mind.

Senator McCLURE. You say it ought to anticipate future conditions as well as present conditions, so that we head off problems rather than simply trying to remedy them after they have occurred. There is another side which I think ought to be brought out.

Secretary DENT. Senator, if I might suggest one thing we ought not do is to let economists evaluate what is going to come in the future and allocate it on that basis.



Senator McCCLURE. On the other side of that question, if the first objective of the bill, and according to your statement the top priority objective, is to counter economic dislocations before they occur, will this not tend to focus funds under this program in areas of current relative prosperity, tend to keep the jobs where they are, and continue present trends in the economy rather than use the moneys to promote economic opportunity elsewhere?

Secretary DENT. I think quite to the contrary this does lay heavy stress. Fifty-percent of the funds will be allocated in relation to unemployment or income below standard, so that those States which have present problems will be given a major share of the support. It is anticipated that problems today are indicative of what might come tomorrow.

That generally is the basis upon which future projections are made, evaluating the past years and projecting into the future. Occasionally mistakes will be made as far as that is concerned. I think with the allocation on this basis, with the much closer relationship of governments at the State and local level to the incidence of problems, they can be more instantaneously identified than if they have to be developed and submitted to Washington, which is somewhat insulated from these.

Senator McCCLURE. I don't disagree at all with the idea of local identification of problems and administration of objectives. I think that certainly fits with my own idea of what is best. But I am concerned about this question of how you deal with current problems on one hand and on the other hand try to anticipate problems which may develop.

It seems to me those two objectives, to some degree at least, are antipathetic. If the programs are designed to prevent structural change from occurring, then they will, to some degree, counter normal market trends and shifts of the economy.

Secretary DENT. It is not designed to prevent structural change from occurring. It is to respond to structural change as it is occurring rather than after it shall have occurred. If there is anything certain in the economy of this country, it is change. It is merely giving the States and communities the opportunity to adapt to that change more closely in time to its occurrence when the damage has become serious.

Senator McCCLURE. I think that answer helps give the direction it would be your intention that the program should take. Let me give you a specific example and see if I can fit that in with your response. Several years ago there was a shift in the textile industry from New England to the South. Anticipation of that change would have required measurement of factors before they occurred instead of afterward. If I would understand your response it would not have tried to prevent that change but to create economic opportunity within the region that was being deprived of that employment because of the change. Is that correct?

Secretary DENT. Senator, you happen to have hit a subject that we could discuss for 4 hours. There is a fallacy that the industry transferred. What, in actuality happened, was New England became uncompetitive because of local and State laws and restrictions that made business uncompetitive there.



Those firms went out of business while other firms in another area of the country, which were more competitive, expanded. Actually, in this particular instance, it is a matter of facing up to what people call the business climate or the competitiveness of one area against the other.

In that particular case, it seems to me that the evidence was clear from consultants who saw the competitive advantage or disadvantage, and if funds had been available to New England Governors, economic development of alternative employment opportunities should have been undertaken at that time.

Senator McCLURE. Would it have taken the form or could it have taken the form under this program of a subsidy to the textile industry in the Northeast in order to keep them operating?

Secretary DENT. There would not be enough funds in the program to do that.

Senator McCLURE. Aside from that question, would that have been an appropriate response, in your judgment.

Secretary DENT. I don't think you can push water up hill. They should have had economic consultants analyze the strengths and the weaknesses of their particular locality and then design long range plans to capitalize on their competitive advantages as compared with other parts of the national economy, and to capitalize on those particular advantages.

Senator McCLURE. One final question that Senator Stafford—

Senator MONTTOYA. Would the Senator yield at that point?

Senator McCLURE. Yes.

Senator MONTTOYA. Let us say that one of the main reasons why New England suffered a competitive disadvantage was because they were paying higher wages.

Secretary DENT. Senator, let me explain. The State of Massachusetts passed a law that no woman could work after 10 o'clock at night. A man doesn't spin yarn because he has hair on his arms. When the women go to bed they had to stop the machinery. In the South they ran 24 hours a day and consequently produced at a higher rate of cost.

Senator MONTTOYA. Wasn't the real cause for the disadvantage the higher wages in Massachusetts?

Secretary DENT. It was competitive disadvantage and that was one aspect of it.

Senator MONTTOYA. What about high wages?

Secretary DENT. Wages were one of the economic factors involved.

Senator MONTTOYA. That is the point I want to make.

Secretary DENT. Also involved was the fact that the cotton was growing at the door of a plant in the South and you had to ship it to New England.

Senator MONTTOYA. You say they should have gotten consultants in. The point I am trying to make is suppose they had gotten consultants in and they had been told that the wages were too high, and that the overhead was higher than competitors down South. Could that consultant therefore say to the State of Massachusetts, "Lower your wages because that is one of the culprits in this formula."

Secretary DENT. They would go to them and say, "You have in Cambridge, Mass., MIT, and another sort of noneconomic institution. Let's



capitalize on the brain power and move into these types of defense-oriented electronic products." Route 128 up there has developed this high technology industry which can support the wage rates that those people require for their standard of living. It is a question of trying to capitalize. Some are natural resource advantages. Some are advantages of educational standards or geographic location.

Senator McCURE. I did tell Senator Stafford before he was called away that I would ask one question on his behalf. That is the question of whether or not the standard Federal administrative area for New England coincides with the New England Regional Commission area.

Secretary DENT. Yes, it does.

Senator McCURE. So there would be no change so far as the regional aspects are concerned of the plan that you submitted in this bill?

Secretary DENT. Providing the States wish to maintain that regional structure, that is correct.

Senator MONTOYA. Senator Domenici.

Senator DOMENICI. Thank you, Mr. Chairman.

Mr. Secretary or Mr. Blunt, the chairman inquired about the Indian programs. Let me take another approach to the question. There is another very practical question and that has to do with what you are doing now with reference to the Indians. If I understand, you have no authority to assume that the Congress is going to shift the Indian program to the Department of the Interior. In fact, such a bill, referred to by our chairman, has been pending for a long time, and the Congress has not seen fit, to my knowledge, to even conduct serious hearings on it.

What are you doing now with reference to Indians? Is the EDA program in a state of flux because you anticipate that it will be shifted to Interior, or are applicants being handled exactly as required by the present law?

Mr. BLUNT. In response to your first question, I suppose we have the authority to assume it, but it would be a big mistake if we did.

Senator DOMENICI. So you are not?

Mr. BLUNT. So we are not, and certainly not, because we realize the prerogative of the Congress here to consider the legislation and come up with whatever they think is best. We are simply recommending it in accordance with the usual prerogative of the administration.

As far as the conduct of the program right now, it is being conducted exactly as we have always conducted it. That is in the same spirit as the agency was run not only with the Indian program but also for its entire program, even during last year when, as the chairman pointed out, there was a time when the administration recommended that the program be terminated at the end of the fiscal year.

So we certainly have run the program consistently. I would anticipate what may be your next question.

I also want to say that there is no intention on our part, on the part of the administration, to jeopardize the continuity of support for the Indian involvement program by developing some sort of confrontation over appropriations for this program at the end of the fiscal year. To put it another way, there will be, at the end of the fiscal year, an opportunity to request a supplemental appropriation under EDA's



authority for fiscal year 1975 in the event that, because of the failure of Congress to enact the Indian Tribal Government Grant Act, there appears a danger of a gap in services.

Senator DOMENICI. Let me talk a little about the theory of the bill and what I think is going to happen unless we make some major modifications as to where the State can put the money.

My experience would indicate to me, Mr. Secretary, that cities—let's just use a figure for our discussion—of 100,000 or more have an inherent capacity to seek economic development assistance that smaller cities in rural America don't have. My experience, for instance, would indicate that a city the size of 250,000, Albuquerque, N. Mex., when it decides to promote economic development, whether it be the diversity of employment opportunity or the like, they have many tools, including the very strong power of that community in terms of local bonding authority, authority to build their own vocational schools, authority to pool their manpower to prepare this planning in depth.

Indeed, I believe a study by you would indicate that the major, good programs for economic development are those of the cities I am describing and larger. Then I look at the proposals that your report recommends as part of the overall package. You might seek some that are not law and I don't think will ever be law, so I look at what we are presently doing.

I believe, Mr. Secretary, that the great bulk of resources are again being plowed into the big cities of America, whether it be through the much heralded in 1973 comprehensive manpower training program—which will be basically concentrated in larger urban areas—or other programs.

If you look at the basic assistance programs—urban renewal and all that goes with it—it has historically been a city-oriented program. If you look at 701 funding, it is basically a city program. So it seems to me that if your formula is going to work, it is going to, even if the factors are equitable, give to the State the money to determine where it will put these economic development resources.

I submit to you that we are going to once again have the disparity of the big versus the little occur. I think you are going to find that the political pressures will be to put the projects where the people are, not where a few people are. I think Congress is disposed at this point to put some emphasis on small city development and to alter the trend of locomotion and movement of human bodies to the big city, which creates two kinds of economic problems:

One, the big cities have serious problems, and the little town is going down the drain.

I think the study of the present program would reveal that most of the money is going into what we would call in my discussion the rural areas. I perceive that the big city that puts a flamboyant plan together for the Governor, for his commission, is going to just have more resources piled upon what they presently have.

I see it causing more deployment of people from small and rural America to the big city, more than the existing program, even if it is considered wasteful. I think there is some room to say, "OK, States you do your plan, but," and then a program which insists that they put a certain percentage of the funds in rural or smalltown areas.



I don't know if you are disposed to comment on that, but most certainly I think that.

When I look at the criteria where New Mexico ends up with 1.2 percent of the funds, and the facts on New Mexico stated by the chairman, the 1.02 percent of the maximum funding you would ever expect under this bill is far less than \$11 million now received.

I think that would be largely true if you were to map out the States of the United States in your formula and in another column put what they are presently getting.

I believe you would have a program which is now principally going to rural America. I think you could conclude that it is going to be seriously moved in another direction. I have some questions about the formula. I wonder why Kentucky is in at 17.5 in the fifth column. I looked at some Southern States, and they are all in the neighborhood of 1.2.

I wonder about that. I also wonder if when you use percentages of people if once again you aren't going toward the heavily populated States in the formula.

Would you comment on that discussion, please?

Secretary DENT. Yes, Senator. First of all, with respect to the matter of where the funds will be expended, the development of the rules and regulations under which the plans of the several States will be approved can be designed to reflect the will of Congress in channeling to various and sundry areas. As the bill requires, the States must develop their economic development plan which will be targeted to certain areas.

First of all, there is the setting of the standards and rules and regulations which can be done so they can respond to whatever the wishes of Congress are. Second, they have to be precise in their planning.

Senator McCLURE. Could I make a comment in connection with this?

Senator DOMENICI. Yes.

Senator McCLURE. The unemployment factor in the bill's formula is based on the number of unemployed persons. According to the tables provided in your report this weighs heavily in favor of the more industrial States. Fifty percent of the funds distributed under this factor will go to the four States: Washington, 20.7 percent; California, 13.5 percent; Michigan, 10.6 percent, and Ohio, 7.1 percent.

I raise the questions because the thrust of EDA's program has been in less urban areas, just as the Senator from New Mexico said. Over 60 percent of the obligated projects have been in counties of 50,000 or less. While the program may be required to go to rural areas within the States, the formula says that the industrial States will get the money.

Secretary DENT. The first item of the formula relates to those who are below the poverty area. I think generally those are the rural areas and people who live on the farms. Although their income is low in dollars, I think they get some fringe benefits out of the grounds that are not put in a monetary context.

Senator McCLURE [presiding]. We will recess for a few minutes. Senator Montoya went to vote earlier. He will return very soon.

[Brief recess.]

Senator MONTAYA. The committee will be in order.

We will resume the questioning, Mr. Secretary.



Mr. Secretary, the three maps presented in the report to Congress of February 1, seem to demonstrate a close correlation between the lagging areas of the Nation and those areas within the boundaries of the title V, and Appalachian Regional Commissions. I understand that 72.6 percent of all U.S. counties in which per capita income is less than one-half the national average fall within one or another of the title V, or Appalachian Region Commissions.

Couldn't a strong argument be made, therefore, that all these areas require additional assistance, a combined regional effort to achieve economic development, even in addition to planning and coordination?

Secretary DENT. Mr. Chairman, we have developed the formula to the very best of our ability. We are willing to discuss it to reflect suggestions that are made to focus in on other considerations. I think perhaps we are dealing in the area of how best to redesign if in fact it should be redesigned.

Senator MONTROYA. Mr. Secretary, I think you will find unanimity here in the Congress and among the Governors of this country that the funding which is in available today under the Public Works and Economic Development Act, and the funding structure which is contemplated under the proposed legislation is very inadequate.

Do you agree with this prevailing opinion among these groups I mentioned?

Secretary DENT. When it comes solely from the considerations of economic development, of course, great funds can be expended, if it is an isolated instance of itself. But when one considers this in the context of the broad national needs involving all of the other elements that society requires—defense, international relations, and all the other activities of our Government—and considers the income available to the Nation to undertake these various projects, then this comes down to a sensible size.

Senator MONTROYA. Do you feel that \$5 billion in foreign aid to all the countries of the world, or to many of the countries of the world, is more important than economic aid to our economically deprived areas? What do you have to say about that vast sum of \$5 billion compared to \$330 million which you are making allowance for here?

Secretary DENT. Mr. Chairman, without any question the finest element of economic development in this country or in this world is the building of a structure of peace around the world. Without that there would be total devastation to our economy. So as we consider \$5 billion, I think we have to think in the context of what it does for the economic development of this country. I think some of the money that is being spent offshore is designed to build this structure of peace which is so meaningful to the strength of our economy and its capacity to move ahead and solve the problems, both from the private viewpoint as well as from the public viewpoint that we are considering today.

Senator MONTROYA. That is the argument we have been receiving from the administration for the last few years. I am speaking of Republican and Democratic administrations. Mr. Secretary, about how wonderful this foreign aid is and how it has improved the structure of peace.

Since we started foreign aid we have lost most of Latin America. They were our friends before, under the good neighbor Policy of



Franklin Roosevelt. Then we started pouring dollars in there. They take our dollars and laugh at us. India has been doing the same thing. They vote against us in the United Nations even on situations where their internal structure is not involved. Ideologically they don't side with us at all, even though they claim to be anti-Communist and democratic oriented.

I remember we poured \$2 billion in aid to Egypt, and Nasser was spitting in our face, coming out with declarations against the United States, while at the same time he was receiving millions of dollars and millions of dollars in food.

I served on the Foreign Operations Subcommittee of the House Appropriations Committee. I know where of I speak. I went all over the world trying to investigate why—why does our generosity bring back such responses from the beneficiaries. I know this record has been played in the Congress throughout the years, and it has been played by both administrations, Mr. Secretary, that these billions of dollars we are pouring into the underdeveloped countries of the world is really a vehicle for lasting peace. I don't agree with it.

I can't reconcile in my own mind why an administration, be it Republican or Democratic, can come to the Congress and say, "Give us \$5 billion to distribute throughout the world," and why we have to be satisfied, in view of the gravity of our economic problems here at home, with \$330 million. I just can't reconcile that.

Secretary DENT. Mr. Chairman, when I was talking about the expenditure of priorities, I was not trying to justify the level of foreign aid. I certainly am not qualified to do that. I was talking about the broad thrust of American policy involving defense, aid, and all the other elements that make it up.

The judgment that has been made in the past, it seems to me, has been justified in the present instance. We are the only Nation in the world that has the credibility, the moral standing and the stature to step up and work to a solution, at least temporarily, of the Mideast war, and is using its position to try to obtain a permanent peace. We have within this Nation not just \$330 million in this program, but tremendous financial resources in the private sector for economic development.

This has been lengthened through devaluation, which now makes us so much more competitive that we are attracting foreign investment as well; \$2.5 billion last year came into this country compared to about \$14.5 billion throughout all history. It is to create new jobs in this country because we are now more competitive in world markets than we have been at any time since back in the early 1920's. All of these forces are working in addition to the \$330 million that we are talking about today.

Senator MONTAYA. Why can we allow so many concessions to our corporations when they go abroad, tax concessions, and we cannot appropriate more money here in this country for economic development, for helping our own people lift themselves economically?

Secretary DENT. It is not economic incentives that have moved corporations abroad. Since World War II, \$9.5 billion has gone abroad from this country but primarily because of our national policy of maintaining the dollar value above other currency which made our products uncompetitive. In order to be competitive they sought off-



shore havens, and also to get into markets from which they were precluded.

Now, the national policy has been reversed with two devaluations. I anticipate that the investments coming from offshore will also be matched by a greater percentage of American investment in America because we now are competitive which we previously were not.

Senator MONTONA. Wouldn't you say that the tax advantages that these corporations have are economic incentives?

Secretary DENT. We hear that it is incentives of cheap labor, and yet our greatest investment, 30 percent of our foreign investment, is in Western Europe where wages are high. Another 30 percent is in Canada; 20 percent is in South America; and 20 percent is left for the whole rest of the world, which includes the Orient and the underdeveloped nations where you do find this labor advantage of significance.

I think the incentives are merely one of the factors, not a major, compelling factor.

Senator MONTONA. I am not arguing against the policy because this is not the committee to argue in. What I am pointing out is that they certainly get more by way of tax advantage than the \$330 million which we are trying to get here for the economically deprived people in these regions. That is the point I am trying to make, Mr. Secretary.

I want to make the further point that \$330 million is really very inadequate for the problem we have, the economic problem that we have, in these areas.

You people mentioned a while ago that New Mexico would get 1.02 percent under the proposed funding structure. I am not saying very much for the present funding structure either. That is just like telling a man who is dying of thirst on the desert, "You had two drops of water yesterday. We will give you one drop today."

That is the point I want to make. Really, looking at this thing realistically, this low authorization is most inadequate. The chairman alluded to the success of Appalachia. Appalachia succeeded and is succeeding because it had adequate funding right along. We have had to struggle for the funding we have been getting under EDA. I am very concerned about it. I am trying to commit the interest of the administration, the compassion of the administration.

I am not trying to be critical, but I am just hoping that you will look at this thing with different eyes and see if you can agree with us on a better authorization. It is sorely needed.

I want to mention something else also. You alluded to consultation with the Governors during the Governors' Convention and to a seminar or a presentation that was made by Mr. Blunt, whom I respect very highly. We had a meeting here with the Governors, with a committee of the Governors, right here in this same room. They came to tell us that they didn't agree with the concept contained in this bill. That they wanted to continue the concept that is now in the present law, the regional commission concept.

They indicated to us that they were speaking for all the Governors, although they recognized that some may be endorsing the administration proposal and some may not.

The committee that came before us was a committee of Republican and Democratic Governors. I just wanted you to know that.



I am going to insert in the record letters from the Indian leaders in this country objecting to being transferred to BIA. They like to be within your bosom, they like you. They really like you. They want to be there. The want to call your place their home. There is nothing wrong about that, is there?

[The letters referred to may be found at pp. 62-99.]

Secretary DENT. Certainly not. We appreciate Indians as well. In economic problems, we don't discriminate by region, section, or anything else. Economic problems are our concern, as far as this program is concerned.

Senator MONTOKA. Secretary Dent, EDA has done wonders for New Mexico under the present concept. I certainly want to express my gratitude for that to you and your people, and to your predecessors. That is what gives me great concern, that we are diluting the concept, in my opinion, and that we are providing a break on funding. We are in a drought right now, so far as funds for economic development. We had to accept a lower level last year because we wanted to save the program. That is why we went along.

I am really very concerned that this is inadequate, especially in view of the fact that all of the States are now going to share from this limited program, across the board.

Is there any way that you can reconsider the authorization amounts that you have in this bill?

Secretary DENT. Not in light of the planned budget program for this fiscal year which has evaluated all of the demands on the anticipated national income and even, as you well know, is anticipating a budget deficit in the area of \$9 billion.

Senator MONTOKA. What if we save some money out of the defense and pour it in here?

Secretary DENT. I think that has to be evaluated from the standpoint of the effect it will have on the structure of peace and our capacity to accomplish the things we are doing as far as the Soviet Union and other problem areas of the world are concerned.

Senator MONTOKA. I know a few areas where we can cut some expenditures and put them in here. I am chairman of an appropriations subcommittee, too.

What about the 1-year extension, Mr. Secretary? Do you think that is adequate?

Secretary DENT. I think most of the States are already involved in planning procedures. This, as you well know, is required under most of the major grant programs, that grants are only made to States and communities when there is in existence a long-range plan. I think the activities are well known and identified. It is not a new area of effort on the part of the States. I see no reason why it can't be accomplished with a year's transition.

Senator MONTOKA. Would you have any objection to a 2-year authorization?

Secretary DENT. On the extension of EDA?

Senator MONTOKA. On any concept that we might evolve here after hearing all this testimony.

Secretary DENT. As of the present we have evaluated it and think that the 1-year procedure is better. Perhaps after further hearings it



could be reexamined, but as the present state of our investigation that is what we believe is the advantageous way.

Senator MONTÓYA. This is my feeling, and seems to be the feeling of many of the Governors, that a 1-year authorization leaves the program in a state of uncertainty, so that much of the planning that they have to do may go for naught eventually, if the program is not extended.

I recognize that they should be doing their planning independently anyway, irrespective of whether or not any money is coming in from Federal programs. But this would put quite a burden on them because a lot of their planning is being done by virtue of grants and seed money that EDA provides under the current act.

Secretary DENT. Mr. Chairman, apropos of the term of it, as you well know the proposal in the Economic Adjustment Act is for a 5-year program so that really we are dealing with the question of annual appropriations under that program as far as the security of the carrying out of the plans which the states will evolve under this act are concerned.

Senator MONTÓYA. How will the economic adjustment activity proposed in this legislation relate to those activities undertaken or to be undertaken by the Federal Energy Office, the Department of Defense, the Small Business Administration, the Rural Development Office, or the Federal Disaster Assistance Administration?

Secretary DENT. Mr. Chairman, as we mentioned, regional administrators are to be members of the Federal Regional Councils. The main purpose of these councils is to coordinate the activities of the various departments and agencies which serve the area that they are involved with. That is one of the main responsibilities of the Federal regional administrator in this particular case, to achieve the types of coordination, not only with programs which are in effect today but will be coming into effect over the 5-year period of legislation.

Senator MONTÓYA. Would you have overall responsibility for economic adjustment programs involving all these departments?

Secretary DENT. We would expect this regional administrator to coordinate all of the programs that are involved in the area of economic development with his peers in the Federal Regional Council so that all know what the proposals and activities of the others are.

Senator MONTÓYA. What kind of a Federal structure would you have here in Washington to oversee and monitor the regional offices?

Secretary DENT. We would have a rather small activity which would be involved with, first, the development of these rules and regulations, the coordination of reports on an annual basis, the allocation of the funds to the various States, and the coordination with Congress for the program as a whole.

Of course, a major portion of their responsibility would involve the allocation of the 20-percent discretionary fund as events occurred during the fiscal year.

Senator MONTÓYA. Couldn't you get the help of the Census Bureau to do that work, like Treasury did in the present bloc grant?

Secretary DENT. All that the Bureau of Census does is to provide the population analysis upon which the General Revenue Sharing Office makes the allocations and, of course, as part of Commerce we



would depend on them for much of the information which the presently proposed formula requires.

Senator MONTÓYA. I believe that is all. If you will bear with us, Mr. Secretary, we would like to call you at a later date after we listen to the Governors and the other public witnesses.

Secretary DENT. We are at your service, Mr. Chairman, either to appear or to respond to written questions, whatever your pleasure.

Senator MONTÓYA. Thank you, very much, Mr. Secretary.

[The letters from Indian leaders previously referred to by Senator Montoya follows:]



**LUMMI**

**LUMMI INDIAN BUSINESS COUNCIL**  
 P.O. BOX 309, MARIETTA, WASHINGTON 98268 (206) 734-8180

March 25, 1974

Honorable Jennings Randolph  
 Chairman, Committee on Public Works  
 U.S. Senate  
 Washington, D.C. 20510

Dear Sen. Randolph,

This letter is intended to express our opposition to and concern over the Administration's proposal to eliminate the EDA Indian Program. Attached is the Lummi Indian Business Council's Resolution in this regard.

Although it is possible that pending legislation to move Indian Development responsibility to the Bureau of Indian Affairs could eventually be done in a manner that is both efficient and responsive to Indian needs, we feel it is inadvisable to do so in Fiscal 1975. This is due partly to the uncertainty resulting from the Administration's situation with the Legislative Branch, but more important, to the uncertainty inherent in the proposed legislation itself. We especially have misgivings over the proposed Indian Financing Act, a critique of which is also attached.

This reservation has had a very high opinion of the EDA program and can attest from experience that it is efficient and responsive. We can hardly condone the arbitrary dismemberment of this exceptional Federal Agency in favor of proposals of grave uncertainty.

Sincerely,

Larry G. Kinley, Chairman  
 Lummi Indian Business Council

LGK:BH: th



LUMMI



**LUMMI INDIAN BUSINESS COUNCIL**  
P.O. BOX 309, MARIETTA, WASHINGTON 98268 (206) 734-8180

RESOLUTION NO. G-37

WHEREAS, the Lummi Indian Business Council is the duly constituted governing body of the Lummi Indian Reservation by authority of the Constitution and By-Laws of the Lummi Tribe of the Lummi Reservation as approved on April 10, 1970, by the Assistant Commissioner of Indian Affairs; and,

WHEREAS, the Lummi Indian Business Council is informed that the 1st session of the 93rd Congress which convened in January 1974 will consider legislation which would continue programs of the Public Works and Economic Development act of 1965, Public Law 89-136, as amended beyond June 30, 1973, and,

WHEREAS, the Lummi Indian Business Council is of the attitude that the Public Works and Economic Development Act of 1965 with its Indian program and the Economic Development Administration (EDA) has shown its potential for helping improve economic conditions on reservations,

NOW, THEREFORE, BE IT RESOLVED, that the Lummi Indian Business Council supports action of the U.S. Congress which would continue programs of the Public Works and Economic Development Act, Public Law 89-136, especially as they affect Indian Reservations; and,

THAT the Chairman be authorized and directed to communicate to the proper officials the context of this resolution as well as details setting out some of the programs which have been developed either directly under or in conjunction with the EDA Indian Program.

*Larry G. Kinley*  
Larry G. Kinley, Chairman

CERTIFICATION

As Secretary of the Lummi Indian Business Council, I hereby certify that the above Resolution was adopted at a REGULAR meeting of the Lummi Indian Business Council at Lummi, Washington, on the 11<sup>TH</sup> day of MARCH, 1974, at which time a quorum was present, and the Resolution was adopted by a vote of 6 FOR and 0 AGAINST, said Resolution.

*Samuel Cagey*  
Samuel Cagey, Secretary



Summary Assessment of Impact from the EDA Indian Program  
on the Lummi Reservation

Since the beginning of these programs, this tribe has made enormous strides towards goals of Sovereignty and economic self-determination.

The original funding began in 1963 with the OEO sponsored CAP agency. Among the outcomes of this effort was a basic decision of the Lummi Indian Business Council to develop the reservation economy to increase incomes and provide jobs. From this basic decision came a program to develop the tribe's major resources-the people and their marine location- into a sea-farming or Aquaculture project. The bulk of the funding for this came from the Economic Development Administration.

The basic project has included a 750 acre sea - pond, an oyster hatchery, fish hatchery, marketing center, aquaculture school, management training, manpower training, technical assistance, and spin - off enterprises. The secondary enterprises have included a construction company, beauty parlor, convenience food store, reforestation contractor, two trucking companies, and will result in still more spin-off enterprises in the future. Employment, production, and income have all increased steadily in these combined enterprises, going from no jobs in 1968 to over a hundred full - time jobs at the end of 1973.

The social benefits have also been important. Lummi college enrollment had gone from 5 students in 1968 to 55 in 1973. Welfare grants to dependent children have declined by 50 % over a three - year period and have been replaced by increased job counseling and other needed, positive social services. Lummi housing has increased by 50 units in two years.

In view of the fact that it was the EDA investment that made possible this on - going process of economic self-determination, the EDA Indian Program must be assessed as of great development potential to Indian reservations.



Summary Assesment of H.R. 6371 (s. 1341),  
The Indian Financing Act of 1973 and  
Other Indian Development Proposals

There are some very significant policy changes implicit in the Administration's proposals. The implications of these policies may not be fully understood, even by some who support this act and the other proposals.

The major proposed policy changes are -

- (1) A shift in emphasis away from tribal Economic Development toward entrepreneurial Development. Many of the following proposals below are linked to this. Among them:
- (2) A shift from community-based, community-controlled development toward individually-based, individually-controlled profit.
- (3) A shift from BIA responsibility for Reservation services to Tribal responsibility for Reservation services, via contracts.
- (4) A shift from on-going, community-controlled, planning and development programs to Ad hoc, contract guided, private consultant studies.
- (5) A shift from a broad array of Federal agencies who provide development and grant programs to Reservations to a monopoly position by BIA who will acquire more control over Reservation programs.
- (6) A shift from broad consultation with Indian people to unilateral decision processes and broadened controls vested in BIA.
- (7) A shift from large grants and loans to few grants, small loans, and reduced program authorization.
- (8) A shift from full participation in EDA programs and the new Federalism toward "seperate but equal" programs under BIA.
- (9) A shift from increased recognition of Indian sovereignty to increased authority for the Secretary of the Interior in his relations with reservations.



(10) A shift from reservation-determined development policies to Federally-determined development policies.

(11) A shift in development investment risks from the Federal government (EDA grants) to the Indian reservation (BIA loans). Whereas The EDA program developed Indian resources, in partnership with the tribe, the BIA will have authority to oversee as creditor the pledge of Indian resources as loan security.

In view of the fact that these policy changes are very significant, if not gravely detrimental, to Indian interests, the proposed changes in development policy would be highly inadvisable in Fiscal 1975. Until the various specific questions raised in the attached commentaries are explained to the full satisfaction of a majority of the Tribal Councils of this country, the Indian Program of EDA should be continued and expanded above FY 1973 levels.

JBH:th

3/25/74



LUMMI



## LUMMI INDIAN BUSINESS COUNCIL

P.O. BOX 309, MARIETTA, WASHINGTON 98268 (206) 734-8180

COMMENTARY ON H.R. 6371 (S. 1341) INDIAN FINANCING ACT OF 1973 and RELATED POLICY SHIFTS.

Due to the imminent possibility of passage it is important that its key features be reviewed rapidly and carefully. I believe it is extremely important that this bill be fully understood since it is the Administrations intent:

To replace the Indian Programs of Economic Development Administration under the Public Works and Economic Development Act of 1965 including

Business Loans and Loan Guarantees

Public Works Loans and Grants

Technical Assistance, Research, and Planning Grants

Training Assistance under the Office of Technical Assistance using MDTA funds

With programs under the Bureau of Indian Affairs using the Indian Financing Act of 1973 and contracting authority including:

Development Loans and Loan Guarantees

Contracted services to include Public Works

existing Training programs already under BIA

A SECTION-BY-SECTION COMMENTARY ON H.R. 6371 FOLLOWS:

SECTION  
2

I believe that a serious policy shift is implied in the phrase "....policy of the Congress to provide capital on a reimbursable basis...." The EDA, GEO, HUD, and other programs, which will still be enjoyed by the non-Indian community, are primarily Grant Programs. It seems to me that it is patently unfair to Legislatively state a policy of loans for Reservations when the non-Indian community thrives on grants.

Regardless of the apparent innocent intent in the phrase "....to a point where the Indians will fully exercise responsibility for the utilization and management of their own resources....", there is a potential for malicious interpretation. There can be no such thing as separation of authority from responsibility. How can this bill speak of a shift in responsibility when we know that authority will be retained in the Secretary of Interior? This delineation of the authority of the Secretary is the most detailed pre-occupation of the Bill. A careful reading of Titles I, II, and IV will show that an enormous amount of discretionary authority is legislated to the Secretary. This haziness over authority and responsibility may be an innocent oversight. But it may also be interpreted as de Jure Secretarial authority, coupled with de facto reservation responsibility:

a limbo somewhere between termination and the same old stuff.

The next phrase is one that I as a non-Indian cannot fully interpret. It says



- SECTION 2 "....where they will enjoy a standard of living from their own productive efforts comparable to that enjoyed by non-Indians in neighboring communities..." Speaking as a non-Indian, I don't feel my standard of living is all that great; there is more quantity, but few non-Indians are satisfied with their quality of life. We have problems of overweight coupled with nutritional famine; more capital invested in transportation systems than any nation of the world, yet workers in metropolitan areas cannot get to their jobs; we have massive covert programs of socialism for the rich, and a host of paper charades of free enterprise for the poor. It would seem to me that Indians would be better off if they alone define their economic development goals. This has been previously done in their OEDP's and other EDA plans, no references to which are found in any current Administration plans, programs, or proposed legislation.
- SECTION 3(a) "Secretary" could also be defined as the Assistant Secretary of Commerce for Economic Development (EDA) if Indian people prefer it that way. This should be seriously considered. "Secretary" could also be defined as a Secretary to a 2/3's Indian Board of Directors, together with a 1/3 appointed membership, who will alone set policy for their Secretary; The Indian members could be elected to the board for overlapping 3 year terms by secret, popular ballot. Those Indians with no conflict of interests would be eligible. This also should be considered. The Secretary of Interior is a poor consideration.
- SECTION 3(b) This will exclude members of terminated Tribes, landless Tribes, etc. See 3(g), below.
- SECTION 3(e) This provision orients the program toward "profit", which is not otherwise defined. This may be useful for the individual businessman but Tribes may, for reasons of their own, prefer a non-profit enterprise or project whose primary purpose is to serve some community economic development goal: bridges, sewers, or enterprises which trade-off profits for increased Tribal income or employment. In effect, this Section, 3 (e), and all of Section 2, set economic policy for Indian Reservations. These policies have already been set by the Reservations themselves in their OEDP's (Overall Economic Development Programs); this bill serves to repeal or supercede Tribal policies contained in their grass-roots designed OEDP. These serious policy implications should be considered.
- SECTION 3(g) This defines non-Indians as a part of the action and their access is defined in Section 101 and 102, below. Through this provision it might be possible for the problem of 3 (b), above, to be solved. By calling landless Indians "non-Indians", and funding them through an Indian or a recognized Tribe, as provided for in Sections 101 and 102, the discrimination would be circumvented. However, the landed Tribe or Indian would be, in effect, a co-signer for the risk. This still makes Section 3(g) more useful for non-Indians, in contrast to landless Indians, since they could on the average, be presumed to have better ability to repay their loan.
- SECTION 101 This section and the BIA budget request make reference to "debts" and "defaulted contracts." These run into the millions of dollars and could very well comprise a huge share of the respective loan and contract funds. This could mean that very little of the "new money" is available for development, but merely tied to "old debts". Until we know exactly how much, in no way should we support these bills. Not only do we not know how much real development money we're getting, we also do not know the entire track record of the existing revolving loan funds and contracts. If they are as bad as implied in the budget and legislative proposals, why are we allowing the EDA program to die? We know the ED<sup>A</sup> track record; we do not yet know the BIA development record, although some pretty good educated guesses are possible.



- SECTION 102(a) This section refers to education loans. It may be wise to insert provisions setting a minimum floor on current Indian education grant appropriations so that they cannot be eliminated in favor of loans under this section.
- SECTION 102(b) This section permits a loan to non-Indians via Indian or Tribal fronts. Why then, is this called an "Indian" Financing Act? It would seem wiser to eliminate non-Indian loans. What sort of non-Indian business would have to come to a Tribe for credit?
- SECTION 103 This section makes the loan fund a "lender of last resort" and is common to the SBA, EDA, etc. legislation. However, this gives greater discretionary authority (power) in its language: everything is left to the "...judgement of the Secretary..." or the "...opinion of the Secretary..." when instead, objective conditions could be set. In view of the influence the energy lobby has over the Secretary; in view of the power the Secretary has over mineral leases, reclamation projects, etc. affecting Reservations, this would seem to be injecting a grave veto or command presence in the Indian development scene. There is no guarantee that this presence will be benign.
- SECTION 104 This provision is nothing to write home about. The SBA Economic Opportunity Loans and the FHA loans can go for about 5% interest. If 5% is good enough for them why can it not be good enough for Indian country?
- SECTIONS 105, 106, 107, 108, 109 These set out the Secretary's authority to manage debts and, possibly, Trust land. This authority is extreme and it should be borne in mind that no Indian votes on who the Secretary will be.
- SECTION 108 This provision seems to authorize annual appropriations to keep the loan fund at \$50,000,000. Since it is not known how much is for "old debts" and authority resides exclusively in the discretion of the Secretary of Interior, no estimate is presently possible of the actual capital availability of the Fund. The funny money aspects of this legislation and the BIA budget proposal makes the entire package an unknown quantity with shaky qualitative aspects, especially the political and economic policy implications.
- SECTION 201 This sets up Loan Guarantee provisions similar to that of EDA and SBA. But it again leaves everything up to the Interior Secretary, the phrase here being "...satisfactory to the Secretary."
- SECTION 202 THRU 218 These sections delegate by law, all authority to the Secretary of Interior.
- SECTION 204 This section does a curious thing; it sets a \$100,000 limit on loan guarantees for individuals and specific Secretary's approval is required of enterprises which wish to obtain loan guarantees over \$100,000. The reason for this limit is not explained.
- SECTION 209 This section waives loan regulations of Federally regulated banks and lending institutions and would permit the Indian borrower to (a) borrow more money than he can secure with property (b) borrow for longer terms than ordinarily permitted (c) possibly forego the need to sign a mortgage or other security (d) get a lender to take less than first lien position (e) borrow from a lender who has possibly over-invested in real estate. That lenders will take these risks is doubtful in my opinion.
- SECTIONS 211 and 213 These sections basically allow the Secretary to take broad measures, among which is not excluded the possibility of attaching a long term lease on Trust lands of an Indian or Tribe, for payment of defaulted loans.



SECTION 216 The most significant section of this Title delegates to the Secretary authority superceding "...all officers of the Government..." as regards "...the acquisition, management, and disposition of property, real, personal, or mixed..." I am not sure how it was intended, but the way it reads, to me at least, is to give, by law, to the Secretary of Interior, powers over property, Tribal or individual, which will supercede all previous law, existing regulation, or officials defined therein. I believe our attorneys should be requested, perhaps with costs shared with other interested Tribes, to work up a brief on the Secretary's powers under this Act, particularly this Section 216. I am particularly concerned with the implications for water rights, mineral leases, and Trust land as affected by Section 216(e) and 216 (f).

SECTION 218 This states that "the Secretary shall promulgate rules and regulations to carry out the provisions of this Title." It would be wise to have these rules and regulations in hand, reviewed and approved by the Tribes, and approved also by Congressional Act upon recommendation by the Tribes, before giving the Secretary these powers. Until then, we should keep the EDA program. This is too much authority without strings attached.

SECTION 302 I don't know if this is a mis-print or what but this section actually reads "... and (b) for administrative expenses under this Act not to exceed \$20,000,000 in each of the fiscal years 1974, 1975, and 1976." As compared with the \$50 million Title I authorization, this \$20 million administrative expense would amount, in the first year, to 40% of program expense! If, in the second year, only \$10 million needs to be appropriated to bring the loan fund back up to \$50 million, then administrative expenses could actually be  $(50 + 10/20 + 20)$  for the first two year period, 67% of direct capital availability and  $(10/20)$ , 200% of actual appropriations! This is astounding. As compared with the total dollars authorized, this means a program of \$250,000,000 in loans and loan guarantees of which \$20,000,000 additional is for Administration, or  $(250/20)$ , about 12.5%. I feel that even if you add in the Title IV Business Grants, the authorization for administration is pretty high.

Now there are two amazing aspects to this:

(1) Title II is the greatest funny money game of all; it establishes an "Indian Loan Guaranty and Insurance Fund" in Section 217(a); tells the Secretary he can only guarantee or insure an aggregate of \$200,000,000 in 217(b); and then, does not authorize any seed capital for the loan guaranty fund!! What it does do, with much emphasis, is give a lot of power to the Secretary to collect defaulted loans from Indian people.

(2) The other amazing thing is that BIA, while being authorized an additional \$20 million in administration in this bill, is actually going to cut personnel costs this year by 10%! When the workload goes up drastically in a Federal Agency which is simultaneously reducing its work force, they typically hire consultants. See Title V, below.

SECTION 401 This section establishes a Business Grant Program. It is probably the best part of the bill. However, it is nothing to write home about.

SECTION 402(a) The upper limit per Tribe is only \$50,000.

SECTION 402(b) And the applicant must commit his own funds.

SECTION 402(c) And must also come up with 60% of the total project costs. This means a 40% grant rate to the profit-making project. For EDA this rate was 50% and quite of ten, the non-revenue generating portion of the project received 100% grants.



SECTION 403 Authorization is set at \$10,000,000 per annum.

SECTION 404 Authorization is made to the Secretary to prescribe rules and regulations for Title IV. Before endorsing this bill, the rules and regulations should be reviewed and approved by the Tribes. Until that time the EDA Act should be kept in force.

SECTION 501 This section requires the Secretary to provide Technical Assistance (consultant studies) to the applicant.

SECTION 502 Here he is also authorized to "cooperate" with SBA and Action for Consultant Advice to applicants. This would mean sharing SBA technical assistance appropriator

SECTION 503 He is also authorized to spend 5% (\$20,000,000 authorized) of administrative costs for consultant studies. Although this may sound like a sinecure for the consultant lobby, it is not much for needs as they are. A few select consultants may benefit, but the Tribes will suffer. It does not answer the continuous planning needs of the Reservations; it shortchanges the various planners and trainees recently hired; it nips in the bud programs just getting off the ground.

*Boyd Hunter*  
*Indian Economic Planner*



COMMENTARIES OF THE ASSOCIATION OF INDIAN  
PLANNING OFFICIALS ON THE ADMINISTRATION'S INDIAN ECONOMIC  
DEVELOPMENT PROPOSALS

The attached comments resulted from extensive group discussions by various planners and their Tribal officials at the Phoenix Conference, sponsored by the Economic Policy Board of NCAI, Ramada Inn East, on February 6-8, 1974. They were compiled, typed and distributed at the conference; the versions attached have been edited and re-typed for readability.

The Administration position was presented at the conference. The EDA officials either did not show up at the conference or did not speak. These comments were intended to restore balance and focus on issues not included in the regular agenda.

The titles of the two commentaries refer to the remark made at the Conference to the effect that the Tribes should take a hard look at what they're getting into before they leap from the EDA boat into the BIA boat. The hope was expressed that there were no holes in the new boat.



I.  
THE HOLES IN THE BOAT

What are the far reaching implications of the abandonment of the Indian Tribes' EDA Development and Planning Program? Those interested in the development future of Indian people should review the following:

- (1) The Tribal Planners, be they EDA, HUD or OEO in funding, answer directly to the tribe. The BIA contract officers and consultants are not controlled by the tribe.
- (2) The grass roots programs of the past will now be subject to annual review by BIA Contract officers who can exercise considerable veto power and influence over tribal programs.
- (3) This move can nip in the bud the development of Indian plans for an Indian-controlled future in a period when the energy lobby seeks to use the Department of Interior to eliminate Indian Plans and Controls. Those not familiar with the difficulties encountered by the Northern Cheyenne over mineral leases should become so. And how about Ft. McDowell?
- (4) The various proposals offered as substitutes for the EDA Program have been designed under less-than-open circumstances and the decision to eliminate the EDA Indian Program was taken unilaterally, without broad consultation with Indian people. This decision process is paternalistic in an ominous sense; for, it implies a statement of "inoperative" as regards to Indian sovereignty. If the United States truly accepted Indian sovereignty there would not be unilateral decisions.



- (5) If tribes are asked to trust in loan guarantee programs, they must be made aware that ~~these~~ budget dollars are not comparable with grant dollars. Ten billion dollars of loan guarantees in a budget is not even comparable to one grant dollar. It's comparing apples to oranges. In a loan guarantee program where the federal government is a guarantor, the tribe is answerable to the federal government for payment. Aside from the LAND, the WATER, and mineral resources, what do Indian people have to secure these loans?
- (6) The same is true of direct loans. The risk is borne by the tribe, not the federal government. Is this fair? Why should the tribes, who are least capable of taking the risk, relieve the most powerful government and richest nation in the world of these risks? This country was developed after the Indian Wars and the unequal Treaties, through grants to railroads (for-profit enterprises) of land previously a part of Indian life; through the generations of lawyers, other professionals and business leaders, who graduated from land-grant colleges (whose land?); and from the world's most productive farm economy, for the most part settled by homesteading on land grants. (Whose land)? The industries of this country were based on minerals from claims staked on mining land grants (whose land?) And its millions of people were housed with timbers taken from forest grants (whose land?).



All major cities not on the coast, but west of the Alleghenies, were settled on the spine of these railroads, were led by people of these colleges, were made wealthy by the farmers who worked the land between the cities, used manufactured products based in the mineral exploitation, and were built with lumber taken from these forests. If the world's largest grant program was good enough for the United States when the Indians did the granting, why should Indian people have to take loans?

- (7) Speaking of double standards and double dealing, why is the EDA program a good deal for cities and counties and states and whites, and blacks and Chicanos, but a bad deal for Indians and reservations? If Indian people are different, they alone should define their identity, their destiny, and their "differentness".
- (8) The EDA Program\* includes an array of experienced program officers for their battery of development grants and loans. In EDA public works, for instance, the engineers of construction management oversee the work of the contractor to insure performance. But if a contract is between BIA and a tribe for a brick-and-mortar project, the tribe is responsible to BIA, who oversees the tribe to insure performance. With EDA, the tribes had a partner. With BIA, the tribes will have an overseer. And where would BIA get the expertise to manage these contracts even if they could overcome their overseer mentality?



- (9) If the BIA staff declines 10% and their work load goes up drastically, how can the tribes feel comfortable over BIA performance? There would be only one way to fill the gap in the work force which will be wiped out on the reservations (planners) and in the federal establishment (EDA Program Officers). If BIA staff has been simultaneously reduced 10%, consultants must be hired. Why should tribes sacrifice all this just to benefit a few consultants?

THE ASSOCIATION OF INDIAN PLANNING  
OFFICIALS.



II.  
MORE HOLES IN THE BOAT

In addition to the problems inherent in the EDA-Indian Program massacre, there are still more "holes" in the proposals offered as alternatives to the EDA. It might be wise, as you ponder the issues below to ask who charted this course and why are we sailing there.

- (1) There would seem to be a considerable conflict of interest as regards to the Department of Interior. On the one hand, Interior is pressuring the tribes over water and mineral rights; with the other hand, Interior wants to negotiate development contracts with the same tribes. This places the tribes in a very vulnerable position; can they afford to bite the hand that steals from them, when the other hand feeds them?
- (2) And what of the tribes who have nothing left to steal? Landless tribes cannot get BIA contracts or loans under the Indian Finance Act. It is enough to make you wonder.
- (3) Did it ever come out in the first day's meeting in Phoenix that there is no allocation formula? In other words, the BIA Contract Proposal is such a secret that the method of dollar distribution among over 90 tribes is not available. Not only that, there are no guide-lines available over the categories of eligible projects. In each case of alternative proposals the enabling legislation and appropriations are up for grabs.

II., p. 1 of 4



All Indian people know about this is that they have just had \$35 million plus taken out of their EDA pocket, (FY-73); and in that same pocket they find an IOU for \$25 million minus (proposed FY-75) from the government of Broken Treaties. The IOU says that the tribes could possibly collect from the BIA pocket someday, but the President's representatives do not know when ..... or how much of the IOU is Grants.....or how much loans. But they did offer us the opinion that they did not want to bother us with details. And meanwhile, one pocket is filled with an IOU and the other with mere proposals. Don't you think pickpockets should be subject to law and Order?

- (4) What happens to tribes when they don't have Planners to act as watchdogs on the Consultants? Would you buy a used Consultant from BIA?
- (5) How do big tribes fare as compared to small tribes? It takes a staff person (Planner) to propose and close a good Development Contract. The very big tribes have the money to have such staffs, but most small tribes don't. Each instance where the tribe does not have a staff means that the tribe will do one of two things: either they let BIA tell them how it will be done; or, they give the proposal writing to some consultant or professor who will rake off from the project cost, a cut for services and expenses. But with EDA the Planner does this on-site and EDA pays the tribe for him to do it. And he answers to the Council for his paycheck. Who does the BIA Contract officer answer to for his paycheck? To the energy lobby?
- (6) There are not only holes in the boat, fog in the navigator's eye, and a fork in the first mate's tongue, but there are rocks and shoals in the budget process as well.

On the one hand, a loan program manager can shovel out the



budget each year by making a high number of bad loans. But eventually this will catch up with him and his clients. And then Congress will say, "you haven't done the job right, and the loans are too risky, and we're going to cut your budget".

On the other hand, the loan program manager can hold onto the money tightly, make loans only on "sure" things and turn a lot of the money back to the U.S. Treasury at the end of the fiscal year. And then Congress will say, "you haven't done the job right, and you didn't spend what we gave you, and we're going to cut the budget".

The only way to have this Indian Budget preserved, is to consistently make "sure" loans with the money. In accepting this risk to the development budget of the Indian People, somebody must have seen a study showing just how many loans are "sure" things on Indian reservations, assuming good faith and responsible action. Has anybody seen this study? What is the market? Now, what of the market for grants? You'll find that study in the reservation's EDA overall Economic Development Program. Implement them now.

- (7) The white majority has had HUD Planning Grants since 1954—20 years!! The same white majority has had ARA or EDA Planning Grants since 1963—10 years!! Indian reservations have just begun to obtain their share of these grants and now they are to be cut off, or "plateaued", and replaced with the IOU payable at the BIA pocket. Is this fair or wise? Is this maybe just a wee bit racist? If whites keep their grants, why should the tribes lose theirs? If you look closely at that IOU, there is no line item for planning or technical assistance? Why?



- (8) Back in the days of cowboys and Indians, the ranchers, miners and bankers used hired guns and blue coats to wipe out Indian people. Today they use lawyers, planners, consultants and engineers. These are the "new hired guns". It is only within the last few years that the tribes have had their own "new hired guns" (lawyers and planners). If the federal government does not have a dishonest intent, why are they disarming Indian people? Why are they taking away their "new hired guns"? Why are those who can advise the tribes of their economic interests being silenced? Why are the planning and technical assistance grants being eliminated? Is this the way to open the floodgates of economic opportunity?
- (9) There are only two types of people in this world: the Planners, and the Planned-For. In this country, over 90% of corporations in the Fortune 500 have business plans. All Federal agencies have budget and program planners. The consumers, taxpayers, minorities, and employees are the Planned-For; the Corporations and the Feds are the Planners. There is only one exception to this rule in the United States. On Indian reservations, the people run the council and the council runs the Planners; Native Americans have been, in the last couple years, the only people in this land to break through the status of "Planned-For". If Indian people want control of their own destiny they must ask themselves what is best for them: their Indian-controlled planners or the BIA-controlled contract officers? The partnership relations to EDA or the overseer relations from BIA?

ASSOCIATION OF INDIAN PLANNING OFFICIALS



MISSISSIPPI BAND OF CHOCTAW INDIANS



TRIBAL OFFICE BLDG.  
ROUTE 7, BOX 21  
PHILADELPHIA, MISS. 39350  
TELEPHONE (601) 656-5251

March 11, 1974

The Honorable James Abourezk  
Senate Office Building  
Washington, D.C. 20510

Dear Sir:

It has just come to my attention that there is no provision in the FY 1975 federal budget for continuation of the EDA public works grants and loans programs (nor the Public Works Impact Program) for Indians. It is my understanding that the decision to terminate Indian participation in these programs has been made on the assumption that at some as yet undetermined date the Bureau of Indian Affairs would be funded to assume responsibility for provision of such support to Indian tribes.

While I do not disagree with the transfer of these highly successful EDA programs to the BIA in principle, I am most concerned that plans to terminate these programs at EDA have preceded a decision to provide funds for their continuation through BIA.

These EDA programs have had a tremendous impact on reservation development nationally via provision of seed money for the stimulation of reservation-based industry and jobs and through the construction of community facilities in high unemployment areas. These EDA programs have had a particularly significant impact on the Choctaw reservation through construction of an industrial park and community-based service delivery facilities.

It is imperative that such support for economic development on reservations be continued because it is only now that most tribes have achieved the capacity to attract industry and negotiate for the operation of revenue and employment generating business enterprises on their reservations.

In view of the above, I request that the BIA budget for FY 1975 be increased by an amount sufficient to continue provision of EDA services under these programs to tribes for FY 1975. An alternative suggestion would be to have EDA continue support for these programs during FY 1975 until adequate funding provisions have been made for their continuance under BIA auspices. Either alternative would require funds not less than 25% above the FY 1974 level.

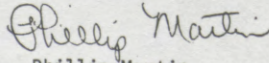
"CHOCTAW SELF-DETERMINATION"



The Honorable James Abourezk  
Page 2  
March 7, 1974

Your serious consideration of this request will be appreciated.

Sincerely,

  
Phillip Martin  
Tribal Chairman

PM/rjt





# NORTHERN CHEYENNE TRIBE

INCORPORATED

P. O. Box 128

LAME DEER, MONTANA 59043

LITTLE WOLF AND MORNING STAR - Out of defeat and exile they led us back to Montana and won our Cheyenne homeland that we will keep forever.



- WOHEHV - The Morning Star

## OFFICERS

Allen Rowland  
President

Wendell Shoulderblade  
Vice President

Jacqueline Bemet  
Treasurer

Erma Fisher  
Secretary

## TRIBAL COUNCIL

Edward Foote, Sr.  
Ashland

Shirley Parker  
Ashland

Burt Kaline  
Birney

Edwin Dahle  
Busby

Matthew Two Moons  
Busby

Eugene Russell  
Busby

Kenneth Beartusk  
Lame Deer

Daniel Foote  
Lame Deer

Dennis Limberhand  
Lame Deer

James McLane  
Lame Deer

James Shoulderblade  
Lame Deer

Raymond Harris, Sr.  
Muddy

March 11, 1974

The Honorable Jennings Randolph  
Chairman, Committee on Public Works  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

Recently the Tribal Council became aware of a situation which gives us cause for concern. Based on separate sources of information which we pieced together, we have arrived at the conclusion that the Administration, upon what we consider ill advice, intends to dismantle the Economic Development Administration's "Indian desk" and transfer it to the Bureau of Indian Affairs. Based on our analysis of the situation, we request that you halt this move because we firmly believe that the transfer would irreparably damage the immediate and projected efforts of many tribes to maintain the viability of our tribes. It is our opinion that whoever proposed this transfer did not sufficiently analyze the proposition or, if so, would prefer to disregard the ill effects which we would experience if the transfer is carried out.

First, upon reading S. 3041 and its companion H.R. 12942, we did not find any provisions that deal with Indians. In pursuing the matter, we discovered in the Administration's FY75 Budget Request for EDA (Appendix, at 232) that there is no request for funds for Indians, only a blank space. In searching further, we found (Appendix, at 600) the Legislative Program of the BIA which proposes, under the heading of "Indian self-determination grants," to acquire by legislation



the grant funding authority now delegated to the EDA Indian desk. Our research reveals that this authority for the BIA is sought in S. 2038 and H.R. 9011, entitled "Indian Tribal Government Grant Act."

Our primary concern, as we view the situation, is that this transfer of authority would substantially deny us, as a practical matter, the economic development information and expertise now found within the Commerce Department which has proven to be of valuable assistance to us in the past. In our present efforts to develop by ourselves the resources which we own, we are looking forward to calling on the management assistance expertise which the Department has gained over the years through OMBE, SBA and EDA.

Moreover, we believe that if Congress enacts S. 2038 and H.R. 9011, implementation of the "entitlement basis" provision of Section 4(b) by the Interior Secretary would prove damaging (see enclosure). If "entitlement" means "bloc grants," then no tribe but the Navajo Tribe, due to its large membership, would receive enough funds from the proposed \$25 million appropriation to realize substantial benefits. While we agree on bloc grants in principle (allowing local government to establish its own priorities and to make its own decisions), the practical effect of allocating funds on a per capita basis to the tribes would be to "lock in" fixed amounts of dollars that could not be recalled in the event that a particular tribal project should need large amounts of financial assistance.

For instance, in the past year, the Pyramid Lake Paiute Tribe (Nevada) has been granted over \$600,000 to further the development of its fish hatchery. However, that tribe has only 410 members which would entitle it to only \$20,500. Our tribe of approximately 2,500 members would receive only \$125,000, but we plan to seek during the next fiscal year over \$1 million. And there must be no doubt that the western-state tribes now realize that we must not only closely control the sane development



of our resources but also be in a position to do so in the immediate future. Therefore, it is imperative to our interests that this bloc of money of \$25 million remain intact in order that we may draw upon it on a project-by-project basis. In addition, we would hate to lose the benefits of the entrepreneurial attitude of Commerce officials, something we certainly can't depend upon finding at Interior or the BIA. And based on our past experiences with the BIA, we are convinced that the practical effect of the administration by the BIA of Section 4(b)(2) would be to "keep the tribes in line," finding fault with tribal grant proposals submitted by those tribes who may have the gall to question the Department's or the Bureau's abilities or integrity.

Furthermore, we find no comfort in the prospect of being placed under the authority of a regional or state "EDA-type" office. Historically there has existed hostility between the Indian tribes and state governments, and such hostility still exists today. We are convinced that if we were to be placed under such authority, our grant requests would either be ignored or severely underfunded. We would bring to your attention that tribal opposition to regionalization of "Indian desks" as well as opposition to OMB's A-95 process (the submission of federally approved tribal grant proposals to state governors for their approval) is a matter of extensive record.

To emphasize our point, we would draw a distinction which we have reason to believe has not been considered but is extremely important. It is our impression that the legislative mandates of the Commerce Department lead to a basic philosophy of entrepreneurship in the use of resources and personnel. On the other hand, the authorities and consequent basic philosophy of the BIA reveal the attitude of a landlord with a welfare mentality; and it is difficult for us to foresee any change in that attitude within the immediate, crucial future. What we do foresee, unfortunately, is the same, tired advice of BIA officials which encourages



Indian owners, whether individual or tribal, to lease their resources rather than to develop their resources themselves. While the policy of leasing public domain resources under the management of the Bureau of Land Management may be appropriate in order to further the public wellbeing, such a policy will only further weaken the viability of our tribes for the following reason.

The character of tribal ownership of natural resources is private in nature, not public. But Interior officials appear to be unable to make this distinction, or refuse to, due to their ineptness or their inability or unwillingness to understand the nature of our ownership. The result is that the Indian people sit passively and watch others develop our resources while our ambitions turn to bitterness or apathy and we are called lazy or drunkards. In addition, Interior officials also seem to be unable to realize that many tribes own sizeable economic units of coal, oil, oil shale, timber, land and water rights. Would it not be wiser for a tribe not to break up such units by leasing but rather keep them intact and develop the resources under tribal authority? We believe so, and we would continue to seek the experienced assistance of the Commerce Department in the development of realizable goals. For we need no convincing that Interior is one of the most inept of departments within the Executive branch and do not desire to be guided by those officials in our almost desperate attempt to save our culture and also to provide our present and future generations of Cheyennes some benefits from our resources. (See enclosures.)

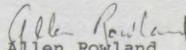
It is our considered opinion that this matter has not received the careful consideration that it deserves but rather has been subjected to only a cursory review by officials who either do not understand Indian affairs or are quite willing to let us make the best of a very bad situation. Therefore, we request that in the further consideration of S. 3041 and H.R. 12942, you and the members



of the Committee seriously consider including language in the bills which would authorize the continuance of an Indian desk somewhere within Commerce.

We would bring to your attention also the fact that the EDA Indian desk will cease to function on July 1, 1974 unless some provisions are made to continue it. Such would prove to be a disastrous loss to us and to many other tribes who need planning assistance and public works grants. Your attention to this matter would be most greatly appreciated.

Respectfully yours,

  
Allen Rowland  
President



**TRIBAL EXECUTIVE BOARD**

Assiniboine and Sioux Tribes  
Fort Peck Indian Reservation  
Box 1027  
POPLAR, MONTANA 59255

February 12, 1974

The Honorable Lee Metcalf  
The United States Senate  
Washington, D. C. 20510

Dear Senator Metcalf:

While I agree with the administration's efforts to eliminate duplication and pursue efforts to streamline our domestic development policy, it is an error to dismantle one program, and to destroy the expertise and experience of that program only to reimplement and matriculate a new fleet of employees under another program.

Each program has a purpose, each program is designed to aid in development. I fail to understand why the administration views the Economic Development Administration as being burdened with excessive controls. EDA's policy has always been oriented toward local development districts with spending decisions made by these local districts. Here, too, is a valuable planning and technical assistance vehicle that is totally coordinated with the needs of the local community.

You have always helped the Indian tribes in their economic development and at this time I sincerely request your help in this matter.

Sincerely,

*Norman Hollow*  
NORMAN HOLLOW  
TRIBAL CHAIRMAN

Enclosure: Tribal Resolution



RESOLUTION #159-74-1

TRIBAL GOVERNMENT

WHEREAS; the Fort Peck Tribal Executive Board is the duly elected body representing the Assiniboiné and Sioux Tribes of the Fort Peck Reservation and is empowered to act in behalf of the Tribes. All actions shall be adherent to provisions set forth in the 1960 Constitution and By-Laws and Public Law #449, and

WHEREAS; through the assistance provided by the Economic Development Administration, the Tribes have been able to alleviate many of the economic problems which otherwise would have continued to plague the Reservation, and

WHEREAS; the Tribes are presently receiving EDA financial assistance in the forms of grants and loans, and

WHEREAS; it is the objective of the present federal administration to phase the functions of the EDA out of existence as of June 30, 1974, and

WHEREAS; such action would have a very adverse effect on the economy of the Fort Peck Indian Reservation, now

THEREFORE, BE IT RESOLVED; that the Assiniboiné and Sioux Tribes strongly and adamantly oppose any federal efforts to discontinue the functions and programs currently administered by the EDA.

BE IT FURTHER RESOLVED; that the Assiniboiné and Sioux Tribes hereby support any and all federal legislation which would propose to extend the functions of the EDA beyond June 30, 1974.

#### C E R T I F I C A T I O N

I, the undersigned Secretary-Accountant of the Tribal Executive Board of the Assiniboiné and Sioux Tribes of the Fort Peck Indian Reservation, hereby certify that the Tribal Executive Board is composed of 12 voting members of whom 10 constituting a quorum were present at a Regular meeting duly called and convened this 28th day of January, 1974; that the foregoing resolution was duly adopted at such meeting by the affirmative vote of 10.

APPROVED:

*Lillian S. Hertz*  
Lillian S. Hertz, Secretary-Accountant

*Joseph Red Thunder*  
Joseph Red Thunder, Vice Chairman  
Fort Peck Tribal Executive Board

\_\_\_\_\_  
Superintendent, Fort Peck Agency



## WILKINSON, CRAGUN &amp; BARKER

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THOMAS E. WILSON  
JERRY R. GOLDSTEIN  
EDWARD M. FOGARTY

\* Not admitted in the  
District of Columbia

March 27, 1974

Honorable Joseph M. Montoya  
Chairman  
Economic Development Subcommittee  
Senate Public Works Committee  
United States Senate  
Washington, D.C. 20510

Dear Chairman Montoya:

As general counsel to a number of American Indian tribes and special counsel to a number of others, we feel compelled to urge certain modifications to Senate bill S. 3041, which is scheduled for hearings before your Subcommittee beginning March 29, 1974.

S. 3041 would amend the Public Works and Economic Development Act of 1965, as amended, to extend authorization for one year and to establish an economic adjustment program.

Unless the recommendations advanced in the enclosed statement, or some variation thereof, are adopted by the Congress, enactment of the bill will have a devastating impact on the American Indian, causing needless economic hardship, profound disappointment, and a loss of faith by Indians in Congress' concern for their plight.

This will especially be the case among the hardest-pressed tribes, many of whom have demonstrated remarkable progress towards economic self-sufficiency through EDA-sponsored programs.

It is respectfully requested that the enclosed statement be made an official part of the record of the hearings on S. 3041, and that the Subcommittee give every possible consideration to its substance.



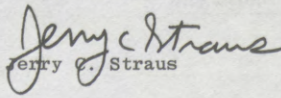
Honorable Joseph M. Montoya  
March 27, 1974  
Page Two

The National Congress of American Indians concurs  
in this statement in all respects.

Your attention to this matter is sincerely  
appreciated.

Sincerely,

WILKINSON, CRAGUN & BARKER

By:  Jerry C. Straus

Enclosure



STATEMENT OF WILKINSON, CRAGUN & BARKER BY  
 JERRY C. STRAUS, ON BEHALF OF THE NATIONAL  
 CONGRESS OF AMERICAN INDIANS, THE ARAPAHOE  
 TRIBE OF THE WIND RIVER RESERVATION, WYOMING,  
 THE CONFEDERATED SALISH AND KOOTENAI TRIBES  
 OF THE FLATHEAD RESERVATION, MONTANA, THE  
 HOOPA VALLEY TRIBE OF THE HOOPA VALLEY  
 RESERVATION, CALIFORNIA, THE QUINALT TRIBE  
 OF THE QUINALT RESERVATION, WASHINGTON, AND  
 THE THREE AFFILIATED TRIBES OF THE FORT  
 BERTHOLD RESERVATION, NORTH DAKOTA

ON S. 3041  
 SUBMITTED TO THE SENATE PUBLIC WORKS COMMITTEE  
ECONOMIC DEVELOPMENT SUBCOMMITTEE

### Introduction

Since 1967, the American Indian has benefitted directly and substantially as a result of programs developed and administered by the Economic Development Administration (E.D.A.).

These programs have emphasized economic development on Indian reservations and trust lands by providing both planning and technical assistance funds, as well as "brick and mortar" funds for the construction of a variety of public work projects.

Notwithstanding their status as the poorest segment of the population of the United States, Indians have been able to use funding from E.D.A. to construct 40 industrial parks, 38 Indian Tourism and Recreation Projects and 91 community skill training and multi-purpose centers.<sup>1/</sup>

Moreover, countless other improvements have flowed to Indian tribes since 1967 from the Public Works and Economic Development Act. Included among these are the assignment by the E.D.A. of 122 economic development planners to Indian

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<sup>1/</sup> Figures as of February 28, 1974.



reservations across the nation. These planners have provided technical and other planning assistance not available to the Indians from any other source.

#### Fiscal Year 1974

In enacting the appropriation act of 1974 for the Department of Commerce, P.L. 93-162, 87 Stat. 636, Congress recognized the continuing need to provide for economic development assistance for Indian Tribes through loans and grants.

In the Act, it provided for up to \$25,000,000 in development facilities money for Indian tribes out of a total authorization of \$159,000,000 for such projects.

The funds were appropriated and committed to tribes throughout the United States, and the tribes, with the cooperation of E.D.A., have planned and implemented a significant number of economically productive programs.

#### Indian Tribal Government Grant Act Introduced

At the behest of the Administration, legislation was introduced in the Senate on June 20, 1973, establishing a program in the Bureau of Indian Affairs of the Department of Interior, to provide block grants to Indian tribes, according to a formula provided for in the Act.

The Act's grant provisions appear to be broader than those provided for in the Public Works and Economic Act of 1965, in respect to the purposes for which moneys



could be spent. There is no question, however, that the purposes specified in the Tribal Grant Act include all of those specified in the Public Works Act.

That the Tribal Government Grant Act was intended by the Administration to replace the Indian provisions of the Public Works Act was apparently acknowledged by the Congress in enacting the 1974 Appropriations Act for E.D.A. of the Department of Commerce, supra. The Congress mandated as follows,

"Provided, That upon enactment of the Indian Tribal Government Grant Act the unobligated balances of the amounts appropriated for Indian tribes under Title I, section 101(a) and title II, section 201(a) shall be transferred to carry out such purposes of the Indian Tribal Government Grant Act."  
[Emphasis added.]

The merits of the shift of economic development funds for Indians from the Department of Commerce to the B.I.A. is a matter which ought to be given the most serious consideration by the Sub-Committee on Economic Development, as well as the Sub-Committee on Indian Affairs of the Senate Interior and Insular Affairs Committee. However, it is not the purpose of this statement to address this question here.

What is absolutely imperative, and upon which there is no disagreement among Indian Tribes, is the need for the Congress to provide for the continuation of economic development funding for Indian Tribal projects, until it takes action on the Tribal Government Grant Act.



Fiscal Year 1975

In its proposed fiscal 1975 budget transmitted to the Congress in January of this year, the Administration provides for reduced phase-out funding of the E.D.A., but with no provision to continue Indian economic development projects. Apparently, the Administration intends that its request for an additional \$25,000,000, under the heading "Indian self-determination grants" take the place of funds previously provided for in E.D.A.'s budget for Indian tribes. The budget note reads as follows:

"2. Indian self-determination grants - legislation is pending to provide grants to federally recognized Indian Tribes to carry out development projects as provided in tribally prepared development plans. These funds are to be used for projects such as: water, sewer, and other utility systems; industrial and commercial parks and facilities; street and access road construction; water pollution control facilities for treatment of industrial waste; tourist and recreational facilities; health community and cultural centers, airport facilities and natural resources development." 2/

The problem is that the transition from the existing E.D.A. program to the grant program is not provided for in the President's proposal. The former is allowed to die regardless of what happens to the latter.

This situation must be corrected.

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2/ See Appendix to the Budget for Fiscal Year 1975, Department of the Interior, Bureau of Indian Affairs, pp. 600-601.



The Need to Continue Economic Development Assistance

The intent of neither the Administration nor Congress will be carried out if economic development assistance through E.D.A. is allowed to cease before the Tribal Government Grant Act becomes law. This will occur if E.D.A. funding for Indian tribes is not continued beyond June 30, 1974.

The Sub-Committee on Indian Affairs of the House has not scheduled hearings on the Tribal Government Grant Act until May of 1974. The Senate Indian Affairs Sub-Committee has scheduled no hearings as of the date of this statement.

Even if both Committees act on this legislation by late May, the Tribal Grant Program cannot possibly be funded and implemented by July 1, 1974.

The most serious likelihood is that no Tribal Government Grant Act will be enacted at all in the current Congress.

Recommended Action

Because the Congress, the Administration, and the Indians all support continuance of Indian Economic Development Programs and because there is already an experienced Indian affairs team in place at the Economic Development Administration, and because funds have already been requested by the President in his fiscal 1975 budget, the following action is respectfully recommended to the Economic Development Sub-Committee:



1. That S. 3041 be amended to provide for continuation of the Indian economic development program in the Economic Development Administration until such time as the Indian Tribal Government Grant Act is enacted into law.

2. That the Sub-Committee increase the President's proposed appropriation of \$25,000,000 for the Tribal Government Grant program to \$30,000,000 for Fiscal Year 1975. This increase of \$5,000,000 would cover (1) the cost of the transition of the program from E.D.A. to B.I.A., and (2) the cost of setting up a new Indian economic development team in the B.I.A.

Under the present program, administrative planning assistance and technical studies costs are separately paid for out of E.D.A.'s operating budget. If the program shifts to B.I.A., these latter expenses will obviously have to be paid out of the \$25,000,000 authorization, thus substantially decreasing amounts available for Indian public works programs. The resultant sum is even further diminished when one takes into account the heavy toll exacted by inflation.

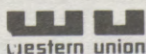
3. That the following language be substituted by the Sub-Committee for that which appears at subsection 1 of Title I, Section 101 (lines 19-24, page 3, S. 3041):



"(1) The first sentence of section 105 is amended by striking out the word 'and' after the words 'June 30, 1973', and by striking out the period at the end thereof and inserting in lieu thereof a comma and the following: ' and such sums as may be necessary for the fiscal year ending June 30, 1975, including \$30,000,000 which shall be for grants for Indian Tribes as authorized by title I, section 101(a) of such Act: Provided, That upon enactment of the Indian Tribal Government Grant Act, the unobligated balances of amounts authorized for appropriation for Indian Tribes under title I, section 101(a), shall be transferred to carry out the purposes of the Indian Tribal Government Grant Act."



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MAR 25 1974

SENATOR JOSEPH M. MONTGOMERY, CHAIRMAN PUBLIC WORKS COMMITTEE  
 CAPITOL HILL DC 20510

THE INDIAN DEVELOPMENT DISTRICT OF ARIZONA REPRESENTS 17 ARIZONA INDIAN RESERVATIONS AND WAS ORGANIZED BY THE INDIANS WITH ECONOMIC DEVELOPMENT ADMINISTRATION PLANNING GRANT FUNDING TO EFFECT THE ECONOMIC DEVELOPMENT OF THEIR RESERVATIONS. THIS ORGANIZATION IS AN OUTSTANDING EXAMPLE OF THE EFFECTIVENESS OF INDIAN SELF DETERMINATION, AND THE ECONOMIC DEVELOPMENT ADMINISTRATION CAN BE GIVEN FULL CREDIT FOR ACCOMPLISHING MORE FOR THE ECONOMIC DEVELOPMENT OF THE ARIZONA RESERVATIONS THAN ANY OTHER FACTOR IN THEIR ENTIRE HISTORIES. WE HAVE BEEN INFORMED THAT THE CONTINUANCE OF EDA IS SUBJECT TO LEGISLATION AND THAT IF IT SHOULD BE EXTENDED THERE IS EVERY POSSIBLE CHANCE THAT INDIAN PROGRAMS WOULD NOT BE INCLUDED BUT TRANSFERRED TO OTHER AGENCIES WHICH ARE NOT ORGANIZED FOR CONTINUANCE OF THE PROGRAM WHICH HAVE BEEN SO EFFECTIVE UNDER THE ADMINISTRATION OF EDA. I SPEAK FOR THE INDIANS OF ARIZONA WHEN I RESPECTFULLY REQUEST THAT THE UTMOST CONSIDERATION BE GIVEN TO THE EXTENSION OF EDA AND THE INCLUSION OF THE INDIAN PROGRAMS THEREIN.

HENRY MONTAGUE SR EXECUTIVE DIRECTOR OF INDIAN DEVELOPMENT DISTRICT OF ARIZONA

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STATEMENT OF WALTER D. SCOTT, ASSOCIATE DIRECTOR FOR ECONOMICS AND GOVERNMENT, OFFICE OF MANAGEMENT AND BUDGET ACCOMPANIED BY CARLYLE HYSTAD, CHIEF OF COMMERCE BRANCH, OFFICE OF MANAGEMENT AND BUDGET, AND VINCENT PURITANO, DEPUTY ASSOCIATE DIRECTOR FOR FIELD ACTIVITIES, OFFICE OF MANAGEMENT AND BUDGET

Senator MONTOLA. Mr. Walter D. Scott is Associate Director for Economics and Government, Office of Management and Budget.

We certainly want to welcome you, Mr. Scott, before the committee. If you wish to identify your associates, you may do so.

Mr. SCOTT. Thank you, Mr. Chairman. It is a pleasure to be here today to have the opportunity to testify on this very important legislation, in this very important area of activity for the Federal Government.

On my left is Mr. Vincent Puritano, of the Office of Management and Budget, Deputy Associate Director for the Management and Operations side. He has heavy responsibility in the regional activities of Management and Budget.

On my right is Mr. Carlyle Hystad, the Branch Chief of the Commerce Budget Branch, of the Office of Management and Budget.

Senator MONTOLA. You have a very long statement. If you wish to, you may summarize and I will place it into the record.

Mr. SCOTT. Thank you, Mr. Chairman.

[The statement referred to appears on p. 133.]

Mr. SCOTT. Secretary Dent has obviously covered a number of the detailed matters that are involved within this legislation as well as some of the reasons behind the particular approach which the administration has proposed.

We do feel that we have made major progress in the past year in developing the administration proposals relating to Federal assistance in the area of economic adjustment and development. The advice provided by the members of the subcommittee and the staff has been very helpful to the administration in these efforts during the past several months. We believe that the bill before you is, to a great extent, a reflection of the views expressed in these discussions.

I hope this dialog can continue, and we are anxious and hopeful that we will be able to work with you in developing a piece of legislation that will be satisfactory from all points of view.

As you know, the President signed a Public Works and Economic Development Act Amendments of 1973, to continue the program of EDA and the regional commissions for an additional year to provide for a more orderly transition to other programs, and to permit a reexamination of alternative approaches to dealing with problems of economic adjustment and distress. In the dialog that took place last year we clearly came to a recognition that the proposed substitute programs, almost all of which were proposed at that time, and which were subject to adoption by the Congress, would not provide for an orderly transition and, in fact, there might have been a vacuum between the existing programs and those new programs which were obviously subject to action on the Hill.

In accordance with section 8 of the Public Works and Economic Development Act Amendments of 1973, the Office of Management and



Budget and the Secretary of Commerce began a reexamination of current Federal economic development programs, the appropriate national objectives to be sought from area or regional economic development programs, and alternative Federal approaches to achieving those objectives.

The report and conclusions have been covered by Secretary Dent. It is our conclusion that the programs of EDA and regional commissions do not provide the basis for the most effective efforts to pursue the worthwhile objectives which have been discussed already.

It was also concluded, however, that the defined objectives would probably not be pursued effectively under the Better Communities Act or the Rural Development Act. As a result of this analysis, the President decided to request the legislation for a new program to focus on three objectives; namely, the adjustment to changes in economic conditions, second, to reduce unemployment and economic distress in areas of chronically high unemployment, and third, to increase income levels in areas of low average income.

A primary consideration in developing the proposed legislation was that it should complement other enacted and proposed Federal programs. It should also result in a comprehensive plan of Federal assistance, and return responsibility to State and local officials to determine how best to pursue this worthwhile national objective.

Generally, it should permit States, substate areas and multistate regions to develop and implement a comprehensive, realistic and consolidated plan to pursue their highest priorities. The proposed act would be consistent with these important principles and accomplish these worthwhile objectives.

Let me discuss briefly how the new legislation would complement several other programs which have been enacted or proposed.

First, the Better Communities Act, which, as you know, is pending on the Hill, and is proposed for funding at \$2.3 billion a year, would provide flexibility to States and communities to more effectively plan and direct community development.

The Rural Development Act, which was passed by Congress in 1972, would provide an estimated \$1 billion in direct and guaranteed loans for industrial development and community development in rural areas. The administration's proposed Responsive Governments Act would provide \$110 million enabling States and local governments to strengthen their decision making and managerial capabilities and will also supplement existing IPA programs.

The recently enacted Comprehensive Employment and Training Act will permit State and local governments to provide manpower training, transitional public service employment, and other services as they determine most appropriate to meet local needs. The 1975 budget includes \$2,050,000,000 for this program.

The administration has proposed legislation to provide grants to Indian tribes for implementing tribally prepared economic development plans. You have discussed that earlier this morning so I won't go into that too deeply here.

All of this proposed or new legislation which I have just discussed should encourage a more coherent approach to regional and local planning and development needs. In addition to this legislation, the administration has attempted to improve the coordination of related



Federal programs which takes place here at the Federal level. Federal program management is being decentralized along uniform regional lines and the role of the Federal Regional Councils is being strengthened to facilitate coordination of Federal actions with State and local activities at the operating level.

Mr. Chairman, I would like to submit for the record a statement by Frederic Malek, Deputy Director of OMB, made before the Subcommittee on Intergovernmental Relations of the House Committee on Government Operations. This provides an excellent summary of the progress made in Federal program management.

Senator MONTORA. Without objection, it will be made a part of the record.

[The statement referred to appears on p. 151.]

Mr. SCOTT. The proposed Economic Adjustment Act will lead to further substantial improvements and coordination of Federal programs at the regional level. The Federal regional administrators will have primary responsibility for exercising the Federal responsibility under the act and will have close working relationships with regional representatives of other programs.

The proposed legislation would also be designed to retain the important working mechanisms which have existed under the present EDA legislation and capitalize on the capabilities which have been developed through the implementation of that legislation. This would include the Economic Development Districts as well as the regional commissions and other structures that would be deemed worthy for continuation.

Senator MONTORA. I will have to vote in a few minutes. I am waiting for another member to come in and preside.

You refer in your statement and in your summary to the point that this act would be complemented by other aid programs, namely the Better Communities Act and the Responsive Governments Act, and the other programs. Let us take the Better Communities Act. Is the authorization pending?

Mr. SCOTT. Yes. It is on the Hill at this time. Both the better communities as well as the Responsive Governments Act are legislation proposed on the Hill, and I would say in all honesty it is unclear as of yet whether these pieces of legislation will in fact be enacted into law during this session of Congress.

Senator MONTORA. Then there is really no budget item for these acts, is there?

Mr. SCOTT. They are included in the budget, but much of the funding that is proposed under these particular programs in fact would be the movement of categorical programs into these more broadly based grant programs.

Senator MONTORA. So actually the money will not be available if the authorization is not passed?

Mr. SCOTT. Much of the funds that are included within these dollar figures, in fact, will move through other categorical grant programs. Several of the programs that I mentioned, such as the manpower legislation, as you are aware, which has been enacted and funds have been requested for that and are included in the 1975 budget at the \$2,050 million figure—



Senator MONTTOYA. Isn't this in lieu of the Manpower Training Act?

Mr. SCOTT. Yes.

Senator MONTTOYA. So we are not adding any more. We are just continuing the existing program.

Mr. SCOTT. These two new programs in terms of additional funding are pulling together and permitting more flexible response to problems of training.

Senator MONTTOYA. How much additional funding are you providing in these programs over the current fiscal year?

Mr. SCOTT. Are you talking about all of these programs?

Senator MONTTOYA. No. The Manpower Training.

Mr. SCOTT. I don't know overall the categorical programs. We would be pleased to submit that for the record.

Senator MONTTOYA. Please do.

I will be back because I want to ask you a few more questions. I have another meeting at 2 o'clock this afternoon. Would you bear with me? I will be back in about 7 minutes.

We will stand in recess.

[Brief recess.]

Senator MONTTOYA. The committee will be in order.

I believe we left off where I requested you to insert into the record the funding for the manpower training programs for this current fiscal year and what is anticipated for the next fiscal year.

Would you do the same thing with respect to the other acts to which you referred?

Mr. SCOTT. I will be happy to do so.

[Mr. Scott supplied the following information:]

COMPARISON OF FUNDING LEVELS FOR SELECTED PROGRAMS IN FISCAL YEARS 1974 AND 1975

[In millions of dollars]

| Programs                                                   | Obligations |       |
|------------------------------------------------------------|-------------|-------|
|                                                            | 1974        | 1975  |
| 1. Comprehensive Employment and Training Act.....          | 1,933       | 2,050 |
| 2. Rural Development Act.....                              | 761         | 1,031 |
| 3. Better Communities Act.....                             |             | 2,300 |
| Programs to be replaced by the Better Communities Act..... | 847         |       |
| 4. Responsive Governments Act.....                         |             | 101   |
| Program to be replaced by Responsive Governments Act.....  | 78          |       |
| 5. Indian Economic Development:                            |             |       |
| EDA.....                                                   | 31          |       |
| Interior.....                                              |             | 34    |
| Total.....                                                 | 3,650       | 5,525 |

Senator MONTTOYA. It is the President's feeling, still, that he is opposed to indefinite continuation of the current programs envisioned by the Public Works and Economic Development Act?

Mr. SCOTT. Yes, it is, Mr. Chairman. As I mentioned previously, it is his intent that any extension be coupled with development of new programs which hopefully can better accomplish the objectives proposed in the act.

Senator MONTTOYA. Is this the method of transition that he has selected to achieve that objective?



Mr. SCOTT. The proposed transition is a continuation of the EDA programs through a further year, Mr. Chairman, in order that experience could be gained in new programs which have been proposed without in fact dismantling EDA prior to judging the effectiveness of the new programs and how they were being accomplished.

Senator MONTONA. So the objective is to use this legislation as a vehicle for the final demise of the public works and economic development concept as we have known it. Would that be a fair statement?

Mr. SCOTT. It would be the demise of the programs in the present format. It would be intended and expected that many of the individual kinds of projects as well as institutions that have been created in the 8 or 9 years of the legislation would in fact be continued under the new proposed legislation.

Senator MONTONA. Would that be true also with respect to Appalachia?

Mr. SCOTT. The Appalachian Regional Commission, as you know, is proposed for continuation on the present basis in that it is in the middle of some of the plans, such as the highway program. It was not felt that these should be phased out. It was felt that these should be continued on its present basis.

Senator MONTONA. That is because the authorization has a few years to run, doesn't it? Isn't that right?

Mr. SCOTT. Yes, it is, but I think at the time that the authorization expires the Congress would undoubtedly want to take a look at that program in terms of the form in which it is continued and to see whether it could be combined with the economic adjustment assistance programs that have been proposed.

Senator MONTONA. Aren't you traveling in the direction of the general bloc grants as we know them? Isn't that the direction in which you are traveling?

Mr. SCOTT. There is certainly considerable movement in that direction. There are a number of aspects of this proposed legislation which in fact do differ substantially with the straight-bloc-grant approach.

Senator MONTONA. There is a little frosting on the cake here, but essentially it is not very different, is it?

Mr. SCOTT. Well, it is different in three dimensions, I would say. First, it is different in the fact that the funds under this proposed program could in fact all be directed toward a single geographic area within an individual State. They can be highly focused funds rather than going out to individual jurisdictions, the 30,000 or so different communities that might otherwise be the case.

Senator MONTONA. Isn't that what would happen under this concept, that the funds would go to the State government and if the State government does not want to give the local economic development districts any funding or if they want to reduce their funding the State government officials can do that?

Mr. SCOTT. Let me react to that and then go back to the whole bloc-grant approach. As you know, within the legislation there is a proviso that would mean that the States would have to be dependent upon substate groups for development of the State plans so that through that means we would hope that the substate units where appropriate would be in fact kept alive and flourish. They are also tasked with the imple-



mentation of plans as they are developed. So there will be a major role continuing for those substate units.

Senator MONTONA. According to testimony which has been presented here, and according to the concept as I understand it in the bill, the money will be allocated to the States. There is the expectation that the State, in turn, will rely on local groups to try to come up with an economic plan which will eventually have to be submitted to the regional director. Of course, the Secretary tells me that the action of the regional director will be final. I don't agree with him. I think that is still subject to further review. Do you agree with my interpretation?

Mr. SCOTT. The State plans would be submitted to the Federal Regional Administrator. In other words, the State would pull together the various substate unit plans into a single type of plan which would be submitted to the Federal Regional Administrator.

Senator MONTONA. That is what I said.

Mr. SCOTT. I misunderstood. I thought you indicated the substate units would be submitting plans directly to the Federal Regional Administrator. They would not. They would go through the State mechanism. Then the Federal Regional Administrator would have a veto role.

Senator MONTONA. Under this concept we are developing here, if the State wants to do all the planning and not rely on the local districts, they can do so, can't they?

Mr. SCOTT. We believe that within the administrative guidelines or perhaps even in the basic legislation, we would be pleased to consider approaches which would, in fact, better institutionalize the role for these substate units. Certainly, the intent of the rules which would be issued by the Secretary of Commerce would be to assure continuation of these important economic development districts and other substate groupings.

Senator MONTONA. Our experience with this kind of an approach is that we have a limited number of economic development districts within the States now. If you are going to develop criteria whereby the State government has to rely upon the input from economic development districts, it of necessity follows that the State government, out of its allocation, is going to have to give these economic development districts certain moneys. If the discretion for organization of an economic development district is to rest at the local level, with those who might integrate the development district, then how are you going to take care of a proliferation of economic development districts throughout the country? How are you going to do that?

Right now the economic development district cannot be organized unless they come to Washington and get an approval on the plan. Is that right?

Mr. SCOTT. That is correct. Under the new basis—

Senator MONTONA. What mechanisms do you have to constrict? What criteria do you have to apply so that there will not be sort of a multifarious administrative policy within the State which cannot be coped with monetarily or administratively?

Mr. SCOTT. The States would have the right to decide whether there should in fact be a proliferation of these. But, in fact, an individual State, whatever its dollars may be, could, in fact, decide that the most



appropriate means and approach to economic adjustment would be to target all of these areas into a single geographic region of a particular State which would suggest that that would result in perhaps a single economic development district or a relatively few within that given State.

I should interject, because it does have a bearing on this, the very flexibility which the States are granted to use their funds could permit a high leveraging of funds. In other words, they could use these funds to, in fact, guarantee or subsidize interest rates or do things of this kind which could permit a State that might be getting, let's say, \$5 million, to in fact get \$50 million of impact with that \$5 million, or even greater than that, by the fact that there will be much greater latitude in the use of these funds than is presently existing in the EDA legislation.

Senator MONTROYA. In other words, you expect that the States would allocate funds to economic development districts on a matching formula that might bring about better participation?

Mr. SCOTT. Well, they would have the latitude, I suppose, to use the matching formula. I would not expect a matching formula, however. What I am attempting to suggest is that they can use it in many different fashions, whereas with the existing legislation there are narrower capabilities in terms of how these funds are used.

Senator MONTROYA. What would your reaction be to a 2-year extension of the act as some Members of the House apparently are contemplating?

Mr. SCOTT. The President feels that the only rationale for an extension of the act is to provide a basis for making that transition that I mentioned previously to some program that we think will do a better job of accomplishing the desired objectives.

Therefore, from the administration's point of view an extension ought to be considered in light of what is happening in terms of developing new approaches and more effective legislation that would permit accomplishing these objectives.

Senator MONTROYA. Are you people aware downtown that most of the Members of Congress are in favor of continuing the present law?

Mr. SCOTT. As I mentioned earlier, Mr. Chairman, we are attempting to have a continuing dialog with your staffs as well as yourselves, because we are very anxious not to find ourselves in the kind of situation we did a year ago where essentially we had a confrontation on this issue. We are anxious to work with you in assuring that a successful transition is made.

Senator MONTROYA. That is what I tried to do for the past 2 years, and I think we did develop a consensus for a broader concept as embodied in the Public Works Development Act.

Now we are constricted to \$330 million, and we are told that this is really not a substitute for what we have had and what we have today, but that it is really a vehicle for developing and promoting and bringing about the demise of the concept which has worked in Appalachia and which has worked on a limited basis under the Public Works and Economic Development Act during the last few years.

Mr. SCOTT. I suggest that we think of this proposed legislation as having more of the characteristics of the Appalachia Regional Com-



missions than the present EDA programs, in that it, in fact, does delegate out around the country heavy responsibilities.

It, in fact, should facilitate the coordination of different Federal programs through the Federal Regional Council mechanisms which presently do exist. We have attempted to learn from the Appalachian Regional Commission. It does not do as that does, put highway funds and so on directly into it, which partially accounts for the dollar size of that particular program.

Senator MONTOKA. What do you have to say about the communication sent to us by a committee of the Governors' conference, to the effect that they endorse the present concept of the Public Works and Economic Development Act?

Mr. SCOTT. I would say in our conversations with a number of Governors and members of their staffs that their views on the particular subject seem to be quite mixed.

I believe that one of the reasons for that is that we have not been very articulate in communicating the essence of this new act. I would suspect as testimony develops there will be increasing support among Governors for this new act.

Senator MONTOKA. Has any study been made about how bloc grants have been used by the different States under the bloc-grant legislation which we passed?

Mr. SCOTT. Are you talking with regard to a specific program, Mr. Chairman?

Senator MONTOKA. How they were used? Were they put to good use?

Mr. SCOTT. Under which program?

Senator MONTOKA. Under the existing law, the general bloc grants.

Mr. SCOTT. General revenue sharing?

Senator MONTOKA. Yes.

Mr. SCOTT. In general revenue sharing we are in the process of evaluating the experience under that right now, partially as a result, obviously, of the requirement to be planning for the proposed extension or expansion of that program if it seems warranted.

Senator MONTOKA. You have a 5-year bill.

Mr. SCOTT. We have a 5-year bill but, in fact, they have only been getting the funds for, I would guess, a year and a half or 2 years of the 5-year period. We do see the results of how these funds have been used from the reports that the States and localities have turned into us.

Unfortunately, evaluating that is very difficult because of the ability to mix dollars. It is difficult to determine precisely how the funds have been used.

Senator MONTOKA. I notice a lot more people in the county courthouses and they are sitting around drinking coffee.

Mr. SCOTT. I will pass on that, Mr. Chairman.

Senator MONTOKA. That is because they got a lot of money from the Governor who had received these moneys in the name of revenue sharing. You have increased the personnel at the county and city offices throughout the country. I am wondering if you have made a study of it.

Could you give us some information as to how these moneys were used? I think Treasury has conducted a study.



Mr. SCOTT. We will be pleased to submit the report that they just turned out, as a matter of fact, in terms of the use of the funds for last year.

Senator MONTROYA. Could you also submit information as to how much of this money went for economic development and how much went for personnel additions at the State and local subdivision level?

Mr. SCOTT. We will be pleased to attempt to submit that for the record, Mr. Chairman. It may be difficult, in fact, to isolate how much has gone for these different uses because the States determine which dollars they use for what particular purpose.

Senator MONTROYA. Do it if you can.

Mr. SCOTT. Yes, sir.

[The information requested follows:]

#### INFORMATION ON USE OF GENERAL REVENUE SHARING FUNDS

(Attached is a Department of Treasury report on actual use of the General Revenue Sharing Funds. This may be inserted in the record.)

The actual use reports on the use of general revenue sharing funds do not permit identification of how much of the funds were used for personnel additions at the State and local level. The reports show, however, that 33% of the funds were used for capital costs, i.e., public works. Of the 67% used for operations and maintenance, it is likely that some of that was used for personnel additions. Of the funds used for operations and maintenance, about 35% were used for education programs, about 26% for police, fire and other public safety activities, and about 10% for public transportation services. Other uses included health, libraries, environmental protection, services for the poor or aged, recreation, and financial administration.

The user reports also do not clearly show how much of the funds were used for "economic development." The general revenue sharing Act does not permit units of local government to use their revenue sharing funds for economic development except for ordinary and necessary capital expenditures. Accordingly, the reports show that only one-half of one percent of the funds were used for "economic development." On the other hand, it appears that as much as 85% of the capital expenditures were for public works projects similar to those presently funded by EDA, including water and sewer and sewage treatment facilities, construction or improvement of streets and roads, recreation and culture centers, government buildings, and fire stations.

Senator MONTROYA. What would your reaction be, or the reaction of the Office of Management and Budget be, for a 1-year extension so that we could conduct thorough hearings throughout the country as to what the people in the communities want by way of an economic development program?

Mr. SCOTT. We would be pleased to get into that and discuss that thoroughly. I don't want to preclude the option of the President saying "Fine" on that. But really, his interest there is in terms, as I mentioned previously, of a transition to some better, more effective kind of program.

We would hope that if a 1-year extension is what is concluded as appropriate, that it can be done within the context of the kinds of hearings you are talking about, and perhaps within certain limitations.

Senator MONTROYA. Would you give me a letter as to what the administration might be leaning toward along those lines if we decide to do that?

Mr. SCOTT. It is dependent really upon the response to the letter, because the 1-year extension would be resisted right now in a vacuum because it is felt that these programs do not accomplish as effectively the objectives of this legislation.



Senator MONTÓYA. In the report the administration submitted earlier this year, you determined that while assuring rational economic growth to obtain an acceptable balance between economic and environmental objectives is a valid national objective, that should be an underlying goal of all programs and not a focus for this legislation, but this new act would be a major mechanism for influencing both public and private investment.

In your statement today you indicate that the Better Communities Act will seek to permit a considered balance between environmental and economic objectives. Isn't it appropriate to include this as a major part of the planning and investment strategy under this new act?

Mr. SCOTT. In delegating responsibility, essentially, to the States and the sub-State units it is felt that they are the best ones to, in fact, be making these particular tradeoffs.

Therefore, the planning should be left in their hands to determine what serves their particular needs most appropriately.

Senator MONTÓYA. Assuming that this new act is not authorized, what do you have by way of a substitute or implementation for this legislation?

Mr. SCOTT. We have no substitute bill for this legislation, Mr. Chairman.

Senator MONTÓYA. But you considered the possibility of this law passing and it being funded as part of the justification for constricting the economic development program envisioned by this new legislation, did you not?

Mr. SCOTT. That is correct, Mr. Chairman.

Senator MONTÓYA. Suppose it doesn't pass? Suppose the authorization doesn't pass? Are you willing to allow us to proceed and endorse our extension or broadening of these programs?

Mr. SCOTT. It is our position that if the new authorizing legislation is not enacted by June 30, we would still be working toward its enactment following that. Therefore, obviously some other scenario may develop for some other legislation and we would have to deal with that in the context of how it is evolved and comes about.

Senator MONTÓYA. I am assuming it doesn't pass by the Congress.

Mr. SCOTT. If it does not pass by June 30—

Senator MONTÓYA. Assuming that it doesn't pass after June 30.

Mr. SCOTT. Then the President would resist the extension of EDA programs.

Senator MONTÓYA. Even this legislation?

Mr. SCOTT. Of the EDA legislation, yes.

Senator MONTÓYA. And what about this legislation that is presented to us now?

Mr. SCOTT. He would still be attempting to gain its passage because we do feel that this is a useful approach to an obvious problem area.

Senator MONTÓYA. I notice that Secretary Dent alluded to the report which states that not enough attention has been given to the possibility of assisting areas to adjust to structural changes in the economy before the problem becomes so severe that there are high rates of unemployment or outmigration or both.

This is the key problem areas to which the economic adjustment program would address itself. Isn't that correct?

Mr. SCOTT. Yes, sir; it would.



Senator MONTROYA. There is also an allusion in the testimony presented by Secretary Dent that the concept of economic development has really not worked.

He doesn't say so specifically, but indirectly he does. Wouldn't that be attributable to the fact that we have not had enough money to work with like in Appalachia?

Mr. SCOTT. As I mentioned a couple of moments ago, the Appalachian experience is a very useful experience. It does, however, contemplate a much more broadly based program and encompasses highways and other aspects that this legislation does not.

The program that we are proposing here, as well as the present EDA program, is designed to be a supplement to other kinds of activities which in fact will encourage economic adjustment or have economic implications, be it the manpower programs or many categorical programs.

Economic matters, as you are well aware, include virtually all facets of the Federal establishment in combination with State, local and private activities.

Senator MONTROYA. I have always felt that the Economic Development Administration has been a great catalyst and a receptacle for receiving information and the economic woes from the different States and localities.

If we do away with the Economic Development Administration as a catalytic agent in forging economic plans, this is going to throw all these localities and State governments into a state of confusion by having to go to different departments.

Right now EDA will bring together the Small Business Administration and many other agencies in trying to work something out for a community. This has worked wonderfully well. What are you offering as a substitute?

Mr. SCOTT. We think that that kind of coordination will be enhanced very significantly by the Federal regional administrator and both his proximity and awareness of an individual State and locality problem as well as his coordination with other Federal agencies on the regional basis.

He would also act as a reservoir of the economic development expertise within that region and coordinate with the other regional administrators in terms of attempting to assure a better flow of this information on a continuing basis to individual States and localities.

Senator MONTROYA. Give me an example of where a regional administrator has been able to coordinate activities between or among different departments.

Mr. SCOTT. I believe in my testimony we covered one or two instances of this, Mr. Chairman.

Senator MONTROYA. Which are they?

Mr. SCOTT. One relates to Kansas City River development.

Maybe Mr. Puritano would like to amplify that. He has been working heavily with the Federal regional councils, as I mentioned earlier.

Mr. PURITANO. As a concrete example, using the Federal regional council in Kansas City, and the approach of the integrated grant administration, the State and local officials in two States pulled together a plan, tying together private business, State planning and local plan-



ning, and then asked Federal agencies, about nine of them, if they could get together so they could put in one application instead of nine applications, an integrated grant.

Senator MONTOYA. The statements of the Governors of New Mexico, Arizona, Georgia, and Louisiana, and a statement from the resident commissioner from Puerto Rico will be included in the record at this point.

[The statements referred to follow:]

STATEMENT OF HON. BRUCE KING, GOVERNOR, STATE OF NEW MEXICO

I want to present this testimony in support of the continuation of the Public Works and Economic Development Act of 1965 for an additional five years. I would have liked to have presented it in person but commitments out of the country prevented me from doing so.

We, in New Mexico, have found the regional commission concept (a state and federal partnership) one of the most effective in combating the economic imbalance in our state, particularly as it relates to our minorities, Spanish sur-named, and Indian. The Commission permits more of the economic development decisions to be made at the local level. This kind of decision making can be more meaningful and satisfying in the long run.

One of the greatest needs of these minorities was the need for additional vocational training. In the past five years, Four Corners Regional Commission has been instrumental in expanding the vocational training program at Espanola, Santa Fe, Las Vegas, and Farmington, to mention a few.

Next to vocational training, one of the greatest needs of low income people in New Mexico has been an adequate supply of water for industrial use, culinary, and irrigation systems. In the past five years, the Commission has assisted with the development of some 70 water systems. That means, in some cases, that adequate, clean drinking water is available for the first time. Improved irrigation systems, such as the Isleta Irrigation System and Ponderosa has assisted many small farmers both Indian and Spanish sur-named.

The Commission has been heavily involved in Indian Programs since its inception. One of the first technical assistance projects funded by the Commission being one to determine the feasibility of crops to be grown on the Navajo Indian Irrigation Project. We have followed this up with a training program to prepare Navajos for taking over the operation of the Navajo Indian Irrigation Project.

Over the past year alone, we have funded the following Indian projects: (1) \$152,000 to assist in a welding training program with the Navajos in preparation for the coal gasification plants in Northwestern New Mexico, (2) \$60,000 to assist in the development of the Indian Cultural Center in Albuquerque, (3) \$5,000 to assist the San Juan Pueblo in developing a food marketing facility, (4) \$50,000 for Phase II of the Pueblo Communication project that is training Pueblo Indians for jobs in the communication field of radio, television, newspaper reporting, etc., and (5) \$50,000 to the Fort Wingate project to assist young potential farmers in preparation for their involvement in the Navajo Indian Irrigation Project.

Early this year the National Water Demonstration Project agreed to fund a project in New Mexico. The Commission, the State Environmental Improvement agency, Farmers Home Administration, and the Home Education Livelihood Program joined forces to make certain that this project would be an outstanding success in New Mexico. This will bring to many isolated rural areas adequate drinking water for the first time.

In conclusion let me say that I could think of nothing that would stimulate the economy of much of our rural areas more than an extension of this Public Works and Economic Development Act for at least 5 years with an annual appropriation for the Title V Commission of at least \$75,000,000.00.





JACK WILLIAMS  
GOVERNOR

OFFICE OF THE GOVERNOR  
STATE HOUSE  
PHOENIX, ARIZONA 85007

IN REPLY  
REFER TO:

Statement of the Honorable Jack Williams, Governor of Arizona  
Before the Economic Development Subcommittee of the  
Senate Public Works Committee  
Washington, D.C. April 3, 1974

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Statement of Hearings on Bills to Extend the Public Works and Economic  
Development Act of 1965 Including the Administration's Proposed Economic  
Adjustment Act of 1974

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Since 1968 when the Four Corners Regional Commission received its Charter, I have participated as a Commission Member and last year as State Co-chairman.

At the outset, I was concerned about the organizational structure prescribed by the Commission and that a Federal Cochairman could, under the law, veto the decisions of four Governors. This was distasteful to me - hardly a partnership - but as in all organizations with constructive leadership, the potential problems have been resolved. For Arizona, and all Four Corner States, this has proved highly successful in State-Federal cooperation.

Funding has never risen to the levels we were led to anticipate, but even so, there is little doubt in my mind that it has produced more new jobs and created more economic advancement per dollar spent than other such Federally financed programs.

After realizing that major funding was not forthcoming immediately, sharp reductions were made in overhead costs. For the two years that the present Federal Cochairman operated an excess property program, the administrative costs remained about 4 percent of program expenditures. I know of no other Federal program that can match this kind of performance.

The Annual Reports of the Four Corners Regional Commission provide detailed accounting of the projects funded so I need not bother you with those statistics.



The Four Corners Region contains approximately 40 percent of all Reservation Indians in the Continental United States. Unemployment on some Reservations remains as high as 60 percent. This places a heavy cost burden on the Federal and State governments. It is not an easy problem to solve, but I can say that our Commission has made a start - has pointed the way toward a solution.

As an example, more White Mountain Apache men have found steady work in non-Federally financed industrial jobs in the past three years than any like period in the 100 year history of this Reservation. This change has been due almost entirely to action taken by the Four Corners Regional Commission with, of course, the cooperation of the Tribe, the managers of their Tribal enterprises, and EDA. There is still a long way to go before the level of the Reservation's economy approaches the rest of the nation.

Like reports can be made for the Spanish-American communities in New Mexico and Colorado as well as some small portions of the huge Navajo Reservation which spreads over parts of three of our States.

Perhaps the most innovative projects financed by the Commission have been the Arizona Trade-Off Model and the Utah Futures Model. Both are substantial advances in planning techniques. This month, Utah and Arizona, with New Mexico expecting to join before June, will start combining these two planning Models so that each State will benefit from the advances of the other.

This coordination of strength of the ATOM and the Utah Futures Model will develop additional capabilities for the assessment of the impacts of growth and development upon demands for fuel, energy, and water. Decision-makers at all levels of government will be provided a tool for determining the costs in money and environmental concerns of the explosive growth anticipated in the Region's energy source areas - coal, shale oil, thermal and atomic power, as well as oil and gas fields. We will prepare the mechanisms necessary for the transfer of the techniques to other States.

Without the Four Corners Regional Commission, these advances would probably not have been accomplished. I am sure that all four of our



States would like to have the Commission continued until something better is found to take its place.

Whether the proposed Economic Adjustment Act of 1974 will do as well is difficult to say.

Generally, the Economic Adjustment Act of 1974, to be administered by the U.S. Department of Commerce, follows the concept of the new Federalism - that is, a block, rather than categorical grant to each State. Federal control of this money would be minimal and each State and locality would set its own priorities without Federal involvement.

Essentially, the goals of the Adjustment Act are identical to the goals of the Public Works Act:

1. Create jobs;
2. Generate income; and
3. Permit adjustment to changing economic conditions.

In order to qualify for the block grant, each State must develop a State Economic Adjustment Plan and have it approved by the Regional Administrator.

The principal advantage of the Economic Adjustment Act is the block grant concept resulting in greater flexibility of the use of appropriated funds. The principal disadvantage is the void created in the funding of economic development on Indian Reservations.

My principal objection to the proposed Economic Adjustment Act is its failure to provide adequate funds for the development of the Indian Reservations. The Act provides \$25,000,000 be appropriated to the Bureau of Indian Affairs for economic development of Indian Reservations nationwide. Pro rata, this sum is insufficient to carry on the economic programs which the Economic Development Administration has been supplying to the Indian Reservations of Arizona.

In FY 1973, Economic Development Administration spent nearly \$8,000,000 on our Indian programs. In FY 1974, approximately \$7,000,000 will be

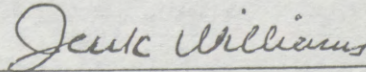


spent on Arizona Indian programs. Economic Development Administration, since 1966, has placed \$51,000,000 in economic development funds on Arizona Indian Reservations.

I am sure it is not the intent of Congress to create a continuing void in the funding of Indian Economic Development programs - but one would surely be created if the Economic Adjustment Act of 1974 becomes the primary source of funding for Indian Economic Development.

At this point in the economic development of the Indian Reservation, it would be disastrous to eliminate the Economic Development Administration Indian programs.

I favor the retention of the Public Works and Economic Development Act of 1965 as Amended, with a substantial increase in grant funds.

A handwritten signature in cursive script, reading "Jack Williams", is written over a horizontal line.

Jack Williams  
Governor  
State of Arizona





APR 26

Executive Department  
Atlanta 30334

Jimmy Carter  
GOVERNOR

April 23, 1974

Frank Moore  
EXECUTIVE SECRETARY

Senator Jennings Randolph  
Chairman, Committee on Public Works  
U. S. Senate  
5121 New Senate Office Building  
Washington, D. C. 20510

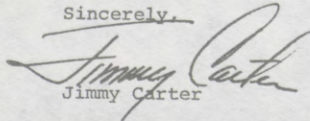
Dear Senator Randolph:

It has been my privilege to serve as the Co-chairman of both the Coastal Plains Regional Commission and the Appalachian Regional Commission, and in that capacity I have witnessed personally the economic impact of these programs in Georgia.

Attached is my statement concerning economic development which I would like to officially submit to the Public Works Committee for entry into the record. I sincerely hope you will give every consideration to my comments and suggestions in this statement. Only through a spirit of close coordination and cooperation at all levels of government will our economic development goals be achieved.

Thank you for affording me the opportunity to submit my thoughts on this important issue. If I can be of service to you, please let me know.

Sincerely,

  
Jimmy Carter

JC:whr



STATEMENT TO THE U. S. HOUSE AND SENATE  
PUBLIC WORKS COMMITTEES  
APRIL 8, 1974

ON JUNE 30, 1974, EXISTING LEGISLATION FOR THE TITLE V COMMISSIONS AND THE ECONOMIC DEVELOPMENT ADMINISTRATION IS SCHEDULED TO EXPIRE. I HAVE REVIEWED WITH INTEREST THE ADMINISTRATION'S PROPOSAL FOR AN ECONOMIC ADJUSTMENT PROGRAM AND ALSO A PAPER PREPARED BY THE NATIONAL GOVERNORS' CONFERENCE TITLED "NATIONAL, REGIONAL AND AREA DEVELOPMENT ACT".

I BELIEVE THAT BOTH PROPOSALS HAVE SOME DEGREE OF MERIT AND THAT A DEGREE OF COMPATIBILITY EXISTS BETWEEN THESE TWO DOCUMENTS WHICH COULD BE UTILIZED IN PREPARING A FINAL BILL.

ALSO, I BELIEVE IF ANY PROGRAM FOR NATIONAL DEVELOPMENT AND GROWTH IS TO SUCCEED, IT MUST INCLUDE REPRESENTATION FROM ALL LEVELS OF GOVERNMENT. FIRST, THE FEDERAL INTEREST MUST BE REPRESENTED TO INSURE A DEGREE OF CONTINUITY IN RELATED PROGRAMS AMONG OUR STATES. SECOND, STATE REPRESENTATION IS REQUIRED MUCH FOR THE SAME REASON. UNLESS THE CHIEF EXECUTIVE IN EACH STATE IS ASSIGNED THE AUTHORITY AND RESPONSIBILITY FOR DEVELOPMENT COORDINATION, NO OVERALL DEVELOPMENT STRATEGY CAN EXIST. LAST, I BELIEVE REPRESENTATION FROM THE LOCAL LEVEL IS ALSO AN ESSENTIAL ELEMENT FOR COORDINATED NATIONAL GROWTH AND PROSPERITY. I VERY STRONGLY SUPPORT LOCAL DEVELOPMENT ORGANIZATIONS AND BELIEVE THAT THEY ARE CAPABLE OF MEETING THE PLANNING AND COORDINATION NEEDS OF INDIVIDUAL COMMUNITIES.



SUBSTATE DISTRICTS POSSESS THE UNIQUE CAPABILITY OF PROVIDING ADEQUATE STAFF AND PLANNING CAPABILITIES TO MEET THE NEEDS OF OUR SMALLER COMMUNITIES BETTER THAN ANY OTHER ORGANIZATION. FOR THIS REASON, I STRONGLY URGE THAT ANY FUTURE LEGISLATION DEALING WITH ECONOMIC DEVELOPMENT AND/OR ADJUSTMENT INCLUDE PROVISIONS FOR FINANCIAL ASSISTANCE TO THESE LOCAL GROUPS AS WELL AS TO SUPPORTING STATE ACTIVITIES.

THEREFORE, I WOULD ALSO LIKE TO RECOMMEND THAT PROGRAMS PROVIDED FOR UNDER THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 BE EXTENDED AN ADDITIONAL YEAR UNTIL THE MERITS OF BOTH THE ECONOMIC ADJUSTMENT ACT AND THE NATIONAL, REGIONAL AND AREA DEVELOPMENT ACT CAN BE EVALUATED IN DETAIL. IN THE MEANTIME, I ALSO SUGGEST THAT THE SENATE AND HOUSE HOLD "SECOND-ROUND" HEARINGS ON ECONOMIC DEVELOPMENT LATER THIS YEAR. I BELIEVE THERE ARE MANY INDIVIDUALS ANXIOUS TO TESTIFY ON THE ECONOMIC DEVELOPMENT ISSUE PROVIDED THEY ARE AFFORDED THE OPPORTUNITY TO REVIEW IN DETAIL AND UNDERSTAND THE PROVISIONS OF DRAFT LEGISLATION.

CONSEQUENTLY, BASED ON THE INFORMATION WHICH I HAVE THUS FAR BEEN PROVIDED, I FORESEE A NEED FOR BROADER NATIONAL POLICY WHICH INCLUDES PROVISIONS FOR PUBLIC WORKS BUT NOT JUST LIMITED TO THAT CATEGORY. IN MY OPINION, THE APPALACHIAN REGIONAL COMMISSION IS THE BEST EXAMPLE OF A REGIONAL ECONOMIC DEVELOPMENT EFFORT DEvised TO DATE, AND IT IS THE EXECUTIVE PARTNERSHIP ASPECT OF THIS PROGRAM WHICH HAS ATTRIBUTED TO ITS SUCCESS.



REMARKS OF GOVERNOR EDWIN EDWARDS PREPARED  
FOR THE HOUSE PUBLIC WORKS COMMITTEE

APRIL 6, 1974

Mr. Chairman and Members of the Committee. It has not been that long since I sat as a member of your Committee reviewing the Public Works and Economic Development Act of 1965, and its subsequent amendments. Since I left the Congress and have assumed the position of Governor of the State of Louisiana, I have had an opportunity to work with one of the Title V inter-state Regional Action Commission.

As you know, the State of Louisiana joined the Ozarks Regional Commission in 1972, based on an invitation by the Vice President extended on behalf of President Nixon. Last year, we went through the planning process, and this year we have been participating in the Ozarks Regional Commission as a full and equal partner.

For the past year, I have been serving the National Governor's Conference Rural and Urban Development Committee. The National Governor's Conference created a Task Force on regional development policy, and this Task Force has been reporting to both the Executive Committee and our Committee on Rural and Urban Development. At the Winter Meeting, the Task Force reported to us on some legislation that they had developed in conjunction with several of the Governors. The Task Force is composed of the Alternates



to the State Cochairman of each of the seven Title V Commissions, as well as a Representative of the Appalachian Regional Commission.

The Committee on Rural and Urban Development of the National Governor's Conference reviewed not only the work prepared by the Task Force, but also the Administration's "Economic Adjustment Act" which was submitted to Congress in February. The Committee believed that elements of both proposals had merit, and should be carefully examined by both Houses of Congress at future scheduled hearings. We made some general observations, and determined that any legislation developed should provide for at least the following elements:

1. Continuation of some form of multi-state and sub-state regional cooperation with appropriate federal, state, and local participation;
2. An adequate period for transition from the present system of Commissions to the revised structure;
3. Continued emphasis on efforts to positively stimulate the development and revitalization of economically depressed areas;
4. Maximum flexibility in the planning and program activities of the state, multi-state, and sub-state entities; and
5. A funding level adequate to provide a significant impact on the economic viability of depressed areas.



The Committee urged the Task Force on National Regional Development Policy to continue to monitor and analyse federal legislative developments and to seek an appropriate resolution between the various alternatives consistent with the above mentioned principles which we adopted. We asked the Task Force to report back to the Committee on any developments, and recommend actions to the National Governor's Conference annual meeting, which is scheduled for June in Seattle.

Although the State of Louisiana's experience with the Title V Regional Commission has been short, I feel it has been sufficiently beneficial to warrant my recommending to you that the Public Works and Economic Development Act be extended until such time as you and the Senate Public Works Committee have had time to adequately review all the pending proposals. During your field hearings, I would recommend that you give serious consideration to the requests and suggestions of the National Governor's Conference, and its various committees. After all, the Governors and the Federal government have formed a partnership through the Title V Commissions, and have given of their time to carry out this program which has been authorized by the Congress. I feel certain that you will be interested in their views as to the future direction of regional economic development.



TESTIMONY OF JAIME BENITEZ, RESIDENT COMMISSIONER FROM PUERTO RICO TO  
THE UNITED STATES

COMMITTEE ON PUBLIC WORKS SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, U.S. SENATE

*April 1974, Washington, D.C.*

Mr. Chairman, I wish to express Puerto Rico's deep interest in the continuation of the Federal economic development programs, and to make certain recommendations to your Subcommittee on Economic Development which will be of help to Puerto Rico.

Nearly 3 million U.S. citizens reside in Puerto Rico which makes my constituency the largest single one in the House of Representatives. As Chancellor and President of the University of Puerto Rico for thirty years and now as a member of the Committee on Education and Labor, whose jurisdiction touches most Puerto Ricans, I have spent all my adult life endeavoring to understand, to resolve or to alleviate the problems facing our developing economy.

While we have made enormous gains in many fields in others we find ourselves still in the same place. One of those fields where we find ourselves falling below our basic goals is unemployment. We have increased our employment from 600,000—1950, to 800,000—in 1972 and yet our unemployment remains at 12% of the working force. This is because of the continued increase in population. We are dealing with this too. But it takes time and unrelenting efforts. Moreover, around 60 per cent of our people are living below the official U.S. definition of the poverty line.

Yet the cost of living in Puerto Rico is higher than in many places on the mainland. Goods brought from the United States to Puerto Rico must come in U.S. bottoms which constitutes a most substantial subsidy to the U.S. merchant marine. Puerto Rico is the U.S. fourth largest offshore market, including the countries of the European community, all of Latin America, Asia and Africa. And Puerto Rico has borne, I must add, its share of the common defense from the First World War through the Indochinese war, and borne it with valor and distinction.

Let me briefly sum up what Federal economic development programs have done for Puerto Rico through Fiscal Year 1973:

Public Works: 61 projects for \$45 million  
Business Development: 20 projects for \$13 million  
Technical Assistance: 31 projects for \$1.6 million  
Planning: 7 projects for \$402,000

In Fiscal Year 1974, Federal economic development project programs saw the approval of:

Public Works: 5 projects for \$3.4 million  
Business Development: 1 project for \$1 million  
Planning: 1 project for \$39,000  
Technical Assistance: 2 projects for \$650,000

FIFTEEN HUNDRED JOBS WERE EXPECTED FROM THESE FISCAL YEAR 1974 PROJECTS

A sampling of these projects includes a \$143,000 grant to help plan the commercial re-use of facilities at Fort Buchanan as a major international trade complex, a \$97,000 grant to help create immediate construction jobs for unemployed workers at Hatillo by constructing a two-story community commercial building providing space for 13 small retail businesses, a \$90,000 grant to help continue a job-development program for unskilled and unemployed young persons in San Juan and a \$2.3 million grant to help develop a 103-acre industrial park at Arecibo.

In brief, my recommendations for Puerto Rico's participation in Federal Economic Development programs include:

- a. Continued equal treatment in law and a strong emphasis in practice for Puerto Rico along with the 50 states in Federal economic development programs;
- b. A sufficient extension in time of Federal economic development program authority to permit adequate planning for fuller employment in Puerto Rico;
- c. A sufficient level of funding in any new authority to do the job, so to speak, both nationally and in the Commonwealth. In this latter regard, the Planning Board of Puerto Rico—which functions as our Office of Manage-



ment and Budget—submitted to the Federal Economic Development Administration a list of \$14 million in proposed projects which the EDA was simply not allowed to consider because of Administration fiscal policies. I should also like to underscore the need for ample planning funds for our Ocean Island with its fragile environment and limited “carrying capacity”—a term which your staff has helped define. EDA planning grant funds as a separate budgetary item are simply essential if we are to act in what the Administration has termed to your Committee a genuinely “anticipatory” manner. And the Commonwealth of Puerto Rico has been a pioneer in area-wide planning since 1942;

d. Extension of the authority of Title V of the Public Works and Economic Development Act of 1965 allowing Puerto Rico the same eligibility Alaska and Hawaii now have to be their own Economic Development Region, and, in the case of the Commonwealth of Puerto Rico, a clear expression of Congressional intent to give the same kind of priority to a Puerto Rican Regional Commission as to the Appalachian Regional Commission (which I appreciate operates under a separate authority); and

e. A clear expression of legislative intent to help developing areas such as the Commonwealth of Puerto Rico to be eligible for funding for the development of novel industrial approaches such as the one contemplated for our island of Vieques for the economic generation of electrical power, fresh water and mariculture products. (The model for this proposal is the Lamont-Doherty Laboratory in St. Croix. Such a commercial installation in Puerto Rico would have the Commonwealth an exporter of technology.)

According to the Commonwealth's Department of Natural Resources: “The theory behind such an installation is the high nutrient value of deep ocean water, about 90 meters; its near total sterility; and its low temperature relative to surface water.

By using the waters' nutrient value and sterility, mariculture products can be raised rapidly and free of disease. By using the temperature differential between the deep water and the surface water, which amounts to about 21–25 degrees Centigrade, a low pressure turbine can be devised to yield electrical power; simultaneously, the condensate for the turbine could be used as fresh water.

[In the Virgin Islands] the mariculture aspect of the work has been proven.

[The Virgin Islands Laboratory's Director] is successfully raising clams, oysters, scallops, and is starting to raise Maine and spiny lobsters.

The total project cost for such a development would run between \$5 million and \$10 million.

I thank the Committee and you, Mr. Chairman, for your attention to Puerto Rico. I stand ready to work with you and your members on any specific provision affecting Puerto Rico before your markup. And, I should be happy to supply for the Record of Hearing any additional or documentary material you may require.

Senator MONTOYA. I am going to have to return to the floor for a vote. We will stand in recess until 2 o'clock.

[Whereupon, at 1:20 p.m., the subcommittee recessed, to reconvene at 2 p.m., the same day.]

#### AFTER RECESS

[The subcommittee reconvened at 2 p.m., Hon. James A. McClure, presiding.]

Senator McCLURE. The subcommittee will be in order.

#### STATEMENT OF WALTER D. SCOTT, ACCOMPANIED BY CARLYLE HYSTAD AND VINCENT PURITANO—Resumed

Senator McCLURE. I want to thank you for getting back after what I understand was a short lunch period for you.

I understand, too, that perhaps Senator Domenici will be back. Certainly any questions that any member of the subcommittee may have may be submitted for response on the record.



I have a brief statement I would like to make at this time with respect to the directions of this committee. A year ago the committee was earnestly appealing to the administration to provide a transition to a new program instead of abruptly terminating the economic development program under the EDA.

In furtherance of this appeal, the committee in its report No. 93-117, dated April 12, 1973, cited the objectives and common purposes shared by the committee and the administration.

I believe the administration has responded with a transition, and I believe we have an obligation now to keep faith with our implied promise that if EDA were kept alive for a year, we would work for improved structures, reform, and a new, effective program.

It seems to me, however, that neither the Department of Commerce and the administration nor this committee has addressed with specificity or with a clear delineation of issues and appropriate responses the questions which we agree have been before us for several years.

I note especially the section entitled "Future Directions" appearing on page 10 of that report. It is a good statement. It is just as pertinent and true now as it was a year ago. It is worth reading again.

This statement of common ground contains more than a dozen specific points which I believe the administration and we in the committee should address with great care in the weeks to come as we develop this legislation.

I ask that this be included in the hearing record, that the staff return to it from time to time for guidance, and I believe the committee would especially welcome comments by the administration on each of the points it raises.

I would hope that the administration can make reference to that report on page 10 and respond to the several issues that are raised on that page.

Senator McCURE. In your statement, Mr. Scott, you state that you consider the prior impact of EDA has been to improve community facilities rather than to solve unemployment problems, or raise income levels in these areas.

Is this assessment based on OMB and the Commerce Department's evaluation of the EDA program?

Mr. SCOTT. It is based upon those as well as a number of studies that have taken place, outside consultants over a period of time, as well as the experience gained or the knowledge gained in terms of talking to people within those communities and elsewhere.

I don't want to overstate that latter aspect because obviously where community facilities have gone in, those local communities have been benefited in certain ways and in most instances undoubtedly would support their having gone in.

Senator McCURE. Are you saying that while the stated objective of the program was to assist these two groups, the impact of the program strategies and activities has been less direct than simply helping these groups?

Mr. SCOTT. We have seen little, from the experience of this program over the past 8 or 9 years, that suggests the continuing employment has been created very broadly.



Senator McCLURE. Is this lack of direct effect upon the target groups because the principal activity funded was public works development?

Mr. SCOTT. Perhaps it suggests a more flexible or broader approach is necessary to really influence the communities. Perhaps in this regard we gained something from the Appalachian Regional Commission's experience in the sense that here was an effort to coordinate a number of Federal programs and to more effectively tie them in with local, State, and regional efforts.

So if we are successful in the legislation that we propose in having better means of tying programs together through the Federal regional administrators, better means of coordinating Federal programs with the plans that are developed by individual States, we would hope that an overall effort can prove more successful.

We have to recognize that the dollars of the Economic Development Administration and title V commissions or the new dollars proposed for this new program, in fact, are quite modest when related to all Federal programs that impact within the given area. They in our view must be primarily a catalyst in terms of making certain things applicable, certain things happen, with principal support coming from other Federal programs as well as private and local and State resources.

Senator McCLURE. As I would interpret your remarks or gather from them, the general community economic activity may have been elevated more directly than the target groups have been effective?

Mr. SCOTT. Yes.

Senator McCLURE. Is this a suggestion that we should abandon the public works concept of economic development?

Mr. SCOTT. No. It would seem to me that that has an important role within economic development.

Senator McCLURE. Because of the community improvement that is inherent in that approach?

Mr. SCOTT. Yes. Obviously, we need the infrastructure to, in fact, be able to support new industry coming into an area or transition industry.

Senator McCLURE. You have indicated that perhaps there is an indirect effect on the target groups where the impact is felt somewhat later rather than immediately.

Mr. SCOTT. Or it may not be felt at all. Most of the analysis unfortunately turns out to be anecdotal, as we say; in this particular area this particular experience worked, and in this particular area something else worked.

It also suggests, however, too, that within some of the other legislation, such as the Rural Development Act, such as better communities and so on, there will be considerable ability to use these funds for public works, so that this particular piece of legislation we believe ought to have flexibility to provide whatever the additional help is, whatever incremental focused help is needed to make good things happen to those communities.

Senator McCLURE. I was struck by one of the comments that Secretary Dent made this morning that indicated the cost of programs, particularly in the direct impact, was an extremely high figure.



Mr. SCOTT. Excuse me. That is related to the public works impact program on which I believe a report has just been submitted to Congress.

Clearly, the experience under this particular effort revealed that the continuing employment was very, very modest, that there were substantial time lags in making it happen within the particular target area.

There were some employment benefits to areas outside of the target area, but, as I recall, the number was 50 percent of the employment lasted for 1 month or less, and a lot of people were employed under 80 hours.

The benefits tended to accrue in material purchased or to people already employed or people who were employed outside the target area.

Senator McCURE. Would this suggestion, then, that public works is a valid means of economic development of communities in a broad general sense but not in any specific sense toward specific target areas or groups?

Mr. SCOTT. I would agree with the latter part, but whether it is an effective tool in dealing more broadly, as you suggest, I would question because of the fact that the needs of communities and the nature of their unemployment problems are so terribly varied that with regard to a cyclical kind of unemployment that may come and go within a 6-month period, these programs are probably useless.

Therefore, the comprehensive manpower assistance legislation, as proposed and which has been enacted by Congress and is presently law, we would view as the proper vehicle for permitting adjustment to cyclical unemployment on a targeted basis within communities as appropriate, on a much broader scale and recognizing the unique needs of local communities in the States.

Senator McCURE. The three maps presented to Congress in the report of February 1 seem to demonstrate a close correlation between the lagging areas of the Nation and those areas within the boundaries of the title V and Appalachian Regional Commissions.

I understand that 72.6 percent of all U.S. counties in which per capita income is less than one-half of the national average fall within one or another of the title V or Appalachian Regional Commissions.

Couldn't a strong argument be made, therefore, that all these areas require additional assistance, a combined regional effort, to achieve economic development, even in addition to planning and coordination?

Mr. SCOTT. I think a number of conclusions could be reached based upon the figures you have just suggested. No. 1 is that in fact the regions have been formed based upon areas where there have been great problems.

No. 2, the structure of dollars available for those regions in fact created incentives to form regional commissions whether or not there were regional coordination requirements.

So because of the fact that they were able to obtain additional dollars that could be used to supplement other grants, the regional commissions were formed, whether or not they had necessarily a utilitarian effect in improving the quality of planning.

In saying that, I don't mean to suggest in many instances they did not have that benefit. The regional format as it exists and encompass-



ing as many of these particular areas as it does in fact would not be destroyed under the Economic Adjustment Act, but the funds under the formula would be targeted very heavily into these kinds of areas because those distressed areas are designated by the same criteria as used in the formula.

Senator McCURE. I have a little trouble fitting this program into the standard Federal regions.

Do you consider the term "regional" simply to represent a geographic location, or can it also be a combining of resources and effort to meet a specific problem?

Mr. SCOTT. I believe that clearly it ought to be structured around the problems themselves.

But as we have used the Federal regional administrators, we think that is a useful means to assure the kind of coordination I have spoken of earlier with other Federal programs. We do not anticipate, and we would not encourage, the regional commissions to in fact structure around those somewhat arbitrary regional bounds.

We think that where the regional commissions are desirable they should be structured around problems and no incentives provided that would force them to structure in other ways.

Senator McCURE. Isn't the administrator who has the decision to be made doing it by Federal regions?

Mr. SCOTT. But, in fact, the Commission, itself, would not have those.

Senator McCURE. But the plan approval would be by Federal regions?

Mr. SCOTT. That is correct.

Senator McCURE. While that may fit my region 10 in the Pacific Northwest where the Federal region and the regional commission have the same boundaries, and fits New England where the boundaries are the same, look at Appalachia. Portions of the Appalachian Regional Commission are in Federal regions 2, 3, 4, and 5.

Mr. SCOTT. This would be handled in this fashion: The State plans would be submitted to the Federal Regional Commission, that structure, in which each State would be participating, the title V commission. They would coordinate their plans with that regional planning function.

Those plans would then be submitted to the individual Federal regional administrator within these 10 Federal regions who would then say, "This does, in fact, conform with the planning standards."

Since he is not interjecting himself into a project-by-project review aspect of it, he will say essentially that, yes, it looks as though it is targeted in areas that are appropriate and the program is consistent with the Federal Regional Commission and they can, therefore, go ahead.

I don't think it necessarily conflicts because, in fact, the Federal regional administrator is not playing as pervasive a role as has been the case in the past.

Senator McCURE. I hope you are right on that point. I am not sure I am quite as pessimistic about that as perhaps Senator Montoya.

I remember back in the days of the Eisenhower administration, when I was not in the Federal Government, when they adopted a regional administration for the Post Office, in order to get the decision-



making out of Washington. And it did. It got it into the regional offices, but it also had the effect of taking it away from the local postmasters.

So instead of getting it closer to the local government, it resulted in a step away from local control rather than a step toward it.

Mr. SCOTT. Certainly it is our intent in setting forth the administrative regulations that the Federal regional administrators will assure that they are not, in fact, intervening within the process to such an extent that it is not left in the hands of local and State officials.

Senator McCLURE. The Federal regional councils were established by an Executive order to work toward the coordination to which you have referred, the coordination between Federal agencies, at least achieving common regional bounds.

Now I understand that these councils are also encouraged to identify common problems within the region and to appraise projects in the light of objectives, a concept which certainly is not at odds with our title V regional commissions.

Do you consider that this structure which is already in place could serve as a nucleus for a further identification of priorities and closer relationship with stated goals and objectives of the States and communities?

I might add further, are they already establishing working relationships with Governors' offices and the officials responsible for local programs?

Mr. SCOTT. Now you are talking about the regional councils?

Senator McCLURE. Yes.

Mr. SCOTT. Yes. This is really the intent. We are trying to build upon something. We don't have a long history of experience, and I will acknowledge that. But the efforts and success to date have been fairly substantial and we think bespeaks moving in a direction that is going to be very useful.

Their principal role, or a major role, that they play certainly is in developing that relationship with Governors and with local communities.

I will let Mr. Puritano expand on this answer in that he is involved there. My own experience in going to several major metropolitan areas at the time of the budget introduction and discussing overview of the budget with Governors and mayors was that the dialog and the interchange and the familiarity of these people with each other was certainly very beneficial in permitting us to better articulate what we are doing here in Washington and to better understand from that vantage point what we should be doing here.

Senator McCLURE. If the Federal regional councils are moving in that direction, and the regional and the EDA region coincide, there would be no real problem. It seems to me that would be the case. But if the Federal regional council is doing that now and you have several Federal regions involved, as in the Appalachian Regional Commission, then it seems to me you have four Federal regional councils occupying some of the same territory that the regional commission does, territory in terms of their responsibility and objectives.

Mr. SCOTT. Depending on the particular area and particular problem you may, in fact, decide that you want to have a lead Federal regional



administrator. Through the Appalachian Regional Commission as well as in the other regional commissions they have the ability to, in fact, determine that priorities of allocation will be made by that Federal Regional Commission, itself.

I think there is sufficient flexibility within this to assure that one person in fact does have the lead and that there is coordination. I don't believe that there is necessarily the kind of conflict that you are suggesting. We would anticipate that these State plans, too, would, in fact, indicate other sources of funds, be they local and State and other pouring into the same kind of economic adjustment effort, so that they would be much broader and more coherent kinds of plans than they are now where they are targeted on a single project in a single area.

Senator McCURE. I hope it will work that way.

Mr. SCOTT. So do we.

Senator McCURE. That is, if indeed we take that step.

We had a meeting before this subcommittee with several Governors who suggested to us that they supported the opportunity provided by the commissions, regional commissions, to meet together and plan and if necessary undertake projects involving more than two States. But they also suggested to us at the same time that we ought to earmark some of the funds to require that they go into the regional commission and regional staffing because they were not certain that they could get through their State administration or State legislature the allocation of the funds for the regional commissions. Would you care to comment?

Mr. SCOTT. The funds will be allocated to the Governors to, essentially, have broad latitude in where they go. Whether the specific plans themselves must be reviewed by the State legislatures, I really don't know. I think that would vary, dependent upon State law.

In many instances, in fact, I think they would have the ability to allocate where they do go without going through the legislature.

Senator McCURE. They indicated that local political pressures might prevent them from spending the money on regional planning, that political pressures would require them to spend all of the available money within their own State.

Mr. SCOTT. I guess we have to make a decision whether we prefer the political pressure to come from here regarding whether or not that regional planning is useful, or whether it ought to come from there where, in fact, the Governor and the elected representatives are in presumably the best position to determine what will best serve the unique needs of the State.

That is obviously the conclusion of the administration.

Senator McCURE. I would understand from an earlier comment you made that the administration does not right now have a fixed opinion concerning whether or not these funds flowing to the State would be subject to legislative control or be within the control of the executive.

Mr. SCOTT. They would be delegated to the executive. There may, in individual States, be requirements that his plans be submitted to the State legislature. I don't know. I suspect there will be differences among State laws in that regard.



Senator McCLURE. There is nothing so far as the Federal legislation is concerned which would prevent the State legislature from assuming some control if they pass laws appropriate to that purpose?

Mr. SCOTT. That is correct.

Senator McCLURE. That would be a State operation, whether they leave it to the Governor or involve the State legislature.

Mr. SCOTT. That is right.

Senator McCLURE. I noticed in the formula again, as I did this morning, it made some comment concerning the allocation under the unemployment factor which favors the industrial States. Similarly, the low-income portion of the formula concentrates on the number of people in a county, not in total population but county by county.

The result of this is to concentrate nearly all of that factor in the Southeast. Is there a reason why it was done on a county basis rather than a proportion to total population basis?

Mr. SCOTT. The portion of the total population basis, as you suggested this morning earlier, can be quite muddled water as you get into the major metropolitan areas. The formula, itself, is an attempt to balance a number of factors, obviously the five factors to be useful in terms of creating a structure which recognized the funds had been going into particular areas as well as the particular needs we are trying to deal with. There are certainly some distortions that take place that may be rational distortions because of the needs of an individual area, but which would, in fact, change the level of funding in a number of States, and in some of them quite dramatically.

The State of Washington, obviously is a case in point.

Senator McCLURE. What happens if after some experience in the allocation of funds under this it is felt by some that the formula needs to be changed?

Mr. SCOTT. I think the formula should be changed. I would say that right now, too, that this is an imperfect formula in the sense that I don't believe any formula is perfect in that we are dealing with uncertainties. We think this formula is a rational approach and the administration, at any rate, is perfectly willing to consider other approaches that seem to have a degree of rationality within them.

I share your concern that you voiced this morning that it would be highly desirable if, in fact, we were able to find some more anticipatory kinds of measurements, but we do have some latitude in that respect with respect to this 20 percent of funds which are held back, which are not allocated under the formula, and also in the ability of individual States to adjust where money is going.

That doesn't help on the allocation side, but, in fact, it does permit the targeting of funds for new problems.

Senator McCLURE. They can allocate whatever funds are available in their State.

Mr. SCOTT. That is right; 20 percent can be used to supplement that.

Senator McCLURE. If the formula didn't get the fair proportion of the funds to their State, they would be hamstrung in the allocation.

Mr. SCOTT. That is right, except for the 20 percent.

Senator McCLURE. I am concerned about the direction of the program. I am not certain whether it is the administration's desire to preserve this as primarily an area to assist economically distressed



areas of the country that, for one reason or another, have not shared in the economic growth of the country generally, as distinguished areas in the terms I think most of us understood, relatively isolated from pockets of population, say in the ghetto of a city, which have not shared for somewhat different reasons in the economic growth.

Is it your purpose to reach all economically depressed groups in the country under this program? Is it your purpose to concentrate on the geographically isolated areas, such as rural areas and Appalachia, and otherwise?

Mr. SCOTT. I think I would talk a little about what the objectives here are. There are many, many Federal programs which impact upon economically distressed areas. Many of these programs are urban, or perhaps most are urban directed, certainly.

The Rural Development Act is one that attempts to move in a somewhat different direction in terms of encouraging economic growth in rural areas. We do not view this new program as an attempt to take a community that may not have participated in growth and try to encourage it to be growing at a faster rate. We view this legislation as one where it will help the transition where there may be structural changes in the particular economic situation of a community, probably a small community because those are where you can influence them more directly, or those smaller communities may have again been influenced by structural changes that have occurred long ago and have not been able to adjust to new, continually viable kinds of circumstances. It is not a program as it is presented here that necessarily has a targetting on rural or urban areas. I say that, but I also recognize the point which you made so well this morning, and we share this view completely, that urban areas do have a greater ability to accommodate economic change just by the very diversity of their economic structure.

If it seemed appropriate in some manner to attempt to target these funds in a slightly different fashion that would, in fact, assure that they did not go to major metropolitan areas or something of that kind, we would be delighted to discuss that in more detail, that concept.

Senator McCLURE. I wondered if an additional formula, not an addition to the formula for allocation to the States, an additional formula which requires allocation within the State could be useful to prevent the large proportion of money going into metropolitan areas.

Mr. SCOTT. I think that is certainly worthy of consideration.

Senator McCLURE. We do have a vote on the floor and I will have to depart. Let me ask a couple more questions and I will submit the rest of them for placement in the record with your answers.

What is defined as the second objective of this legislation is to reduce unemployment and economic distress in areas suffering from persistent and substantial unemployment.

Do you define that term, persistent and substantial unemployment, as it is now defined under the EDA Act?

Mr. SCOTT. Yes.

Senator McCLURE. Will the States be required to apply that definition or could they approve projects in areas suffering only substantial unemployment?

Mr. SCOTT. They would not be forced to define particular target areas where the funds would go. They would have flexibility in terms



of the use of the funds so long as in fact that use was designed to accomplish an alleviation of this problem. What I am saying essentially is that they could be doing something in a county next to where the problem was that would be benefiting the depressed county as long as they indicated that that was the case. That would be consistent with the objectives of the act.

Senator McCLURE. Unemployment numbers are generally going to be concentrated primarily in metropolitan areas. This factor favors the State with metropolitan areas in the distribution of funds to the States.

The per capita low income portion of the formula is defined by counties, which is intended to run directly opposite to the other trust, as I would understand it, in that you would average the income of all persons within a county to determine the per capita income by county.

That would tend to exclude a large part of the urban areas from that particular measurement. At least I would assume that was the case.

Mr. SCOTT. That is right.

Senator McCLURE. Is this the kind of balancing that you are talking about in the five factors of the formula?

Mr. SCOTT. Yes, to some extent, and having the geography of the State be a factor. Obviously, it is somewhat arbitrary, but it is an attempt to reflect also the fact that when there are major geographic areas in a particular State, there may be a need for some funds related just to the fact of that geographic diversity.

Senator McCLURE. One of the aspects of the administration's proposal that I think is particularly constructive and which caught my eye is the objective to assist areas with low average incomes.

Again, is low income the same definition now used under the EDA program?

Mr. SCOTT. Yes, it is.

Senator McCLURE. Will the States be required to follow this definition or will they have flexibility in this area also?

Mr. SCOTT. They will have the same kind of flexibility. They will have to be dealing with that problem, but it does not mean the targeting of funds in a particular area.

Senator McCLURE. Thank you very much, Mr. Scott. I appreciate your appearance and your patience and willingness to come back before the committee.

[Mr. Scott's prepared statement, a statement of Frederick V. Malek, and a statement from Hon. Dale Bumpers, Governor, State of Arkansas follow:]



Statement of

Walter D. Scott

Associate Director  
Office of Management and Budget  
Executive Office of the President

Before The

Subcommittee on Economic Development  
Senate Committee on Public Works  
April 3, 1974

Mr. Chairman, and Members of the Subcommittee:

I appreciate the opportunity to appear before your Subcommittee today to present the views of the Office of Management and Budget on S. 3041, the "Economic Adjustment Act of 1974." I have with me Mr. Vincent Puritano, Deputy Associate Director for Field Activities, and Mr. Carlyle Hystad, Chief of the Commerce Branch in OMB, who are available to respond to your questions. Secretary Dent has presented a quite detailed description of the proposed Economic Adjustment Act of 1974, as well as a summary of the findings and conclusions of the Report to the Congress on the Proposal for an Economic Adjustment Program. I would like, therefore, to focus primarily on how the Economic Adjustment Assistance program will relate to other Federal programs which impact area and regional economic conditions, and on the efforts which are being made to improve the effectiveness of Federal assistance programs.

I believe that we have made major progress in the past year in developing the Administration's proposals relating to Federal assistance for



economic adjustment and development. The advice of the Members and staff of this Subcommittee has been very helpful to the Administration in these efforts during the past several months. We believe that the bill before you is to a great extent a reflection of the views expressed in these discussions. I hope this dialogue can continue as we pursue our mutual objective of finding more effective ways of dealing with economic development and adjustment problems.

#### A Review of History

I think it will be helpful in understanding the proposed Economic Adjustment Act to review briefly the steps the Administration has taken or proposed in the past to improve the effectiveness of Federal assistance programs.

In 1971, the President proposed general and special revenue sharing as a primary means of returning to the States and communities the authority and responsibility for solving their own problems. The original Rural Community Development Revenue Sharing proposal would have absorbed the funds from the programs of the Economic Development Administration and the Regional Commissions. This proposal reflected the belief that the economic development programs of Commerce were in fact focused primarily on providing improved community facilities for rural areas. There were many other programs, primarily in the Department of Agriculture, which also were assisting development of rural community facilities. It was felt that the impact of this Federal assistance could be expanded by



consolidating the several programs into one fund which would permit States and communities to establish comprehensive efforts to achieve their highest priority rural development objectives.

While Congress did not enact the requested rural community revenue sharing proposal, it subsequently passed the Rural Development Act of 1972. The purpose of that Act is to "improve the economy and living conditions" of rural areas. The President's 1974 Budget proposed to fund the Rural Development Act on an experimental basis to determine whether it could be made an effective mechanism for providing assistance to improve the quality of life in rural areas.

The 1974 Budget also proposed termination of the Economic Development Administration programs, and elimination of the Federal role in the Title V Regional Commissions. It was proposed that the Governors could continue regional planning activities with funding from the Responsive Governments Act. This proposal to terminate EDA programs was again based on the belief that the principal impact of these programs was to improve community facilities, rather than solving unemployment problems or increasing income levels in economically distressed areas. It was assumed that the efforts to improve community facilities would be adequately handled under the Better Communities Act and the Rural Development Act.

The most significant aspect of this background in terms of our interests here today, was that the past proposals did not specifically recognize



the problems of adjusting to economic change. It was assumed that the broad purpose assistance programs such as the Rural Development Act would permit States and communities to effectively deal with their development and adjustment problems.

As you know, the President signed the Public Works and Economic Development Act Amendments of 1973, to continue the programs of EDA and the Regional Commissions for an additional year to provide for a more orderly transition to other programs, and to permit a reexamination of alternative approaches to dealing with problems of economic adjustment and distress.

In accordance with Section 8 of the Public Works and Economic Development Act Amendments of 1973, the Office of Management and Budget and the Secretary of Commerce began a reexamination of current Federal economic development programs, the appropriate national objectives to be sought from area or regional economic development programs, and alternative Federal approaches to achieving those objectives.

#### Conclusions of Study

The study concluded that there are three major valid national objectives to be pursued through area or regional economic assistance. They are:

- Permit early and orderly adjustment to structural changes in regional or area economic conditions to minimize economic and social distress;



- Stimulate employment opportunities for the unemployed of areas of persistent and substantial unemployment; and
- Stimulate more productive employment opportunities for the underemployed of areas with low average income.

The objective of assuring more rational economic growth to make more efficient use of natural resources and maintain an acceptable balance between economic and environmental objectives was considered to be a valid national objective, but it was felt that it should be an underlying goal of all community and economic development efforts. Area or regional economic adjustment or development efforts by themselves could make little progress toward this objective.

The study also concluded that the objective of stimulating expanded employment opportunities in rural areas was and should continue to be a principal objective of the Rural Development Act.

The issue, then, was whether current Federal programs such as EDA and the Rural Development Act, or proposed programs like the Better Communities Act, could be effective means of pursuing the three objectives.

We concluded that the programs of the Economic Development Administration do not provide the basis for effective efforts to pursue these objectives. Secretary Dent has discussed these weaknesses in more detail, but in summary it was concluded that:



- They are primarily focused on aiding distressed areas after damage is done. There is not adequate emphasis on avoiding creation of new distressed areas;
- The categorical grant process does not permit a comprehensive, coordinated effort, at any level of government, toward desired objectives;
- The project-by-project allocation of assistance results in dispersion of available Federal resources in sub-critical amounts, with little lasting progress toward the objectives; and
- They do not permit States and communities to effectively plan for and respond to local needs; the priorities of Federal civil servants are often substituted for those of the people's elected State and local officials.

#### Need For A New Program

It also was concluded, however, that these objectives probably could not be pursued effectively under the Better Communities Act or the Rural Development Act. Those Acts were not intended to be focused on areas undergoing major structural changes or suffering from economic distress. The Federal assistance under those Acts were intended to be more broadly distributed to help communities of all sizes and character meet their needs for expansion, renewal or improvement. It was concluded that areas or regions undergoing major structural changes in their economies, or



suffering from chronically high unemployment or low income, were in need of special, additional assistance; it would be necessary to focus financial assistance on selected target areas in order to effectively deal with the adjustment problem.

As a result of this analysis, the President decided to request legislation for a new program to focus on the three objectives of assisting States and communities to:

- Adjust to changes in economic conditions;
- Reduce unemployment and economic distress in areas of chronically high unemployment; and
- Increase income levels in areas with low average income.

A primary consideration in developing the proposed legislation was that it should complement other enacted and proposed Federal programs, and result in a comprehensive plan of Federal assistance. The new program also should:

- Return responsibility to State and local officials to determine how best to pursue the national objectives in their areas; and
- Permit States, sub-state areas and multi-state regions to develop and implement comprehensive, realistic, and consolidated plans to pursue their highest priorities.



S. 3041, the proposed Economic Adjustment Act, is designed to be consistent with these important principles.

#### Relationship of New Act to Other Federal Programs and Proposals

I want to discuss in some detail how the Economic Adjustment Assistance program will relate to other major Federal programs.

#### Better Communities Act

The Administration has proposed the Better Communities Act to allow localities to determine their own priorities for improving their communities. The 1975 Budget proposed \$2.3 billion in funding for this program. This Act would replace many narrow-purpose programs in which allocation decisions are made by Federal officials who have little understanding of local priorities or problems. The Act would provide flexibility to States and communities to more effectively plan and direct community development, to help assure better use of resources and permit a considered balance between development and environmental objectives.

The flexibility under the Better Communities Act and the Economic Adjustment Act will permit States and communities to develop a consolidated effort using funds from both programs to revitalize selected distressed communities through new employment opportunities, better public facilities and an enhanced living environment. The planning process required under the Economic Adjustment Act, and the requirement for participation by local officials, will help assure that economic adjustment and community improvement efforts are mutually supportive.



The Rural Development Act

The Rural Development Act, passed by Congress in 1972, is being implemented to give State and local officials greater responsibility and opportunity to determine their priorities for improving life in rural areas. The 1975 Budget will permit an estimated \$1 billion of direct and guaranteed loans for industrial development and community development in rural areas. This will allow States and communities to:

- Improve the quality of public services, housing, health care and education available to residents of rural areas; and
- Develop non-agricultural employment opportunities in rural areas to provide an expanded range of employment opportunities for rural residents no longer needed on the farm.

Many of the areas receiving assistance under the Rural Development Act will not be target areas for economic adjustment, but for those areas which are selected as targets for economic adjustment, the two programs will permit States to develop joint efforts to overcome persistent unemployment or low income problems in rural areas in a manner consistent with their overall rural development objectives.

Responsive Governments Act

The Administration's proposed Responsive Governments Act would focus on enabling State and local governments to strengthen their decisionmaking and managerial capabilities. This will improve their abilities to make effective progress toward achieving their objectives of community



improvement, economic growth, rural development, and environmental quality in a coordinated and balanced manner. The 1975 Budget requests \$110 million for this Act.

The Economic Adjustment Act will provide additional resources to States and sub-state bodies, to help them develop or improve their capabilities for comprehensive planning and direction of economic adjustment. The resources of the Responsive Governments Act will help them in these improvement efforts.

#### Comprehensive Employment and Training Act

The Congress recently enacted the Comprehensive Employment and Training Act which permits achievement of the Administration's major goals for reforming manpower programs. It consolidates many manpower programs, and will permit State and local governments to use the funds for manpower training, transitional public service employment and other services as they determine is most appropriate to meet local needs. The 1975 Budget includes \$2 billion 50 million to fund the programs under this Act.

This new legislation, along with other proposals for economic adjustment and community development programs, will permit States and communities to plan and implement comprehensive efforts to deal with unemployment and other manpower problems in their areas. The Act will give States and communities the ability to react quickly to adjustment problems. They will be able to provide temporary employment and assistance, as well as help retrain workers for alternative employment opportunities.



The Economic Adjustment Act and the Comprehensive Employment and Training Act together will provide States and localities with a complete range of tools to speed adjustment and minimize economic and social distress. Together they will give communities an entirely new ability to cope with economic adjustment problems in their areas.

#### Indian Economic Development

The Administration has proposed legislation to provide grants to Indian tribes for implementing tribally prepared economic development plans. The requested legislation would permit use of the funds for community facilities, including health and education facilities, and it also would permit grants and loans for establishment of industrial and commercial business enterprises by individual Indians and tribal governments. A total of \$34 million is requested for these programs in 1975, including \$25 million for economic development grants.

Because of the desire by the Administration to consolidate Indian assistance programs in the Bureau of Indian Affairs, this consolidation has been proposed for FY 1975. In view of this proposed consolidation, the Economic Adjustment Act does not include a special program for Indian tribes. States could, however, use funds under the Economic Adjustment Act for Indian economic adjustment problems, if they wished.

There has been considerable concern about what will happen to the Indian economic development program if the proposed legislation is not enacted soon. If it becomes clear that the requested legislation



for the new program in the Bureau of Indian Affairs will not be enacted in time to permit an orderly continuation of this assistance, the Administration will request a budget amendment to continue the funding for the EDA Indian program in FY 1975.

#### Improving Federal Administrative Structure

In addition to the enacted and proposed legislative restructuring of Federal programs, the Administration has acted to improve coordination among related Federal programs at the Federal level. Federal program management is being decentralized along uniform regional lines, and the role of the Federal Regional Councils is being strengthened to facilitate coordination of Federal actions with State and local activities at the operating level.

Great progress has been made in improving the Federal administrative structure in the past five years. The Federal Regional Councils are now operating, with a substantial amount of success, in all of the 10 Standard Federal Regions. The previously informal regional councils of agency representatives were formalized in 1972 by Executive Order 11647. The Councils now have some impressive records of achievement, particularly in helping coordinate Federal program delivery. For example, the Kansas City Council has been the Federal coordinator in a long-term riverfront development project involving two States, six counties, numerous municipalities and, at present, six Federal agencies. The Council and local representatives identified and assisted in mobilizing Federal funds for planning and a key Federal grant around which local governmental and private investment is coalescing.



The Regional Councils also have played a major role in assuring effective implementation of OMB Circular A-95. Pursuant to that Circular, more than 150 Federal programs now require review of grant applications by State and local governments for consistency with local plans, prior to Federal award of a grant.

Mr. Chairman, I would like to submit for the record a Statement by Frederic Malek, Deputy Director of OMB, made before the Subcommittee on Intergovernmental Relations of the House Committee on Government Operations, which provides an excellent summary of the progress made in improving Federal program administration.

The proposed Economic Adjustment Act will lead to further substantial improvement in coordination of Federal programs at the regional level. This will be achieved by giving Federal Regional Administrators primary responsibility for exercising the Federal responsibilities under the Economic Adjustment Act. The Federal Regional Administrators will be an integral part of the Federal Regional Councils, to help assure close working relationships with the regional representatives of other programs. They will be responsible for keeping officials of Federal agencies informed of States' economic adjustment efforts, to help avoid inconsistent actions. They also will determine how other Federal efforts might be used to support or accelerate the economic adjustment activities of the States.

The Federal Regional Administrators will be expected to work closely with State and local officials in their regions to assist or advise



them regarding the availability of Federal resources, and the desirability of joint efforts with other States or communities. Where multi-state organizations are continued or formed, the Federal Regional Administrators will provide liaison between the multi-state organizations and the various Federal departments and agencies.

It is planned that the activities of the Federal Regional Administrators will be coordinated and reviewed by the Secretary of Commerce.

#### Need to Retain Effective Institutional Mechanisms

The proposed Economic Adjustment Act is designed to retain those institutional mechanisms which have been developed and are working effectively in planning or implementing economic or community programs.

Specifically, we expect that the new program will result in a significant increase in responsibility for those Economic Development Districts that have built a reputation for effectiveness. The proposed Act does not require that States use districts for planning and implementation, but it will require that they establish a process for planning and implementation that includes representatives of sub-state organizations. Our expectations are that the process established will generally give districts an important role. Also, the regulations for the program will set forth more guidelines for the State process, to help assure that districts are used when they are the most logical sub-state unit.

The new program is designed to assure that the people in the best position to make the decisions are given the responsibility for planning and



implementing adjustment efforts. Once an area has been selected by the State as a target area for economic adjustment, then a sub-state organization should have principal responsibility for determining the nature of the adjustment effort and carrying out that plan.

The procedure for allocating funds under the Act will permit States and sub-state adjustment areas to know quite accurately what funding they will receive for the year. This should permit more realistic planning for adjustment efforts. The process also will avoid the need to develop hasty plans to obtain or use the funds; allocated funds will remain available for the State for at least two years, and funds will be available until expended.

Funding for the administrative costs of districts will continue to be available under the Economic Adjustment Act. The new Act will permit funding for administrative costs of any organization responsible for program planning or implementation under the Act.

The Economic Adjustment Act also will permit States to continue multi-state Regional Commissions if the States believe they are serving a useful purpose.

States which participate in multi-state economic adjustment organizations may use funds allocated under the Act for joint adjustment efforts, including administrative costs and planning activities of the regional organization. Regional organizations may participate in the development of the plans of the member States to assure that the State plans reflect any regional adjustment needs. Regional organizations also may pool



the allocations available to their member States to carry out regional adjustment efforts.

This approach will permit States to work together to develop regional plans when they believe it is appropriate, but it will not force them to form unneeded groupings in order to obtain financial assistance.

It also is expected that the Federal Regional Administrators and their staffs, with the help of the Federal Regional Councils, will provide valuable technical assistance to the States, communities and multi-state organizations in the development and implementation of their plans. This will permit continued utilization of the knowledge and experience gained by the Federal agencies related to economic development and adjustment.

#### Funding Levels

A significant factor in determining the effectiveness of the proposed program is, of course, the level of funding to be provided. If the amount is too small it will not permit the States, regions or communities to mount an effort which would have a significant and lasting impact on an adjustment problem. On the other hand, the many important demands for limited Federal resources dictate that funding will have to be held to responsible levels. Our expectations now are that the funding under the Act would be at least as much as has been provided for EDA and the Title V Commissions. If the program is successful and if adjustment problems are severe, it may well be appropriate to increase funding for the program in future years.



We believe, however, that this new Act will permit much greater results from the funds that are made available. States and communities will be able to do a much better job of planning for the use of the funds, which will permit more efficient programs and focus on highest priority efforts.

The Federal assistance will be provided in the form of block grants. The States or sub-state organizations may use the block grant funds for planning, research, technical assistance, public facilities, assistance to business, or any other form of activity consistent with the program objectives and approved plans. For example, the States or sub-state organizations may wish to use the funds to make loans, to subsidize or guarantee private lending, provide tax rebates to private firms, or form an area, State or regional economic development company.

This approach will provide the States and sub-state organizations with a wide range of tools to meet the peculiar needs of a particular adjustment problem. It will permit them to provide direct incentives or assistance to private firms or workers, as well as indirect assistance in the form of public facilities. It will permit them to make a 100% grant for a particular project when that is necessary, or to leverage private resources through participation in or guarantees of private loans.

We hope that the States and sub-state groups will find ways of using this assistance to leverage private investment to deal with the adjustment problems. Effective leveraging of the private sector will provide



results far beyond anything that could be accomplished solely with Federal funds.

Transition Extension of the Public Works and Economic Development Act of 1965

The President's Message of February 19 proposing the new program, indicated that he would accept an extension of the Public Works and Economic Development Act to permit an orderly transition to the new program. S. 3041 proposes a one year extension of that Act in conjunction with initiation of the new Economic Adjustment Assistance program.

I would like to emphasize that the President is strongly opposed to indefinite continuation of the current programs under the Public Works and Economic Development Act. An extension of that Act is acceptable only to provide for a short transition period to a replacement program.

Conclusion

The Administration believes that the Report to the Congress and the proposed legislation (S. 3041) provide the basis for early Congressional action which will result in a major improvement in the effectiveness of Federal programs. I am sure that there are certain aspects of the proposed legislation that can be improved by the Congress, and we will be happy to provide whatever assistance we can to assure the best possible legislation. I strongly recommend early enactment of this bill.

We will be glad to try to answer any questions you may have.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

FOR RELEASE ON DELIVERY  
Expected at 9:30 a.m.  
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STATEMENT OF FREDERIC V. MALEK  
DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET  
BEFORE THE SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS  
OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS  
ON FEDERAL REGIONAL COUNCILS AND OTHER  
NEW FEDERALISM INITIATIVES

Mr. Chairman and Members of the Committee:

I am happy to have the opportunity to discuss with you Federal Regional Councils and other executive branch initiatives to coordinate and generally make more rational the delivery of Federal assistance and to enhance intergovernmental cooperation on a broad front. Today, in addition to discussing Federal Regional Councils, I would like to touch on other Administration initiatives to rationalize Federal program delivery, including establishing uniform Federal regional boundaries and common regional headquarters, and our program to decentralize authority from Washington to the field.

I understand that among the testimony you will hear in the next few days will be a statement by Dwight Ink, Deputy Administrator of the General Services Administration, on H.R. 11236, the proposed joint funding legislation.

I would like to take this opportunity to express our strong support for H.R. 11236, a vital step in integrating related grants for the convenience of State and local government and other grant applicants.



These hearings will cover a good deal of the President's New Federalism initiatives, which were first officially launched by this Administration in March 1969. However, the issues involved are not new, and both the problems and the proposed solutions have roots in the past.

I would like to begin with the Federal Regional Councils and review the background of the Council system, discuss the concept and goals of the Federal Regional Councils, where we are today, including some discussion of various types of Council activities, and some possible directions for the future.

#### I. Federal Regional Councils

##### Background; history

Federal assistance to State and local government rose from \$6.7 billion in 1959 to an estimated \$48.3 billion in FY 1974. Approximately 1100 programs were involved in various forms of assistance to 50 States, 3,000 counties and over 70,000 units of local government.

By early 1968, a fairly clear picture was emerging of the primary problems in the financial assistance programs, particularly the 500 to 600 mainline socio-economic grant-in-aid programs. These problems, attested to in numerous studies and in complaints from State and local officials, included the following:

- ° Grantmaking was uncoordinated. Federal agencies pursued program goals unilaterally without considering total needs and related programs to meet these needs. The result of this fragmented system was an overlapping in



some instances and failure to meet key needs in other areas.

- ° Local inconsistencies and outright disputes arose between Federal agencies. Dozens of narrow-purpose, local coordinating committees had been developed, such as the model cities and manpower coordinating committees. But these committees seemed unable to resolve inter-agency conflicts at a local level and lacked the broader perspective of the total needs of a local jurisdiction. Ironically, the sheer number of coordinating groups began to present a coordination problem in itself.
- ° Chief elected officials had not been effectively brought into much of the planning and decisionmaking in the categorical grant system. There were no integrated or joint funding plans or joint strategies with governors and local elected officials.
- ° There was inadequate evaluation of programs in which more than one agency participated.
- ° Administrative requirements of Federal agencies led to mountains of red tape, delays and frustration.

Problems were arising not in Washington, but "on the ground", in thousands of localities with dozens of variations in each locality, defying solution from Washington. In September 1968, the then Bureau of the Budget launched an experiment to assist State and local governments by having Federal agencies attack these problems in the field where they arose. Regional officers



from HUD, Labor, OEO and HEW in Atlanta, Chicago, New York and San Francisco were asked to meet regularly, become better acquainted with each other's programs and problems and to achieve better field coordination in the implementation of their programs. These were the first experimental Federal Regional Councils.

In 1969, when the new Administration reviewed the relation of Federal, State and local governments, the centralizing influence of categorical grants, and the decreasing roles of States and localities, the basic concept of the Administration's New Federalism philosophy began to crystallize. This philosophy stresses the need to recognize the different roles appropriate to each level of government, and to the private sector, while seeking to strengthen individual choice and individual self-reliance in American society. The New Federalism concept calls for Federal support in meeting national problems, and holds that State and local authorities are best able to make decisions on local and Statewide needs in accordance with local conditions and community aspirations.

Looking at the field coordination problem as it stood in 1969, we found there was nothing unique in the creation of special or general purpose interagency coordination groups in the field. There were the special purpose coordinating groups to which I previously referred. For almost a decade, there had been Federal Executive Boards (FEBs) in large metropolitan areas concerned with internal Federal management and local civic concerns, as



well as the Federal Executive Associations and Federal Business Associations dating back to the 1920's.

The pilot Federal Regional Councils, however, had some unique characteristics which held particular promise as a regional implementation mechanism for the emerging concepts of New Federalism.

- ° Because of the Councils' geographical location, the grant-in-aid programs of their member agencies, the fact that regional directors themselves represented the agencies on the Councils, and the flexibility of Council procedures, the Regional Councils offered interesting potential for a more responsive, closer working relationship with State and local governments.
- ° Councils were comprised of agency regional directors, one of the key groups of officials to whom we wanted to decentralize authority in an effort to bring decisionmaking closer to State and local clientele.
- ° Council activities could be focused on coordinating categorical grants, and potentially could be made an important part of a broader effort to rationalize the categorical system.
- ° Regional directors were usually generalists, normally with a broader perspective than program specialists in developing working relationships with other Federal agency directors, and State and local chief elected officials.



- ° Council procedures were generally informal. Regional Directors merely sat down in an atmosphere of everyday business to address implementation problems. Since Councils were not overstructured and steeped in procedures, there was room for flexibility not often found in Federal mechanisms.

Federal Regional Councils were included, therefore, as part of a major effort announced by the President in March 1969, to improve delivery of Federal assistance by decentralizing authority to field offices; placing greater reliance on State and local governments; reducing time required for processing applications; cutting red tape; developing consistent procedures; stressing intergovernmental cooperation; seeking authority from Congress for grant consolidation and joint funding; establishing uniform regional boundaries and common locations for agency regional offices by creating ten standard Federal regions; and extending the Regional Council system by establishing a Council in each of the ten standard regions.

The President asked the Budget Bureau Director to take the lead in this massive interagency effort. BOB launched the three-year Federal Assistance Review effort (FAR) to rationalize the categorical grant system, to push decentralization and to implement the decision to establish ten Federal Regional Councils. The Department of Transportation was added to the Council system. Federal agencies were given eighteen months to establish the



standard regions in their agencies and move into the ten common regional cities. Regional Councils were established in all regional headquarters cities.

The Councils were asked to continue work in program coordination and intergovernmental relations, to support agency missions and make existing Federal grant programs and systems work more effectively. Councils were enjoined from injecting new operating and decision points into the system, and from assuming authority or responsibility lodged in individual agencies or existing coordination mechanisms.

In Washington, an Under Secretaries Group (USG) was created informally, comprised of the Under Secretaries or deputy chiefs of each Council agency and chaired by the Office of Management and Budget. This group was to provide policy guidance for the emerging Councils and generally to assume responsibility for Council operations.

By February 1972, the Federal Regional Councils had shown sufficient progress and promise to formalize the system by executive order. After appropriate analysis and agency consultation, the President issued Executive Order No. 11647, a copy of which has been provided to the Committee.

By this Executive Order, the Law Enforcement Assistance Administration and the Environmental Protection Agency were added to the Councils, the Under Secretaries Group for Regional Operations was formalized, and FRC Chairmen were to be designated by the



President. The Executive order described the FRC mission in more detail by asking Councils to conduct their grantmaking activities in concert through:

- ° developing short-term regional strategies and mechanisms for program delivery;
- ° developing integrated program and funding plans with governors and local chief executives;
- ° encouraging joint and complementary grant applications from State and local officials for related programs;
- ° resolving interagency conflicts and coordination problems in the field;
- ° evaluating interagency programs;
- ° developing longer-term resource allocation strategies to respond to State and local needs;
- ° supervising other regional interagency program coordinating mechanisms; and
- ° developing administrative procedures to facilitate day-to-day intergovernmental and interagency cooperation.

By July 1973, further needs for coordination became apparent. Amendatory Executive Order 11731 added the Departments of Agriculture and Interior to the Council system. Council functions continued as before with an additional charge, extending responsibility to general program coordination impacting on State and local government, in addition to the previous responsibility for



coordinating grantmaking. Regional Councils were now expected to be in the forefront of developing working partnerships with State and local government covering a wide range of Federal grants and other forms of assistance. The Department of Agriculture, for example, has issued regulations bringing Regional Councils into coordinating rural development loans and grants with other Federal assistance flowing into rural areas. We expect similarly broad initiatives to follow.

Federal Regional Councils -- Performance in interagency and intergovernmental affairs

It is difficult to generalize in appraising Regional Councils' performance. Just as problems in grant programs are numerous and diverse from region to region, so are possible solutions. The Under Secretaries Group has encouraged different FRC initiatives to meet varying regional problems, and differing approaches have, in fact, been used.

Some Councils appear to be generally more productive than others, and some have excelled in particular endeavors while apparently lagging in other respects. Setting aside comparisons between individual councils, it is accurate to say that over a four-year period member agencies and State and local governments see on balance a considerable gain from Council activities, a view shared by the General Accounting Office according to the October 25 draft GAO assessment of the Councils. OMB agrees that the Council experiment has been useful, that there have been some concrete accomplishments, but that there is still a large, unfilled potential for the future.



In discussing FRC performance over the last four years, I will concentrate on some interesting and fruitful activities in three general categories: interagency coordination, intergovernmental relations, and crisis management. I will also discuss improvements in internal management of the FRCs themselves.

#### Interagency Coordination

- ° Integrated Grant Administration (IGA). FRCs administered 26 pilot projects allowing applicants for multiple, yet related grants to submit a single application for Federal assistance. Review by the agencies is synchronized, with a single set of requirements for financial control, record-keeping, and auditing. The pilot has been a useful learning process, and would contribute to implementation of H.R. 11236, if enacted. Grant applicants have praised the coordinated review of IGA proposals and the simplified financial control and reporting system. FRC performance was very helpful in moving toward closer planning among Federal, State and local officials involved.
- ° Regional Management Information System (RMIS). FRCs are involved in the development of information systems to strengthen overall Federal, State and local planning, problem analysis, and program evaluation activities. Though still under development RMIS has enabled FRCs to provide more comprehensive budgetary information to all States on selected grant programs, assure that State and local officials are afforded an opportunity to review project applications



through more systematic monitoring of grant applications, and utilize a wider range of data from various Federal sources for Federal, State and local planning and evaluation of multi-agency projects.

° Compliance with Standard Federal Requirements. FRCs assist in assuring that Federal regional offices are complying with standard Federal requirements in such areas as grant administration (OMB Circular A-102), relocation assistance payments (A-103), audit standards (A-73), and grant review and coordination procedures (A-95). Although this work is not very glamorous, it does respond to the legitimate criticism from many State and local officials that Federal administrative policies are not internally consistent and are not implemented uniformly in the field. There are initial results; for example, Federal agencies now use a standard grant application form and audit standards in most instances. Pursuant to OMB Circular A-95, more than 150 Federal programs now require review of grant applications by State and local government for consistency with local plans, prior to Federal award of a grant.

° Coordinating program delivery. FRCs assisted in numerous instances in coordinating Federal program response to a specific State or local problem. The Kansas City FRC has been the Federal coordinator in a long-term riverfront development project involving two States, six counties,



numerous municipalities and, at present, six Federal agencies. The Council and local representatives identified and assisted in mobilizing Federal funds for planning and a key Federal grant around which local governmental and private investment is coalescing.

In further examples, the Seattle FRC is organizing inter-agency participation in a broad policy review of the impact of the Alaska Native Claims settlement, and has helped organize support for specific projects such as Seattle centers for urban Indians and for veterans employment, an Oregon migrants center, and planning systems for individual COGs in Oregon and Washington.

FRCs have worked with State and local governments to attain consistency in implementing Federal requirements, such as the Kansas City FRC's work with the State of Iowa to develop uniform equal employment requirements for recipients of Federal grants. Inter-regional cooperation is emerging, as shown by coordination on migrant problems between Dallas and Chicago in establishing a one-stop counselling center in each region to assist migrants in the mid-continent work streams.

The Boston FRC has assisted in arranging for support of the New England Municipal Center, an interesting development in FRC efforts to approach technical assistance to State and



local governments. The Seattle FRC even turned to improvement of Federal internal management by developing a common administrative support system for Federal regional offices, which earned one of the ten nationwide Presidential management improvement awards for FY 1973.

#### Intergovernmental Coordination

- ° Annual Arrangement--Federal/State/City/County Program Coordination. The annual arrangement concept, which will be discussed with the Committee by HUD Assistant Secretary Meeker, has been extended beyond HUD programs to encompass negotiations between cities and the entire FRC. By this means, city governments can expect their farthest advances to date in citywide coordinated planning and program delivery. The effort is beginning to bear fruit. The Dallas Council, for example, has concluded an arrangement with the City of Tulsa covering programs of all nine FRC agencies and contemplating obligations of \$24.5 million for the current fiscal year. The Seattle Council has concluded a broader arrangement with the State of Washington, King County and the City of Seattle, in an attempt to coordinate the flow of governmental funds into Seattle.

The Denver FRC participated with the State of South Dakota in a model rural development project which developed statistics, trend analysis and need priorities in education, recreation, government services, justice and manpower to facilitate social service planning at State and sub-State levels.



- ° Working relationships with State, local governments. Efforts such as the Federal/State/local arrangements just described require close intergovernmental partnership. FRCs have developed a variety of methods to establish working relationships with State and local governments, including agency representatives working as staff liaison to governors' and mayors' offices; individual regional directors working with States where they are particularly effective; forming State and local advisory groups; meeting regularly with State-employed Federal/State coordinators; and having representatives of governors, municipal/county associations, and Indian tribes attend Council meetings and work directly with FRC task forces. Approaches are tailored to the regions and are becoming increasingly useful to all involved.
- ° Working relationships with Indian tribal governments. FRCs are experimenting with means of offering Indian tribal governments a mechanism to coordinate various Federal programs on reservations. Western FRCs have established Indian task forces, and have begun working relationships with tribal governments to support and respond to tribal initiatives under the President's program of Indian self-determination. FRC representatives have made direct contact with tribal governments on reservations to discuss tribal problems. FRCs have assisted five tribes in tracking requests for Federal assistance, and have included integrated grants for two tribes among the 26 pilot integrated grants nationwide.



- ° Regional budget briefings. FRCs visited States and localities to describe the program impact of the FY 1974 budget and answer questions. The briefings were particularly useful to mayors and county executives from smaller jurisdictions who seldom meet with higher-ranking Federal officials. FRCs will repeat the effort to respond to questions on the FY 1975 budget.
- ° Regional Energy Briefings. FRCs arranged for regional briefings of State and local officials on the energy program.
- ° Intergovernmental conferences. Regional Councils have sponsored numerous conferences with State and local representatives to discuss OMB instructions on grant clearance procedures (A-95), standard grant administration requirements (A-102), water pollution problems, planning coordination and sub-State planning, environmental impact statement requirements, and other matters of national and regional significance, as well as the Regional Council role itself.

#### Crisis Management

- ° Energy program assistance. The most recent example of the value of FRCs in providing a swift, flexible Federal response to a national need was the FRC's assistance in mobilizing temporary personnel for all ten regional headquarters of the Federal Energy Office, and 16 State/Federal Allocation Officers. FRCs continue to provide FEO with technical assistance on intergovernmental coordination. FEO Regional Directors are now ad hoc members of the Regional Councils.



- ° Base Closings. FRCs are being used by DOD's Office of Economic Adjustment to coordinate Federal programs aiding communities affected by military base closings. In New England, for example, the FRC met with affected governors and mayors and provided a central reference point for State and local problems.
- ° Rapid City, South Dakota rehabilitation. The Region VIII FRC was given the responsibility of mobilizing and coordinating the interagency input into Rapid City after a major flood. Both the governor and mayor commended the FRC effort.
- ° Hurricane Agnes. In 1972, FRCs in Regions II and III assisted in organizing Federal response and rehabilitation assistance after widespread flooding due to Hurricane Agnes.
- ° Other FRC assistance in emergencies. FRC work in mobilizing resources to assist in other crisis situations has shown considerable promise in widely varying circumstances such as the Chelsea, Massachusetts, fire; water contamination problems in New England and Minnesota; the 1972 Buffalo Creek, West Virginia, disaster; and the aftermath of the New Bedford, Massachusetts, and Newark, New Jersey, civil disturbances. Perhaps the most beneficial service by FRCs in crisis management is in longer-range rehabilitation.



FRC Performance - Summary

There are other projects and activities around the country which FRCs have supported, each with its own promise and problems. On the whole we are pleased with FRC willingness to tackle regional problems in cooperation with State and local government, and we will urge them to continue to do so in the future.

Council Membership and Management

Over the last four years, FRCs have moved from a very informal committee structure with a very limited agenda to an instrument that is becoming more effective and increasingly recognized and used within the Federal system. The membership has expanded from the original four in 1968 to the nine FRC agencies mentioned in Executive Order No. 11731, representing over 80% of all Federal grant funds.

In 1968, FRC Chairmen were council-elected. They are now Presidentially-designated for one-year terms, on recommendation by the Under Secretaries Group and open to extension if recommended by the USG. The staff available to each FRC consists of one agency employee from each member, assigned part-time to assist his regional director in Council activities. The FRC Chairman's agency provides an employee as staff director to the Chairman to ensure that agency staff time devoted to Council work is organized and mutually beneficial to the members. FRC agencies use the task force approach to accomplish much of their regional interagency work.



The FRCs have been using an annual work plan and reporting system, and in July 1973 they were asked to utilize a Management-by-Objectives approach to identify major targets for the year. FRC Chairmen meet with the USG on roughly a bi-monthly basis to review progress and problems.

The USG and its staff arm, the Under Secretaries Working Group (USWG) are generally scheduled to meet monthly to review policy and operational issues. This Subcommittee has been provided copies of the 1973 FRC annual work plans, the FRC targets established under Management-by-Objectives, the 1974 FRC Guidelines, and the Highlights of the 1973 USG and USWG meetings.

#### Regional Council Problems and Issues

Although there have been real accomplishments over the past four years, there are still shortfalls and continuing problems in the FRC system.

- ° Decentralization and authority of regional directors. I will discuss our decentralization efforts shortly. Despite progress to date, the authority of regional officials varies by agency, and some agencies, frankly, have not decentralized to the extent we had hoped they would. FRCs are limited by the differing levels in authority of regional directors -- for example, between the line authority of HUD and EPA regional directors and the coordination and overview duties of the Secretarial representatives of USDA, DOT, and Interior.



Chief elected officials keep reminding us that increased delegation of authority to agency field managers is one of our most needed improvements.

- ° FRC mission and goals. The Executive order is general about what FRCs are to do. The USG should provide more specific guidance and be more supportive in its dealings with FRCs, as we understand GAO urges in its draft assessment of FRCs. On the other hand, we need to strike a balance between setting forth goals and giving specific direction, against the need for retaining flexibility, local option, and a sense of local initiative. We don't want to over-formalize and turn the FRCs to be a fourth layer of government - still another strata of bureaucratic red tape, run from Washington. Our practice is to resolve the "Washington-guidance" problem on a case-by-case basis with the presumption in favor of encouraging local option and responsibility wherever possible.
- ° Agency - OMB relationships. OMB is in the general business of making the Federal system work better, both in Washington and in the field. FRCs are one of the important mechanisms for the Federal agencies to achieve this end.
- ° Intergovernmental coordination. Work in Federal/State relationships is really just beginning. It is part of the New Federalism thrust which needs to be re-emphasized and accelerated. In a recent survey, many State and local officials questioned believed FRCs had unfulfilled potential in intergovernmental relations. FRCs should move to realize that potential by closer, more frequent contact with State



and local government and by finding additional means of introducing State and local viewpoints in FRC deliberations -- perhaps by direct participation by State and local officials.

- ° FRC management and staffing. As FRCs increase workload and address problems more effectively, increasing demands are made on the time of the FRC Chairmen and staff working with the Council. Since July 1973, the Under Secretaries Group has been experimenting in two regions (Chicago and Denver) with a full-time Chairman concept. The intent is to see if more time devoted by the Chairman can facilitate FRCs' performance in interagency and intergovernmental affairs and upgrade management of the FRC process, while avoiding the creation of another bureaucratic layer. The experiment will be evaluated at the end of the fiscal year and a mid-year assessment is now underway.

#### Federal Regional Councils - Future Directions

Looking to the future, all of us involved in the Council system hope to correct some of the shortfalls I have mentioned. Equally or more important is to continue to capitalize on some of the Councils' successes.

- ° We can anticipate that Councils will increasingly be used by their members as tools for widening channels of information and assistance to State and local government. Mobilization of technical assistance through the Councils is a possibility. We certainly intend to give Councils all the leeway needed to play the most beneficial role possible in reforming the Federal delivery system.



Councils have generally performed program coordination tasks well. It is difficult to see all of the possibilities, but some, such as coordination of Federal interagency aspects of rural development, land use planning, and additional integrated grant pilot projects are already being discussed by the lead agencies involved. Because of State and local expectations, if for no other reason, FRCs will increasingly be called upon to focus and coordinate available Federal resources to meet State and local needs. Based on past experience the Under Secretaries will expect the FRCs to be in the forefront in this area.

- ° Council activities in regional management information system pilots, integrated grant administration, A-95 and other efforts indicate the utility of the Councils in testing innovations. We will continue to look to the Councils to be at the frontier in building mechanisms for improved delivery of Federal assistance in the regions.

In sum, we are not entirely satisfied that the FRCs have met the ambitious goals set out for them, but I think OMB, the participating agencies, and State and local governments agree that there has been some useful performance by the FRC system. Councils are gradually becoming more productive and valuable in the complex task of intergovernmental and interagency coordination of the Federal delivery system. There are both conceptual and operational problems in the system, but OMB together with the rest of the executive branch, Congress and State and local government hopes



to move ahead to solve these problems in order to make government in general work better, which, after all, is the basic goal we are all interested in.

## II. Decentralization

The next subject I would like to discuss briefly involves the Administration's efforts to enhance the effectiveness of Federal assistance programs by placing management responsibility at the most appropriate level within our Federal system. The Administration's basic position on this subject can be stated as follows:

- ° Governmental functions should be provided by those levels best able and willing to serve the needs of the people. Based on an assessment of the appropriate roles for each level, there should be a devolution or transfer of Federal functions more effectively handled at the State and local level.
- ° The Federal Government should decentralize to its field establishment those functions which must continue to rest with the Federal Government and can be most effectively handled at the field level so that decisions are made as close as possible to the locus of the problem.

There is often some confusion between these principles -- devolution and decentralization. Under the former, the responsibility for making basic operational decisions is transferred from Federal agencies to the more appropriate level of State or local government. Examples of this include:



- ° General Revenue Sharing in which State and local units of government are given wide latitude in selecting specific projects in line with local priorities as well as being responsible for day-to-day management.
- ° Block grants and other more flexible forms of assistance in which we have proposed retaining broad national program priorities and policy guidelines but increasing the level of management responsibility and discretion exercised by State and local officials in using these funds to meet diverse local needs and situations.
- ° Other selected transfers of responsibility such as issuance of permits, inspections, and management reviews which States particularly are both capable and willing to undertake.

Decentralization, on the other hand, retains responsibility as a Federal function but attempts to place it at the most appropriate and effective level within an agency or department's management structure. In many cases, this means transferring various management responsibilities from Washington to Federal field officials where program decisions can be based on a better understanding of local needs than is likely to prevail in Washington. Of course, this also requires clearly defined national policy requirements and management guidelines which are essential prerequisites to any decentralization effort.

Decentralization is a relative term; there is probably no such thing as a completely decentralized program. HEW, for example, has developed a method of identifying the degree of decentralization on the basis of 12 major functions--some or all of which apply to any domestic assistance program. These are:

- ° Development of Long Range Planning
- ° Development of Budget



- ° Development of Regulations and Guidelines
- ° Development of Procedures
- ° Dissemination of Information
- ° Review and Approval/Disapproval of State Plans
- ° Review and Approval/Disapproval of Grant Applications
- ° Final Funding Approval/Disapproval Authority
- ° Financial Management
- ° Monitoring Program Performance
- ° Resolving Audit Discrepancies
- ° Evaluation

For each of these factors there are degrees of decentralization ranging from total to none. For example, eight different levels have been identified to indicate the degree of decentralization of the Review and Approval/Disapproval of Grant Applications.

This list represents a range of basic management functions which may or may not be appropriate for decentralization depending on the agency and the program involved. However, it does illustrate that the concept of decentralized management is far broader than just the question of who is authorized to sign a loan, grant, or contract. We are equally concerned with such questions as responsibility for program planning, use of technical assistance resources, monitoring program performance, and evaluation.

OMB adopted some of these techniques for an analysis of decentralization in other agency programs. We are currently in the process of gathering profiles on programs that:



- ° Provide program funds or technical assistance to State and local governments.
- ° Provide loans or loan guarantees to State and local governments.

Within the next six months, we will have a fairly complete profile on a series of Federal programs which are particularly suited for decentralized management. Some of the criteria we will be using in review of decentralization include:

- ° The need for close coordination and consultation between agency officials and State or local government applicants to improve Federal accessibility and responsiveness on local needs and problems.
- ° The need for coordination with other Federal agencies with closely related programs including greater consistency among agencies on the level and scope of decentralized management.
- ° The adequacy of basic national policy and management guidelines governing Federal programs without which decentralized management can't work.
- ° The degree of complexity in the basic administration of a program. In this context, decentralized management is often essential in improving our capacity to understand the relate programs to the complex social, economic, and cultural differences in communities throughout the country.

Thus far, our efforts to promote decentralization have followed two tracks, the first being direct Presidential leadership.



This has included statements of Presidential goals to members of the Cabinet and the building of decentralized management concepts into new organizations such as the Environmental Protection Agency, the Law Enforcement Assistance Administration, and the Occupational Safety and Health Administration.

The second track has been the three year Federal Assistance Review (FAR) program. Under one of FAR's major goals, domestic agencies developed plans for decentralizing their programs on the basis of priorities they established. This approach required that we recognize the many restraints, including legislative ones that set definite limits on decentralization of many programs.

With the completion of the FAR program, a written policy on decentralization is needed. Accordingly, we plan to issue an OMB circular on this subject in the near future. In it, we will state basic criteria as well as the factors that should be considered in determining the proper degree of decentralization. It will call for the maximum decentralization wherever possible, but it will also recognize those situations where it is not appropriate.

In pursuing this course, we have gone faster than some would have us go, while not as hard as others would have had us do. We believe the results to date are encouraging in an area where quick solutions to complex management problems are hard to find. Some of the things that we find encouraging are:

- ° Some of the project grant programs identified as candidates for decentralization in the early phases of FAR were



eventually converted into formula grant programs. The net effect of this was to go beyond decentralization to devolution.

- ° Under FAR, the number of decentralized programs about doubled from less than 100 to about 190. This is based on specific evidence such as delegations of authority or other written instructions.
- ° Grant processing time has been reduced in a number of programs as a result of streamlined procedures and the increased delegation of management review responsibilities to field offices. HEW, for example, developed a simplified "State plan" format to replace planning requirements which varied from 200 to 2,000.
- ° Decentralization of management within many Federal Regional Council member agencies as well as the General Services Administration and the Civil Service Commission which support the FRCs has made it possible for the FRC system to work. Each region has enough success stories to convince most of the field people that systematic interagency cooperation is possible and that decentralization is a key to improving it.
- ° A recent study of New Federalism conducted by OMB involved interviews of 136 elected officials at various levels of State and local government. One of the main improvements that these officials see as needed, is increased delegation of authority to agency field managers.
- ° 88 of the 136 officials interviewed also indicated that



they had observed evidence of program decentralization, particularly in HUD and Labor. 85 of them indicated that decentralization has made the Federal establishment more responsive to their needs. Again, HUD and DOL were the specific agencies mentioned most frequently.

Most individual citizens, communities, and States who need Federal assistance, are entitled to participate in more than one of the 900 odd Federal assistance programs. Needs do not arise in isolation. Yet this is exactly what the Government was organized to do--apply a single program to a single need often without regard to the overall impact on the individual, community, or State as a whole.

The most frequent and telling criticisms of the Federal establishment are the well documented cases in which the left hand did not know what the right hand was doing. Yet the most important lesson that we public administrators and legislators should have learned in the past few years is the degree to which our individual decisions interact. The time has long since come when we must address the total and interrelated problems of individuals and communities, increasingly through broader forms of assistance which place decisionmaking at levels closest to those problems.

Probably the second most frequent criticism involved the programs where decisions had to be made at headquarters. Both the delays and the paternalistic approach of many agencies were sore subjects.



Taken together, these said that to achieve real improvement, we had to:

- ° Coordinate our programs as close to the point of delivery as possible.
- ° Place greater reliance on the judgment of State and local officials who are closest and directly accountable to our citizens for effective government.
- ° Speed up and simplify our administrative processes.

Our approach of decentralization, standard Federal regions, and Regional Councils are built on this foundation. Each step involves changes in perspective, attitudes, and action by many people. For most, this is a stretching process. Prudence limits the rate at which we try to undertake these changes.

We also think we are farther along than is generally recognized. Increasingly, more people are acknowledging that decentralized management works. We will continue to pursue this concept along with a number of other initiatives to modernize and enhance the effectiveness of Federal management in the years to come.



### III. Standard Regional Boundaries

The Federal field service began with the republic itself for such activities as carrying the mail, collecting taxes, and the administration of justice. As new programs were enacted by the Congress, departments and agencies developed field establishments to meet specific program needs.

Over the years the cumulative effect of individual agency decisions based on narrow program considerations resulted in over 200 different Federal field structures by 1969. State and local officials found themselves traveling over half or two-thirds of the country to discuss their problems and needs with Federal program officials. The mayor of Louisville found himself working with Federal officials in Atlanta, Charlottesville, Chicago, Philadelphia, and Washington to put together a small neighborhood facility. The Zuni Indian Pueblo was working with Federal offices in Albuquerque, Dallas, Austin, Los Angeles, San Francisco, Denver, Kansas City, Salt Lake City, and Washington to try to prepare a tribal development program.

A number of studies also identified the lack of a uniform Federal field structure as a major obstacle to improve inter-governmental cooperation. The President described the situation when he announced the first uniform boundaries and regional office locations on March 27, 1969:



"...The organization of Federal services has often grown up piecemeal--creating gaps in some areas, duplications in others, and general inefficiencies across the country. Each agency, for example, has its own set of regional offices and regional boundaries; if a director of one operation is to meet with his counterpart in another branch of the government he often must make an airplane trip to see him. Or consider two federal officials who work together on poverty problems in the same neighborhood, but who work for different Departments and therefore, find themselves in two different administrative regions, reporting to headquarters in two widely separated cities.

"Coordination cannot flourish under conditions such as that. Yet without real coordination, intelligent and efficient government is impossible; money and time are wasted and important goals are compromised."

The President's directive established eight regions, each with a regional headquarters city for HEW, HUD, Labor, OEO, and SBA. The overall response strongly supported the concept but a few modifications were recommended. A second directive, announced in May 1969, added two more regions headquartered in Kansas City and Seattle, and formed the basis for the present ten Standard Federal Region structure, as shown on the map (Attachment A).

In addition to directing the five specific agencies to adjust to this structure, other domestic agencies were asked to plan any future field organization changes in accordance with the Standard Region concept. Further agency progress was achieved under the Federal Assistance Review (FAR) program which included standardizing Federal field structures as one of its major goals.

I should point out that Standard Federal Regions are only a means to the end of strengthening the institutional framework for governmental performance. Through this initiative, we have



established the basis for creation of Federal Regional Councils, more systematic interagency and intergovernmental coordination systems, and greater cooperation among Federal agencies on common problems. We've also noted a good deal more consistency among agencies in applying government-wide requirements such as uniform administrative and audit standards by being able to draw field officials together in each region in developing implementation plans. Within the past two months, we were able to quickly set up regional offices for the new energy program by locating them in the ten standard regions and drawing upon other Federal agencies in the same locations for staff and other forms of support.

Improvements are being made. There is a long way to go, but the effects of standardizing our field structure is being noticed at the State and local level as well. In a series of recent interviews with 136 senior officials at all levels of State and local government throughout the country, we noted:

111 were aware of the moves toward standard regional boundaries and headquarters;

80 had frequent or occasional contact with the Federal Regional Councils;

81 felt that the members of Federal Regional Councils were generally more knowledgeable about the problems of their particular part of the country than Washington; and

61 felt these initiatives had resulted in an improved Federal response to their needs.



These responses reflected many factors in addition to Standard Federal Regions. Without this approach, however, the improvements made and those we are seeking would not be possible.

The experience since 1969 has demonstrated the value of the standard regional concept to the point where a uniform policy on the field structure of Federal agencies has been developed. An OMB circular on "Standard Federal Regions" will be issued shortly. The key provisions of this circular are:

- ° No agency will be required to make a change solely for the purpose of complying with the circular. However, when program or other management considerations dictate a change in the field structure of an agency, compliance with the standard region policy is required or a specific waiver obtained from OMB.
- ° The system of ten standard regions, common regional headquarters cities, and requirements for greater compatibility with State and local organizational lines, to the extent possible, is established as administrative policy.
- ° Exemptions from the provisions of the circular are formally established for selected agencies such as regulatory commissions and other highly specialized Federal activities whose functions and field structures are clearly outside the scope of the circular objectives.

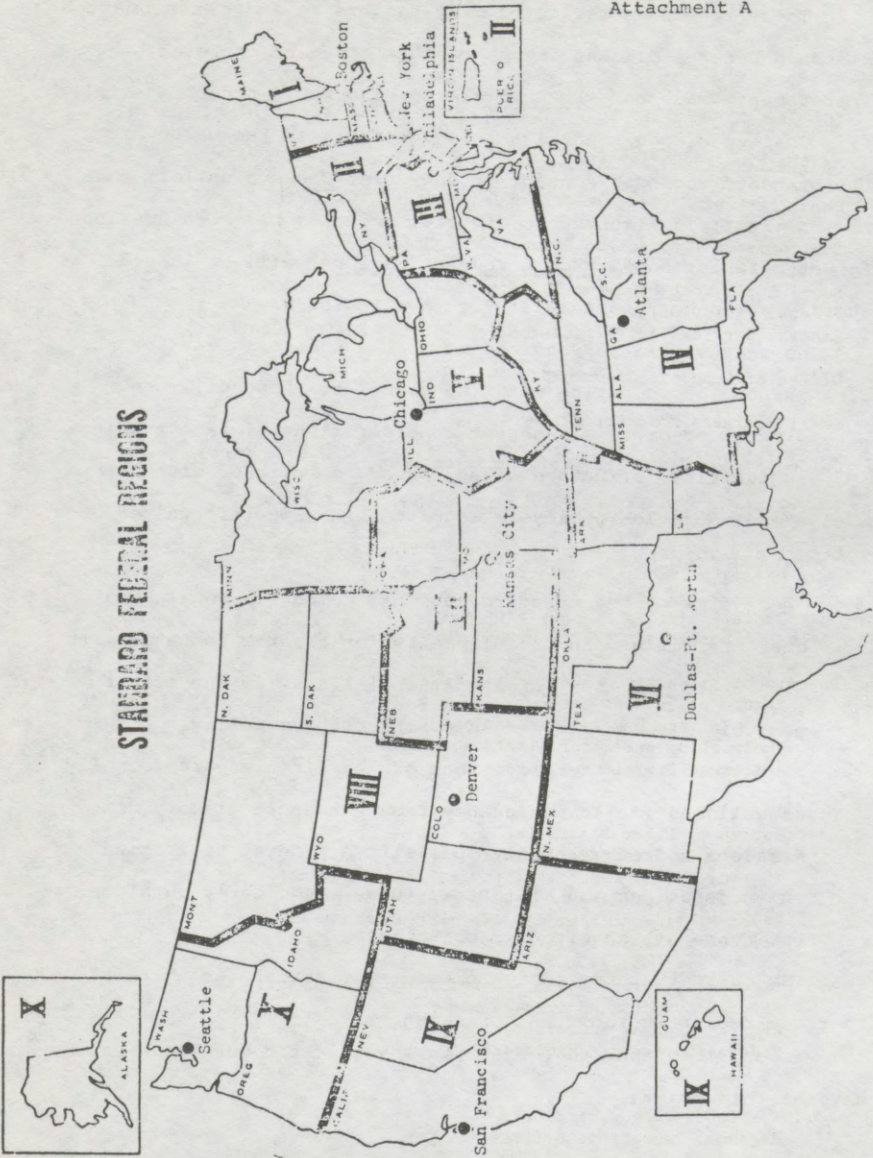
The current status of agencies' field structures in relation to the circular is shown in Attachment B.

I would be happy to respond to any specific questions you may have at this point.



Attachment A

# STANDARD FEDERAL REGIONS





## AGENCIES IN RELATION TO POLICY ON STANDARD FEDERAL REGIONS

Applicable and Conforming

Department of Housing and Urban Development

Environmental Protection Agency

Equal Employment Opportunity Commission

Federal Energy Office

General Services Administration (except for 2 city locations)

Office of Economic Opportunity

Small Business Administration

United States Civil Service Commission

Applicable and Partially ConformingDepartment of Health, Education, and Welfare - Conforming except for:  
Health Services Administration

Indian Health Service

Social Security Administration

Bureau of Retirement and Survivors Insurance

Department of Justice - Conforming except for:

Bureau of Prisons

Drug Enforcement Administration

Immigration and Naturalization Service

Antitrust Division

Department of Labor - Conforming except for

Bureau of Labor Statistics

Employment Standards Administration

Office of Federal Employees' Compensation

Office of Workmen's Compensation Programs

Labor-Management Services Administration

Office of the Solicitor

Department of Transportation - Conforming except for:

Federal Aviation Administration

Federal Highway Administration

Federal Railroad Administration

ACTION - Conforming except for:

Regional Recruiting Offices



Applicable but Non-Conforming

Department of Agriculture (29 different regional arrangements)  
 Department of Commerce (7 different regional arrangements)  
 Department of the Interior (16 different regional arrangements)  
 Department of the Treasury (5 different regional arrangements)  
 Consumer Product Safety Commission  
 Economic Stabilization Program  
 National Credit Union Administration  
 National Foundation on the Arts and the Humanities  
 Occupational Safety and Health Review Commission  
 Selective Service System  
 Veterans Administration (3 different regional areas)

Not Applicable or with no Field Structures

Legislative Branch  
 Judicial Branch  
 The White House Office  
 Office of Management and Budget  
 Council of Economic Advisors  
 National Security Council  
 Office of the Special Representative for Trade Negotiations  
 Council on Environmental Quality  
 Office of Telecommunications Policy  
 Special Action Office for Drug Abuse Prevention  
 Council on Economic Policy  
 Federal Property Council  
 Department of Defense



Department of State

Department of Transportation  
National Transportation Safety Board  
U. S. Coast Guard

Administrative Conference of the United States

American Battle Monuments Commission

Appalachian Regional Commission

Atomic Energy Commission

Canal Zone Government

Civil Aeronautics Board

Commission of Fine Arts

Commission on Civil Rights

Export-Import Bank of the United States

Federal Communications Commission

Federal Deposit Insurance Corporation

Federal Home Loan Bank Board

Federal Maritime Commission

Federal Mediation and Conciliation Service

Federal Power Commission

Federal Reserve System

Federal Trade Commission

Foreign Claims Settlement Commission of the United States

Inter-American Foundation

Interstate Commerce Commission

National Aeronautics and Space Administration

National Labor Relations Board

National Science Foundation



Overseas Private Investment Corporation

Panama Canal Company

Postal Rate Commission

Railroad Retirement Board

Renegotiation Board

Securities and Exchange Commission

Smithsonian Institution

Susquehanna River Basin Commission

Tennessee Valley Authority

United States Arms Control and Disarmament Agency

United States Information Agency

United States Postal Service

United States Tariff Commission



STATEMENT OF HON. DALE BUMPERS, GOVERNOR, STATE OF ARKANSAS, APRIL 29, 1974, TO HOUSE COMMITTEE ON PUBLIC WORKS

Mr. Chairman, Members of the Committee. The purpose of this statement is to make clear my satisfaction with the Economic Development Administration (EDA) and the Title V Regional Commissions. As a Governor, I have found these programs most useful in providing rural communities with the community services necessary to maintain a good quality of life and a basic standard of health for their citizens. These rurally oriented programs may have flaws but they are the best tools we have available to us. It is critical that they not be dismantled until we have found a proven way to improve upon or change these two programs.

This is a difficult time for rural America. The Environmental Protection Agency (EPA) and the Department of Housing and Urban Development (HUD) have made it increasingly difficult for small communities to qualify for basic public works grant funds (EPA through impoundments and tighter guidelines and HUD through defacto implementation of the New Communities Act). The Labor Department in its Public Employment Program, designed to help areas with high unemployment rates, eliminates counties with more than 10,000 people. My state is basically a rural state, a state that suffers from poor transportation, and yet in fiscal year 1973 we were 49th in the nation in monies received from the Department of Transportation, for construction of highways. The Farmers Home Administration (FHA) provides substantial amount of loan funds, but it is limited in the amount of grant funds available. The proposed Rural Community Development legislation makes no provision for substantial grant funds for rural America.

Title V Regional Commissions and EDA are the only public works programs remaining whose primary mission is to provide direct services for rural America, and they have had their funding sharply reduced and been threatened with phase-out. Unless we want to begin a new rural exodus which will further compound enormous problems faced by our urban areas, we must not turn our backs on rural America.

In February, the incumbent Administration submitted a proposal calling for an end to the Economic Development Administration and the Title V Regional Commissions. The "Economic Adjustment Program" and rural revenue sharing of the Rural Community Development Act were proposed as replacements. Neither of these acts seems likely to be enacted into legislation in the near future.

The Executive Committee of the National Governors' Conference, of which I am a member, and the Governors' Conference Committee on Rural and Urban Development, strongly urged continuation of EDA and the Title V Regional Commissions. The Governors have further noted that both the Administration proposal and alternative legislation offered by the Governors, had elements of merit.

As a Governor, I have no objection to, and would strongly recommend your careful review of these legislative proposals. This should be done with an eye towards improving existing vehicles which have served us well, rather than scraping a good program.

The Public Works and Economic Development Act expires on June 30, 1974. I urge this Committee recommend extension of the Act. An extension of existing legislation will provide the opportunity to consider new approaches and new concepts and also to properly consider how many changes in existing legislation might be phased in, so as not to injure existing rural development efforts.

The letter transmitting the 1973 Annual Report of the Ozarks Regional Commission to the Congress illustrates the strength of the Title V Regional Commissions and how the Commission has become a force for regional development. The following is a quote from that letter:

"The Ozarks Regional Commission, created in 1966, began as a federal-state partnership for economic development of 125 Ozarks counties in Arkansas, Missouri, and Oklahoma. Today, it encompasses a five state region of Arkansas, Kansas, Louisiana, Missouri, and Oklahoma and in its seventh year is a true federal-state federation for economic planning and growth.

"The fundamental goal of the Commission, to close the gap in income between this developing region and the Nation, as a whole, is far from realized. Yet advances are being made: new and expanding industrial ventures on industrial



sites financed by the Commission are accelerating; technical education centers, sponsored by the Commission, are training and retraining thousands of adult workers annually; tourism and leisure industry enterprises resulting from Commission feasibility reports are in operation; new Commission funded airports serving regional growth centers are helping to expand business activity; regional planning and information efforts, especially on the unique inland waterway systems of the Arkansas, Mississippi, and Missouri Rivers, are pointing the way to world-wide trade opportunities.

"As important as these measurable gains are, the programs of coordination and cooperation between the five states and the federal government may well be the single most enduring achievement of the Regional Commission. The recent expansion of the Ozarks Region to include the total states of Arkansas, Louisiana, Missouri, and Oklahoma, and the request of Kansas for the same whole state designation, is proof of the desires of Governors to share in the responsibility for inter-state planning and development in a region uniquely knitted together by shared economic problems and opportunities."

I am often asked why a Regional Commission, such as the Ozarks Regional Commission, is more useful to individual states than a simple state-federal relationship which provides categorical grant funds for various projects. It has been suggested that the Commission represents a "fourth layer of government", thus adding further to the bureaucracy.

Our Commission, in using the supplemental grant funds provided by Congress, must use them in conjunction with categorical grants from a number of agencies. These grants are made at individual sites within the various states. However, by using the regional vehicle provided by the Commission we have succeeded in many instances, in regionalizing our public facility efforts.

In the years 1966 through 1973, the Commission invested \$24 million in public facility projects. This made possible a total of \$110 million in new projects which would not have taken place had Ozarks Supplemental Grant Funds not been available. Over 40% of Ozarks funds went to vocational education centers and industrial parks. This emphasis was consistent with the regional goal of creating the atmosphere and the capacity for industrial expansion. Feasibility of the major part of this industrial expansion was made possible by regional technical assistance studies.

For example, vocational technical schools curriculum was based on studies funded by the Commission to determine industrial and occupational needs.

Without regional cooperation many of these projects would not be possible and specific projects emerge as key pieces of a rapidly developing mosaic.

Additionally, the Ozarks Regional Commission has concentrated on specific region-wide projects which could not be undertaken by states acting separately. We have underway a comprehensive program of planning and developing the Arkansas Waterway. The inclusion of Louisiana in our region is permitting us to extend and strengthen this development of river use from the upper reaches of Arkansas to the Gulf at New Orleans.

The Federal Co-Chairman to the Title V Regional Commissions emphasizes the character of the state-federal partnership. A Federal Co-Chairman provides an entry into the federal executive branch. This provides a high-level federal official who can negotiate with other entities of the federal bureaucracy in bringing together a concentration of resources upon a specific problem.

I look forward to working with you in discussing potential alternatives for the development of our rural areas. In the short term, however, I urge that you adequately fund the Economic Development Administration and the Title V Regional Commissions so that we might maintain the momentum we have worked for so many years to build in rural America.

Senator McCLURE. The hearings will be recessed, subject to the call of the Chair.

[Whereupon, at 2:35 p.m. the subcommittee recessed, to reconvene subject to the call of the Chair.]



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## APPENDIX

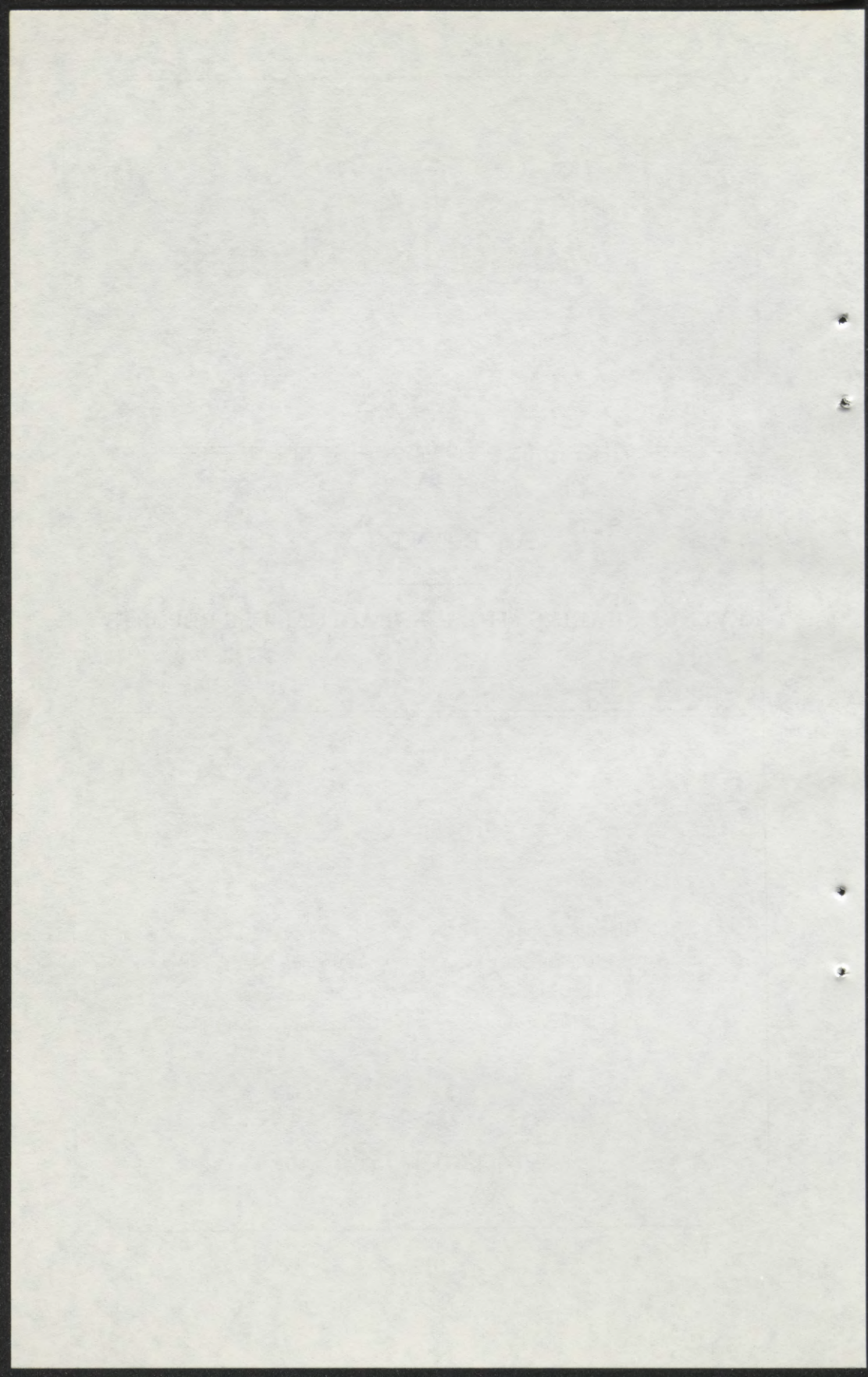
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### REVENUE SHARING: THE FIRST ACTUAL USE REPORTS

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# Revenue Sharing: the first Actual Use Reports

Prepared For

**The Office of Revenue Sharing**  
Department of the Treasury

By

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**March 1, 1974**



## Preface

The State and Local Fiscal Assistance Act of 1972, Title I of which authorizes general revenue sharing, requires that units of state and local government which receive shared revenues periodically file two simple reports with the Secretary of the Treasury: an Actual Use Report and a Planned Use Report. The material which follows is a summary and analysis of the first Actual Use Reports, in which recipient governments reported their obligations and expenditures to June 30, 1973 of shared revenues received by them through that date.

The Act specifies that after the close of an entitlement period, each state government and unit of local government which has received general revenue sharing funds must file a report on its actual uses of the money. This first report on actual uses of shared revenues covers the period from the beginning of the program through June 30, 1973.

Before the beginning of an entitlement period, each recipient government must report to the Secretary on the "amounts and purposes for which it *plans* to spend or obligate the funds which it expects to receive during such period." The Office of Revenue Sharing published the first summary and analysis of Planned Use Reports on September 24, 1973. That study dealt with plans for uses of funds returned to states and local governments during the third entitlement period, January 1, 1973 through June 30, 1973.

The report which follows not only analyzes actual data, but it also makes comparisons with the first planned use data obtained by the Office of Revenue Sharing and with planned use data obtained subsequently, for entitlement period four (FY '74 beginning July 1, 1973).

The Office of Revenue Sharing proposes to publish similar summary information about uses of general revenue sharing by state and local governments annually hereafter. We will welcome suggestions for improving the utility of these reports.

GRAHAM W. WATT  
Director



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## Major Findings

This report summarizes the actual use of general revenue sharing funds through June 30, 1973 and the planned use of revenue sharing funds for Entitlement Periods 3 and 4. The data upon which this report is based were supplied to the Office of Revenue Sharing by the recipient units of government as required by the revenue sharing legislation (P.L. 92-512).

As reported by state and local units of government, 42.5 percent of the disbursed 6.6 billion dollars of revenue sharing funds had been expended by June 30, 1973. Most of those funds were expended for education, public safety, public transportation, environmental protection/conservation, and multi-purpose/general government concerns. This is especially true of state governments where it was found that 65 percent of the revenue sharing funds expended was used in the single area of education. At the same time, it was found that the funds have been widely distributed among the various expenditure categories and that no category has been totally neglected.

Also, it was found that most of the funds were used for operating and maintenance purposes rather than for capital expenditures. Again, this is particularly true of state governments which expended 94 percent of their funds for operating and maintenance purposes.

Concerning the reported impact of general revenue sharing funds, it was found that over 44 percent of all units of government indicated that the funds had reduced or avoided tax increases and about a third indicated that such funds had either avoided or lessened debt increases. For all units of government, the proportion so reporting increased as the proportion of funds expended increased. This would indicate that revenue sharing funds may have even more significant impacts in these two areas of state and local finance as larger proportions of funds are expended.

When examining the regional pattern of the expenditure of revenue sharing funds, it was found that states in the Northeast have expended the largest proportions of their funds for operating and maintenance purposes. When examining the influence of population size on revenue sharing expenditures, it was found that the larger units of government were also more likely to expend their funds for operating and maintenance purposes. Of



all categories of government, counties were the least likely to expend their funds for operating and maintenance purposes.

This report also provides the first opportunity to compare the actual use of general revenue sharing funds with their reported planned use. Comparing the reported planned use for Entitlement Periods 3 and 4 with the actual use of the funds through June 30, 1973, it was found that all units of government appear to have expended larger proportions for operating and maintenance purposes than they planned.

### Legislative Background

In October, 1972 Public Law 92-512, known as general revenue sharing, was passed by the Congress and signed by President Richard M. Nixon. According to the provisions of that Act, approximately \$30.2 billion is to be returned to the more than 38,000 state and local governments over a five year period. With the exception of the few restrictions noted below, the recipient units of government are free to use the money according to their individual needs. To administer the new program the Secretary of the Treasury established an Office of Revenue Sharing and charged it with implementing the provisions of the statute.

As provided by the Act, general revenue sharing funds may be used either for operating and maintenance or capital expenditures. States may use their funds without categorical restriction, but the use of revenue sharing funds by local units of government for operating and maintenance expenditures must be in one or more of eight "priority" categories which include: public safety, environmental protection, public transportation, health, recreation, libraries, social services for the poor or aged, and financial administration. In addition, the statute specifically prohibits the use of general revenue sharing funds by any unit of government to match other federal funds and requires compliance with federal non-discrimination laws and the Davis-Bacon Act.

### Entitlement Periods

The state and local units of government are to receive their revenue sharing checks in seven entitlement periods according to the following schedule:

| <i>Entitlement Period</i> | <i>Dates</i>    | <i>Amount Appropriated</i> |
|---------------------------|-----------------|----------------------------|
| Period 1                  | 1/1/72-6/30/72  | \$2.650 Billion            |
| Period 2                  | 7/1/72-12/31/72 | 2.650 Billion              |
| Period 3                  | 1/1/73-6/30/73  | 2.988 Billion              |
| Period 4                  | 7/1/73-6/30/74  | 6.050 Billion              |
| Period 5                  | 7/1/74-6/30/75  | 6.200 Billion              |
| Period 6                  | 7/1/75-6/30/76  | 6.350 Billion              |
| Period 7                  | 7/1/76-12/31/76 | 3.325 Billion              |



Because the Act was retroactive when signed by President Nixon in October 1972, payments for Entitlement Periods 1 and 2 were disbursed in December 1972, and January 1973. Payments for Entitlement Period 3 were disbursed in two quarterly installments issued the first week of April 1973 and the first week of July 1973.

### **Reporting Procedures**

In compliance with provisions of the act pertaining to the monitoring and reporting of the expenditures of revenue sharing funds, the Office of Revenue Sharing receives from recipient governments two types of reports, both of which are published locally for public information. One is a Planned Use Report which indicates the anticipated use of revenue sharing funds. Because it is expected that public views will be considered, and budgeting processes will be responsive to changing priorities, governments are not required to adhere to planned uses. The second report is a status of trust fund report, called the Actual Use Report, which must be filed within 90 days of the close of each entitlement period. The Actual Use Report indicates how the various funds were actually expended during that period. The recipients units of government have up to 24 months from the close of any entitlement period (for Entitlement Periods 1 and 2, 24 months from the date of the check) in which they may expend their funds. This report summarizes the actual use of general revenue sharing funds (through June 30, 1973) as reported in the first Actual Use Reports, and the planned use of revenue sharing funds as reflected in the Planned Use Reports for Entitlement Periods 3 (1/1/73-6/30/73) and 4 (7/1/73-6/30/74). The analysis is based on the 32,665 Actual Use Reports returned to the Office of Revenue Sharing by September, 1973.

## **Reported Use of General Revenue Sharing Funds**

### **Amount Expended**

Table 1 summarizes how the 32,665 units of government reported their use of general revenue sharing funds through June 30, 1973 and indicates that 42.5 percent of the disbursed funds had been expended by the recipient governments.

It was anticipated that only part of the funds disbursed would be expended by the date of the report. First, governments had deposited their revenue sharing money in trust funds, with many expecting to make transfers to their total revenue sources for their fiscal year beginning July 1, 1973. Thus, the actual use of these







|                               |                 |     |     |                |      |                 |         |
|-------------------------------|-----------------|-----|-----|----------------|------|-----------------|---------|
| Housing/Community Development | -0-             | -0- | -0- | 26.0           | 100% | 26.0            | 1%      |
| Economic Development          | -0-             | -0- | -0- | 11.6           | 100% | 11.6            | .5%     |
| Other                         | 149.8           | 84% | 3%  | 27.8           | 16%  | 177.6           | 6%      |
| Totals                        | <u>\$1876.9</u> | 67% | 20% | <u>\$941.0</u> | 33%  | <u>\$2817.9</u> | 100% ** |

## All Units:

|                        |          |
|------------------------|----------|
| Total Amount Disbursed | \$6620.7 |
| Total Amount Expended  | \$2817.9 |
| Percent Expended       | 42.5     |

•Note: In this and the following tables, totals are calculated on total amounts of revenue sharing funds disbursed and total amounts expended as reported in the analyzed reports. The totals do not include earned interest on revenue sharing disbursements nor do they include estimates for the reports not yet available when these analyses were made. In the tables which follow, totals may not always equal one another due to rounding procedures and errors.

•• Percents do not total 100% because of rounding.



funds will be reflected in subsequent actual use reports. Second, as noted above, recipient units of government have 24 months from the close of an entitlement period in which to expend their funds. The actual use of these funds also will be reflected in subsequent actual use reports. Third, over 5,000 units of government did not file their actual use forms on schedule, and those reports were not available when these analyses were made. Although most of these were smaller units of government, the percentage expended reported in Table 1 is calculated on the total amount disbursed and likely would be increased by a few percentage points if the expenditures of these non-reporting units of government were included.

### **General Revenue Sharing Expenditures**

Most of the funds were expended in a few categories. Thus, 62% of the total revenue sharing money was expended for education, public safety, and public transportation. It is also found that revenue sharing funds were distributed throughout the several categories with environmental protection/conservation, health, recreation/culture, social services, housing and community development, and the other functional categories all receiving some proportion of the revenue sharing expenditures. Although expenditures were concentrated in a few categories it is also true that no category was totally ignored.

Table 1 also indicates the large proportion of general revenue sharing funds expended for operating and maintenance purposes rather than for capital outlays. Operating and maintenance expenditures include compensation for officers and employees and purchases of supplies, materials, and contractual services. Capital outlays include expenditures for equipment, land, major repairs and for construction. See Appendix A for detailed illustrations of possible categorical revenue sharing expenditures. Over 67 percent of the funds expended by June 30, 1973 was for operating and maintenance purposes. Some interesting variations in this overall pattern are observed in Table 1. For example, over half of the funds expended for transportation and about 70 percent of those expended for recreation/culture were for capital purposes. Likewise, 100 percent of the funds expended for libraries and social services and about 94 percent of those expended for education were for operating and maintenance purposes.

Table 1 indicates also that 80 percent of the expended funds was used to support existing services. The education (39 percent), recreation/culture (28 percent), financial administration (25 percent), and environmental protection (16 percent) categories had the largest percentages expended for new services.



The following tables examine the use of general revenue sharing funds by types of government and show that states were more likely to concentrate the expenditure of funds in the single category of education, that states were more likely to expend their funds for operating and maintenance purposes, and that local units of government were more likely to expend their funds in the areas of public safety, public transportation, environmental protection/conservation, and health.

#### **General Revenue Sharing Expenditures: State Governments**

As was true with the national trend, the states (see Table 2) expended less than half of the total funds disbursed to them. This was probably due to the timing of each state's fiscal year and it is expected that a great deal of the funds would be expended in the fiscal year beginning July 1, 1973. Education received 65 percent of the expended funds while the only other categories to receive even as much as 5 percent of the expended funds (except for the "other" category) were transportation (6 percent) and health (5 percent). States spent an even larger proportion of their funds (94 percent) for operating and maintenance purposes than was true of the national total. 57 percent of the funds expended by the states for operating and maintenance expenditures was used to support existing services and 28 percent was used for new services.

#### **General Revenue Sharing Expenditures: Local Units of Government**

Table 3 indicates that local units of government expended general revenue sharing funds in more categories than did state governments. Counties, for example, expended 25 percent of their funds for public transportation, 23 percent for public safety, 15 percent for multi-purpose/general government, and 12 percent for health. Within these categories it is interesting to note the distribution between operating and maintenance and capital expenditures. Expenditures by counties for public safety and health were largely for operating and maintenance purposes, while expenditures for multi-purpose/general government and public transportation were largely for capital outlays. Counties were the only units of government to expend a larger proportion of their funds for capital items than for operating and maintenance expenditures.

Cities expended their general revenue sharing funds over the total range of categories; however, Table 3 indicates that city expenditures were more concentrated than expenditures by counties. Forty-four percent of revenue sharing funds was expended by cities in the area of public safety, 15 percent was expended for public transportation, and 13 percent was expended for environmental



**TABLE 2**  
**REPORTED ACTUAL USE OF GENERAL REVENUE SHARING:**  
**STATE GOVERNMENT — 12/31/72-6/30/73**  
 (in millions of dollars)

| Category                 | Operating and Maintenance |                                       |                                   | Capital            |                                       |                                          |
|--------------------------|---------------------------|---------------------------------------|-----------------------------------|--------------------|---------------------------------------|------------------------------------------|
|                          | Amount<br>Expended        | Percent<br>of<br>Category<br>Expended | Percent<br>for<br>New<br>Services | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Percent<br>of<br>Total Funds<br>Expended |
| Public Safety            | \$15.1                    | 76%                                   | 2%                                | \$4.9              | 24%                                   | 2%                                       |
| Environmental            |                           |                                       |                                   |                    |                                       |                                          |
| Protection/Conservation  | 1.3                       | 18%                                   | 7%                                | 6.1                | 82%                                   | 1%                                       |
| Public Transportation    | 45.5                      | 82%                                   | —0—                               | 10.1               | 18%                                   | 5%                                       |
| Health                   | 28.0                      | 91%                                   | —0—                               | 2.7                | 9%                                    | 3%                                       |
| Recreation/Culture       | 1.4                       | 38%                                   | —0—                               | 2.3                | 62%                                   | —0—                                      |
| Libraries *              | —0—                       | —0—                                   | —0—                               | —0—                | —0—                                   | —0—                                      |
| Social Services for the  |                           |                                       |                                   |                    |                                       |                                          |
| Poor or Aged             | 57.5                      | 94%                                   | 7%                                | 3.7                | 6%                                    | 6%                                       |
| Financial Administration | 18.5                      | 100%                                  | 48%                               | —0—                | —0—                                   | 2%                                       |
| Education                | 643.0                     | 97%                                   | 39%                               | 21.3               | 3%                                    | 65%                                      |
| Multi-Purpose/           |                           |                                       |                                   |                    |                                       |                                          |
| General Government       | —0—                       | —0—                                   | —0—                               | 5.9                | 100%                                  | 1%                                       |
| Housing/Community        |                           |                                       |                                   |                    |                                       |                                          |
| Development              | —0—                       | —0—                                   | —0—                               | 1.1                | 100%                                  | —0—                                      |



|                        |                |     |     |               |      |                 |      |
|------------------------|----------------|-----|-----|---------------|------|-----------------|------|
| Economic Development   | -0-            | -0- | -0- | 2.2           | 100% | 2.2             | -0-  |
| Other                  | 148.8          | 98% | 3%  | 3.1           | 2%   | 151.9           | 15%  |
| Totals                 | <u>\$959.1</u> | 94% | 28% | <u>\$63.4</u> | 6%   | <u>\$1022.5</u> | 100% |
| State Governments:     |                |     |     |               |      |                 |      |
| Total Amount Disbursed | \$2256.0       |     |     |               |      |                 |      |
| Total Amount Expended  | \$1022.5       |     |     |               |      |                 |      |
| Percent Expended       | 45.3           |     |     |               |      |                 |      |

\* "Libraries" was not identified as a separate reporting category on the State Actual Use Report: any expenditures for Libraries would have been included in the "Other" category.



**TABLE 3**  
**REPORTED ACTUAL USE OF GENERAL REVENUE SHARING: BY TYPE OF LOCAL GOVERNMENT**  
(in millions of dollars)

| Category                   | Counties<br>(N = 2,876)   |                              |         | Unit of Government        |                              |         | Cities<br>(N = 15,785)    |                              |         |
|----------------------------|---------------------------|------------------------------|---------|---------------------------|------------------------------|---------|---------------------------|------------------------------|---------|
|                            | Operating and Maintenance |                              | Capital | Operating and Maintenance |                              | Capital | Operating and Maintenance |                              | Capital |
|                            | Amount Expended           | Percent of Category Expended |         | Amount Expended           | Percent of Category Expended |         | Amount Expended           | Percent of Category Expended |         |
| Public Safety              | \$99.9                    | 67%                          | \$49.7  | \$343.0                   | 23%                          | \$91.0  | \$343.0                   | 79%                          | 21%     |
| Environmental Protection / | 16.6                      | 42%                          | 23.4    | 65.8                      | 6%                           | 60.2    | 65.8                      | 52%                          | 48%     |
| Public                     | 61.0                      | 38%                          | 100.5   | 55.6                      | 25%                          | 93.1    | 55.6                      | 37%                          | 63%     |
| Transportation             | 46.6                      | 60%                          | 31.0    | 21.0                      | 12%                          | 29.3    | 21.0                      | 42%                          | 58%     |
| Health                     | 8.6                       | 29%                          | 20.8    | 22.8                      | 5%                           | 53.8    | 22.8                      | 30%                          | 70%     |
| Recreation /               | 6.3                       | 100%                         | -0-     | 10.4                      | 1%                           | -0-     | 10.4                      | 100%                         | -0-     |
| Culture                    |                           |                              |         |                           |                              |         |                           |                              |         |
| Libraries                  |                           |                              |         |                           |                              |         |                           |                              |         |
| Social Services            |                           |                              |         |                           |                              |         |                           |                              |         |
| for the                    |                           |                              |         |                           |                              |         |                           |                              |         |
| Poor or Aged               | 17.5                      | 100%                         | -0-     | 11.7                      | 2%                           | -0-     | 11.7                      | 100%                         | -0-     |
| Financial                  | 30.3                      | 100%                         | -0-     | 16.0                      | 5%                           | -0-     | 16.0                      | 100%                         | -0-     |
| Administration             |                           |                              |         |                           |                              |         |                           |                              |         |



|                           |         |     |          |      |      |         |     |                        |      |      |
|---------------------------|---------|-----|----------|------|------|---------|-----|------------------------|------|------|
| Education *               | -0-     | -0- | 16.3     | 100% | 2%   | -0-     | -0- | 4.7                    | 100% | -0-  |
| Multi-Purpose/<br>General |         |     |          |      |      |         |     |                        |      |      |
| Government *              | -0-     | -0- | 97.6     | 100% | 15%  | -0-     | -0- | 65.7                   | 100% | 7%   |
| Social                    |         |     |          |      |      |         |     |                        |      |      |
| Development *             | -0-     | -0- | 6.0      | 100% | 1%   | -0-     | -0- | 3.1                    | 100% | -0-  |
| Housing/<br>Community     |         |     |          |      |      |         |     |                        |      |      |
| Development *             | -0-     | -0- | 8.3      | 100% | 1%   | -0-     | -0- | 14.4                   | 100% | 2%   |
| Economic                  |         |     |          |      |      |         |     |                        |      |      |
| Development *             | -0-     | -0- | 1.8      | 100% | -0-  | -0-     | -0- | 7.3                    | 100% | 1%   |
| Other *                   | -0-     | -0- | 12.5     | 100% | 2%   | -0-     | -0- | 8.6                    | 100% | 1%   |
| Totals                    | \$286.8 | 44% | \$367.9  | 56%  | 100% | \$546.3 | 56% | \$431.2                | 44%  | 100% |
| Counties:                 |         |     |          |      |      |         |     |                        |      |      |
| Total Amount Disbursed    |         |     | \$1688.8 |      |      |         |     | Total Amount Disbursed |      |      |
| Total Amount Expended     |         |     | \$654.7  |      |      |         |     | Total Amount Expended  |      |      |
| Percent Expended          |         |     | 38.8     |      |      |         |     | Percent Expended       |      |      |
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TABLE 3—Continued

| Category                  | Townships<br>(N = 13829)  |                              |                                 |                 |                              |                                 | Unit of Government<br>Indian Tribes and Alaskan Native Villages<br>(N = 134) |                              |                                 |                 |                              |                                 |
|---------------------------|---------------------------|------------------------------|---------------------------------|-----------------|------------------------------|---------------------------------|------------------------------------------------------------------------------|------------------------------|---------------------------------|-----------------|------------------------------|---------------------------------|
|                           | Operating and Maintenance |                              |                                 | Capital         |                              |                                 | Operating and Maintenance                                                    |                              |                                 | Capital         |                              |                                 |
|                           | Amount Expended           | Percent of Category Expended | Percent of Total Funds Expended | Amount Expended | Percent of Category Expended | Percent of Total Funds Expended | Amount Expended                                                              | Percent of Category Expended | Percent of Total Funds Expended | Amount Expended | Percent of Category Expended | Percent of Total Funds Expended |
| Public Safety             | \$38.3                    | 74%                          | 33%                             | \$13.2          | 26%                          | 33%                             | \$2                                                                          | 100%                         | —                               | —               | —                            | 12%                             |
| Environmental Protection/ | 8.7                       | 60%                          | 9%                              | 5.7             | 40%                          | 9%                              | .1                                                                           | 100%                         | —                               | —               | —                            | 6%                              |
| Public Transportation     | 21.7                      | 43%                          | 32%                             | 29.2            | 57%                          | 32%                             | .1                                                                           | 50%                          | .1                              | 50%             | 12%                          | 12%                             |
| Health                    | 3.6                       | 51%                          | 4%                              | 3.5             | 49%                          | 4%                              | .2                                                                           | 67%                          | .1                              | 33%             | 18%                          | 18%                             |
| Recreation/               | 2.6                       | 41%                          | 4%                              | 4.2             | 59%                          | 4%                              | .1                                                                           | 50%                          | .1                              | 50%             | 12%                          | 12%                             |
| Culture                   | 1.7                       | 100%                         | 1%                              | —               | —                            | 1%                              | —                                                                            | —                            | —                               | —               | —                            | —                               |
| Libraries                 |                           |                              |                                 |                 |                              |                                 |                                                                              |                              |                                 |                 |                              |                                 |
| Social Services           |                           |                              |                                 |                 |                              |                                 |                                                                              |                              |                                 |                 |                              |                                 |
| for the                   |                           |                              |                                 |                 |                              |                                 |                                                                              |                              |                                 |                 |                              |                                 |
| Poor or Aged              | 1.3                       | 100%                         | 1%                              | —               | —                            | 1%                              | .1                                                                           | 100%                         | —                               | —               | —                            | 6%                              |
| Financial                 |                           |                              |                                 |                 |                              |                                 |                                                                              |                              |                                 |                 |                              |                                 |
| Administration            | 5.0                       | 100%                         | 3%                              | —               | —                            | 3%                              | .2                                                                           | 100%                         | —                               | —               | —                            | 12%                             |
| Education *               | —                         | —                            | 1%                              | 1.9             | 100%                         | 1%                              | —                                                                            | —                            | —                               | —               | —                            | —                               |
| Multi-Purpose/            |                           |                              |                                 |                 |                              |                                 |                                                                              |                              |                                 |                 |                              |                                 |



|                                            |         |     |        |      |      |       |     |                        |       |         |
|--------------------------------------------|---------|-----|--------|------|------|-------|-----|------------------------|-------|---------|
| General Government *                       | -0-     | -0- | 14.3   | 100% | 9%   | -0-   | -0- | .2                     | 100%  | 12%     |
| Social Development *                       | -0-     | -0- | .1     | 100% | -0-  | -0-   | -0- | -0-                    | -0-   | -0-     |
| Housing/Community Development *            | -0-     | -0- | 2.1    | 100% | 1%   | -0-   | -0- | .1                     | 100%  | 6%      |
| Economic Development *                     | -0-     | -0- | .1     | 100% | -0-  | -0-   | -0- | .1                     | 100%  | 6%      |
| Other *                                    | -0-     | -0- | 3.6    | 100% | 2%   | -0-   | -0- | -0-                    | -0-   | -0-     |
| Totals                                     | \$82.9  | 52% | \$77.9 | 48%  | 100% | \$1.0 | 59% | \$ .7                  | 51%   | 102% ** |
| Townships:                                 |         |     |        |      |      |       |     |                        |       |         |
| Indian Tribes and Alaskan Native Villages: |         |     |        |      |      |       |     |                        |       |         |
| Total Amount Disbursed                     | \$325.4 |     |        |      |      |       |     | Total Amount Disbursed | \$7.9 |         |
| Total Amount Expended                      | \$160.8 |     |        |      |      |       |     | Total Amount Expended  | \$1.7 |         |
| Percent Expended                           | 49.4    |     |        |      |      |       |     | Percent Expended       | 21.5  |         |

\* These are not allowable categories of operating and maintenance expenditure for local governments: they are allowable for ordinary and necessary capital expenditures.

\*\* Percents do not all total 100 percent because of rounding.



protection/conservation. Combined, these three areas accounted for 72 percent of the general revenue sharing funds expended by cities. Seventy-nine percent of the funds expended by cities on public safety was for operating and maintenance expenditures, 63 percent of the funds expended on public transportation was for capital purposes, and the funds expended for environmental protection/conservation were nearly evenly distributed. Although there are no restrictions on the use of revenue sharing funds by cities for capital expenditures relating to education, less than 1 percent of their funds was allotted to that purpose by cities.

Townships tended to spend their money in a manner similar to counties, with most being spent in the areas of public safety, public transportation, multi-purpose/general government, and environmental protection/conservation. Townships expended 74% of the public safety funds for operating and maintenance purposes and 43% of the transportation funds for operating and maintenance purposes.

Of all the units of recipient governments, Indian tribes and Alaskan native villages deviated most from the national norms in the expenditure of revenue sharing funds. As indicated in Table 3, these units of government expended their funds in a wide variety of categories with health receiving the largest share (18 percent). Other items receiving large shares of revenue sharing funds were public safety, public transportation, recreation/culture, financial administration, and multi-purpose/general government. These units of government had expended the least amount (22 percent) of revenue sharing funds.

It is beyond the scope of this report to explain the underlying reasons for the differing patterns of use of revenue sharing funds by recipient governments. Some of the factors that may be expected to influence use are the different functions performed by different types of governments: and functional responsibilities are differently divided among types of governments from one State to the next. The population of the jurisdiction also partly determines functional responsibilities within a given State, with larger units of government often—but not always—responsible for a broader range of functions. Borrowing limitations vary from place to place and may be expected to influence choices between operating and maintenance expenditures as compared with capital expenditures. The proportion of labor intensive as compared with capital intensive functions in the overall set of functions of different types and sizes of governments may also have an effect.

At present, the effects of these legal, structural and functional factors cannot be assessed. Further research will be needed to estimate the degree to which such factors influence the way States



and communities use revenue sharing funds to meet their broad diversity of needs according to local priorities and the total resources available to them.

### **Summary of General Revenue Sharing Expenditures**

(1) As of June 30, 1973 over half of the revenue sharing funds disbursed to state and local units of government had not been expended. A variety of factors account for this and it is expected that the expenditure of most of these unexpended funds will be reported in the next actual use reports.

(2) Of those funds which were expended, most were spent in a few categories including education, public safety, public transportation, environmental protection, and multi-purpose/general government. At the same time, it is observed that no category was totally ignored in the expenditure of revenue sharing funds.

(3) The bulk of all revenue sharing funds was expended for operating and maintenance purposes. This was particularly true of state governments which spent 94 percent of their general revenue sharing funds for operating and maintenance purposes. Also, it was found that the majority of revenue sharing funds was not expended on new functions, rather it was used to bolster existing and on-going services.

(4) When examining the expenditure of general revenue sharing funds by type of local government, it was found that most recipient governments conformed to the national norms with several exceptions. For example, the expenditure of revenue sharing funds by states was heavily concentrated in the education category. Also, as reported above, states were much more likely to expend their funds for operating and maintenance purposes than were other units of government. Cities, counties, and townships expended most of their funds in the areas of public safety, public transportation, environmental protection, health, and multi-purpose/general government.

(5) Although they received only about \$8 million in revenue sharing funds, the expenditure of their funds by Indian tribes and Alaskan native villages presented variations from the national patterns. These units of government tended to expend their funds much more diversely than did other units of government and these were the only units reporting the largest proportion of funds expended on health.

### **Taxing and Debt: Impact of General Revenue Sharing**

In reporting the actual use of their revenue sharing funds recipient governments were asked to indicate the impact of those



funds on their tax levels and debt status. Tables 4 and 5 indicate that a large proportion of state and local units of government reported that revenue sharing had resulted in the prevention or reduction of a tax increase and had avoided or lessened the necessity of debt increases.

### Impact of General Revenue Sharing on Taxes

The responding governments were asked to indicate whether revenue sharing funds: enabled reducing the rate of a major tax, prevented increase in rate of a major tax, prevented enacting a new major tax, reduced amount of rate increase of a major tax, had no effect on taxing levels, or was too soon to predict the effect. As Table 4 indicates, about 45 percent of the responding governments indicated that general revenue sharing did have a "positive" impact on their tax levels.

**TABLE 4**  
**IMPACT OF ACTUAL USE OF GENERAL REVENUE**  
**SHARING FUNDS ON GOVERNMENTAL TAXES**

| Governmental<br>Unit                            | Reducing<br>Or<br>Preventing<br>Tax Increase |         | Indicating<br>No Effect |         | Indicating<br>Too Soon<br>to Predict |         |
|-------------------------------------------------|----------------------------------------------|---------|-------------------------|---------|--------------------------------------|---------|
|                                                 | Number                                       | Percent | Number                  | Percent | Number                               | Percent |
| States and District<br>of Columbia              | 16                                           | 30.2%   | 21                      | 39.6%   | 16                                   | 30.2%   |
| Counties                                        | 1957                                         | 57.7%   | 660                     | 19.5%   | 772                                  | 22.8%   |
| Cities                                          | 7466                                         | 43.5%   | 4936                    | 28.7%   | 4744                                 | 27.7%   |
| Townships                                       | 6503                                         | 43.6%   | 3849                    | 25.8%   | 4567                                 | 30.6%   |
| Indian Tribes<br>and Alaskan<br>Native Villages | <u>1</u>                                     | .7%     | <u>102</u>              | 79.8%   | <u>25</u>                            | 19.5%   |
| Total for All Units<br>of Government            | 15943                                        | 44.7%   | 9568                    | 26.9%   | 10124                                | 28.4%   |

Table 4 shows that 44.7 percent of the recipient governments indicated that revenue sharing had either reduced the rate of a major tax, prevented an increase in the rate of a major tax, prevented the enactment of a major new tax, or reduced the amount of rate increase of a major tax. Counties were most likely to indicate that revenue sharing had had a positive effect on their tax efforts, and the 128 units of Indian tribes and Alaskan native villages were least likely to so respond. The effect of revenue sharing on the tax effort of cities and townships was almost



identical. The possibility exists that the large proportion of governments having expended such a small proportion of their revenue sharing funds may significantly affect these findings. When examining the effect of revenue sharing funds on taxing efforts only for those units of government having spent over 50 percent of their funds (See Appendix B), it is found that those units of governments were even more likely to report a positive effect of general revenue sharing on their tax efforts. Thus, it is possible that as more units of government expend more of their funds, they will report an even greater effect on the reduction of taxes.

### Impact of General Revenue Sharing on Debt Status

In addition to information about the impact of general revenue sharing on taxes, recipient governments were asked to indicate the impact of these funds on their debt status. Table 5 indicates that about a third of all units of government indicated that general revenue sharing had resulted in either avoiding or lessening debt increases and about a third indicated that revenue sharing had had no effect on their indebtedness.

**TABLE 5**  
**IMPACT OF ACTUAL USE OF GENERAL REVENUE**  
**SHARING FUNDS ON GOVERNMENTAL DEBT STATUS**

| Governmental<br>Unit                            | Avoiding<br>Or<br>Lessening<br>Debt Increase |         | Indicating<br>No Effect |         | Indicating<br>Too Soon<br>to Predict |         |
|-------------------------------------------------|----------------------------------------------|---------|-------------------------|---------|--------------------------------------|---------|
|                                                 | Number                                       | Percent | Number                  | Percent | Number                               | Percent |
| States and District<br>of Columbia              | 8                                            | 15.7%   | 38                      | 74.5%   | 5                                    | 9.8%    |
| Counties                                        | 1068                                         | 39.1%   | 914                     | 33.5%   | 748                                  | 27.4%   |
| Cities                                          | 5359                                         | 35.5%   | 5067                    | 33.5%   | 4692                                 | 31.0%   |
| Townships                                       | 3530                                         | 27.9%   | 5040                    | 39.9%   | 4077                                 | 32.2%   |
| Indian Tribes<br>and Alaskan<br>Native Villages | <u>25</u>                                    | 19.4%   | <u>80</u>               | 62.0%   | <u>24</u>                            | 18.6%   |
| Totals for All Units<br>of Government           | 9990                                         | 32.6%   | 11139                   | 36.3%   | 9546                                 | 31.1%   |

The remaining units of government reported that it was too soon to predict the impact of revenue sharing on their debt status. This national pattern holds true for most types of government with the exception of states. As is shown in Table 5, less than 16 percent of the states reported that revenue sharing



had resulted in the avoiding or lessening of debt increases and about 75 percent of the states indicated that revenue sharing had had no effect on their debt status. This is consistent with the fact that many states had not expended their funds by June 30, 1973 and that states reported a high proportion of funds expended for operating and maintenance costs.

When examining the effect of revenue sharing funds on debt increases of those units of government having spent over 50 percent of their funds (see Appendix C), it is found that as units of government spend more of their funds the proportion indicating that revenue sharing either avoided increases or lessened their debt increased. Thus, as was the case when examining the effect of revenue sharing on tax levels, it is possible that as more units of government spend more of their funds, they will report an even greater effect on debt status.

Tables 1 through 5 have examined the aggregate use of general revenue sharing funds. Variations in these summary patterns may be found when analyzing the expenditure of these funds by region and size. The following tables examine the use of revenue sharing funds considering these two factors.

### **General Revenue Sharing Expenditures Vary by Region, Type, and Size of Jurisdiction**

#### **Regional Variations**

Within and among regions expenditure patterns differ markedly. The Northeastern (68%) and Western (70%) states had a greater tendency to have expended greater proportions of their revenue sharing funds by June 30, 1973 than either the North Central states (35%) or the Southern states (23%).

The funds which had been expended were used largely for operating and maintenance purposes and not for capital expenditures. This was especially true in the Northeast where Massachusetts, New Jersey, New York, Pennsylvania, and Vermont spent all of their expended funds for such purposes. Except for South Dakota (9%), the North Central states had spent all expended funds for operating and maintenance purposes while Alabama (73%), Louisiana (2%), and Oklahoma (100%) were the only Southern states to expend money for capital items. In Oklahoma's case the percentage is not reliable because of the quite small total expended. The Western states, especially Hawaii (100%), Idaho (59%), Nevada (100%), New Mexico (28%), and Utah (100%), spent more on capital outlays during this period than any other regional collection of states.



**TABLE 6**  
**REPORTED ACTUAL USE OF GENERAL REVENUE SHARING FUNDS BY STATE AND REGION:**  
**1/1/72-6/30/73**  
**(in millions of dollars)**

| Region<br>and<br>state | Operating and<br>Maintenance |                                           | Capital            |                                           | Total<br>Amount<br>Disbursed** | Percent<br>Amount<br>Expended*** |
|------------------------|------------------------------|-------------------------------------------|--------------------|-------------------------------------------|--------------------------------|----------------------------------|
|                        | Amount<br>Expended           | Percent<br>of Total<br>Amount<br>Expended | Amount<br>Expended | Percent<br>of Total<br>Amount<br>Expended |                                |                                  |
| <i>Northeastern</i>    |                              |                                           |                    |                                           |                                |                                  |
| Connecticut            | \$-0-                        | -0-                                       | \$-0-              | -0-                                       | \$27.9                         | -0-                              |
| Maine                  | -0-                          | -0-                                       | -0-                | -0-                                       | 12.9                           | -0-                              |
| Massachusetts          | 69.3                         | 100%                                      | -0-                | -0-                                       | 69.1                           | 100%                             |
| New Hampshire          | -0-                          | -0-                                       | -0-                | -0-                                       | 6.9                            | -0-                              |
| New Jersey             | 71.3                         | 100%                                      | -0-                | -0-                                       | 69.4                           | 100%                             |
| New York               | 193.2                        | 100%                                      | -0-                | -0-                                       | 245.7                          | 79%                              |
| Pennsylvania           | 41.3                         | 100%                                      | -0-                | -0-                                       | 115.8                          | 36%                              |
| Rhode Island           | -0-                          | -0-                                       | -0-                | -0-                                       | 10.0                           | -0-                              |
| Vermont                | 6.2                          | 100%                                      | -0-                | -0-                                       | 6.1                            | 100%                             |
| Total                  | \$381.3                      | 100%                                      | -0-                | -0-                                       | \$563.8                        | 68%                              |
| <i>North Central</i>   |                              |                                           |                    |                                           |                                |                                  |
| Illinois               | \$75.0                       | 100%                                      | \$-0-              | -0-                                       | \$113.9                        | 66%                              |
| Indiana                | -0-                          | -0-                                       | -0-                | -0-                                       | 47.3                           | -0-                              |
| Iowa                   | -0-                          | -0-                                       | -0-                | -0-                                       | 31.4                           | -0-                              |
| Kansas                 | -0-                          | -0-                                       | -0-                | -0-                                       | 21.7                           | -0-                              |



TABLE 6—Continued

| Region<br>and<br>state  | Operating and<br>Maintenance |                                           | Capital            |                                           | Total<br>Amount<br>Disbursed** | Percent<br>Expend*** |
|-------------------------|------------------------------|-------------------------------------------|--------------------|-------------------------------------------|--------------------------------|----------------------|
|                         | Amount<br>Expended           | Percent<br>of Total<br>Amount<br>Expended | Amount<br>Expended | Percent<br>of Total<br>Amount<br>Expended |                                |                      |
| North Central—Continued |                              |                                           |                    |                                           |                                |                      |
| Michigan                | 95.8                         | 100%                                      | —0—                | —0—                                       | 93.6                           | 100%                 |
| Minnesota               | —0—                          | —0—                                       | —0—                | —0—                                       | 44.1                           | —0—                  |
| Missouri                | —0—                          | —0—                                       | —0—                | —0—                                       | 41.0                           | —0—                  |
| Nebraska                | 16.6                         | 100%                                      | —0—                | —0—                                       | 16.2                           | 100%                 |
| North Dakota            | —0—                          | —0—                                       | —0—                | —0—                                       | 9.2                            | —0—                  |
| Ohio                    | —0—                          | —0—                                       | —0—                | —0—                                       | 88.8                           | —0—                  |
| South Dakota            | 9.3                          | 91%                                       | .9                 | 9%                                        | 10.0                           | 100%                 |
| Wisconsin               | —0—                          | —0—                                       | —0—                | —0—                                       | 55.5                           | —0—                  |
| Total                   | \$196.7                      | 99%                                       | .9                 | 1%                                        | \$572.7                        | 35%                  |
| Southern                |                              |                                           |                    |                                           |                                |                      |
| Alabama                 | \$10.2                       | 27%                                       | \$27.6             | 73%                                       | \$37.7                         | 100%                 |
| Arkansas                | —0—                          | —0—                                       | —0—                | —0—                                       | 25.2                           | —0—                  |
| Delaware                | 8.3                          | 100%                                      | —0—                | —0—                                       | 8.0                            | 100%                 |
| District of<br>Columbia | 22.0                         | 100%                                      | —0—                | —0—                                       | 29.9                           | 74%                  |
| Florida                 | —0—                          | —0—                                       | —0—                | —0—                                       | 61.8                           | —0—                  |



*Southern—Continued*

|                |         |      |        |      |         |         |      |
|----------------|---------|------|--------|------|---------|---------|------|
| Georgia        | —0—     | —0—  | —0—    | —0—  | —0—     | 45.7    | —0—  |
| Kentucky       | —0—     | —0—  | —0—    | —0—  | —0—     | 44.9    | —0—  |
| Louisiana      | 52.3    | 98%  | 1.1    | 2%   | 53.4    | 52.1    | 100% |
| Maryland       | 40.8    | 100% | —0—    | —0—  | 40.8    | 44.4    | 92%  |
| Mississippi    | —0—     | —0—  | —0—    | —0—  | —0—     | 37.6    | —0—  |
| North Carolina | —0—     | —0—  | —0—    | —0—  | —0—     | 56.7    | —0—  |
| Oklahoma       | —0—     | —0—  | .2     | 100% | .2      | 24.6    | 1%   |
| South Carolina | —0—     | —0—  | —0—    | —0—  | —0—     | 31.1    | —0—  |
| Tennessee      | —0—     | —0—  | —0—    | —0—  | —0—     | 41.2    | —0—  |
| Texas          | —0—     | —0—  | —0—    | —0—  | —0—     | 103.9   | —0—  |
| Virginia       | —0—     | —0—  | —0—    | —0—  | —0—     | 44.1    | —0—  |
| West Virginia  | —0—     | —0—  | —0—    | —0—  | —0—     | 29.6    | —0—  |
| Total          | \$133.6 | 82%  | \$28.9 | 18%  | \$162.5 | \$718.5 | 23%  |

*Western*

|            |       |      |       |      |       |       |      |
|------------|-------|------|-------|------|-------|-------|------|
| Alaska     | \$—0— | —0—  | \$—0— | —0—  | \$—0— | \$2.8 | —0—  |
| Arizona    | 21.8  | 100% | —0—   | —0—  | 21.7  | 21.2  | 100% |
| California | 215.0 | 100% | —0—   | —0—  | 215.0 | 234.8 | 92%  |
| Colorado   | —0—   | —0—  | —0—   | —0—  | —0—   | 22.8  | —0—  |
| Hawaii     | —0—   | —0—  | 9.9   | 100% | 9.8   | 9.9   | 100% |
| Idaho      | 1.0   | 41%  | 1.5   | 59%  | 2.5   | 8.9   | 28%  |
| Montana    | —0—   | —0—  | .2    | 100% | .2    | 8.5   | 100% |
| Nevada     | —0—   | —0—  | 4.8   | 100% | 4.8   | 8.5   | 56%  |
| New Mexico | 10.7  | 72%  | 4.2   | 28%  | 14.9  | 14.4  | 100% |



TABLE 6—Continued

| Region<br>and<br>state | Operating and<br>Maintenance |                                           | Capital            |                                           | Total<br>Amount<br>Disbursed** | Percent<br>Expended*** |
|------------------------|------------------------------|-------------------------------------------|--------------------|-------------------------------------------|--------------------------------|------------------------|
|                        | Amount<br>Expended           | Percent<br>of Total<br>Amount<br>Expended | Amount<br>Expended | Percent<br>of Total<br>Amount<br>Expended |                                |                        |
| Western—Continued      |                              |                                           |                    |                                           |                                |                        |
| Oregon                 | —0—                          | —0—                                       | —0—                | —0—                                       | 22.0                           | —0—                    |
| Utah                   | —0—                          | —0—                                       | 12.9               | 100%                                      | 12.8                           | 100%                   |
| Washington             | —0—                          | —0—                                       | —0—                | —0—                                       | 32.4                           | —0—                    |
| Wyoming                | —0—                          | —0—                                       | —0—                | —0—                                       | 4.1                            | —0—                    |
| Total                  | \$248.5                      | 88%                                       | \$33.5             | 12%                                       | \$403.1                        | 70%                    |
| National<br>Totals     | \$960.1                      | 94%                                       | \$63.3             | 6%                                        | \$2258.1                       | 45%                    |

\* In some cases, the amount expended exceeds the amount disbursed. These cases represent states which reported interest received from their revenue sharing funds.

\*\* This column represents the total amount of general revenue sharing funds disbursed by The Treasury Department to that state at the time this report was prepared.

\*\*\* Obtained by dividing the total amount expended by the total amount disbursed.



### Size Variations

Townships, regardless of size, were more likely in most cases to have expended the greatest proportion of their revenue sharing funds by June 30, 1973. Smaller counties expended a greater proportion of their funds than larger counties by June 30, 1973 while townships in the 250,000 to 499,999 population category had expended the lowest (20%) amount of funds of all the units of government reported in Table 7.

Although the conclusion is only tentative due to the fact that 50 to 60 percent of the revenue sharing funds for these units was expended, it is important to note the relationships between the percentage of expenditures for operating-maintenance purposes and the percentage for capital items. The total distribution between these categories varies according to the type of government. Counties spent 44 percent of their expended revenue sharing funds for operating-maintenance purposes while cities (56%) and townships (52%) spent considerably more.

Comparison within the various governmental units is also important. Note that in all cases, except for those in the 50,000 to 99,999 and 5,000 to 9,999 categories, counties expended considerably less for operating-maintenance purposes as they decrease in size. Cities, with several minor exceptions, follow the same pattern, but larger cities expended more for operating-maintenance purposes than do larger counties. The pattern among townships is not as consistent as size decreases, but it does appear that the smaller townships spent less for operating-maintenance purposes than did the larger townships. The general pattern in Table 7 supports the conclusion that larger units of government, especially counties and cities, have spent a greater proportion of their revenue sharing funds for operating-maintenance uses while smaller units have spent a larger proportion on capital items.

Table 8 summarizes the expenditures by function for counties, cities, and townships in the 250,000 to 1,000,000; 25,000 to 249,999; and below 24,999 size categories.

Table 8 shows different functional patterns as one moves down the type and size of governmental unit.

In the case of counties, health and general government purposes received nearly a third (30%) of the total expended revenue sharing funds in counties over 250,000 while the same two categories received 21% in counties under 25,000. The transportation, public safety, health, and multi-purpose/general government categories received the highest proportion of expended funds regardless of county size. Transportation received over \$160 million of general revenue sharing funds for capital items during this period. The environmental protection/conservation category re-



**TABLE 7**  
**REPORTED ACTUAL USE OF GENERAL REVENUE SHARING FUNDS BY COUNTY, TOWNSHIP, AND**  
**CITY SIZE: 1/1/72-6/30/73**  
(in millions of dollars)

| Unit of Government<br>and size | No.<br>Reporting<br>( ) | Operating and<br>Maintenance |                                    | Capital            |                                    | Total<br>Amount<br>Disbursed | Percent<br>Expended* |
|--------------------------------|-------------------------|------------------------------|------------------------------------|--------------------|------------------------------------|------------------------------|----------------------|
|                                |                         | Amount<br>Expended           | Percent<br>of<br>Total<br>Expended | Amount<br>Expended | Percent<br>of<br>Total<br>Expended |                              |                      |
| Counties                       |                         |                              |                                    |                    |                                    |                              |                      |
| 1,000,000 +                    | (18)                    | \$67.5                       | 65%                                | \$35.8             | 35%                                | \$103.3                      | 33%                  |
| 500,000 to 999,999             | (38)                    | 46.9                         | 58%                                | 33.6               | 42%                                | 80.5                         | 39%                  |
| 250,000 to 499,999             | (68)                    | 29.4                         | 46%                                | 34.3               | 54%                                | 63.6                         | 32%                  |
| 100,000 to 249,999             | (175)                   | 35.0                         | 36%                                | 62.9               | 64%                                | 97.9                         | 42%                  |
| 50,000 to 99,999               | (303)                   | 25.8                         | 37%                                | 44.5               | 63%                                | 70.2                         | 35%                  |
| 25,000 to 49,999               | (528)                   | 32.4                         | 35%                                | 59.4               | 65%                                | 91.7                         | 43%                  |
| 10,000 to 24,999               | (942)                   | 35.0                         | 33%                                | 71.3               | 67%                                | 106.3                        | 45%                  |
| 5,000 to 9,999                 | (503)                   | 11.9                         | 38%                                | 19.8               | 62%                                | 31.7                         | 42%                  |
| 2,500 to 4,999                 | (192)                   | 2.5                          | 33%                                | 5.0                | 67%                                | 7.5                          | 46%                  |
| Under 2,500                    | (99)                    | .5                           | 29%                                | 1.3                | 71%                                | 1.7                          | 43%                  |
| Total                          | (2866)                  | \$286.9                      | 44%                                | \$367.9            | 56%                                | \$654.4                      | 39%                  |
| Townships                      |                         |                              |                                    |                    |                                    |                              |                      |
| 500,000 to 999,999             | (1)                     | \$2.2                        | 69%                                | \$1.0              | 31%                                | \$3.2                        | 74%                  |



|                    |          |         |      |         |     |         |          |     |
|--------------------|----------|---------|------|---------|-----|---------|----------|-----|
| 250,000 to 499,999 | (3)      | .8      | 100% | -0-     | -0- | 8       | 40       | 20% |
| 100,000 to 249,999 | (22)     | 2.3     | 49%  | 2.5     | 51% | 4.7     | 11.4     | 41% |
| 50,000 to 99,999   | (64)     | 10.1    | 72%  | 4.0     | 28% | 14.1    | 27.3     | 52% |
| 25,000 to 49,999   | (173)    | 13.6    | 63%  | 8.1     | 37% | 21.7    | 45.4     | 48% |
| 10,000 to 24,999   | (580)    | 20.0    | 55%  | 16.4    | 45% | 36.4    | 76.2     | 48% |
| 5,000 to 9,999     | (733)    | 8.2     | 42%  | 11.2    | 58% | 19.3    | 40.8     | 47% |
| 2,500 to 4,999     | (1,306)  | 7.3     | 43%  | 9.8     | 57% | 17.1    | 35.4     | 48% |
| Under 2,500        | (10,947) | 18.6    | 43%  | 25.0    | 57% | 43.6    | 80.5     | 54% |
| Total              | (13,829) | \$83.1  | 52%  | \$78.0  | 48% | \$160.9 | \$325.3  | 49% |
| City size          |          |         |      |         |     |         |          |     |
| 1,000,000 +        | (5)      | \$117.5 | 97%  | \$3.1   | 3%  | \$120.6 | \$497.9  | 24% |
| 500,000 to 999,999 | (20)     | 83.0    | 66%  | 43.7    | 34% | 126.7   | 300.9    | 42% |
| 250,000 to 499,999 | (30)     | 77.5    | 73%  | 28.7    | 27% | 106.2   | 202.1    | 53% |
| 100,000 to 249,999 | (96)     | 55.6    | 53%  | 49.6    | 47% | 105.2   | 272.1    | 39% |
| 50,000 to 99,999   | (222)    | 69.4    | 56%  | 53.6    | 44% | 122.9   | 247.7    | 50% |
| 25,000 to 49,999   | (446)    | 46.1    | 44%  | 58.5    | 56% | 104.9   | 239.8    | 44% |
| 10,000 to 24,999   | (1,087)  | 39.8    | 35%  | 74.7    | 65% | 114.5   | 249.6    | 46% |
| 5,000 to 9,999     | (1,325)  | 23.2    | 34%  | 45.6    | 66% | 68.8    | 136.1    | 51% |
| 2,500 to 4,999     | (1,786)  | 14.9    | 31%  | 33.3    | 69% | 48.1    | 93.3     | 52% |
| Under 2,500        | (10,768) | 19.2    | 32%  | 40.5    | 68% | 59.7    | 118.2    | 51% |
| Total              | (15,785) | \$546.2 | 56%  | \$431.3 | 44% | \$977.6 | \$2357.7 | 41% |

\* Obtained by dividing the total amount expended by the total amount disbursed.



**TABLE 8**  
**COUNTY ACTUAL USE REPORT SUMMARY BY EXPENDITURE CATEGORY AND SIZE: 1/1/72-6/30/73**  
(in millions of dollars)

|                                   | No.<br>Reporting<br>(124) | Operating and Maintenance |                                       | Capital            |                                       | Percent<br>of<br>Total<br>Funds<br>Expended |
|-----------------------------------|---------------------------|---------------------------|---------------------------------------|--------------------|---------------------------------------|---------------------------------------------|
|                                   |                           | Amount<br>Expended        | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended |                                             |
| Counties                          |                           |                           |                                       |                    |                                       |                                             |
| 250,000 to 1,000,000 +            |                           | \$-0-                     | -0-                                   | \$5.6              | 100%                                  | 2%                                          |
| Education                         |                           | 32.5                      | 69%                                   | 14.8               | 30%                                   | 19%                                         |
| Health                            |                           | 9.9                       | 77%                                   | 2.9                | 23%                                   | 5%                                          |
| Social Services                   |                           | -0-                       | -0-                                   | 2.3                | 100%                                  | 1%                                          |
| Housing and Community Development |                           | 8.0                       | 61%                                   | 6.7                | 39%                                   | 6%                                          |
| Environment/Conservation          |                           | 4.5                       | 29%                                   | 11.2               | 71%                                   | 6%                                          |
| Recreation/Culture                |                           | 12.7                      | 53%                                   | 11.5               | 47%                                   | 10%                                         |
| Transportation                    |                           | 61.5                      | 74%                                   | 21.6               | 26%                                   | 34%                                         |
| Public Safety                     |                           | 11.6                      | 100%                                  | -0-                | -0-                                   | 5%                                          |
| Financial Administration          |                           | -0-                       | -0-                                   | 27.4               | 100%                                  | 11%                                         |
| General Government                |                           | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| Economic Development              |                           | 2.7                       | 100%                                  | -0-                | -0-                                   | 1%                                          |
| Libraries                         |                           | -0-                       | -0-                                   | .1                 | 100%                                  | -0-                                         |
| Other                             |                           | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| Totals                            |                           | \$143.4                   | 58%                                   | \$104.1            | 42%                                   | 100%                                        |
| Total Amount Disbursed            |                           | \$715.6                   |                                       |                    |                                       |                                             |
| Total Amount Expended             |                           | \$247.5                   |                                       |                    |                                       |                                             |
| Percent Expended                  |                           | 35%                       |                                       |                    |                                       |                                             |



|                                   | Operating and Maintenance  |                    |                                       | Capital            |                                       |                                             |
|-----------------------------------|----------------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|---------------------------------------------|
|                                   | No.<br>Reporting<br>(1006) | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Percent<br>of<br>Total<br>Funds<br>Expended |
| Counties                          |                            |                    |                                       |                    |                                       |                                             |
| 25,000 to 249,999                 |                            |                    |                                       |                    |                                       |                                             |
| Education                         |                            | \$—0—              | —0—                                   | \$8.3              | 100%                                  | 3%                                          |
| Health                            |                            | 9.1                | 46%                                   | 10.8               | 54%                                   | 8%                                          |
| Social Services                   |                            | 5.8                | 70%                                   | 2.4                | 29%                                   | 3%                                          |
| Housing and Community Development |                            | —0—                | —0—                                   | 3.9                | 100%                                  | 1%                                          |
| Environment/Conservation          |                            | 5.9                | 34%                                   | 11.4               | 66%                                   | 7%                                          |
| Recreation/Culture                |                            | 3.0                | 29%                                   | 7.3                | 71%                                   | 4%                                          |
| Transportation                    |                            | 25.8               | 35%                                   | 47.0               | 65%                                   | 28%                                         |
| Public Safety                     |                            | 29.8               | 62%                                   | 18.2               | 38%                                   | 18%                                         |
| Financial Administration          |                            | 11.3               | 100%                                  | —0—                | —0—                                   | 4%                                          |
| General Government                |                            | —0—                | —0—                                   | 49.6               | 100%                                  | 19%                                         |
| Economic Development              |                            | —0—                | —0—                                   | 1.0                | 100%                                  | 1%                                          |
| Libraries                         |                            | 2.4                | 100%                                  | —0—                | —0—                                   | 1%                                          |
| Other                             |                            | —0—                | —0—                                   | 6.9                | 100%                                  | 3%                                          |
| Totals                            |                            | \$93.1             | 36%                                   | \$166.8            | 46%                                   | 100%                                        |
| Total Amount Disbursed            |                            | \$647.3            |                                       |                    |                                       |                                             |
| Total Amount Expended             |                            | \$259.9            |                                       |                    |                                       |                                             |
| Percent Expended                  |                            | 40%                |                                       |                    |                                       |                                             |



TABLE 8—Continued

|                                   | No.<br>Reporting<br>(1736) | Operating and Maintenance |                                       | Capital            |                                       | Percent<br>of<br>Total<br>Funds<br>Expended |
|-----------------------------------|----------------------------|---------------------------|---------------------------------------|--------------------|---------------------------------------|---------------------------------------------|
|                                   |                            | Amount<br>Expended        | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended |                                             |
| Counties                          |                            |                           |                                       |                    |                                       |                                             |
| Under 2,500 to 24,999             |                            |                           |                                       |                    |                                       |                                             |
| Education                         |                            | \$—0—                     | —0—                                   | \$2.8              | 100%                                  | 2%                                          |
| Health                            |                            | 4.8                       | 48%                                   | 5.2                | 52%                                   | 7%                                          |
| Social Services                   |                            | 1.1                       | 61%                                   | .7                 | 39%                                   | 1%                                          |
| Housing and Community Development |                            | —0—                       | —0—                                   | 2.0                | 100%                                  | 1%                                          |
| Environment/Conservation          |                            | 2.6                       | 32%                                   | 5.5                | 68%                                   | 6%                                          |
| Recreation/Culture                |                            | 1.1                       | 31%                                   | 2.4                | 69%                                   | 2%                                          |
| Transportation                    |                            | 22.5                      | 35%                                   | 42.0               | 65%                                   | 44%                                         |
| Public Safety                     |                            | 8.5                       | 46%                                   | 10.0               | 54%                                   | 13%                                         |
| Financial Administration          |                            | 7.3                       | 100%                                  | —0—                | —0—                                   | 5%                                          |
| General Government                |                            | —0—                       | —0—                                   | 20.6               | 100%                                  | 14%                                         |
| Economic Development              |                            | —0—                       | —0—                                   | .7                 | 100%                                  | —0—                                         |
| Libraries                         |                            | 1.1                       | 100%                                  | —0—                | —0—                                   | 1%                                          |
| Other                             |                            | —0—                       | —0—                                   | 5.5                | 100%                                  | 4%                                          |
| Totals                            |                            | \$49.0                    | 33%                                   | \$97.4             | 67%                                   | 100%                                        |
| Total Amount Disbursed            | \$325.9                    |                           |                                       |                    |                                       |                                             |
| Total Amount Expended             | \$146.4                    |                           |                                       |                    |                                       |                                             |
| Percent Expended                  | 45%                        |                           |                                       |                    |                                       |                                             |



|                                   | Operating and Maintenance |                    |                                       | Capital            |                                       |                                             |
|-----------------------------------|---------------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|---------------------------------------------|
|                                   | No.<br>Reporting<br>(55)  | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Percent<br>of<br>Total<br>Funds<br>Expended |
| Cities                            |                           |                    |                                       |                    |                                       |                                             |
| 250,000 to 1,000,000 +            |                           |                    |                                       |                    |                                       |                                             |
| Education                         |                           | \$-0-              | -0-                                   | \$ .2              | 100%                                  | -0-                                         |
| Health                            |                           | 8.7                | 83%                                   | 1.8                | 17%                                   | 3%                                          |
| Social Services                   |                           | 6.5                | 83%                                   | 1.3                | 17%                                   | 2%                                          |
| Housing and Community Development |                           | -0-                | -0-                                   | 1.2                | 100%                                  | -0-                                         |
| Environment/Conservation          |                           | 30.3               | 74%                                   | 10.6               | 26%                                   | 12%                                         |
| Recreation/Culture                |                           | 9.7                | 35%                                   | 18.1               | 65%                                   | 8%                                          |
| Transportation                    |                           | 19.7               | 56%                                   | 15.5               | 44%                                   | 10%                                         |
| Public Safety                     |                           | 195.4              | 94%                                   | 13.5               | 6%                                    | 59%                                         |
| Financial Administration          |                           | 3.8                | 100%                                  | -0-                | -0-                                   | 1%                                          |
| General Government                |                           | -0-                | -0-                                   | 9.3                | 100%                                  | 3%                                          |
| Economic Development              |                           | -0-                | -0-                                   | 3.3                | 100%                                  | 1%                                          |
| Libraries                         |                           | 3.8                | 100%                                  | -0-                | -0-                                   | 1%                                          |
| Other                             |                           | -0-                | -0-                                   | .4                 | 100%                                  | -0-                                         |
| Totals                            |                           | \$277.9            | 79%                                   | \$75.2             | 21%                                   | 100%                                        |
| Aotal Amount Disbursed            | \$1000.9                  |                    |                                       |                    |                                       |                                             |
| Total Amount Expended             | \$353.1                   |                    |                                       |                    |                                       |                                             |
| Percent Expended                  | 35%                       |                    |                                       |                    |                                       |                                             |



TABLE 8—Continued

|                                   | No.<br>Reporting<br>(1964) | Operating and Maintenance |                                       | Capital            |                                       | Percent<br>of<br>Total<br>Funds<br>Expended |
|-----------------------------------|----------------------------|---------------------------|---------------------------------------|--------------------|---------------------------------------|---------------------------------------------|
|                                   |                            | Amount<br>Expended        | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended |                                             |
| Cities                            |                            |                           |                                       |                    |                                       |                                             |
| 25,000 to 249,999                 |                            |                           |                                       |                    |                                       |                                             |
| Education                         |                            | \$-0-                     | -0-                                   | \$1.9              | 100%                                  | -0-                                         |
| Health                            |                            | 7.2                       | 44%                                   | 9.8                | 56%                                   | 5%                                          |
| Social Services                   |                            | 4.2                       | 85%                                   | .8                 | 15%                                   | 2%                                          |
| Housing and Community Development |                            | -0-                       | -0-                                   | 5.2                | 100%                                  | 2%                                          |
| Environment/Conservation          |                            | 18.6                      | 46%                                   | 22.2               | 54%                                   | 12%                                         |
| Recreation/Culture                |                            | 7.2                       | 25%                                   | 21.1               | 75%                                   | 9%                                          |
| Transportation                    |                            | 16.3                      | 32%                                   | 34.0               | 68%                                   | 15%                                         |
| Public Safety                     |                            | 107.4                     | 74%                                   | 37.2               | 26%                                   | 43%                                         |
| Financial Administration          |                            | 6.2                       | 100%                                  | -0-                | -0-                                   | 2%                                          |
| General Government                |                            | -0-                       | -0-                                   | 23.8               | 100%                                  | 7%                                          |
| Economic Development              |                            | -0-                       | -0-                                   | 2.1                | 100%                                  | 1%                                          |
| Libraries                         |                            | 4.3                       | 100%                                  | -0-                | -0-                                   | 1%                                          |
| Other                             |                            | -0-                       | -0-                                   | 2.4                | 100%                                  | 1%                                          |
| Totals                            |                            | \$171.7                   | 53%                                   | \$161.6            | 47%                                   | 100%                                        |
| Total Amount Disbursed            |                            | \$759.6                   |                                       |                    |                                       |                                             |
| Total Amount Expended             |                            | \$333.3                   |                                       |                    |                                       |                                             |
| Percent Expended                  |                            | 44%                       |                                       |                    |                                       |                                             |



|                                   | Operating and Maintenance    |                    |                                       | Capital            |                                       |                             | Percent<br>of<br>Total<br>Funds<br>Expended |
|-----------------------------------|------------------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|-----------------------------|---------------------------------------------|
|                                   | No.<br>Reporting<br>(14,966) | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Total<br>Amount<br>Expended |                                             |
| Cities                            |                              |                    |                                       |                    |                                       |                             |                                             |
| Under 2,500 to 24,999             |                              |                    |                                       |                    |                                       |                             |                                             |
| Education                         |                              | \$—0—              | —0—                                   | \$2.6              | 100%                                  | \$2.6                       | 1%                                          |
| Health                            |                              | 4.7                | 21%                                   | 17.7               | 79%                                   | 22.4                        | 8%                                          |
| Social Services                   |                              | 1.6                | 44%                                   | 2.0                | 56%                                   | 3.6                         | 1%                                          |
| Housing and Community Development |                              | —0—                | —0—                                   | 7.9                | 100%                                  | 7.9                         | 3%                                          |
| Environment/Conservation          |                              | 16.8               | 38%                                   | 27.4               | 62%                                   | 44.2                        | 15%                                         |
| Recreation/Culture                |                              | 5.9                | 30%                                   | 13.5               | 70%                                   | 19.4                        | 7%                                          |
| Transportation                    |                              | 19.5               | 31%                                   | 43.4               | 69%                                   | 62.9                        | 22%                                         |
| Public Safety                     |                              | 40.1               | 50%                                   | 40.3               | 50%                                   | 80.4                        | 27%                                         |
| Financial Administration          |                              | 6.0                | 100%                                  | —0—                | —0—                                   | 6.0                         | 2%                                          |
| General Government                |                              | —0—                | —0—                                   | 32.4               | 100%                                  | 32.4                        | 11%                                         |
| Economic Development              |                              | —0—                | —0—                                   | 1.9                | 100%                                  | 1.9                         | 1%                                          |
| Libraries                         |                              | 2.9                | 100%                                  | —0—                | —0—                                   | 2.9                         | 1%                                          |
| Other                             |                              | —0—                | —0—                                   | 5.8                | 100%                                  | 5.8                         | 2%                                          |
| Totals                            |                              | \$97.5             | 33%                                   | \$194.9            | 67%                                   | \$292.4                     | 100%*                                       |
| Total Amount Disbursed            |                              | \$597.2            |                                       |                    |                                       |                             |                                             |
| Total Amount Expended             |                              | \$292.4            |                                       |                    |                                       |                             |                                             |
| Percent Expended                  |                              | 49%                |                                       |                    |                                       |                             |                                             |

\* Percents do not all total 100% because of rounding off processing.



TABLE 8—Continued

|                                   | No.<br>Reporting<br>(4) | Operating and Maintenance |                                       | Capital            |                                       | Percent<br>of<br>Total<br>Funds<br>Expended |
|-----------------------------------|-------------------------|---------------------------|---------------------------------------|--------------------|---------------------------------------|---------------------------------------------|
|                                   |                         | Amount<br>Expended        | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Total<br>Amount<br>Expended                 |
| Townships                         |                         |                           |                                       |                    |                                       |                                             |
| 250,000 to 500,000 +              |                         |                           |                                       |                    |                                       |                                             |
| Education                         |                         | \$-0-                     | -0-                                   | \$-0-              | -0-                                   | \$-0-                                       |
| Health                            |                         | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| Social Services                   |                         | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| Housing and Community Development |                         | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| Environment/Conservation          |                         | 2.2                       | 92%                                   | .2                 | 8%                                    | 2.4                                         |
| Recreation/Culture                |                         | .5                        | 71%                                   | .2                 | 29%                                   | .7                                          |
| Transportation                    |                         | .1                        | 100%                                  | -0-                | -0-                                   | .1                                          |
| Public Safety                     |                         | .2                        | 50%                                   | .2                 | 50%                                   | .4                                          |
| Financial Administration          |                         | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| General Government                |                         | -0-                       | -0-                                   | .4                 | 100%                                  | .4                                          |
| Economic Development              |                         | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| Libraries                         |                         | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| Other                             |                         | -0-                       | -0-                                   | -0-                | -0-                                   | -0-                                         |
| Totals                            |                         | \$3.0                     | 75%                                   | \$1.0              | 25%                                   | \$4.0                                       |
| Total Amount Disbursed            |                         | \$8.4                     |                                       |                    |                                       | 100%                                        |
| Total Amount Expended             |                         | \$4.0                     |                                       |                    |                                       |                                             |
| Percent Expended                  |                         | 48%                       |                                       |                    |                                       |                                             |



|                                   | Operating and Maintenance |                    |                                       | Capital            |                                       |                                             |
|-----------------------------------|---------------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|---------------------------------------------|
|                                   | No.<br>Reporting<br>(259) | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Percent<br>of<br>Total<br>Funds<br>Expended |
| Townships                         |                           |                    |                                       |                    |                                       |                                             |
| 25,000 to 249,999                 |                           | \$—0—              | —0—                                   | \$ .7              | 100%                                  | 2%                                          |
| Education                         |                           | 1.2                | 50%                                   | 1.2                | 50%                                   | 6%                                          |
| Health                            |                           | .8                 | 100%                                  | —0—                | —0—                                   | 2%                                          |
| Social Services                   |                           | —0—                | —0—                                   | .1                 | 100%                                  | —0—                                         |
| Housing and Community Development |                           | 3.1                | 57%                                   | 2.3                | 43%                                   | 14%                                         |
| Environment/Conservation          |                           | .6                 | 29%                                   | 1.5                | 71%                                   | 5%                                          |
| Recreation/Culture                |                           | 1.1                | 23%                                   | 3.6                | 77%                                   | 12%                                         |
| Transportation                    |                           | 16.6               | 89%                                   | 2.1                | 11%                                   | 47%                                         |
| Public Safety                     |                           | 1.5                | 100%                                  | —0—                | —0—                                   | 4%                                          |
| Financial Administration          |                           | —0—                | —0—                                   | 2.6                | 100%                                  | 7%                                          |
| General Government                |                           | —0—                | —0—                                   | —0—                | —0—                                   | —0—                                         |
| Economic Development              |                           | .4                 | 100%                                  | —0—                | —0—                                   | 1%                                          |
| Libraries                         |                           | —0—                | —0—                                   | .3                 | 100%                                  | 1%                                          |
| Other                             |                           | —0—                | —0—                                   |                    |                                       |                                             |
| Totals                            |                           | \$25.3             | 64%                                   | \$14.4             | 36%                                   | 100%*                                       |
| Total Amount Disbursed            |                           | \$84.1             |                                       |                    |                                       |                                             |
| Total Amount Expended             |                           | \$39.7             |                                       |                    |                                       |                                             |
| Percent Expended                  |                           | 47%                |                                       |                    |                                       |                                             |

\* Percents do not all total 100% because of rounding off processing.



TABLE 8—Continued

|                                   | Operating and Maintenance    |                    |                                       | Capital            |                                       |                                             |
|-----------------------------------|------------------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|---------------------------------------------|
|                                   | No.<br>Reporting<br>(13,566) | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Amount<br>Expended | Percent<br>of<br>Category<br>Expended | Percent<br>of<br>Total<br>Funds<br>Expended |
| Townships                         |                              |                    |                                       |                    |                                       |                                             |
| Under 2,500 to 24,999             |                              |                    |                                       |                    |                                       |                                             |
| Education                         |                              | \$—0—              | —0—                                   | \$1.1              | 100%                                  | 1%                                          |
| Health                            |                              | 2.4                | 48%                                   | 2.3                | 52%                                   | 4%                                          |
| Social Services                   |                              | .4                 | 80%                                   | .1                 | 20%                                   | —0—                                         |
| Housing and Community Development |                              | —0—                | —0—                                   | 1.9                | 100%                                  | 2%                                          |
| Environment/Conservation          |                              | 3.4                | 52%                                   | 3.1                | 48%                                   | 6%                                          |
| Recreation/Culture                |                              | 1.5                | 37%                                   | 2.6                | 63%                                   | 4%                                          |
| Transportation                    |                              | 20.4               | 44%                                   | 25.6               | 56%                                   | 39%                                         |
| Public Safety                     |                              | 21.2               | 66%                                   | 10.9               | 34%                                   | 27%                                         |
| Financial Administration          |                              | 3.4                | 100%                                  | —0—                | —0—                                   | 3%                                          |
| General Government                |                              | —0—                | —0—                                   | 11.3               | 100%                                  | 10%                                         |
| Economic Development              |                              | —0—                | —0—                                   | .1                 | 100%                                  | —0—                                         |
| Libraries                         |                              | 1.3                | 100%                                  | —0—                | —0—                                   | 1%                                          |
| Other                             |                              | —0—                | —0—                                   | 4.0                | 100%                                  | 3%                                          |
| Totals                            |                              | \$54.0             | 46%                                   | \$63.0             | 54%                                   | 100%                                        |
| Total Amount Disbursed            |                              | \$232.9            |                                       |                    |                                       |                                             |
| Total Amount Expended             |                              | \$117.0            |                                       |                    |                                       |                                             |
| Percent Expended                  |                              | 50%                |                                       |                    |                                       |                                             |



ceived a constant proportion (6 to 7%) of the expended funds regardless of government unit. Table 8 confirms the point made earlier that the larger counties tended to expend a higher proportion of their funds for operating-maintenance purposes than for capital expenditures.

Large cities spent even larger proportions of their expended funds for operating and maintenance purposes. Cities over 250,000 expended more than twice (79%) the proportion of their revenue sharing funds for operating-maintenance purposes than did cities under 25,000 (33%). In cities, regardless of size, public safety expenditures accounted for the largest proportion of the revenue sharing funds although the proportion expended for public safety decreased from 59 percent in cities over 250,000 to 27 percent in cities under 25,000. The environmental protection/conservation and transportation categories received similar proportions of expended funds regardless of size while cities under 25,000 allocated the largest proportion of funds (11 to 7% for cities in the 25,000 to 249,999 and 3% for cities over 250,000) for multi-purpose/general government. The city functional distribution indicates general revenue sharing funds were used for several categories and that the expenditures reflect the need to support or improve police-fire protection and to improve public transportation and sewerage-conservation programs.

Townships tended to allocate their funds in a less uniform fashion. Sizable expenditures went to public safety, but the proportion expended for recreation/culture varied from 17 percent for the townships over 250,000 to 3 percent for the townships under 25,000. Similar variations occurred in expenditures for transportation and environment/conservation. Townships also had the tendency to use a higher proportion of their total expended funds in fewer categories than did counties and cities.

Although conclusions based on the data in Table 8 should be viewed as tentative since it could be expected that a sizable amount of the unexpended funds may be expended in different categories or for different purposes, the distribution of revenue sharing funds is still quite useful and may be indicative of future patterns.

### **Planned Versus Actual General Revenue Sharing Expenditures**

As previously mentioned, the recipient units of government are required to file Planned Use Reports, but are not bound by the plans. The different dates for completion of Planned Use Reports and Actual Use Reports could result in reporting of different



expenditure priorities due to changing needs or expression of public views on the planned use of the revenue sharing funds.

This report provides the first opportunity to begin comparing actual governmental use of general revenue sharing funds with reported planned uses of the funds. It must be noted, however, that the Actual Use Report covered a longer period of time and considerably greater funds than the Planned Use Report for Entitlement Period Three. Table 9 indicates that most states tended to expend a larger proportion of their general revenue sharing funds for operating-maintenance purposes than had been planned. Table 10 indicates that cities, especially, planned to expend a larger proportion of their Fourth Entitlement Period funds for capital expenditures than they had actually expended in the past. Detailed discussion of the two tables follows.

### Comparison of State Planned and Actual Expenditures

Except for the Western states, the other regions expended more for operating-maintenance purposes than they had planned. The

**TABLE 9**  
**ACTUAL USE VERSUS PLANNED USE OF GENERAL REVENUE**  
**SHARING FUNDS BY STATE GOVERNMENTS: 1/1/72-6/30/73\***

| Region<br>and<br>State | Entitlement Period 3<br>Planned Use Report<br>(1/1/73 — 6/30/73)<br>Percent<br>Operating<br>and<br>Main-<br>tenance |      | Entitlement Periods 1, 2, 3**<br>Actual Use Report<br>(1/1/72 — 6/30/73)<br>Percent<br>Operating<br>and<br>Main-<br>tenance |                    |                                       |
|------------------------|---------------------------------------------------------------------------------------------------------------------|------|-----------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------|
|                        | Percent<br>Capital                                                                                                  |      | Percent<br>Capital                                                                                                          | Percent<br>Capital | Percent of<br>Total Funds<br>Expended |
| <i>Northeastern</i>    |                                                                                                                     |      |                                                                                                                             |                    |                                       |
| Connecticut            | 100%                                                                                                                | -0-  | -0-                                                                                                                         | -0-                | -0-                                   |
| Maine                  | 100%                                                                                                                | -0-  | -0-                                                                                                                         | -0-                | -0-                                   |
| Massachusetts          | 100%                                                                                                                | -0-  | 100%                                                                                                                        | -0-                | 100%                                  |
| New Hampshire          | -0-                                                                                                                 | 100% | -0-                                                                                                                         | -0-                | -0-                                   |
| New Jersey             | 100%                                                                                                                | -0-  | 100%                                                                                                                        | -0-                | 100%                                  |
| New York               | 100%                                                                                                                | -0-  | 100%                                                                                                                        | -0-                | 79%                                   |
| Pennsylvania           | 100%                                                                                                                | -0-  | 100%                                                                                                                        | -0-                | 36%                                   |
| Rhode Island           | 100%                                                                                                                | -0-  | -0-                                                                                                                         | -0-                | -0-                                   |
| Vermont                | 100%                                                                                                                | -0-  | 100%                                                                                                                        | -0-                | 100%                                  |
| Totals                 | 99%                                                                                                                 | 1%   | 100%                                                                                                                        | -0-                | 68%                                   |
| <i>North Central</i>   |                                                                                                                     |      |                                                                                                                             |                    |                                       |
| Illinois               | 100%                                                                                                                | -0-  | 100%                                                                                                                        | -0-                | 66%                                   |
| Indiana                | 100%                                                                                                                | -0-  | -0-                                                                                                                         | -0-                | -0-                                   |
| Iowa                   | -0-                                                                                                                 | 100% | -0-                                                                                                                         | -0-                | -0-                                   |



TABLE 9—Continued

| Region<br>and<br>State  | Entitlement Period 3<br>Planned Use Report<br>(1/1/73 — 6/30/73) |                    | Entitlement Periods 1, 2, 3**<br>Actual Use Report<br>(1/1/72 — 6/30/73) |                    |                                       |
|-------------------------|------------------------------------------------------------------|--------------------|--------------------------------------------------------------------------|--------------------|---------------------------------------|
|                         | Percent<br>Operating<br>and<br>Main-<br>tenance                  | Percent<br>Capital | Percent<br>Operating<br>and<br>Main-<br>tenance                          | Percent<br>Capital | Percent of<br>Total Funds<br>Expended |
|                         |                                                                  |                    |                                                                          |                    |                                       |
| North Central—Continued |                                                                  |                    |                                                                          |                    |                                       |
| Kansas                  | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Michigan                | 100%                                                             | —0—                | 100%                                                                     | —0—                | 100%                                  |
| Minnesota               | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Missouri                | 4%                                                               | 96%                | —0—                                                                      | —0—                | —0—                                   |
| Nebraska                | 100%                                                             | —0—                | 100%                                                                     | —0—                | 100%                                  |
| North Dakota            | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Ohio                    | 51%                                                              | 49%                | —0—                                                                      | —0—                | —0—                                   |
| South Dakota            | 88%                                                              | 12%                | 91%                                                                      | 9%                 | 100%                                  |
| Wisconsin               | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Totals                  | 80%                                                              | 20%                | 99%                                                                      | 1%                 | 34%                                   |
| Southern                |                                                                  |                    |                                                                          |                    |                                       |
| Alabama                 | 7%                                                               | 93%                | 27%                                                                      | 73%                | 100%                                  |
| Arkansas                | —0—                                                              | 100%               | —0—                                                                      | —0—                | —0—                                   |
| Delaware                | 100%                                                             | —0—                | 100%                                                                     | —0—                | 100%                                  |
| District of<br>Columbia | 100%                                                             | —0—                | 100%                                                                     | —0—                | 74%                                   |
| Florida                 | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Georgia                 | —0—                                                              | 100%               | —0—                                                                      | —0—                | —0—                                   |
| Kentucky                | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Louisiana               | 95%                                                              | 5%                 | 98%                                                                      | 2%                 | 100%                                  |
| Maryland                | 100%                                                             | —0—                | 100%                                                                     | —0—                | 100%                                  |
| Mississippi             | —0—                                                              | 100%               | —0—                                                                      | —0—                | —0—                                   |
| North Carolina          | —0—                                                              | 100%               | —0—                                                                      | —0—                | —0—                                   |
| Oklahoma                | 60%                                                              | 40%                | —0—                                                                      | 100%               | 1%                                    |
| South Carolina          | 19%                                                              | 81%                | —0—                                                                      | —0—                | —0—                                   |
| Tennessee               | —0—                                                              | 100%               | —0—                                                                      | —0—                | —0—                                   |
| Texas                   | 87%                                                              | 13%                | —0—                                                                      | —0—                | —0—                                   |
| Virginia                | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| West Virginia           | —0—                                                              | 100%               | —0—                                                                      | —0—                | —0—                                   |
| Totals                  | 55%                                                              | 45%                | 82%                                                                      | 18%                | 23%                                   |
| Western                 |                                                                  |                    |                                                                          |                    |                                       |
| Alaska                  | 89%                                                              | 11%                | —0—                                                                      | —0—                | —0—                                   |
| Arizona                 | 100%                                                             | —0—                | 100%                                                                     | —0—                | 100%                                  |



TABLE 9—Continued

| Region<br>and<br>State   | Entitlement Period 3<br>Planned Use Report<br>(1/1/73 — 6/30/73) |                    | Entitlement Periods 1, 2, 3**<br>Actual Use Report<br>(1/1/72 — 6/30/73) |                    |                                       |
|--------------------------|------------------------------------------------------------------|--------------------|--------------------------------------------------------------------------|--------------------|---------------------------------------|
|                          | Percent<br>Operating<br>and<br>Main-<br>tenance                  | Percent<br>Capital | Percent<br>Operating<br>and<br>Main-<br>tenance                          | Percent<br>Capital | Percent of<br>Total Funds<br>Expended |
| <i>Western—Continued</i> |                                                                  |                    |                                                                          |                    |                                       |
| California               | 100%                                                             | —0—                | 100%                                                                     | —0—                | 92%                                   |
| Colorado                 | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Hawaii                   | —0—                                                              | 100%               | —0—                                                                      | 100%               | 100%                                  |
| Idaho                    | 100%                                                             | —0—                | 41%                                                                      | 59%                | 29%                                   |
| Montana                  | 100%                                                             | —0—                | —0—                                                                      | 100%               | 2%                                    |
| Nevada                   | 50%                                                              | 50%                | —0—                                                                      | 100%               | 100%                                  |
| New Mexico               | 37%                                                              | 63%                | 72%                                                                      | 28%                | 100%                                  |
| Oregon                   | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Utah                     | —0—                                                              | 100%               | —0—                                                                      | 100%               | 100%                                  |
| Washington               | 100%                                                             | —0—                | —0—                                                                      | —0—                | —0—                                   |
| Wyoming                  | 61%                                                              | 39%                | —0—                                                                      | —0—                | —0—                                   |
| Totals                   | 91%                                                              | 9%                 | 88%                                                                      | 12%                | 71%                                   |
| National<br>Totals       | 79%                                                              | 21%                | 94%                                                                      | 6%                 | 45%                                   |

\* Planned Use Reports for Entitlement Period 4 for states were not available when the report was prepared.

\*\* Percentages based on amounts reported expended and may show drastic change as larger percentage of total disbursed funds are expended. Only one-half of Entitlement Period 3 funds had been disbursed by the date of the Actual Use Report (June 30, 1973); the remaining half of Entitlement Period 3 funds were disbursed, as scheduled, July 5, 1973.

greatest variation came in the Southern states which had planned to spend 55 percent on operating-maintenance purposes and had actually spent 82 percent. Since the proportion of funds expended by Southern states (23%) was low, care should be taken in interpreting this point.

#### Comparison of Local Governments Planned and Actual Expenditures

Table 10 compares the planned and actual expenditures of the local units of government by size and type of unit.

Cities planned (55%) and actually used (56%) the largest proportion of revenue sharing funds for operating-maintenance purposes. Counties planned (66%) and actually used the largest proportion (56%) of their expended revenue sharing funds for capital expenditures. This may reflect differences in functional



**TABLE 10**  
**ACTUAL USE VERSUS PLANNED USE REPORTS BY LOCAL UNITS OF GOVERNMENT: 1/1/72-6/30/73**

| Unit of Government | Entitlement Period 3<br>Planned Use Report<br>(1/1/73 — 6/30/73) |                    | Entitlement Periods 1, 2, 3<br>Actual Use Report<br>(1/1/72 — 6/30/73) |                    | Entitlement Period 4<br>Planned Use Report<br>(7/1/73 — 6/30/74) |                    |
|--------------------|------------------------------------------------------------------|--------------------|------------------------------------------------------------------------|--------------------|------------------------------------------------------------------|--------------------|
|                    | Percent<br>Operating<br>and<br>Main-<br>tenance                  | Percent<br>Capital | Percent<br>Operating<br>and<br>Main-<br>tenance                        | Percent<br>Capital | Percent<br>Operating<br>and<br>Maintenance                       | Percent<br>Capital |
| <b>Counties</b>    |                                                                  |                    |                                                                        |                    |                                                                  |                    |
| 1,000,000 +        | 44 %                                                             | 56 %               | 67 %                                                                   | 33 %               | 37 %                                                             | 63 %               |
| 500,000 to 999,999 | 42 %                                                             | 58 %               | 58 %                                                                   | 42 %               | 44 %                                                             | 56 %               |
| 250,000 to 499,999 | 30 %                                                             | 70 %               | 46 %                                                                   | 54 %               | 33 %                                                             | 67 %               |
| 100,000 to 249,999 | 27 %                                                             | 63 %               | 36 %                                                                   | 64 %               | 29 %                                                             | 71 %               |
| 50,000 to 99,999   | 28 %                                                             | 72 %               | 95 %                                                                   | 5 %                | 27 %                                                             | 73 %               |
| 25,000 to 49,999   | 32 %                                                             | 68 %               | 36 %                                                                   | 64 %               | 32 %                                                             | 68 %               |
| 10,000 to 24,999   | 33 %                                                             | 67 %               | 33 %                                                                   | 67 %               | 34 %                                                             | 66 %               |
| 5,000 to 9,999     | 36 %                                                             | 64 %               | 38 %                                                                   | 62 %               | 75 %                                                             | 25 %               |
| 2,500 to 4,999     | 32 %                                                             | 68 %               | 32 %                                                                   | 68 %               | 37 %                                                             | 63 %               |
| Under 2,500        | 22 %                                                             | 78 %               | 76 %                                                                   | 24 %               | 24 %                                                             | 76 %               |
| Totals *           | 34 %                                                             | 66 %               | 44 %                                                                   | 56 %               | 38 %                                                             | 62 %               |
| <b>Cities</b>      |                                                                  |                    |                                                                        |                    |                                                                  |                    |
| 1,000,000 +        | 95 %                                                             | 5 %                | 97 %                                                                   | 3 %                | 90 %                                                             | 10 %               |
| 500,000 to 999,999 | 70 %                                                             | 30 %               | 64 %                                                                   | 36 %               | 69 %                                                             | 31 %               |
| 250,000 to 499,999 | 60 %                                                             | 40 %               | 73 %                                                                   | 27 %               | 59 %                                                             | 41 %               |



TABLE 10—Continued

| Unit of Government      | Entitlement Period 3<br>Planned Use Report<br>(1/1/73 — 6/30/73) |                    | Entitlement Periods 1, 2, 3<br>Actual Use Report<br>(1/1/72 — 6/30/73) |                    | Entitlement Period 4<br>Planned Use Report<br>(7/1/73 — 6/30/74) |                    |
|-------------------------|------------------------------------------------------------------|--------------------|------------------------------------------------------------------------|--------------------|------------------------------------------------------------------|--------------------|
|                         | Percent<br>Operating<br>and<br>Main-<br>tenance                  | Percent<br>Capital | Percent<br>Operating<br>and<br>Main-<br>tenance                        | Percent<br>Capital | Percent<br>Operating<br>and<br>Maintenance                       | Percent<br>Capital |
| <b>Cities—Continued</b> |                                                                  |                    |                                                                        |                    |                                                                  |                    |
| 100,000 to 249,999      | 48%                                                              | 52%                | 54%                                                                    | 46%                | 45%                                                              | 55%                |
| 50,000 to 99,999        | 43%                                                              | 57%                | 57%                                                                    | 43%                | 26%                                                              | 74%                |
| 25,000 to 49,999        | 32%                                                              | 68%                | 45%                                                                    | 55%                | 32%                                                              | 68%                |
| 10,000 to 24,999        | 28%                                                              | 72%                | 35%                                                                    | 65%                | 28%                                                              | 72%                |
| 5,000 to 9,999          | 28%                                                              | 72%                | 35%                                                                    | 65%                | 30%                                                              | 70%                |
| 2,500 to 4,999          | 32%                                                              | 68%                | 31%                                                                    | 69%                | 5%                                                               | 95%                |
| Under 2,500             | 32%                                                              | 68%                | 37%                                                                    | 63%                | 33%                                                              | 67%                |
| Totals *                | 55%                                                              | 45%                | 56%                                                                    | 44%                | 41%                                                              | 59%                |
| <b>Townships</b>        |                                                                  |                    |                                                                        |                    |                                                                  |                    |
| 500,000 to 999,999      | 50%                                                              | 50%                | 69%                                                                    | 31%                | 54%                                                              | 46%                |
| 250,000 to 499,999      | 90%                                                              | 10%                | 100%                                                                   | —0—                | 85%                                                              | 15%                |
| 100,000 to 249,999      | 58%                                                              | 42%                | 48%                                                                    | 52%                | 40%                                                              | 60%                |
| 50,000 to 99,999        | 63%                                                              | 37%                | 72%                                                                    | 28%                | 65%                                                              | 35%                |
| 25,000 to 49,999        | 59%                                                              | 41%                | 65%                                                                    | 35%                | 54%                                                              | 46%                |
| 10,000 to 24,999        | 50%                                                              | 50%                | 54%                                                                    | 46%                | 47%                                                              | 53%                |
| 5,000 to 9,999          | 40%                                                              | 60%                | 43%                                                                    | 57%                | 40%                                                              | 60%                |



|                                           |      |     |     |     |      |     |
|-------------------------------------------|------|-----|-----|-----|------|-----|
| 2,500 to 4,999                            | 40%  | 60% | 43% | 57% | 41%  | 59% |
| Under 2,500                               | 43%  | 57% | 42% | 58% | 45%  | 55% |
| Totals *                                  | 49%  | 51% | 52% | 48% | 49%  | 51% |
| Indian Tribes and Alaskan Native Villages |      |     |     |     |      |     |
| 5,000 to 9,999                            | 100% | —0— | 57% | 43% | 89%  | 11% |
| 2,500 to 4,999                            | 60%  | 40% | 33% | 67% | 100% | —0— |
| Under 2,500                               | 57%  | 43% | 50% | 50% | 69%  | 31% |
| Totals                                    | 63%  | 37% | 53% | 47% | 81%  | 19% |
| National Totals                           | 45%  | 55% | 68% | 32% | 41%  | 59% |

\* Total percentages obtained by summing all planned or actually expended funds for that unit of government and dividing that sum into the total sum for that unit planned or actually expended for operating-maintenance expenses and into the sum planned or actually expended for capital expenditures.



responsibilities, or indicate that cities had a higher priority need for resources to support already existing programs.

Only cities (56% to 41%) had significant variation in the proportion of the Fourth Entitlement Period revenue sharing funds planned for operating and maintenance purposes compared to their actual past use. Further research would be required to determine whether this apparent shift is actually reflected in future expenditure patterns and whether it indicates a change in priorities or is due to budgeting and accounting practices.

As has been pointed out earlier, as size decreases, the general tendency is for the local unit of government to both plan and spend less for operating-maintenance purposes and more for capital expenditures. While Table 10 provides examples, especially in the cities, to support this, it appears that size may have less relationship to capital expenditures as revenue sharing continues. The smallest proportion of funds planned for capital expenditures in counties (25%) is in counties of 5,000 to 9,999. The highest proportion of funds (95%) for capital expenditures is in cities of 2,500 to 4,999. Townships in the 100,000 to 249,999 and 5,000 to 9,999 categories plan to spend the highest proportion (60%) of their funds on capital expenditures during the Fourth Entitlement Period.

## Conclusions

General revenue sharing has provided a needed financial resource to state and local governments with a minimum of administrative requirements. This report has analyzed the actual use of such funds through June 30, 1973 and the planned use of these funds for Entitlement Periods 3 and 4. While the expenditure patterns reported above may change as governments become more familiar with program possibilities, as citizens and other groups influence decision-making, as expertise is developed, and as more money is disbursed and expended, the information and data contained in this analysis warrant the following conclusions and projections.

As of June 30, 1973 less than half of the disbursed general revenue sharing funds had been expended by state and local governments. A number of possible reasons for this were reviewed and it is expected that most of the remaining funds will be expended in the fiscal year beginning July 1, 1973. Of those funds which have been expended, most were spent for operating and maintenance purposes. This is especially true of state governments which spent 94 percent of their general revenue sharing funds for operating and maintenance purposes. Most of the funds, it



was also found, were spent for existing rather than new services. These patterns undoubtedly reflect the need by all units of government to strengthen or continue programs already in operation.

Most of the funds, in addition, were expended in a relatively few categories with education, public safety, public transportation, environmental protection, and multi-purpose/general government categories receiving the bulk of initial revenue sharing payments. At the same time, it was observed that all functional categories received some proportion of revenue sharing funds and that, in general, these funds have been put to a wide variety of uses by local units of government, in accordance with their differing local needs and priorities.

Concerning the reported impact of revenue sharing funds, it was found that over 44 percent of all units of government indicated that the funds had reduced or avoided tax increases and that about a third of the governments indicated that such funds had lessened or avoided debt increases. For all units of government, the proportion indicating revenue sharing to have had such an impact increased as the proportion of funds spent increased. This suggests that as more revenue sharing funds are spent even more recipient governments will indicate that the funds reduced or lessened tax increases and lessened or avoided debt increases.

This report also examined the various expenditure patterns of recipient governments "controlling for" both region and size. Of these two factors, size appears to be the most significant. In most cases, it was found that the larger the local unit of government the more likely it was to spend its revenue sharing funds for operating and maintenance purposes rather than for capital expenditures. This may indicate the differing need of the larger units for additional financial resources if pressing capital needs are to be met. It was also found that larger units of governments were more likely to spend their funds in fewer categories and that the expenditure of such funds by smaller units was more evenly distributed in the aggregate.

As the final section indicates, the difference between the planned and actual use of revenue sharing funds varies considerably from geographical region and among the various units of government. The implication appears to be that many units of government planned to expend a higher proportion of their funds for capital expenditures but had not been able to do so because of the pressing demand of daily operating and maintenance needs. If this is the case, future expenditure patterns may be altered if the units of government receive the added resources needed for operating and maintenance purposes.



## Appendix A

### Illustrations of General Revenue Sharing Categorical Expenditures

General revenue sharing was designed to allow flexibility of expenditures within the broad guidelines of the legislation. Public Law 92-512 specifies that the funds received by *units of local government* be used for "priority expenditures" only and defines a priority expenditure as:

- (1) ordinary and necessary maintenance and operating expenses for public safety, environmental protection, public transportation, health, recreation, libraries, social services for the poor or aged, and financial administration; and
- (2) ordinary and necessary capital expenditures authorized by law.

*State governments* are not bound by the "priority categories" and may use general revenue sharing funds for any operating and maintenance or capital expenditures for which they could use their own revenues. Neither states nor local units of government can use the funds for matching other federal funds, in any discriminatory fashion, or in violation of the Davis-Bacon legislation. In sum, general revenue sharing funds are free from most restrictions. The following listing, by various categories, illustrates a variety of specific uses for which revenue sharing funds have been spent. The list is not meant to be exhaustive but merely indicative of possible uses of general revenue sharing funds. Operating and maintenance expenditures include compensation for officers and employees and purchases of supplies, materials and contractual services. Capital outlays include expenditures for equipment, land, major repairs and construction. The following illustrations indicate various categorical expenditures.

| <i>Category</i>                              | <i>Expenditure</i>                                                                                                                                                                                                                                                           |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Public Safety                             | Preservation of law and order, traffic safety, vehicular inspection, detention and custody of persons awaiting trial, crime prevention activities, and parole activities. Fire fighting organization, fire prevention, fire hazard inspection, fire hydrants, and equipment. |
| 2. Environmental Protection/<br>Conservation | Restoration and protection of the environment including soil, water and air conservation. Sanitation services such as garbage collection and disposal, public incinerators. Sewerage disposal including lines, laboratories, and disposal stations.                          |
| 3. Public Transportation                     | Mass transit systems, highways, bridges, ferries, tunnels, airports, streetlights, traffic lights and traffic signs.                                                                                                                                                         |



| <i>Category</i>                             | <i>Expenditure</i>                                                                                                                                                              |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. Health/Hospitals                         | Hospital facilities such as buildings, beds, supplies. Health services such as research, clinics, nursing, and general public health.                                           |
| 5. Recreation/<br>Culture                   | Parks, boating and camping facilities, recreational and sport programs. Cultural planning, museums, and orchestras.                                                             |
| 6. Libraries                                | Public libraries, books, maps, census information, special collections.                                                                                                         |
| 7. Social Services for<br>the Poor or Aged  | Welfare institutions, categorical public assistance programs, public welfare vendor payments for health and/or other services based on need.                                    |
| 8. Financial<br>Administration              | Offices and agencies concerned with tax assessment and collection, central accounting, disbursement of funds, debt management, supervision of financial administration.         |
| 9. Education                                | Public schools, institutions of higher education, support of private educational institutions, and education facilities administered by school boards, systems, or commissions. |
| 10. Multi-Purpose/<br>General<br>Government | General planning and central administrative services, executive, judicial, legislative and staff agencies.                                                                      |
| 11. Social Development                      | Programs and facilities intended to improve general living conditions or opportunities for the community.                                                                       |
| 12. Housing/<br>Community<br>Development    | City housing and redevelopment projects and regulation, promotion, and support of private housing and redevelopment activities.                                                 |
| 13. Economic<br>Development                 | Activities to stimulate economic expansion, attract industry, promote tourism or diversify economic structure.                                                                  |



## Appendix B

**IMPACT OF ACTUAL USE OF GENERAL REVENUE SHARING  
FUNDS ON GOVERNMENTAL TAXES OF THOSE UNITS  
SPENDING 50 PERCENT OR MORE OF THEIR GENERAL  
REVENUE SHARING FUNDS**

| <i>Governmental<br/>Unit</i>                    | <i>Reducing<br/>Or<br/>Preventing<br/>Tax Increase</i> |                | <i>Indicating<br/>No Effect</i> |                | <i>Indicating<br/>Too Soon<br/>to Predict</i> |                |
|-------------------------------------------------|--------------------------------------------------------|----------------|---------------------------------|----------------|-----------------------------------------------|----------------|
|                                                 | <i>Number</i>                                          | <i>Percent</i> | <i>Number</i>                   | <i>Percent</i> | <i>Number</i>                                 | <i>Percent</i> |
| States and District<br>of Columbia              | 6                                                      | 35.3%          | 7                               | 41.2%          | 4                                             | 23.5%          |
| Counties                                        | 815                                                    | 62.9%          | 260                             | 20.0%          | 222                                           | 17.1%          |
| Cities                                          | 4040                                                   | 48.8%          | 2336                            | 28.2%          | 1907                                          | 23.0%          |
| Townships                                       | 3708                                                   | 47.0%          | 2032                            | 25.7%          | 2156                                          | 27.3%          |
| Indian Tribes<br>and Alaskan<br>Native Villages | <u>1</u>                                               | 1.8%           | <u>43</u>                       | 75.4%          | <u>13</u>                                     | 22.8%          |
| Total for All Units<br>of Government            | 8570                                                   | 48.8%          | 4678                            | 26.7%          | 4302                                          | 24.5%          |

## Appendix C

**IMPACT OF ACTUAL USE OF GENERAL REVENUE SHARING  
FUNDS ON GOVERNMENTAL DEBT STATUS OF THOSE UNITS  
SPENDING 50 PERCENT OR MORE OF THEIR GENERAL  
REVENUE SHARING FUNDS**

| <i>Governmental<br/>Unit</i>                    | <i>Avoiding<br/>Or<br/>Lessening<br/>Debt Increase</i> |                | <i>Indicating<br/>No Effect</i> |                | <i>Indicating<br/>Too Soon<br/>To Predict</i> |                |
|-------------------------------------------------|--------------------------------------------------------|----------------|---------------------------------|----------------|-----------------------------------------------|----------------|
|                                                 | <i>Number</i>                                          | <i>Percent</i> | <i>Number</i>                   | <i>Percent</i> | <i>Number</i>                                 | <i>Percent</i> |
| States and District<br>of Columbia              | 3                                                      | 17.6%          | 12                              | 70.6%          | 2                                             | 11.8%          |
| Counties                                        | 494                                                    | 47.2%          | 335                             | 32.0%          | 217                                           | 20.8%          |
| Cities                                          | 3041                                                   | 42.0%          | 2373                            | 32.7%          | 1836                                          | 25.3%          |
| Townships                                       | 2189                                                   | 32.8%          | 2598                            | 38.9%          | 1894                                          | 28.3%          |
| Indian Tribes<br>and Alaskan<br>Native Villages | <u>16</u>                                              | 28.1%          | <u>31</u>                       | 54.4%          | <u>10</u>                                     | 17.5%          |
| Total for All Units<br>of Government            | 5743                                                   | 38.2%          | 5349                            | 35.5%          | 3959                                          | 26.3%          |



## EXTENSION OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

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WEDNESDAY, JUNE 26, 1974

U.S. SENATE,  
COMMITTEE ON PUBLIC WORKS,  
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,  
*Washington, D.C.*

The subcommittee met at 9:30 a.m., pursuant to call, in room 4200, Dirksen Senate Office Building, Hon. Joseph M. Montoya (chairman of the subcommittee) presiding.

Present: Senators Montoya, Burdick, Stafford, McClure, and Domenici.

### OPENING STATEMENT OF HON. JOSEPH M. MONTOKA, U.S. SEN- ATOR FROM THE STATE OF NEW MEXICO

Senator MONTOKA. The subcommittee will be in order.

It is my pleasure to welcome the witnesses here this morning while we consider legislation affecting programs under the Public Works and Economic Development Act of 1965, as amended.

Many of you are familiar with efforts of the Congress in recent years to continue the programs of the Economic Development Administration and the title V Commissions.

This year the administration is proposing that these programs be phased out and in their place Congress is asked to legislate a new block grant effort.

We held an earlier hearing on that proposal. We heard administration spokesmen describe the proposal in detail. Since that time we have looked at it closely. We have serious doubts about the competence of States today to carry out such a program.

At the same time, we are unable to bring ourselves to do away with agencies and programs that have been successful and are popular.

Finally, we find the reactions of many relevant groups and individuals ranging from mildly negative to downright hostile toward a block grant adjustment program as a total replacement for the current program.

Under these circumstances, I introduced S. 3641 on June 13 to extend the present programs under the act for a 3-year period. Since the administration's proposal is not acceptable as presented, it makes little sense to continue with only a 1-year authorization.



Moreover, leadtime planning is critical to the successful administration of these types of programs. One year is obviously unsatisfactory.

Finally, it is time to fish or cut bait. If we are to keep these programs, we must fund them at levels that make some impact.

The bill I introduced increases the authorization levels for nearly all of the EDA programs and the title V Commissions. It provides a special separate authorization for Indians, to protect their legitimate and pressing needs. It recognizes the valid role of States in economic development and begins a planning support and a grant program that will help develop capability to participate in the economic development effort.

It deals with the genuine economic adjustment problems that strike local economies when a plant unexpectedly closes, a military base is shut down, or environmental requirements affect a local industry.

We agree with the administration's view that these adjustment problems require special recognition.

We have been consulting with our colleagues in the House and have adapted a number of features in H.R. 14883 to the present bill. These should narrow possible disagreements when we meet in conference.

It is my hope that the Congress will have a bill to the White House before the end of July. In that case, there may be time to affect the regular annual Commerce Department appropriation figures for EDA and the title V Commissions which may otherwise be based on the administration's currently requested phaseout levels.

It would be unfortunate and needless if EDA were forced in the early months of the new fiscal year to reduce personnel levels, especially in the light of the expanded program contemplated by this bill and the House bill.

I am told that EDA is authorized 650 permanent employees to begin fiscal year 1975 but that it must cut back to about 200 during the year. That is needless and it is unwise. I hope the administration will cooperate with the Congress in holding off early planned reductions in force in the face of Congressional intent to continue these programs.

We have a busy schedule of witnesses this morning. In order to give everyone an opportunity to be heard, I would ask those witnesses who feel comfortable about it to summarize their statements and submit full statements for the record.

We have some Senators here who wish to present their testimony and their State's witnesses and, under our rules here, we usually give them preference, so I hope you will bear with us because they have to attend other meetings this morning.

Do you have an opening statement?

#### OPENING STATEMENT OF HON. JAMES A. McCLURE, U.S. SENATOR FROM THE STATE OF IDAHO

Senator McCLURE. Mr. Chairman, I am glad to join you today as the Economic Development Subcommittee continues hearings on legislation to extend the Public Works and Economic Development Act.

In April the subcommittee received testimony from the Secretary



of Commerce, Mr. Dent, and other administration witnesses on the OMB-Department of Commerce evaluation report, the Bellmon study, and the administration's bill, S. 3041.

Since that hearing the chairman of the subcommittee has introduced a bill cosponsored by Senator Randolph, chairman of the full committee, which I was pleased to note included a new title similar to the administration's economic adjustment proposal.

Today we will hear from Senator Hathaway, the National Governor's Conference, and administration officials about the various bills now pending.

As we have a number of witnesses appearing within a very few hours, I will take this time to welcome the witnesses. I look forward to having their comments.

Thank you, Mr. Chairman.

Senator MONTOYA. Thank you, Senator McClure.

I might add that we have at this point as cosponsors to this bill which I introduced: Senator Randolph, Senator Magnuson, Senator Russell Long, and Senator Bentsen, of Texas. We intend to have more.

[The bill, S. 3641 follows:]



93D CONGRESS  
2D SESSION

# S. 3641

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## IN THE SENATE OF THE UNITED STATES

JUNE 13, 1974

Mr. MONTROYA (for himself and Mr. RANDOLPH) introduced the following bill;  
which was read twice and referred to the Committee on Public Works

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## A BILL

To amend the Public Works and Economic Development Act of 1965 to extend the authorizations for a two-year period, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the first sentence of section 105 of the Public Works  
4       and Economic Development Act of 1965, as amended, is  
5       amended by striking the period at the end thereof and in-  
6       serting a comma and the following: "and not to exceed  
7       \$300,000,000 for each of the fiscal years ending June 30,  
8       1975, June 30, 1976, and June 30, 1977.". The final sen-  
9       tence of section 105 of such Act, as amended, is amended by  
10      striking "and" after the words "June 30, 1973" and insert-



1 ing "June 30, 1975, June 30, 1976, and June 30, 1977".  
2 Section 105 of such Act is further amended by adding at  
3 the end thereof the following: "For each of the fiscal years  
4 ending June 30, 1975, June 30, 1976, and June 30, 1977,  
5 not to exceed \$30,000,000 of the funds authorized to be  
6 appropriated for each such fiscal year shall be available for  
7 grants for operation of any health or educational project  
8 heretofore or hereafter funded under this title, and such  
9 grants may be made up to 100 per centum of the cost thereof  
10 for a two-year period and 75 per centum thereof in any  
11 succeeding fiscal year for which such grant is made."

12 SEC. 2. (a) Title I of such Act, as amended, is included  
13 by striking out section 102.

14 (b) Title IV of such Act is amended—

15 (1) by adding the following new paragraph at the  
16 end of section 401 (a) :

17 "(8) those areas which the Secretary of Labor de-  
18 termines, on the basis of average annual available unem-  
19 ployment statistics, were areas of substantial unemploy-  
20 ment during the preceding calendar year."; and

21 (2) by striking out the period at the end of section  
22 401 (a) (7) and inserting in lieu thereof a semicolon.

23 (c) Any area of substantial unemployment so desig-  
24 nated under authority of section 102 of title I of the Public  
25 Works and Economic Development Act of 1965 which has



1 not had such designation terminated before the date of enact-  
2 ment of this section shall be deemed for the purposes of such  
3 Act to be such an area designated under section 401 (a) (8)  
4 of such Act.

5 SEC. 3. (a) Section 201 (c) of such Act, as amended is  
6 amended by striking out the period at the end and inserting  
7 in lieu thereof “, and shall not exceed \$100,000,000 per  
8 fiscal year for the fiscal years ending June 30, 1975,  
9 June 30, 1976, and June 30, 1977.”.

10 (b) Section 202 of such Act, as amended, is amended—

11 (1) by striking all of subsection (a) and inserting  
12 in lieu thereof the following new subsection:

13 “SEC. 202. (a) (1) The Secretary is authorized to aid  
14 in financing, within a redevelopment area, the purchase or  
15 development of land and facilities (including machinery and  
16 equipment) for industrial or commercial usage, including the  
17 construction of new buildings, the rehabilitation of abandoned  
18 or unoccupied buildings, and the alteration, conversion, or  
19 enlargement of existing buildings by (A) purchasing evi-  
20 dences of indebtedness, (B) making loans (which for pur-  
21 poses of this section shall include participation in loans),  
22 (C) guaranteeing loans made to private borrowers by pri-  
23 vate lending institutions, for any of the purposes referred to  
24 in this paragraph upon application of such institution and  
25 upon such terms and conditions as the Secretary may pre-



1 scribe, except that no such guarantee shall at any time ex-  
2 ceed 90 per centum of the amount of the outstanding unpaid  
3 balance of such loan.

4 “(2) The Secretary is authorized to aid in financing  
5 any industrial or commercial activity within a redevelopment  
6 area by (A) making working capital loans, (B) guarantee-  
7 ing working capital loans made to private borrowers by pri-  
8 vate lending institutions upon application of such institution  
9 and upon such terms and conditions as the Secretary may  
10 prescribe, except that no such guarantee shall at any time  
11 exceed 90 per centum of the amount of the outstanding  
12 unpaid balance of such loan, (C) guaranteeing rental pay-  
13 ments of leases, except that no such guarantee shall exceed  
14 90 per centum of the remaining rental payments required  
15 by the lease.”;

16 (2) by striking in subsection (b) (7) the comma  
17 after the words “no loan” and inserting immediately  
18 thereafter the words “or guarantee,”.

19 (3) by striking out in subsection (b) (9) “Loan  
20 assistance” and inserting in lieu thereof “Loan assistance  
21 (other than for a working capital loan)”.

22 SEC. 4. (a) Section 302 of such Act, as amended, is  
23 amended by redesignating such section as section 303.

24 (b) Such Act, as amended, is amended by inserting  
25 immediately after section 301 the following new section 302:



1       “SEC. 302. (a) The Secretary is authorized, upon appli-  
2 cation of any city or other political subdivision of a State, or  
3 sub-State planning and development organization (including  
4 an economic development district), to make direct grants to  
5 such city, other political subdivision, or organization to pay  
6 up to 100 per centum of the cost for economic development  
7 planning. The Secretary is further authorized to assist eco-  
8 nomic development districts in—

9           “(1) providing technical assistance (other than by  
10 grant) to local governments within the district; and

11          “(2) carrying out any review procedure required  
12 pursuant to title IV of the Intergovernmental Coopera-  
13 tion Act of 1968, if such district has been designated as  
14 the agency to conduct such review.

15       “(b) The Secretary is authorized upon application of  
16 any State to make direct grants to such State to pay up to  
17 100 per centum of economic development planning. Any  
18 overall State economic development plan prepared with as-  
19 sistance under this section shall be prepared cooperatively  
20 by the State, its political subdivisions, and economic develop-  
21 ment districts located in whole or in part within such State,  
22 and such State plan shall, to extent possible, be consistent  
23 with local and economic development district plans.”.

24       “(c) Section 303 of such Act, as redesignated by this  
25 Act, is amended by inserting “(a)” immediately after “SEC.



1 303.", by striking out the period at the end of such subsec-  
2 tion and inserting in lieu thereof the following: "and \$75,-  
3 000,000 per fiscal year for the fiscal years ending June 30,  
4 1975, June 30, 1976, and June 30, 1977.", and by adding  
5 at the end of such section the following new subsection:

6 " (b) Not to exceed \$15,000,000 in each of the fiscal  
7 years ending June 30, 1975, June 30, 1976, and June 30,  
8 1977, shall be available to make grants under subsection (b)  
9 of section 302."

10 (d) There is hereby authorized to be appropriated  
11 \$100,000,000 for each of the fiscal years ending June 30,  
12 1976 and June 30, 1977, for allocation by the Secretary  
13 among the States for the purpose of supplementing grants  
14 made pursuant to title I of this Act. Such funds shall be allo-  
15 cated among the States in the ratio which grants made under  
16 title I since August 26, 1965, in each State is to total grants  
17 made to all States since August 26, 1965. Such supplemen-  
18 tary grants shall be made by the Governor with respect to  
19 any projects approved by the Secretary after date of enact-  
20 ment of this Act and may be used to reduce the non-Federal  
21 share below the 20 per centum required by subsection (c)  
22 of section 101 or may be used to waive the non-Federal  
23 share. Funds available under this section shall be available  
24 for such supplementary grants if the State provides a match-



1 ing share of 25 per centum of the funds made available to the  
2 State under this subsection.

3 SEC. 5. (a) Section 403 (a) (1) (B) of such Act, as  
4 amended, is amended by striking out the words "two or more  
5 redevelopment areas" and inserting in lieu thereof "at least  
6 one redevelopment area."

7 (b) Section 403 of such Act, as amended, is amended  
8 by inserting at the end of such section the following two  
9 new subsections:

10 "(i) Each economic development district designated by  
11 the Secretary under this section shall as soon as practicable  
12 after its designation provide that a copy of the district overall  
13 economic development program be furnished to the appro-  
14 priate regional commission established under title V of this  
15 Act, if any part of such proposed district is within such a  
16 region, or to the Appalachian Regional Commission estab-  
17 lished under the Appalachian Regional Development Act of  
18 1965, if any part of such proposed district is within the  
19 Appalachian region.

20 "(j) The Secretary is authorized to provide the financial  
21 assistance which is available under this Act to a redevelop-  
22 ment area to those parts of an economic development dis-  
23 trict which are not within a redevelopment area, when  
24 such assistance will be of substantial direct benefit to a  
25 redevelopment area within such district. Such financial



1 assistance shall be provided in the same manner and to  
2 the same extent as is provided in this Act for a redevelop-  
3 ment area, except that nothing in this subsection shall be  
4 construed to permit such parts to receive the increase in the  
5 amount of grant assistance authorized in paragraph (4) of  
6 subsection (a) of this section.”.

7 (c) Section 403 (g) of such Act, as amended, is amended  
8 by striking out “for the fiscal year ending June 30, 1974,”  
9 and inserting in lieu thereof “per fiscal year for the fiscal  
10 years ending June 30, 1974, June 30, 1975, June 30, 1976,  
11 and June 30, 1977.”.

12 (d) In addition to 403 (g), there is hereby authorized to  
13 be appropriated not to exceed \$25,000,000 for each of the  
14 fiscal years ending June 30, 1975, June 30, 1976, and June  
15 30, 1977, for projects for Indian tribes to otherwise carry out  
16 the purposes of this Act.

17 SEC. 6. (a) Section 503 of such Act, as amended, is  
18 amended by inserting “district,” in paragraph (7) of sub-  
19 section (a), immediately after “other Federal, State,”.

20 (b) The first sentence of section 505 (a) (2) of such  
21 Act as amended is amended by striking out “and training  
22 programs” and inserting “training programs, and the pay-  
23 ment of administrative expenses to sub-State planning and  
24 development organizations (including economic development  
25 districts),” in lieu thereof.



1 (c) Section 509 (d) of such Act, as amended, is  
2 amended by striking out "for the fiscal year ending June 30,  
3 1974, to be available until expended \$95,000,000," and in-  
4 serting in lieu thereof "for each of the fiscal years ending  
5 June 30, 1975, June 30, 1976, and June 30, 1977, to be  
6 available until expended \$200,000,000."

7 (d) Section 511 of such Act, as amended, is amended  
8 to read as follows:

9 "COORDINATION

10 "SEC. 511. (a) The Secretary shall coordinate his activ-  
11 ities in making grants and loans and providing technical  
12 assistance under this Act with those of each of the regional  
13 commissions (acting through the Federal and State cochair-  
14 men) established under this Act in making grants and pro-  
15 viding technical assistance under this title, and each of such  
16 regional commissions shall coordinate its activities in making  
17 grants and providing technical assistance under this title with  
18 those activities of the Secretary under this Act.

19 "(b) Each regional commission established under this  
20 Act shall coordinate its activities under paragraphs (2) and  
21 (7) of section 503 (a) of this Act with the activities of the  
22 economic development districts in such region."

23 SEC. 7. Section 2 of the Act entitled "An Act to amend  
24 the Public Works and Economic Development Act of 1965



1 to extend the authorizations for title I through IV through  
2 fiscal year 1971", approved July 6, 1970 (Public Law  
3 91-304), is amended by striking out "1974" and inserting in  
4 lieu thereof "1977".

5 SEC. 8. The Public Works and Economic Development  
6 Act of 1965, as amended, is amended by adding the follow-  
7 ing new title at the end of the Act:

8 "TITLE IX—SPECIAL ECONOMIC DEVELOPMENT  
9 AND ADJUSTMENT ASSISTANCE

10 "PURPOSE

11 "SEC. 901. It is the purpose of this title to provide spe-  
12 cial economic development and adjustment assistance pro-  
13 grams to help State and local areas meet special needs aris-  
14 ing from actual or threatened severe unemployment arising  
15 from economic dislocation, including unemployment arising  
16 from actions of the Federal Government and from compli-  
17 ance with environmental requirements that remove economic  
18 activities from a locality.

19 "DEFINITION

20 "SEC. 902. As used in this title, the term 'eligible recipi-  
21 ent' means a State, a redevelopment area or economic devel-  
22 opment district established under title IV of this Act, an  
23 Indian tribe, a city or other political subdivision of a State,  
24 or a consortium of such political subdivisions.



## "GRANTS BY SECRETARY

1  
2 "SEC. 903. (a) The Secretary is authorized to make  
3 grants to any eligible recipient which has experienced, or  
4 may reasonably be foreseen to be about to experience, a  
5 special need to meet an expected rise in unemployment, or  
6 other economic adjustment problems (including those caused  
7 by any action or decision of the Federal Government) to  
8 carry out a plan which meets the requirements of subsection  
9 (b) of this section and which is approved by the Secretary,  
10 to use such grants for any of the following: public facilities,  
11 public services, business development, planning, unemploy-  
12 ment compensation, rent supplements, mortgage payment  
13 assistance, research, technical assistance, training, relocation  
14 of individuals, and other appropriate assistance. Such grants  
15 may be used in direct expenditures by the eligible recipient  
16 or through redistribution by it to public and private entities  
17 in grants, loans, loan guarantees, or other appropriate assist-  
18 ance, but no grant shall be made by an eligible recipient to  
19 a private profitmaking entity.

20 "(b) No plan shall be approved by the Secretary under  
21 this section unless such plan shall—

22 "(1) identify each economic development and ad-  
23 justment need of the eligible recipient for which assist-  
24 ance is sought under this title;



1           “(2) describe each activity planned to meet each  
2       such need;

3           “(3) explain the details of the method of carrying  
4       out each such planned activity;

5           “(4) contain assurances satisfactory to the Secre-  
6       tary that the proceeds from the repayment of loans made  
7       by the eligible recipient with funds granted under this  
8       title will be used for economic adjustment; and

9           “(5) be in such form and contain such additional  
10      information as the Secretary shall prescribe.

11          “(c) The Secretary shall as is practicable coordinate his  
12      activities in requiring plans and making grants and loans  
13      under this title with regional commissions, States, economic  
14      development districts and/or other appropriate planning and  
15      development organizations.

16                           “REPORTS AND EVALUATION

17          “SEC. 904. (a) Each eligible recipient which receives  
18      assistance under this title shall annually during the period  
19      such assistance continues make a full and complete report  
20      to the Secretary, in such manner as the Secretary shall pre-  
21      scribe, and such report shall contain an evaluation of the  
22      effectiveness of the economic assistance provided under this  
23      title in meeting the need it was designed to alleviate and the  
24      purposes of this title.



1       “(b) The Secretary shall provide an annual consoli-  
2   dated report to the Congress, with his recommendations, if  
3   any, on the assistance authorized under this title, in a form  
4   which he deems appropriate. The first such report to Con-  
5   gress under this subsection shall be made not later than Jan-  
6   uary 30, 1976.

7               “AUTHORIZATION OF APPROPRIATIONS

8       “SEC. 905. There is authorized to be appropriated to  
9   carry out this title not to exceed \$100,000,000 per fiscal year  
10  for the fiscal years ending June 30, 1975, June 30, 1976,  
11  and June 30, 1977.”.



Senator MONTROYA. Our first witness is the distinguished Senator and our colleague, Senator Hathaway, of the State of Maine.

Senator Hathaway, you may proceed to present your testimony and we certainly welcome you before this committee.

**STATEMENT OF HON. WILLIAM D. HATHAWAY, U.S. SENATOR  
FROM THE STATE OF MAINE**

Senator HATHAWAY. Thank you, Mr. Chairman and members of the committee. It is a pleasure to appear before you. There is really no issue that is before the Congress that is of more importance to my State of Maine than the strengthening of weak local economies. Because of our dependence on only a few industries and transportation problems related to our location, any general economic problems are magnified in Maine—when the national economy sneezes, we get pneumonia.

As a result of this fact, I have had a great deal of experience over the last 10 years with various approaches to economic development. I have been involved in helping out after base closings, plant closings due to imports, plant closings due to environmental costs, major agricultural problems, and other more normal industrial relocations.

During this time, I have worked with a variety of agencies involved with economic development, including, in addition to several of our State agencies, EDA, the Defense Department, the Small Business Administration, the Office of Economic Opportunity, and Housing and Urban Development. It is upon this experience that I base my comments this morning.

Before outlining my specific suggestions, I wish to commend the chairman on the provisions of S. 3641, the bill he recently introduced on this subject. By providing for a new 3-year authorization—at more substantial funding levels—this bill will go a long way toward alleviating the instability of the present EDA programs.

Additional provisions of the bill I think are of particular importance are section 302 relating to planning and technical assistance and the new title IX, specifically designed to assist localities in adjusting to dislocations caused by actions of the Federal Government.

I do not believe that there is a Federal “bail-out” responsibility in every case of corporate difficulty; but I do think that some responsibility exists where the Government, itself, was a major cause of the dislocation.

I see title IX as a realistic step toward the recognition and definition of this kind of responsibility. With regard to this title, I hope that language in the bill itself, or in the report of your committee, will make it clear that a Federal decision on tariffs and trade which has an adverse local impact would be sufficient to trigger the assistance available under the title. I have made the point in testimony to the Finance Committee that an integral component of so-called Trade Adjustment Assistance should be the kind of planning and development assistance contemplated by title IX. Simply offering displaced workers extended unemployment benefits is not enough. True adjustment requires aid to the community itself—aid in a form which can be of realistic help in developing a new economic base.



It is the delivery of this assistance to the communities involved, both under the new title IX and under the older EDA sections, that is of special concern to me and to which I would like to direct the remainder of my remarks.

In reflecting on the various development projects with which I have worked, it has become apparent to me that the key element in the success of any of these programs has been the involvement of the local people. Without the active cooperation of local businessmen, officials and ordinary citizens, the chances of any kind of successful development are extremely slim.

A second element of vital importance if a project is to get off the ground is the provision of technical assistance early in the program in a form which will foster this active local involvement. By this I mean that the local group must be given some money to hire a modest—but full-time—staff.

I would propose that once an area has been designated a development district under the act, the Secretary immediately send in a professional task force to meet with local officials and citizens to acquaint them with the forms of assistance available and to help them establish a local development council to run a realistic and aggressive economic development program.

Once this council is established, which would be made up of representatives of all the communities involved, the Secretary would be authorized to provide funds to help defray the cost of a small staff.

This provision is critical, I feel, because the local people are fully involved in their own businesses and rarely have the time for the tedious and time-consuming job of following up contacts on a day-to-day basis and pulling together the other details of a successful economic development project.

After the council and full-time staff is in place, then a plan for the area can be developed and its implementation begun.

As I understand it, present requirements for local involvement under this act are somewhat hazy, although some type of local committee is usually required under EDA regulations.

What I am suggesting is that the committee clarify this situation by mandating a broadly representative local council and the technical assistance to get it going.

The reason I put so much emphasis on this matter—particularly the need for the initial task force and money for local staff—is my experience with these programs as they actually work in local communities. All the loan guarantees, planning grants and technical assistance in the world are worthless if the community never learns what is available or how to obtain it.

There is a kind of “Catch-22” situation in many Federal programs, especially as they operate in the less populous areas, which goes like this: The community can have Federal assistance when it establishes its eligibility and fills out the proper application forms; but establishing eligibility and filling out the forms is so complicated and cumbersome, that this task, itself, cannot be done without assistance.

But you can't get assistance to fill out the forms until you have filled out the forms—at that point many local people simply give up because of a feeling that whatever assistance is finally available is not worth the effort. It is this problem that I hope my suggestions might alleviate.



As I indicated at the beginning of my remarks, there is nothing that this Congress can do for the people which is more important than providing the leadership—and the tools—for economic development. Unless we can assist those areas which are presently not fully involved in the economic life of the country, we will face a continued withering of entire sections of the Nation.

There is enough new growth in our economy every year to revitalize these areas without harming others; developing and directing this growth should become a matter of the highest national priority.

What I am really suggesting, Mr. Chairman, in a nutshell, is to have something analogous to what the Defense Department has been using over the years when there is a base closing. We have had a couple of these. They send in task forces which organize local groups to work with them. But the task force which was sent into the area was a professional task force which knew all of the avenues available for Federal funding for various projects and had contacts with private industry. Both in Bangor, Maine, and in Presque Isle, Maine, we are now better off than when the base was there. We are better off economically. Many industries have grown up on the base itself.

This was done because we had a Federal task force sent in there initially to get the ball rolling and then turn it over to the local people to keep it going.

You know, it is anomalous to say to local people in a depressed area that, well, we have got a lot of Federal money available; if you come up with a good idea, we will loan you the money, or we might give it to you outright. The problem is that almost by definition in these areas that have become depressed, the business brains of the community in many instances, and the entrepreneurial brains necessary to rebuild the community aren't there anymore, so in a sense we have to import.

I don't mean by this we are going to have Federal control over these areas, but we do need some leadership from Washington to help these areas get started.

Thank you very much.

Senator MONTROYA. I appreciate your statement, your testimony, and your suggestions, Senator Hathaway. I think you have come up with a very nice concept, a very digestible one, and a very worthwhile one.

We are, as you know, under the terms of the bill providing for grants to the States so that they can develop local capability and technical staff to advise on the economic development of districts within the State, but, sometimes, the State capability is not sufficient or adequately equipped to inform these local communities that suffer from dislocation on what their potential might be by way of alternative means, economic means and methods of revitalizing a local economy, so I am glad you developed this in the testimony, and I will be glad to explore it with other witnesses.

Senator HATHAWAY. Fine, thank you very much, Mr. Chairman.

Senator MONTROYA. Senator McClure?

Senator MCCLURE. I just want to welcome our colleague to the committee. I served with him in the House and welcome the continued association with him in the Senate and know that he has always been a constructive and innovative voice on many of these programs.



I have only one or two conceptual questions—one is the degree to which you believe or think the State government itself should be involved in the implementation or direction of economic development programs?

There are two different groupings in two different directions that I would like you to consider and answer; one is in the multistate regions, what involvement should the State government have in coordination with other States in the region and, on the other side, how much involvement should the State government have in the groupings that are less than the whole State?

There are two different directions of coordination of State activities and I would like to have you comment on it.

Senator HATHAWAY. Thank you very much for your complimentary remarks, Jim. I would think insofar as a multistate situation that all of the States should have their representatives on the board, but I wouldn't think that each State should have a veto power with respect to what might be done regionally.

As long as they have the representatives on the regional board, I would think that would be sufficient.

As far as the projects that are wholly within the State, then I would think that the State should have a very strong voice and over a considerable amount of leadership as well.

Senator McCLURE. One of the problems that comes up in that context is whether the States should have the primary voice or whether EDA out of Washington should have the primary voice in those two groupings?

In other words, suppose there are two or three States in a regional grouping:

Should those States have control and direction of the program or should that be controlled from Washington and, again, within a multicounty grouping, and I understand that Maine has very recently subdivided the State into multicounty groups, should the direction of the activities of those multicounty regions be under State direction, or should they be under Federal direction?

Senator HATHAWAY. Well, we have the responsibility of knowing what is going to happen to the money we are loaning or giving away. I wouldn't believe an entire block grant approach where you simply said here is a bunch of money and use it for economic development and whatever you do is fine with us. It is difficult for us to say offhand just what the extent of the role of the Federal Government should be. Certainly nothing should be done without our approval.

Now, how broad the guidelines should be is difficult to tell or to give you an offhand answer.

Senator McCLURE. I don't want to put words in my subcommittee chairman's mouth, but if I recall his statement, it was that it has to have a high degree of leadership because the States have failed in this leadership and have not indicated a very innovative approach to these problems and, therefore, the real direction should come from Washington because the States have failed to do the job.

If I misstate your opinion or your feeling please correct me.

Senator MONTOYA. I will give you an example. For years this committee has been trying to get a meaningful economic plan from the States, and many of the States have failed to submit such a plan. That is one instance.



Another instance is that the States have been given funds to develop economic development commissions at the State level to advise and counsel with the local development districts and many States have failed in this respect.

Some States have been very progressive. Some States have been very aggressive and very successful, but, overall, I think there is a vacuum here that we must fill and if the States don't fill it, and they will certainly have an opportunity under this bill, then the Federal Government should in a partnership manner come in and fill the gap. That is what I meant by that.

Senator McCURE. I understand that and I couched it in the language I did because I don't want to misstate your position.

My position has been more of reliance upon the States to make their own decisions and a willingness to allow them to succeed or err as they see fit and not as I see fit.

Senator HATHAWAY. The Federal Government is supposed to be more advisory. They shouldn't say:

We will give you some money, but all you can build here is a paper mill.

That would be ridiculous.

On the other hand, it would be senseless to authorize a project to build another shoe factory because imports are pushing the shoe industry out of Maine. The paper mill is going up, so a paper mill would be a suitable project. The shoe factory is going down.

Senator McCURE. The Federal Government should advise the States. My tendency would be to say to the people of Maine, if you think the shoe factory is the best salvation of your ills, you probably know more about it than I do out in Idaho or Washington, D.C., but I just wanted your opinion, not to express my own.

The second area is the degree to which we need to supervise the activities to see whatever economic development takes place does not take place at the expense of other areas. You made some reference to that in your closing remarks that there is enough growth in our economy to accommodate the necessity of revitalizing some of these areas without doing so at the expense of other areas.

We don't find everybody who agrees that all of our activities are along that line and they seek to say to the people of Maine or Idaho:

You can't build another factory if it will take it away from us in New York, Iowa, Washington or wherever it may be.

Senator HATHAWAY. This is a function that, as you know, the Federal Government does perform. I recall very vividly the present Majority Leader of the House of Representatives protesting our sugar plant in Maine because it competed with Revere Sugar in Massachusetts and the plant in Maine was getting area redevelopment money for this purpose. I think it was a legitimate gripe on behalf of Congressman O'Neill and, fortunately, we were able to prevail and show that we would not interfere with Revere.

Both the sugar plant in Maine and the one in Revere have closed, by the way, but that is due to other circumstances.

I think the Federal Government has a legitimate interest in seeing that they don't give low-cost money to an industry that is going to compete and drive out of business another industry that is right in



the same neighborhood; then you are just compounding the problem. You will have to be giving more low-cost money and pouring other money into the area where you have driven someone out of business.

Senator McCLURE. There has been a lot of comment over the last quarter of century about the movement of industry from the Northeast into the South. That is an example of the kind of problem which may or may not be affected by economic development programs.

But in determining whether or not there is a pirating of business or an impact, let me put it in a more friendly way, upon other person's businesses or employment, should the Federal Government extend a veto checkoff to the people who are involved in that industry?

For instance, in your sugar factory instance, should the sugar industry in Massachusetts be given the opportunity to veto EDA?

Senator HATHAWAY. No.

Senator McCLURE. Similarly, if it is an impact on labor, should a nongovernment agency or group have a veto?

Senator HATHAWAY. No; they should have an opportunity to make their case, but they shouldn't have a veto power.

Senator McCLURE. It has come to our attention from the Senator from Wyoming, Senator Hansen, that another agency of Government routinely sends down to the AFL-CIO their loan prospectuses and the AFL-CIO has a veto over whether or not that loan should be granted.

Senator HATHAWAY. I think that is a bad situation.

Senator McCLURE. I would think a nongovernmental agency ought to have an opportunity to add their input into the decisionmaking process, but ought not to control it.

Senator HATHAWAY. I agree with you.

Senator McCLURE. Whether it is industry or labor or any other nongovernmental unit.

Senator HATHAWAY. Yes.

Senator McCLURE. Thank you very much.

Senator MONTOKA. Do you mean the administration is now working with the AFL-CIO?

Senator McCLURE. Precisely.

Senator MONTOKA. Does that shock the Senator?

Senator McCLURE. Yes; it does.

The kind of relationships forged with nongovernmental units are a matter of importance to every one of us.

Senator MONTOKA. I think the Senators brought up a good subject because I have had experience with the issue of pirating and it can be extended too much and it can be—the administration can be pragmatic in applying the restrictions of law with respect to pirating, and I think it should be done in a very pragmatic manner.

Senator DOMENICI, do you have any questions?

Senator DOMENICI. Just a couple.

First, I concur with the chairman's statement regarding pragmatism and pirating. I think we are both aware of rulings which have really carried it to an extreme. For example, where an industry was going to grow in any event and was going to look for another plant site and that is construed to be pirating when they locate in another State.



Bill, let me talk just a few moments with you about the new concept in the bill which, as Senator Montoya has indicated, gives the States an opportunity to come up with a statewide game plan and some method of attempting to implement it to the tune of \$15 million for planning and \$100 million for project use by the States. If this bill becomes law, they are going to have a good test of whether or not they can do this.

I am concerned about a couple of things. First of all, we have existing economic development entities that have grown up because of these previous efforts of EDA to build.

Then we have in your State, yours as well as mine, we have cities and governments that are strong enough that they developed their own kind of economic game plan funded with or without Federal Government funds.

I would think that whatever bill we pass that we ought to insist that the State governments work with units of local government in developing the statewide plan as they come up with it, and I am wondering if you have any views on that?

Senator HATHAWAY. I think that is a good idea.

Senator DOMENICI. Do you feel that the State should be given carte blanche here, or should we be giving them directions that they work with smaller economic development entities in the State if they exist?

Senator HATHAWAY. No; I think that should be a requirement that they work with the existing economic development agency in the State.

Senator DOMENICI. Would you think that once we made that mandate with reference to the final plan that whether they choose to follow the other group's direction or not should be left up to the State?

Let us assume a regional entity had a different plan than the State and we mandated input and they proved input to the department here in Washington, but they choose a different approach. Should the State prevail in that regard with reference to the new experiment?

Senator HATHAWAY. No; I think the local group ought to have its case heard in Washington if it so desires and for EDA to make the decision as to whether or not the State has actually usurped the local agency's prerogative.

It may well be that the local agency has a better idea than what the State has in mind. The State might veto the idea because of political reasons. The locality ought to have some voice here in Washington to let the EDA know what their plan was and let the EDA decide.

Senator DOMENICI. So whether it is a veto right or a right of appeal, you wouldn't have any particular hangup there. Someone described this as leaving the veto power in the local unit of economic development.

I am not sure that is what Senator Montoya's bill had in mind. I think it had in mind that EDA could say, "You are not giving them enough leadtime." You would not give them veto power but an input so they would not be vetoed for political reasons or—

Senator MONTOKA. Do you have any questions?

Senator BURDICK. No; but I will be happy to read your paper.

Senator HATHAWAY. Thank you.

Senator MONTOKA. We have with us this morning another distinguished Senator, Senator Bennett Johnston, and I understand that he



also has a very large delegation here from his State, I met most of them, and I certainly welcome you before this committee, Mr. Johnston.

**STATEMENT OF HON. J. BENNETT JOHNSTON, JR., U.S. SENATOR  
FROM THE STATE OF LOUISIANA**

Senator MONTOLA. Without objection, Senator Johnston's formal statement may be made a part of the record. (See p. 267.)

Senator JOHNSTON. The size and quality of our delegation is an indication of the support we have in my State for EDA and particularly for S. 3641. This bill would extend the EDA for a period of 3 years and include new long-range funding so that those in the business can plan well ahead.

First, I want to commend you and Senator Randolph for your leadership in this area. I really can't speak as an expert on EDA operations in other States, about how it has worked and its value to other States, but I can say that in Louisiana we regard it as one of our most important programs.

Louisiana, according to the last reports I received, has a per capita income of \$4,500 and lots of underdeveloped areas, unemployment, and low-paying jobs.

Mr. Chairman, the kind of programs that EDA sponsors to do away with underemployment and unemployment and of developing industrial potential, particularly in small communities and in rural areas, has been of absolutely vital importance in Louisiana.

I can't stress too strongly how important EDA is. In my section of the State, northwest Louisiana, we have one big city, Shreveport, surrounded by a lot of parishes, that don't have the potential to develop their own planning. There are very few jobs. Population is dwindling in these areas. EDA has come in and given these areas a shot in the arm. And so it is with areas throughout my State.

EDA, with its regional development districts and its ability to plan, has brought in all kinds of light industries and jobs that have been of valuable assistance, Mr. Chairman, to my State.

We do, Mr. Chairman, have a very outstanding delegation. It is my privilege and pleasure to introduce the spokesman for that delegation. To my left is Mayor Wilson Moosa of the great city of Eunice, La. He is the immediate past president of the Louisiana Municipal Association and is the incoming president of one of the Nation's best economic development districts, the Acadiana Planning and Evangeline Economic Development District. He is here today as a spokesman for the National Association of Development Organizations, and it is my pleasure to present him to you now.

He is accompanied by a strong and able group, and is spokesman for the National Association of Development Associations.

Mr. Chairman, it is my great pleasure to introduce to you my good friend, the Honorable Mayor Wilson Moosa.

Senator MONTOLA. You are welcome before this committee.

If you will permit me, I would like to ask Senator Johnston a question. Senator Johnston, in a previous hearing, the administration indicated that they wanted to phase out EDA and move into a block grant program.



Although the administration wishes to phase out the categorical grant concept in economic development, I have resisted this because I don't feel that the block grant system will work. Because no strings are attached to the block grants made, I am afraid that the local political subdivisions might develop other priorities, not knowing how to utilize the money in economic development because of lack of expertise or lack of staff. Would you comment on that?

Senator JOHNSTON. I would oppose a move to phase out EDA. As the chairman points out, the value of the present EDA structure is that it requires a number of smaller governmental units to work together. It gives them a grant specified for their own planning and their own cohesive action, and by doing so, by uniting these governmental units, greater expertise and personnel and better planning are realized.

I think if you gave the money directly to the principal State governmental unit, it would be very difficult to get this kind of concerted cohesive action.

I think the present EDA program affords Washington the most effective role it can play. Generally speaking, I am for the concept of the greatest power in the lowest governmental unit possible; it is a theory that usually works well. But in economic development district areas, I think it works much better to fund this program as a program with uniform guidelines as to how to use the money because we have a concept here that works, and that works very well, Mr. Chairman.

Senator MONTOYA. Thank you, Senator.

[Senator Johnston's statement follows:]

STATEMENT OF HON. J. BENNETT JOHNSTON, U.S. SENATOR FROM THE STATE  
OF LOUISIANA

Mr. Chairman, I am pleased to have this opportunity today to tell you of my strong support for S. 3641, a badly needed bill to extend for three years the Public Works and Economic Development Act.

I am accompanied by several leading citizens of Louisiana, one of whom, Mayor Wilson Moosa of Eunice, Louisiana, will testify this morning representing the National Association of Development Organizations.

This is the second time in my two years in the Senate that we are seeking to overcome inexplicable opposition and extend a federal program that has more than proved its worth.

Notwithstanding the acknowledged success of the Economic Development Act, the Administration moved last year to abolish it. Fortunately, we in the Congress kept it alive for another year. That year has elapsed with no discernible softening in Administration opposition, so we must fight this battle again.

It is a battle I am pleased to join, and I commend Senator Montoya and Senator Randolph for their recently introduced bill to extend these effective programs not for just one year but for three.

Some of the provisions of S. 3641 are innovations that should improve upon the existing program. But even without these, those of us who believe in this program are more than pleased at the three-year extension and the increased funding authorizations.

I am quite serious when I say that I cannot comprehend efforts to do away with a program that has done so much in its nine years of existence. Programs of dubious merit and far greater cost are kept alive without much difficulty, but efforts continue to axe a program that I daresay has paid for itself several times over.

I cannot speak for its success nationwide in specific terms, but I can do that for Louisiana. In our state, EDA has operated not as a handout mechanism but as an effective aid for people and communities who want to help themselves.

In Louisiana at least, EDA has adhered closely to its 1965 mandate to target on areas of high unemployment or underemployment. Both through direct assist-



ance from Washington and particularly through superb regional development districts, it has done that job well in Louisiana.

The mark of its success can be summed up in one word: jobs. By developing the industrial potential of smaller communities and rural areas, this program has brought in literally scores of employers ranging from small light industries to substantial assembly-line manufacturing concerns. In the process, thousands of people have improved their lot and the unemployment rolls have plummeted.

Much work remains to be done, and the machinery of EDA and the multi-county cooperation it has fostered, are proven vehicles to achieve it.

But if we are to work effectively, we must end this year-to-year uncertainty. Long-range planning is essential in this area, and S. 3641 provides both the time and the money to bring this about. For that reason and others, I am pleased to add my support as a co-sponsor.

In closing, Mr. Chairman, I am also pleased to introduce to you a good friend of mine and one of Louisiana's outstanding local government officials. Mayor Wilson Moosa of Eunice is the immediate past president of the Louisiana Municipal Association and is the incoming president of one of the nation's best economic development districts, the Acadiana Planning and Evangeline Economic Development District. He is here today as a spokesman for the National Association of Development Organizations, and it is my pleasure to present him to you now.

Senator MONTROYA. Mr. Moosa, you may proceed. Do you wish to read your statement, or do you wish to submit it for the record and then highlight it?

**STATEMENT OF WILSON J. MOOSA, MAYOR, EUNICE, LA., ACCOMPANIED BY GEORGE W. MURRAY, PRESIDENT, SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT**

Mr. Moosa. I would love to read it and make a few comments.

Senator MONTROYA. Fine. You may proceed, sir.

Mr. Moosa. Senator Montoya and members of the Senate Subcommittee on Economic Development of the Committee on Public Works, thank you for this opportunity to appear before you in support of S. 3641, a bill to extend and amend the Public Works and Economic Development Act of 1965, as amended.

I am Wilson J. Moosa, mayor of Eunice, La., a city of 11,690, and president of the Evangeline Economic Development District Council.

I am also immediate past president of the Louisiana Municipal Association. The Evangeline district is composed of 8 parishes and 46 municipalities in the French-speaking part of south Louisiana. The combined population is 500,000.

Joining me at the witness table today is George W. Murray, president of the Southeastern New Mexico Economic Development District.

We are all board chairmen of economic development districts in our home areas, and are in Washington this week to attend the annual meeting of the National Association of Development Organizations.

In addition to my fellow NADO witnesses, I have been accompanied to this hearing by many other delegates to the NADO meeting who are here today to express their interest in Senate 3641.

We recognize that because of your time limits, my statement should be brief. Therefore, with your permission, I will express my personal opinions and observations regarding the importance of the EDA program. First, I want to express strong support for a specific part of the EDA program, the district program. Not too long ago, unemployment rose as high as 14 percent in our area, which has been primarily agricultural.



Like many other rural areas the economy is changing to an industrial base. During this change, the Economic Development District was the vehicle for a tremendous example of community action.

By working together under the district umbrella, aided by economic development planning, and grant and loan moneys, the local elected officials got together and identified our problems and then used our resources and common strengths to seek solutions to our problems.

The major problem we have found in working with EDA is the uncertainty of the program. The year by year extensions, the proposals to eliminate the program, losses of key personnel, and cutback funds have presented problems to us. It has forced us at the local level to make a success of the program in spite of the administration.

We are happy to see the administration finally sees the need for the program and its extension.

The bill before you has many strong points. It provides ample funding, an extension of more than 1 year, and an implied commitment to write a new and stronger economic development and national growth policy program.

Both the House and Senate bills include a number of "new federalism" concepts reflecting the wishes of the administration. Both bills include a recognition of the need for a State and district partnership. Both bills recognize the need for separate funding for the district programs instead of a dependency on limited and uncertain technical assistance funding.

Both bills recognize the need for planning and funding help for pockets of unemployment in the cities.

The members of NADO have individually recognized that the changes in both the House and Senate bills in title I will make at least 100 new districts in the United States eligible for funding. We are delighted with this change and support it wholeheartedly.

We recognize that there might be differences between the House and Senate bills in reference to title IX. Member districts have decided not to become involved in this difference.

We support the efforts of the House bill as we support the efforts of the Senate bill. We have every confidence that the members of the two Houses are aware of our problems and needs and we have supreme confidence that the conference process will produce a final bill that is acceptable to our membership.

If you will permit me, I would like to tell you briefly what EDA has done in our district which is typical of the seven districts in Louisiana.

We have a staff of 10 of which 4 positions are funded by EDA. These people are the economic development staff of every policy jury and city council in the district. We could not begin to solve our problems without this help.

The Economic Development Administration has also helped solve some of our problems by investing \$5.5 million in the people of the Evangeline district. This \$5.5 million has generated an additional \$180 million by State and local government and the private sector.

Six years ago there was not one acre of publicly owned developed industrial land in the district. Now there are 1,000 acres in seven different locations.



We predict that by 1977 there will be 12,000 jobs on those 1,000 acres. Your investment of \$85,000 in 1970 in Eunice has produced these results: I would like to give this as a specific example of what has happened.

1. 600 jobs.

2. A tripling of retail sales in 10 years.

3. And an annual increase in Federal payroll taxes of \$296,400.

Of those 600 jobs, only 10 were filled by company personnel from outside the area. The other 590 were filled by residents in four parishes in the district.

This story can be repeated time and time again in Louisiana.

Senator MONTROYA. May I ask this question at this point?

Mr. MOOSA. Yes.

Senator MONTROYA. What did you invest the \$85,000 in?

Mr. MOOSA. That is into an industrial park that gave us the help to get this industry and this one particular industry is seven acres under one roof. It is the largest in southwest Louisiana of any type. It manufactures fans and humidifiers and builders' products.

Senator MONTROYA. It would have been most difficult for you to raise that money locally for that purpose, is that correct?

Mr. MOOSA. Yes, sir, we could not even begin if we had not had the initial seed to plant to bring up the balance of it.

We are now working with and for each other. We have direction and purpose. With your help we are solving our problems. We ask you to continue helping us with a strengthened EDA program.

Thank you, gentlemen.

Senator MONTROYA. Thank you very much. I would like to ask you: You are a member of the National Association of Development Organization?

Mr. MOOSA. Yes, sir.

Senator MONTROYA. And you have as your current president Mr. Nick Salazar of New Mexico?

Mr. MOOSA. Yes.

Senator MONTROYA. And a new president who will take office when?

Mr. MOOSA. This week.

Senator MONTROYA. Who is he? Is it John Ladd?

Mr. LADD. Yes, sir. John M. Ladd.

Senator MONTROYA. I will get from him, how the Economic Development Districts throughout the Nation feel about this, but, I would like to ask you the same question I asked Senator Johnston.

Is it your feeling that the concept which we have developed through the years should continue rather than going through a transition which will merely require a block grant from Washington?

Mr. MOOSA. Senator and Mr. Chairman, I feel when you have got a good vehicle, you should keep it and improve it. I don't think there should be any change. I think this program, EDA, is the greatest thing that this country has ever had and to my estimation public life in the last 30 years.

This services the people where it is needed in the rural area. We are fighting today all over the Nation and the mayors are fighting in the large cities with this problem, if we could keep people home in the rural areas, which we are trying to do now, which I cite to you as a



specific example, this would be the greatest thing that could happen to our country.

Senator MONTROYA. I have been very concerned about the block grant system because I feel we will lose the staff that we have at the local economic district level. We would lose the experience and the expertise that has been developed by virtue of the concept which has been present in the approaches enunciated in the existing legislation, and I am hopeful that the administration will change its mind.

We have them as witnesses here this morning. I don't know whether they will change, but the Office of Management and Budget, I understand, is pressing for this kind of approach, namely, the block grant approach. I really want to thank you for presenting your testimony here this morning, Mr. Moosa. I will now ask Senator Burdick if he has any questions.

Senator BURDICK. Mr. Moosa, I want to thank you for your testimony. I have no questions, I just have an observation. I see that Evangeline still lives in southern Louisiana?

Mr. MOOSA. Yes; just great. You ought to help to keep it great.

Senator MONTROYA. Thank you very much, gentlemen.

We have with us this morning Mr. William W. Blunt, Jr., Assistant Secretary for Economic Development, Department of Commerce. I understand he has Mr. Walter Scott of OMB with him. Is Mr. Blunt here?

Mr. BLUNT. Hello, Mr. Chairman.

Senator MONTROYA. You are welcome before this committee, Mr. Blunt. Mr. Blunt has been Assistant Secretary for some time. He has always been very cooperative and has given flexibility to this particular program. Whatever I say by way of criticism is not directed at Mr. Blunt or his very efficient administration, or even at his associates.

I merely want to carry out the will and nurture the expectations of those in the rural areas of this country who want a meaningful Economic Development Act. So, Mr. Blunt, I certainly want to welcome you and Mr. Scott.

If you have other colleagues, I welcome them also. You may proceed, sir, to present your testimony as you wish. If you want to submit it for the record and then summarize it, I will leave it up to you.

**STATEMENTS OF HON. WILLIAM W. BLUNT, JR., ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE, AND WALTER D. SCOTT, ASSOCIATE DIRECTOR FOR ECONOMICS AND GOVERNMENT OFFICE OF MANAGEMENT AND BUDGET, ACCOMPANIED BY MRS. LORIE MOLNAR NALLEY, CHIEF COUNSEL, ECONOMIC DEVELOPMENT ADMINISTRATION**

Mr. BLUNT. I think what we would like to do is, first, Mr. Scott has a short statement—

Senator MONTROYA. I understand here in Washington OMB comes first.

Mr. SCOTT. Not on the floor of the House yesterday.

Mr. BLUNT [continuing]. Then I will follow.



Senator MONTTOYA. Mr. Scott, you are certainly welcome before this committee. I hope that you will give us fruitful words of wisdom.

Mr. SCOTT. I will make no guarantees on that count, but it is a pleasure to be here today and to have an opportunity to testify on this very important piece of legislation.

If I may, I will summarize briefly my statement and submit it for the record if that is your wish.

Senator MONTTOYA. Why don't you just read it all so the witnesses can hear you. I think this is very important.

Mr. SCOTT. All right.

Mr. Chairman and members of the subcommittee: I appreciate the opportunity to appear before your subcommittee today to discuss S. 3641, a bill to amend the Public Works and Economic Development Act of 1965. I will keep my statement short, and will then be happy to respond to any questions you may have.

S. 3641 includes several features which I believe will permit important improvements in the current economic development programs. With a few additional improvements which Mr. Blunt and I will briefly discuss this morning, we believe this bill will permit a good transition to future legislation which we hope will make even greater improvements in these programs.

This bill, with revisions, could provide the basis for a revitalization of these economic development programs and will be legislation which both the Administration and this subcommittee can strongly support.

As I have previously indicated to you, we believe it is important that the Congress and the Administration work together to chart the future course of these programs. That is the only way we can remove the uncertainty which inhibits the effective management of this assistance effort.

I believe we have a unique opportunity now to develop legislation which will establish the framework for many improvements in the future.

Several of the proposed amendments included in S. 3641 are changes that we can endorse as substantial improvements.

Senator MONTTOYA. Are you talking about the bill before the committee?

Mr. SCOTT. Yes, sir.

Senator MONTTOYA. All right.

Mr. SCOTT. As I previously indicated to you, several of the proposed amendments included in S. 3641 are changes that we can endorse as substantial improvements. The amendment in title II to broaden and expand the authority for loans and loan guarantees will provide an additional capability to the Economic Development Administration to respond to economic development needs.

The amendment to permit creation of an economic development district with only one redevelopment area is a much needed improvement.

The specific authorization of planning grants to States to help them develop overall State plans in cooperation with districts and communities is certainly an essential step in improving these programs.

The proposed new title IX will provide a whole new dimension to the current economic development programs. It will permit a quick response to new economic problems facing communities. It will help those communities adjust to changed economic conditions, to minimize individual hardship.



And it will help prevent creation of new economically distressed areas.

Although this title does not include all of the features proposed by the Administration for the Economic Adjustment Act, we believe that it will provide the basis for an effective demonstration of some new approaches to economic development and adjustment.

I now want to briefly discuss some of the proposed changes to S. 3641 which would permit the Administration to support its enactment.

#### TITLE I FUNDS FOR STATES

Section 303(d) provides for a fund for States to enable them to finance the local share of development projects funded under title I. This is a very commendable innovation, and will help assure improved coordination of Federal, State and local economic development efforts.

This is an example of things we have learned from these programs in the past. The similar feature in title V relating to the regional commissions has shown the value of a State involvement in development projects.

We strongly believe, however, that this proposed new provision should be revised to more closely track the principles established in title V. Specifically, rather than just using the funds for the local share of development projects, the State should be given the authority also to use the funds to provide all or any portion of the basic Federal contribution to economic development projects authorized under the provisions of section 302(b).

#### GREATER RESPONSIBILITY FOR DISTRICTS AND REDEVELOPMENT AREAS

One of the principal criticisms of the existing legislation is that the economic development districts and redevelopment areas do not have adequate flexibility to use Federal assistance in the most effective ways to deal with their problems.

We think it is essential to allow greater responsibility for the districts and redevelopment areas in those cases where they have the planning and management capability to effectively use the Federal assistance without continual hand-holding by the Federal Government.

To achieve this, we propose an additional provision in S. 3641 which would give the Secretary of Commerce the ability to use up to 20 percent of the funds appropriated under titles I through IV for the purpose of providing increased flexibility and responsibility to selected districts or redevelopment areas.

The Secretary would provide a grant to a district or redevelopment area for use by them for any of the purposes authorized by titles I, II, III and IV, in accordance with their approved economic development plan.

This approach will give recognition to districts and areas which have developed outstanding planning and management capabilities, as well as provide incentives to others to improve their capabilities.

#### PUBLIC WORKS IMPACT PROGRAM

S. 3641 would require that a minimum of 25 percent of the funds under title I be used for the public works impact program. We believe



that this is a very undesirable provision. Evaluations of this program show conclusively that this is an extremely poor use of our limited resources.

We are not suggesting that the PWIP program should be entirely eliminated. There may be circumstances where it would be desirable to provide assistance without waiting for a development plan, but it is clear that we cannot effectively use 25 percent of title I funds on this basis.

Accordingly, we urge that this minimum requirement be deleted.

Failure to remove that requirement will result in funding many projects which have little impact on solving the unemployment or income problems of the communities, and it will result in continued strong criticism of the EDA programs as represented by these projects.

#### TERM OF THE EXTENSION

The proposed bill would extend the authorization of funding for these programs for 3 years, through fiscal year 1977. As you know, the administration originally proposed only a 1-year extension of the current legislation pending development of new legislation.

However, if it is possible to obtain the improvements included in S. 3641, with the additional changes we are recommending, a 2-year extension would be acceptable. A 3-year extension is too long.

Even though we can make substantial improvements now, we should continue to be working to improve the program. We should set for ourselves the target of developing further improvements for inclusion in the legislation as it is extended in 2 years.

With these proposed revisions, and those which will be suggested by Mr. Blunt, the administration would strongly support enactment of S. 3641.

I will be happy to try to answer any questions you may have.

Perhaps Mr. Blunt ought to make his statement first.

Senator MONTOLA. Yes, I think we should hear Mr. Blunt and then ask both of you questions.

Mr. BLUNT. Thank you, Mr. Chairman. With respect to your question about OMB always going first, as an attorney—

Senator MONTOLA. I might comment that there is really some encouragement coming out of OMB through this testimony. Heretofore, we were under the impression that there was no sympathy down there for this program, and I want to congratulate you, Mr. Scott, and thank you for opening up your heart and giving us compassion from OMB.

Mr. SCOTT. There is no heart in OMB, Mr. Chairman.

#### STATEMENT OF WILLIAM W. BLUNT, JR., ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE

Mr. BLUNT. I was going to say that being an attorney, I also recognize the value of having the last word.

If I could read my statement quickly that would lay the groundwork for whatever questions the committee might have.

Mr. Chairman, I want to thank you and the members of the subcommittee for the opportunity to present the views of the Department of



Commerce on S. 3641, a bill to amend the Public Works and Economic Development Act of 1965, and to extend its authorizations for 3 years. I have with me Mrs. Lorie Molnar Nalley, Chief Counsel of the Economic Development Administration.

I think the best way to respond to your invitation to testify is to present our general comments on the proposed amendments, and then make detailed comments on a title-by-title basis. In order to save time, I will focus on those provisions that are contrary to our recommendations.

Senator MONTROYA. Mr. Blunt, I would like to have a little recess here for 5 minutes if you don't mind.

Mr. BLUNT. Not at all.

[Brief recess.]

Senator MONTROYA. You may proceed now.

Mr. BLUNT. Thank you, Mr. Chairman.

### THREE-YEAR EXTENSION AND AUTHORIZATION LEVELS

S. 3641 would extend EDA's programs for 3 years at considerably higher annual authorization levels. We recommend, however, a 2-year extension at lower authorization levels.

We are in favor of only a 2-year extension because of the need to revamp the current approaches to economic development. As you know, the Secretary of Commerce, Mr. Frederick B. Dent, testified before you early last April that although EDA has carried on many worthwhile programs, there are a number of shortcomings in these programs.

During the past few months, both the Administration and the Congress have studied and discussed possible improvements in these programs, as well as alternative programs. These discussions have been beneficial.

S. 3641 certainly reflects these discussions, and offers significant and commendable improvements to EDA's programs. We believe, though, that the Public Works and Economic Development Act should only be continued on a transitional basis while the discussion regarding improvements and alternatives continues.

A 3-year extension would therefore be too long, whereas a 2-year extension would allow us more than enough transitional time to achieve this goal of a well-reasoned, improved approach to economic development.

Also, we recommend that the authorization levels be more in keeping with the fiscal year 1974 levels. Realistically, we expect that appropriations for fiscal year 1975 will be well within EDA's present authorizations.

For example, in fiscal 1974 these programs were authorized at the \$430 million level and received program appropriations of \$262.5 million.

### TITLE I

#### PUBLIC WORKS IMPACT PROGRAM (PWIP)

S. 3641 also proposes to continue a required level of spending under title I for the public works impact program, better known as PWIP.



The goal of PWIP was to provide immediate useful work to the unemployed in areas of high unemployment.

On most projects, this goal has not been achieved, and PWIP has proven itself both inefficient and costly. Moreover, the mandatory funding of these projects detracts from EDA's long-range economic development program. We therefore strongly oppose a required level of spending for PWIP.

#### OPERATIONAL GRANTS FOR HEALTH AND EDUCATION PROJECTS

The proposed bill also amends title I to allow EDA to make grants for the operation of health and education facilities constructed under title I.

We recommend against this provision.

EDA lacks extensive experience in handling such operational grants. Moreover, the inclusion of a new categorical grant program would further fragment the administration of EDA programs.

If, however, the Senate chooses to retain a provision for operational grants, we recommend that the title III supplemental grant program for States proposed in S. 3641 be further broadened to permit the States to use the fund for operational costs.

### TITLE III

#### PLANNING GRANTS

S. 3641 would amend title III to enhance the economic development planning capabilities of State and local governments through EDA planning grants.

Many of these governmental entities are lacking in their ability to plan for economic development.

I am certain that any assistance that EDA can provide to increase State and local planning capabilities will be welcomed by them, and will increase the efficacy of EDA's grant and loan programs under titles I and II as well as other programs of Federal assistance.

Any State receiving this assistance would be required to prepare its economic development plan in cooperation with local governments.

We are in favor of this provision. Cooperation in planning among all levels of Government is necessary to improve economic development.

At the end of the proposed new subsection 302(b), S. 3641 also requires, and I am now quoting from the bill, that "such State plan shall, to extent possible, be consistent with local and economic development district plans."

We believe that this phrase is vague and could have undesirable results. For example, it could be interpreted as giving local governments, in effect, veto power over State plans.

We recommend against any language in the bill that might allow local governments to control State planning. This provision would also upset the A-95 regulations on administrative procedures now followed by the Federal Government in the implementation of grant programs.

If, in fact, the purpose of subsection 302(b) is to require cooperation in planning, we urge clarification of this intent by deleting the last phrase in subsection 302(b), as I quoted.



S. 3641, also places an annual ceiling of \$15 million on planning grants made to States under subsection 302(b). We recommend against this ceiling. This restriction may limit the effectiveness of the subsection, and impede State planning.

Since the objective of the subsection is to improve State planning capabilities, a limitation on the amount of funds available for this purpose seems counterproductive to the objectives of the subsection.

If a ceiling of some type is to be imposed, we prefer the approach of S. 3641 over the corresponding provision in H.R. 14883.

The Senate bill uses an absolute dollar figure, which is easier to administer than the percent limitation on appropriated title III funds included in the House bill.

#### SUPPLEMENTAL GRANTS

Finally, the Senate bill would amend title III to add a \$100 million program to supplement title I grants. This money would be allocated among the States based on the percentage of title I money each State has received since the inception of EDA in 1965.

Under the proposed amendment, the supplemental funds may be used to reduce or waive the presently required share of the cost of projects imposed on title I grantees.

We assume that these funds may also be expended on title I projects for other supplemental purposes. The language of the bill indicates that use of the funds to reduce the non-Federal share is an authorized use, and there is no indication that this language is intended to prevent the spending of these funds for other purposes.

We recommend, however, a broadening of the proposed supplemental grant program beyond this interpretation.

Additional language should be placed in this provision to allow the use of these supplemental grants for all or any portion of the basic Federal contribution to projects authorized under titles I through IV, which would correspond to the first dollar authority of the type the title V of the Commission now have.

#### INCREASING THE ROLE OF DISTRICTS AND REDEVELOPMENT AREAS

We believe that the flexibility and effectiveness of EDA's programs could be further enhanced by giving the Secretary a discretionary fund of up to 20 percent of the funds appropriated under titles I through IV.

As Mr. Scott has testified, the purpose of this fund would be to provide grants to districts or redevelopment areas which could be used by them as they determine appropriate so long as consistent with their overall development plans approved by the Secretary.

#### TITLE IV

##### INDIAN PROGRAM

The proposed bill would amend title IV to authorize \$25 million annually for Indian tribes in addition to their eligibility for title I grants.

As you know, EDA currently has a grant program for Indians, and we anticipate an appropriation of \$30.2 million to continue this



program in fiscal year 1975 until passage of the "Indian Tribal Government Grant Act."

We recommend against, however, a special authorization for Indians in our act.

Until the Congress authorizes an alternative program for Indians in the Department of Interior or other agency, the Department of Commerce will continue to provide assistance to Indians without special language. Accordingly, there is no need for this additional language.

#### REVIEW OF PLANS

In title IV, we recommend an additional provision to encourage cooperation between State and sub-State areas which is not similar to provisions in either the Senate or House bills.

Section 403 of the EDA Act should be amended to add a subsection (k) to require State review of all sub-State economic development plans and requests for assistance.

In conducting this review, States should indicate whether these plans and requests are consistent with State plans and priorities, but should not have veto power over local actions.

#### TITLE IX

S. 3641, would also add a title IX to the Public Works and Economic Development Act of 1965. The purpose of this title is to implement an innovative program to meet special needs arising from actual or threatened economic dislocations such as those caused by the Federal Government when it closes a military base or enforces environmental regulations.

The proposed title IX contains many of the key features of the previously introduced "Economic Adjustment Act of 1974."

#### UNEMPLOYMENT COMPENSATION

As a transitional program, we are very much in favor of title IX as it appears in the Senate bill, with one exception. The bill allows eligible recipients to use title IX grants for unemployment compensation.

We are opposed to this type of authorization for an unemployment compensation program. We believe the limited resources of title IX should be focused on the objective of alleviating unemployment by helping to stimulate employment opportunities, rather than directing resources to unemployment compensation.

#### CONCLUSION

There are several other provisions in S. 3641 which we favor, although some of these provisions have not been discussed in our testimony.

Some of these provisions are largely of a technical nature, while others expand EDA's ability to make and guarantee loans, render it easier for EDA to provide assistance in economic development districts, and increase coordination among entities engaged in economic development.



All of these provisions will add some measure of increased efficiency in economic development.

We hope that we can work with you and your staff to develop a revised S. 3641 which we can all support. We want to thank you again for allowing us to present our views.

If you have any questions, we would be glad to answer them.

Senator MONTROYA. Thank you very much, Mr. Blunt. I think we have come a long way since we discussed this matter a few months ago.

I think the Congress and EDA and the administration are about ready to go on an economic honeymoon. We are narrowing the gap.

Let me ask these questions of Mr. Scott before I ask you some more.

With respect to title I of the bill which is the public works impact program, why are you opposed to this program?

Mr. SCOTT. Title I?

Senator MONTROYA. Yes.

Senator MONTROYA. Thank you very much, Mr. Blunt. I think we have suggested, believe that perhaps it should be made more flexible.

The problems we have had with it in the past are not fundamentally problems with title I, but the problem of who is making decisions on where we are going. We felt it desirable to give EDA development in the States more latitude.

Senator MONTROYA. The public works program in title I, that is PWIP—

Mr. SCOTT. The 25 percent of title I that is PWIP has presented major problems, and a study undertaken by the Department of Commerce has been presented to both Houses, which lays out some of the difficulties with those PWIP programs.

The problems relate to such things—as I recall the figures—it requires \$33,000 worth of expenditures under this program to create 1 man-year of employment.

We believe that there are more effective and efficient means of creating that kind of employment, and because of the short-term nature of these programs and the forced expenditures of 25 percent of the funds in this direction, there may be incentives to do things which, in fact, do not broaden the economic base of a particular geographic area.

Senator MONTROYA. Are you objecting to the 25 percent of the funds provision?

Mr. SCOTT. Yes, sir. There are occasions when these funds can be used effectively, but unfortunately, a forced dollar amount does not recognize the fact that there is some degree of unpredictability in terms of the number of opportunities to expend these funds well.

Senator MONTROYA. Then you would suggest only that the 25-percent limitation be eliminated from this provision?

Mr. SCOTT. Yes, sir, but the inclusion of this provision be continued so that latitude will exist, but without a mandatory spending figure in it.

Senator MONTROYA. All right, what about the authorized amounts?

Mr. SCOTT. Well, as Mr. Blunt testified, we find the authorized amounts to be on the high side and would recommend spending levels closer to the spending levels of the year which we have just completed, in that we don't feel that the kind of dollars that are in the bill now can be spent responsibly.



Senator MONTOKA. Under the present bill, or the present law, under the present appropriation, I assume that you are talking about this, the total appropriation was \$200 million? \$250 million?

Mr. SCOTT. \$283 million is the figure I have.

Senator MONTOKA. Yes, sir.

Mr. SCOTT. As you may recall, in the fiscal 1975 budget, we requested \$330 million worth of funds for both the transitional program as well as the new proposed economic assistance legislation, so that it is our feeling that within that kind of a range is the kind of dollars that can effectively be spent on this program.

Senator MONTOKA. Well, I know that you are requesting more than last year, but you have cut it to the barebone last year, and now you are just putting a little meat on it, when you suggest \$330 million, and we want to put some more flesh into this program.

Mr. SCOTT. Let me put it this way, that a number of the aspects of this program essentially will be new program aspects, and that we do believe, as I believe I indicated in my testimony in connection with the economic adjustment assistance proposal, that depending upon how effectively we see these programs working, the administration's request for funds next year might well be different.

I should also indicate a concern that we have that is a concern that is obviously shared by the Congress as well in terms of the pressures on the Federal budget, and there have been a number of resolutions and letters, and so on, that we have received from the Congress suggesting fiscal restraint, and unfortunately, there is a limited amount of funds available.

Senator MONTOKA. I think that the Congress is going to exercise quite a bit of restraint on expenditures.

For myself, I would like to cut out \$5 billion for foreign aid and \$2 billion that you are requesting for international lending institutions by way of subscription on the part of the U.S. Government—that is \$7 billion—and I would like to cut about \$5 billion from the Defense budget; that is \$12 billion; and out of that saving, I would like to get about \$700 million for economic development in this country.

Mr. SCOTT. Obviously, overall priorities will be reviewed by Congress.

Senator MONTOKA. We will cooperate with you. If you want to use the knife, we will do it with you on those programs that I don't think are doing our country too much good in the foreign aid field.

I think we realize, Mr. Scott, that there are many people in this country who really want to see the rural areas come back into their own and prosper economically.

In the West now, this year, we have quite a drought, and the farmers are going to be affected, the cattlemen are going to be affected.

They are already going broke, and we have got to revitalize our economy in these rural areas.

Now, we need vocational schools. I don't know whether the Office of Management and Budget has made a study of this, but there is a transition going on whereby industry is not using too many college graduates schooled in the liberal arts. Industry is now trying to recruit people who are the recipients of technical training, vocational training.



We are going into that kind of a revolution in employment in this country, and we are not doing enough by way of constructing vocational schools.

Now, the local school districts are bonded to capacity. The taxload on the part of the local citizenry is something else. We have to anticipate all these needs. They are already upon us.

I personally don't think that it is an unwise expenditure to appropriate moneys for the construction of vocational schools, for the development of technical staffs for economic development. These staffs will work on a pooled basis with any local economic development districts. This is the concept that we are trying to develop and we are trying to expand upon these programs because the need gets greater every year.

As you know, I have tried to cooperate with the Office of Management and Budget, and sometimes on the plus side, too. I am hopeful that you, in the Office of Management and Budget, and you, Mr. Blunt, will try to be a little more pragmatic, although I realize that you are bound by the edicts of the Office of Management and Budget and the constrictions that are applied to your department.

But that is what we are talking about here, Mr. Scott.

Mr. SCOTT. Let me say that certainly the administration shares your concern in this whole area and that is one of the reasons we aggressively support the manpower assistance legislation, the Rural Development Act, and so on.

We recognize that there are needs although we view the economic development programs to some extent as supplementing lots of different programs brought to bear on the problems which rural America suggests.

We share the concerns and are trying to work with you in terms of tailoring them into the program which will be effective.

Senator MONTORA. How much money do you have in the rural development programs?

Mr. SCOTT. There is \$1 billion in the comprehensive manpower training and assistance as I recall—

Senator MONTORA. We have had this for years.

Mr. SCOTT. No, that was passed early this year, February or March.

Senator MONTORA. We have had a manpower training program under the Department of Labor.

Mr. SCOTT. There have been some categorical programs funded differently. This would give the States and localities much greater latitude in dealing with their individual kinds of unemployment and training programs which may exist. Unfortunately—

Senator MONTORA. This is being administered by HUD?

Mr. SCOTT. No; the Department of Labor.

Mr. BLUNT. If I gave a figure, it would be just off the top of my head. In fact, I would say—

Mr. SCOTT. I am sorry, I have got the two exchanged. The RDA has \$1 billion worth of obligations requested in fiscal 1975 and the comprehensive employment and training is \$2 billion in fiscal 1975.

Senator MONTORA. What can they do by way of economic development?



Mr. SCOTT. In terms of the kinds of things you addressed yourself to, training and vocational, they can do a great deal. There is a lot of flexibility in this \$2 billion to work in that area.

Senator MONTROYA. How much has been expended this year?

Mr. SCOTT. The obligation is \$1.9 billion for fiscal 1974 and I assume it is something close to that.

I would be delighted to provide the exact figure for the record, if you would like.

Senator MONTROYA. That encompasses manpower training programs throughout the country?

Mr. SCOTT. Yes.

Senator MONTROYA. How much is that?

Mr. SCOTT. I don't know what the categorical level was prior to this; again, I would be pleased to provide it for the record if you like.

[Mr. Scott supplied the following information:]

*Obligations for manpower training programs—Department of Labor*

|                          | <i>Millions</i> |
|--------------------------|-----------------|
| 1973 -----               | \$1,433         |
| 1974 (preliminary) ----- | 1,947           |
| 1975 (estimated) -----   | 2,050           |

Senator MONTROYA. This does not provide training by vocational schools unless it is in cooperation with industry?

Mr. SCOTT. As I recall the legislation, you have complete latitude to do it in cooperation with industry or independently.

Senator MONTROYA. You can't make any grants to vocational schools under manpower training unless you certify a project and approve it, requiring the training of individuals for a specific industry which will be located nearby?

Mr. SCOTT. The individual State will set the ground rules. Those guidelines do not exist within the Federal law.

Senator MONTROYA. Under this, what can you do by way of locating and making grants for industrial parks?

Mr. SCOTT. These funds are available for relocating people. They are not available for the construction of title I EDA sorts of projects.

Senator MONTROYA. So there is no construction?

Mr. SCOTT. That is right.

Senator MONTROYA. You cannot build vocational schools with them?

Mr. SCOTT. I don't believe you can, but you could, in fact, rent space.

Senator MONTROYA. You cannot build health clinics?

Mr. SCOTT. I am sure that is true.

Senator MONTROYA. You cannot fund health clinics or hospitals?

Mr. SCOTT. I believe that is right under this particular item.

Senator MONTROYA. What about sewers?

Mr. SCOTT. I don't know.

Senator MONTROYA. Water works?

Mr. SCOTT. You can't.

Senator MONTROYA. That is the role that economic development plays in making grants for industrial parks when they can make grants for almost anything under economic development.

Mr. BLUNT. In the Rural Development Act, there are authorities for water and sewers, there is some authority for industrial park de-



velopment and some authority for direct assistance to business, and looking at the figures that I have here, that comes to somewhere in the neighborhood of \$400 million.

Senator MONTROYA. How much have they done in that?

Mr. BLUNT. I can't answer that in terms of dollar figures.

Senator MONTROYA. Do you know of any?

Mr. SCOTT. They have done some, but we don't have the figure with us.

Senator MONTROYA. I am not aware of any that they have done, that is why I am asking this question.

Mr. BLUNT. The contact that we have had for the most part, in the field, has been in the area of business loans assistance, and I do know that the FHA—the Farmers Home Administration—field offices are now equipped to accept applications for those loans and the applications have been coming in.

Senator MONTROYA. They have been doing that for years.

Mr. BLUNT. Not directly to industries to create jobs.

Senator MONTROYA. No, Mr. Blunt, to rural areas for the improvement of homes and to water systems in rural communities.

Mr. BLUNT. Part of the new authority is directed toward the types of activity which EDA has been involved in, which is infrastructure designed not only to serve residential purposes and agricultural purposes, but on a scale which would also serve industrial purposes, and these are the particular titles that I am referring to out of the Rural Development Act.

The others, of course, are continued, so in effect what the Rural Development Act amendment of the Farmers Home Administration Authority of 1972 did was, among other things, was to add considerably broad authority for these additional types of activities for rural areas generally.

Senator MONTROYA. Well, can you tell me specific projects that have been approved by this agency?

Mr. BLUNT. We can certainly supply that for the record.

[The information to be furnished follows:]

#### PROJECT LOANS AND GRANTS MADE UNDER THE RURAL DEVELOPMENT ACT

1. Community Facility Loans—102 made at \$49,830,700.
2. Industrial Grants—136 made at \$9,996,700.
3. Water and Waste Facility Loans—1,326 made at \$469,990,095.
4. Water and Waste Grants—241 made at \$23,763,300.

Senator MONTROYA. They don't give any technical help, do they, to States for planning activities or to development districts?

Mr. BLUNT. No money has been appropriated to any technical assistance program. There is a fund for planning programs of about \$10 million, I believe.

Senator MONTROYA. Well, that just won't go very far in the United States, will it?

Mr. BLUNT. Well, it has to be looked at in the context of all of the different planning programs, including EDA's planning assistance program and the title 701 program which is a comprehensive program which does reach down into smaller communities, although not quite as small as the FHA communities, so I think in the scheme of things, it represents a significant addition, but it has to be looked at in this broader context.



Senator MONTORA. Let me mention just a few of the projects EDA has been instrumental in bringing to reality with respect to grants to Indian pueblos or villages. Most of the pueblos now have community houses where they have their local offices, and some have complexes for manpower training within these community houses. If it hadn't been for EDA, these would not have been constructed. We have quite a few in New Mexico.

As you know, we have an Indian center in Albuquerque, a marketing center now because of what EDA did; and this would not have been possible under the Rural Development Act. It certainly wouldn't be possible under BIA funding.

Now, we have quite a few vocational schools which have been constructed in New Mexico through EDA funding. These would not have been possible had we not had this concept in the law and had we not funded EDA.

Now under the Rural Development Act, we cannot construct these types of buildings and this is what I am thinking about. I am thinking in terms of helping these communities which cannot afford to build some public buildings and be useful in economic development.

That is why title I is so important in this bill. How can we do this under the other laws if we cast aside title I?

Mr. BLUNT. We have to distinguish between title I as a whole and the mandatory spending on the public works impact program because in the Indian program that EDA has conducted in the past—as an example, we have found within the authority, and without public works impact, we have found authority on Indian reservations to begin, we might say, at a more basic level or basic step in the development process to fund some of the types of projects you have described as the first step on Indian reservations toward long-term development because the Indians, in many cases, are one step or two steps behind other communities in being able to build this kind of base to work from in terms of job creation and economic self-sufficiency so in fact, we have, for instance, in the Albuquerque Cultural Center. It was or will be funded by EDA, the money was funded as a long-range development project, not as a public works impact project. So I think there is a fair scope of authority outside of the public works impact authority, and that the principal benefit to us of the public works impact authority which, as you know, we opposed systematically from the beginning because we did not feel it was going to be the answer to the types of problems the EDA has tried to attack in the past, is that it does provide some flexibility which we feel could be kept in the act and still be acceptable, but we simply don't feel that we need the authority to do all of the long-range economic development projects of the kind you described.

We funded vocational technical schools under our long-range authority, not under our public works impact.

Senator MONTORA. Then, on page 2 of my bill, I have starting at line 3:

For each of the fiscal years ending June 30, 1975, June 30, 1976, and June 30, 1977, not to exceed \$30 million of the funds authorized to be appropriated for each such fiscal year shall be available for grants for operation of any health or educational projects heretofore or hereafter funded under this title, and such grants may be made up to 100 per centum of the cost thereof for a two-year



period, and 70 per centum of the cost thereof in any succeeding fiscal year for which such grant is made.

Do you have objection to that?

Mr. BLUNT. We feel that would add authority to title I.

Senator MONTOLA. That would what?

Mr. BLUNT. That would add authority. That is not the type of grant we felt we were authorized to make under that title in the past.

We are opposed to taking on that authority because we feel that it represents an additional administrative problem and would divert money from a goal which, with revenue sharing and with other sources, can find other places to be done.

We do, under our technical assistance problem and have in the past, helped with the starting up of the vocational technical facilities, for instance, which we have funded. This has been on a basis where we have been able to be reassured that through other Federal, State, local, or private business resources, the continuing operation of the facility would be funded by another agency.

Senator MONTOLA. You haven't had any difficulty in this respect, have you?

Mr. BLUNT. We have not had difficulty in being able to fund them on this basis—

Senator MONTOLA. In fact, I am glad you have that condition on the grants, because otherwise some of these school administrators, after the building is constructed and delivered to them, might divert the use of the building to something else. I think it is healthy that we require that they have to contract to use that building for the intended purpose; to wit, vocational training.

Mr. BLUNT. I agree with that, the problem with the new authority is that beyond the starting up of administrative expenses, you might call it the development impurity cost that we occasionally fund out of our technical assistance, this authority seems to put out an authority for continuous support and I think pressure toward continuous support—

Senator MONTOLA. Can't you do that in the agreement? Can't you tell them that there is going to be no further obligation?

Mr. BLUNT. We can do that now, but the addition of authority would put—I think a fair interpretation of it, since we started up grants already, would be to make an obligation on our part for continuous support, and I think that would be—

Senator MONTOLA. All right, what if we eliminate that. Would you go along with it then?

Mr. SCOTT. That seems to exist, the ability to fund under title I these kinds of projects. Our real concern is the operation of those projects which is a totally different kind of EDA than we perceive.

Senator MONTOLA. That is your only objection?

Mr. SCOTT. That is right.

Senator MONTOLA. We will be glad to consider the concern.

Mr. SCOTT. Good.

Senator MONTOLA. That is your only objection to title I, I take it?

Mr. SCOTT. As well as the operation of the health education project.

Senator MONTOLA. What about just construction of health projects, and then we will worry about getting the money from HEW?



Mr. BLUNT. Right now the authority that we have which we think is adequate is to construct vocational and technical facilities, and as you know, we have constructed them. We, of course, have in our act, wisely, a provision which requires us to find out before we fund something if resources are available in other places and if there is overlapping of another program.

In view of that authority, we then tend not to fund simple hospital facilities which HEW funds and for which other funds are traditionally available. We try to do what is not otherwise available. I think we have that authority now, and I don't really see that we need any additional flexibility.

Senator MONTROYA. You have the authority to fund the construction of health clinics?

Mr. BLUNT. Where we see a long-range, economic development goal achieved by them.

Senator MONTROYA. How can you make any determination like that?

Mr. BLUNT. We have.

Senator MONTROYA. Are they related?

Mr. BLUNT. They can be very related. An area may have transportation facilities and a basic labor force and various other things, but an industry or commerce may not be attracted into the area if it doesn't have adequate health facilities, both for its labor force and for its management employees coming in.

Another thing is in the vocational technical area, the relationship is even more obvious, and it is toward these goals which the Economic Development Administration—that is to say, employment and increase in incomes—focuses its attention, not on providing the health per se, or providing training in a vacuum, but providing health and training toward the economic betterment of the community we are assisting. It is on this basis that we provided assistance for these projects in the past.

Senator MONTROYA. Have you funded any in the past?

Mr. BLUNT. Yes, sir.

Senator MONTROYA. Health clinics?

Mr. BLUNT. Yes, sir.

Senator MONTROYA. I am glad to know that because I am going to ask you for one for New Mexico.

Mr. BLUNT. Maybe I shouldn't have spoken so quickly.

Senator MONTROYA. I am very concerned about the rural areas in many of the States, Mr. Blunt. HEW is not helping provide medical care in these areas. They are doing a fine job where they are, but that is not enough. We have quite a few areas in northern New Mexico and some counties that do not have a single doctor or nurse, and that is true in many other States in the Union, and unless we do, through this act or any other act, provide these facilities for people, we are going to continue to be about fifth or sixth in the delivery of health care in the world. We are not first, you know. And it is the deficiencies in the rural areas that bring us down in the delivery of health care among nations, and I think we are prosperous enough as a nation to provide care for these people.

Now, whether we do it in this bill or in another bill, that has to be determined by the Congress and by the administration, but we cer-



tainly should have provision in here to provide health clinics when industry comes into a rural area because if we don't have the health clinics, they will not come. If we don't have good schools, they will not locate in the particular rural areas, so this is part of the package, and I am sure you are sympathetic to it.

Mr. BLUNT. I am.

Senator MONTTOYA. How do we provide for it?

Mr. BLUNT. You mentioned schools. Of course, ordinary high school and junior college education is provided through other media than EDA and I think should continue to be, and we focus on job training for the unemployed, but I think as far as being able to flexibly supply the kind of things you are talking about, the existing authority is adequate.

I think maximum authority would be obtained if some sort of program such as the Economic Adjustment Act were to be adopted where the passing on or requiring a plan which would direct itself toward all these broad problems, and the Federal Government would not insist on where we spend this money, on a health clinic or something else, and the broadest possible authority would be available. I think that your title IX goes in that direction and provides that authority, the kind of discretionary funds that we have asked for or suggested, to be able to provide grants on a sort of block grant basis to districts and be involved in areas if they submit plans for their use, tends to add flexibility.

I do not feel that we need additional specific authority in title I to be able to do this type of project or that type of project.

Senator MONTTOYA. Do you feel that you have the authority in the present law for this purpose, is this it?

Mr. BLUNT. Yes, I think we do, subject to overlap with other programs and subject to constraints that are put on us already.

Senator MONTTOYA. You could administratively, anyway, use that authority on that basis, couldn't you?

Mr. BLUNT. On what basis?

Senator MONTTOYA. The authority in this bill, Mr. Blunt, you could use it sparingly and only use it when these people cannot get grants from some other department?

Mr. BLUNT. That is the way we already use it, yes, sir.

Senator MONTTOYA. So why do you object to it then?

Mr. BLUNT. The operational expense provision?

Senator MONTTOYA. Yes.

Mr. BLUNT. Because we feel as a matter of policy that getting the physical structure in place and starting an operation on its way in this area is as much as we should be called on to do, and the community, itself, looking to other Federal agencies or to its own resources, or including State resources, revenue sharing and so on, must take the initiative from there on or it is not going to be successful.

Our experience has been that where the motivation or the push for initiative to provide these funds has not been there, that there is a tendency to coast and I think the secret of whatever successes that EDA has had and the successes that could be had under the program of the kind that the administration has proposed, would have to rely, 99 percent, on local initiatives and local followthrough to be successful.



and I think this would create a pressure toward or away from that kind of local initiative and policy.

Senator MONTROYA. With respect to the possibility that the local district, economic development districts, might have veto power over any recommendations by the State, I am inclined to agree with you that we should do something by way of clarification in the bill and I take it, also, that you certainly don't want the State planning office to have veto power over the local district?

Mr. BLUNT. No, sir.

Senator MONTROYA. And that final power should vest in the granting agency here in Washington where it belongs?

Mr. BLUNT. Within the structure of the bill and the legislation you proposed, I would say yes.

Senator MONTROYA. I have no objection to that either.

Mr. BLUNT. I think ultimately, not that I want to drift back to some previous testimony that we have had over the years, I think that a revenue-sharing or block grant approach where the ultimate responsibility is below the Federal level, would be the ultimate solution, but in the context of the bill here that we are talking about, the answer is we would want to encourage cooperation and close coordination between the States and the districts. It would not favor a veto in either direction.

Senator MONTROYA. Now, you recognize that there is a need for the construction of vocational schools in this country, do you not?

Mr. BLUNT. Yes, sir.

Senator MONTROYA. What would your agency do if funds were appropriated here for this purpose or authorized for this purpose?

Mr. BLUNT. For the construction of vocational technical schools?

Senator MONTROYA. What would be your attitude?

Mr. BLUNT. Well, I suppose if you told us to build them, we would build them.

Senator MONTROYA. I don't want to put it in that context. What is the attitude of the Administration with respect to this?

Mr. BLUNT. I think looking at the problem of vocational technical training from the viewpoint of the Economic Development Administration, we feel that our funds can best be used in a coordinated sort of program effort focused on the ultimate objective of attracting industry into an area and commercial activity, and that we should concern ourselves with that package, if you will, of activity which is necessary to achieve that goal and in that context, vocational technical schools can be quite relevant and useful.

I do not think that EDA should embark on a nationwide program of providing vocational and technical training for a number of reasons, but not the least of which is that the development of a successful, efficient, vocational technical system, even in a State, let alone the entire country, is extremely complicated, something where local decisions probably should control rather than some central Federal decisionmaking body and, also, the drain on EDA's resources would be inconsistent with our rifleshot or focus approach toward long-range economic development, so I have to answer the question really in context of what my goals as an economic developer would be.

Senator MONTROYA. Of course, the way this program has worked in the past, there has been more than the usual required amount of con-



tribution on the part of the local educational districts. For example, in Santa Fe, where there was a Federal grant of \$1 million, the school district in Santa Fe contributed \$2 million toward the vocational school. These contributions vary from grant to grant. They have never been made up to the maximum amount, percentage amount in the law, in the instances that I know of.

Mr. BLUNT. In the first place, the grant rate varies. In Santa Fe, I speak from knowledge, so I am just supposing, but usually in an area such as Santa Fe, which is a growth center area, a 50-percent grant rate is mandated by the law in any event. As to utilization of the maximum grant rate, we try to—we do not automatically utilize the maximum grant rate in a given area. Sometimes a project site makes it impractical, sometimes the availability of local resources in our judgment indicates that more initiative in this particular instance should be required of the local area.

Senator MONTOYA. The point that I want to make is that the availability of this money for the construction of vocational schools is sort of a triggering device for the local people to get interested in arranging for local funding.

Now, let me give you an example. When this commitment was made to the city of Santa Fe, we had a special election for a bond issue, and the people voted for it overwhelmingly, despite the trend to vote against bond issues. But, because of the incentive that was present there, people approved the bond issue. This encourages the local districts to get interested in a vocational school.

I might enunciate here that the conventional educators have been against vocational education in this country. That is why we don't have many vocational schools. They have been inclined to use all the monetary resources for in-house overhead in conventional education. Not until EDA came along and Mr. Jones set up the vocational school, the Smiths started copying the example, and the school administrators were put on the spot. They were asked, when are you going to provide for a vocational school here? So it caught on.

Now, vocational education is something that attracts almost every community. In Albuquerque we started a technical vocational school—we have 10,000 people enrolled there—and it is a separate school, financed by a local levy. I wish the Senator, my colleague from New Mexico, were here, because he was mayor of Albuquerque. Albuquerque has a rate of growth that is probably as good as any in the country, that is economic growth. That is because we have a vocational school there that trains these people and provides honed manpower skills for industry.

Well, I think we are laboring too much on this. I would like to yield to my colleague here.

Senator McCLURE. I might state in passing, and only just in passing, that this is one of the new bills we can take to the floor and not get busing attached to. I hope we don't get into educational bills so much that that becomes a routine matter for us.

Mr. BLUNT. Don't count your chickens.

Senator McCLURE. Senator Domenici was here and had to leave, which is oftentimes the problem we face when we have more than one committee meeting at the same time.



Mr. Scott, in your statement you mentioned a proposal to give project money to the States, but you indicate that the States should be given more flexibility. Would you support giving the States greater flexibility, perhaps allowing them to use these funds as "first dollar" or "seed money"?

Mr. SCOTT. Yes, I think they should have that opportunity because in employing that kind of approach, we believe in leaving it at their discretion to determine how the dollar is spent, we think in that way they can get the maximum benefit in terms of the multiplier on the local dollar as well as the Federal dollar by using it for Federal seed money or putting up the local share to match other EDA grants.

Senator McCLEURE. Would you limit that in any way by title?

Mr. SCOTT. No.

Senator McCLEURE. Do you believe the State money should be made available sooner, beginning in 1975 instead of waiting until fiscal 1976?

Mr. SCOTT. That will be desirable so long as we assure that the planning capability and the ability to spend those funds effectively is put in place.

Senator McCLEURE. In your statement, you suggest changes in the language of title I funds for States. Do you have suggested language for the statutory change you suggested?

Mr. SCOTT. We can provide that to the committee.

Senator McCLEURE. You stated that 20 percent of the funds appropriated under titles 1, 2, 3, and 4 be discretionary. You suggest at the end of that statement that this approach will give recognition to districts and areas which have developed outstanding planning and management capabilities. Doesn't this tend to channel the money to the areas that are most capable rather than assisting those that are least capable?

Mr. SCOTT. That is obviously our intent in that we believe those that have demonstrated capability for managing the funds and have planned the use of those funds in an effective coordinated program ought to be given the latitude to make the decisions once their capability has been demonstrated.

Senator McCLEURE. I have no objection to that, but I do have some reservations about channeling a greater percentage of the available funds into those areas where perhaps the reason that other areas can't qualify is that they don't have the necessary expertise. Much has been said about Federal programs generally, not this one particularly, that we are engaged in a contest of grantsmanship and those that know how to apply, get the money, and those who don't know how to apply don't get any.

Mr. SCOTT. The intent is to give areas where they would be getting funds, greater latitude on how those funds would be expended. It would not necessarily increase the number of dollars that would go to the district, it would mean that the kind of approval would be a plan kind of approval rather than a project approval, so we would still be working with the other 80 percent of the dollars, or this would be to try to bring along the planning capability of other districts that would qualify for these funds in this manner of grants as well.

Senator McCLEURE. I have used this example so often that I am afraid to use it again. I remember some years ago when I was in the



House of Representatives when I was trying to assist Idaho State University get a grant from HEW and they were turned down. I sought to find out why over a series of months. This was back in the Johnson administration so maybe I shouldn't be leveling any charges at you, although I expect some of the same people are still down there. The reply finally came out that they couldn't make the grant because Idaho State was geographically remote.

Well, it seems to me that that kind of justification comes very close to the same kind of problem that we have here, that those areas that have the most, get the most, and those areas that have the least find it most difficult to qualify and to participate in these programs. That causes me some concern when you indicate that the areas that can use the funds most effectively will get up to 20 percent more than the other areas.

Mr. SCOTT. It is not intended that this would change in any way necessarily the allocation of funding, it would just be a string on the funding.

Senator McCCLURE. The 20 percent will give it to you with fewer strings, it is with fewer strings, not we will give you more?

Mr. SCOTT. That is right.

Senator McCCLURE. I understand your point and I appreciate your clarification, Mr. Scott.

Mr. Blunt, the proposed bills authorize the 100 percent economic development planning funds to a broad group of recipients in addition to the 75 percent administrative funds authorized in section 301 (a) which have been used for planning and preparation of the overall economic development programs by the Indians, districts, and others now eligible under the act for assistance.

Setting aside the fact that new areas not now eligible for the 75 percent grants would be eligible for the 100 percent planning assistance, what activities do you see could be funded under the 100 percent grant that could not be funded under the existing planning grant?

Mr. BLUNT. The basic authority in terms of the controlling of what is the money to be used for as distinguished from the whom, would be the same, so in terms of the legal restrictions, you might say, at this time I don't see any distinction between the types of functions, any legal restraints in types of functions that can be performed under either section.

Senator McCCLURE. Do you think that there are recipients of grants that are blocked because of the 1975 limitation that would be unblocked because of the 100 percent authority?

Mr. BLUNT. There may be. The provision for our basic economic development district planning fund for a local contribution is an extremely important provision on the whole.

It, again, as I described in connection with another context, assures local commitment in an area where local commitment has to be close to 100 percent for a real followthrough and activities to occur.

In the case of Indian, for instance, oftentimes the resources simply aren't available and, therefore, in that case, a 100-percent grant rate relieves a block to our ability to provide funds.

It would be too bad if in our ordinary planning grant program there would be a lack of discipline. I guess you might say, on our part to require the local participation.



Senator McCLURE. The purpose of the EDA and title V programs is to aid depressed areas. Don't you think we should continue to limit planning to areas in need and eligible for other EDA assistance that this new planning program will spread the money too thin?

Mr. BLUNT. Well, I think that one of the more beneficial aspects of EDA's programs and one of our areas of projection is in our district planning program, and I think there, in microcosm, you have an example of how comprehensive treatment of healthy and lagging areas in one grant can lead to health in the long run for both.

We have one redevelopment area per district to broaden the scope of that program.

State planning grants would, I think, for the same purpose, in addition to strengthening the ability of one of probably the major public fund resources for development purposes within the bounds of the State and the ability of the State to budget and develop priorities, would also with a funding of a State, even though it has many funding areas, is not itself in most cases, or in all cases, can be considered living, would also benefit at the State level from enhancing the kind of cross currents or cross-fertilization between healthy areas and lagging areas that the district program does on a smaller scale.

I think as far as assistance to States is concerned, it may seem in a way to be inconsistent with the idea of helping underdeveloped areas and lagging areas, I think in closer analysis, it isn't probably, we feel it is an extremely important aspect of help in those areas.

Senator McCLURE. Perhaps I am overly concerned about the ability of those that already have the strength of diverting the programs or distorting the programs to their benefit to the detriment of those who are lagging.

That is what EDA is really all about. At least title V is to get the money to the areas that need it, and there are no criteria in this bill that say that the lagging areas get the first money and what is left over goes to the other areas.

It just simply says that the money can go to the States with no criteria except those which might be developed by the States.

I point out, in fact, that the technical assistance authority, for instance, is available without designation criteria and we have to make these kinds of choices on a discretionary basis. I think our history in that program shows that we have been able to make these kinds of choices, but have not.

I believe that there are no criteria which would prevent us from emphasizing States where the need exists, either the need in terms of unemployment or low incomes within the State, or the need in terms of a less developed planning, and priority setting, or budgeting process in the State compared with a more developed one which would need less assistance.

I share your concern, but I feel that within the statute that we have operated in the past, we have been able to make these decisions on a fairly good basis and I think we would be able to, also, in the case of the new assistance to States—there is no automatic entitlement in that provision, as I read it, that allows us not to disburse our funds.

You suggest in your answer that you believe that there can be sufficient oversight of the program, even though the first dollar grant



goes to the State, that the State would indeed use those in ways which zero in on the distressed area problems.

Mr. BLUNT. I believe under the program, the State would first have to submit a plan and this would also be true, incidentally, in the case of a 20 percent discretionary fund that we have referred to under title I and that plan would indicate to us, and to the world at large, and to the electorate within the State for that matter, and other interested parties how the State was going to spend the money, whether it was going to be spent responsibly or not. I think that represents the discipline which would exist.

Now, of course, as the program is carried out, we would be watching and you would be watching to see how responsibly money was spent, but I am very confident that the States would react in a responsible way.

I think it is important that they have the planning capabilities that Mr. Scott said and the ability to absorb and use these funds and that is why we have the planning grants to the States to insure that would be possible.

Senator McCCLURE. Section 203(a) of the bill doesn't limit the grants directed at States, but also to any city or other political subdivision of a State.

Mr. BLUNT. That is right.

Senator McCCLURE. Do you believe that the EDA could balance the demands of State, local, and district organizations to make certain that it was channeled toward the aims of EDA?

Mr. BLUNT. I believe we could, yes, sir.

Senator McCCLURE. Do you perceive that there might be some problems there?

Mr. BLUNT. Well, speaking from experience, I would say that there are always problems and these kinds of choices are always very difficult. I foresee no particular difficulties in the case of this type of provision.

Senator McCCLURE. "First dollar" grants can't cause you any more concern than the others so far as this kind—

Mr. BLUNT. Not in the framework of this program, and I feel in terms of facing that challenge, that this is a way to move toward a broader program of greater delegation of responsibility to States and local areas that the administration feels ultimately should be the goal of the economic development program, and this is a way to move in that direction.

The challenge of making these divisions and a somewhat more complicated administration, rather than having another title with a different type of program is very much worth the effort.

Senator McCCLURE. The bill provides funds for the States to develop Statewide economic development plans, and we have been discussing some of that in this colloquy.

Do you believe that it would help the States in meeting their responsibility under this section for the State to receive copies of these local and district plans and applications on their way to Washington?

Mr. BLUNT. Well, under the A-95 procedure, Senator McClure this type of process should already be going on and I think that—

Senator McCCLURE. Is the A-95 process mandated under this bill?



Mr. BLUNT. Well, Mr. Scott, I am sure, will correct me if I am wrong, but I believe it is mandated in connection with all of the listed relevant Federal grant programs which EDA has.

There should be a process within the States, mandated at the State level and discretionary, but encouraged at the sub-State, regional level of providing some description of applications at their incipient stage before any final signoff is made.

Senator McCLURE. The A-95 process is not statutory. Would it be helpful to make it statutory as far as this is concerned?

Mr. BLUNT. It seems to me that the provisions we seek encourage cooperation. We have asked for State review of the district plans without veto power, and that would, in fact, issue this kind of review, and I think that the planning process, assuming that the discipline and integrity is maintained, is probably a better way than a review of the whole series of specific project applications because this is a way of seeing in advance, and being able to adjust at the State level, your budget for the next fiscal year, hopefully, from the kind of plans you see coming up in the local area.

Senator MONTROYA. Will the Senator yield at this point?

Senator McCLURE. Certainly.

Senator MONTROYA. It has been my experience that in some instances there has been a conflict between local political subdivisions and the State government. I think the matter should be resolved at the Washington level, rather than having veto power at the local level. Wouldn't you say that that is a very important consideration?

Mr. BLUNT. I do. I think I would phrase it a little differently in terms of the conflict being solved at the Federal level.

Senator MONTROYA. Sometimes it is political and sometimes it is something else and we want to avoid that.

Mr. BLUNT. I won't ask what the "something else" is, but I think it should be avoided.

What I have said many times, and I think some of the people in this room have heard me say it, so many relationships between sub-State regional groups and State governments, and initiatives that encourage that are probably most important, if you want to call it organizational or administrative steps that must be taken, particularly with trends toward revenue sharing, toward local initiative, which I think are good trends, and I think will continue.

Anything that can be done to enhance this cooperative effort—and politically, quite honestly, I think that a small well-running and developed program is in everybody's interest. It is a question of articulating that back and forth and understanding it.

Mr. SCOTT. We are doing everything we can to create an incentive because most of the dollars that go into economic development are not Federal dollars.

The extent to which we enhance the working relationships should enhance the cooperative on the State and local level where we are not players in the particular efforts that are being undertaken.

Senator McCLURE. I don't wish to enter into an argument with my chairman. While I want them to assist in getting the State and local government's cooperation, I don't want the Federal Government to



adopt the role of saying: "We know better than you do, Mr. State Government."

I have served at every level—local, State, and now Federal. I don't know that I know more about local problems now than I did when I functioned at the State.

I don't think all the wisdom of the United States has yet been transferred to the banks of the Potomac. I hope not. If it has been, we are in bad, bad shape. The States have the ability to run their affairs to a very large degree.

I want to maintain that. I am sure you do.

Senator MONTROYA. May I have rebuttal?

Senator McCLURE. I thought mine was rebuttal.

Senator MONTROYA. I just want to say that certainly none of us did imply that the State was incapable of making a decision, but this is money coming out of the Federal Treasury and the agency here is responsible to the Congress as to how this money is expended.

They have to account for it; they have to account for it to the Appropriations Committee in the Congress and to other oversight committees, and if we are going to rule out the Federal agency from any voice in this process, then I don't think we can call it a partnership. That is what we are trying to accomplish through this legislation.

Senator McCLURE. Let me respond only that I didn't mean to indicate remarks tending in that direction, my remarks were intended to bear upon the State and as to who should make the decision as to which one is right.

I am not certain I have even all that confidence in you gentlemen to determine whether the city of Albuquerque or the State of New Mexico has the wisdom in a particular problem. That is an ongoing controversy.

We cannot settle that here this morning. There was some discussion earlier about the health or educational projects, and we were dealing primarily with title I money in that discussion.

Do the States have flexibility to meet the needs of these kinds of projects under title III?

Mr. SCOTT. I don't know if they do.

Mr. BLUNT. In terms of the construction aspect of it.

Senator McCLURE. Yes.

Mr. BLUNT. Yes; I would say so.

Senator McCLURE. How about operational, and again leaving aside the busing?

Mr. BLUNT. I think I would have to defer on interpreting this as to exactly how broad the authority would be at this time. I have stated what I feel about the Federal to local operational grant.

I think as you move toward the local decisionmaking level, these kinds of objections begin to fall away, and it may be more appropriate the farther down the line you go to actually have the authority to fund operational grants.

Mr. SCOTT. We find it rather terrifying, the thought of under the EDA program getting into the operating of hospital facilities and educational facilities.

We raised the level of expectations in terms of continuing Federal funding once we move to 75 percent or 100 percent funding and the abilities of EDA are immense in many areas. In terms of operating



health facilities and school facilities, I would move elsewhere, if I may volunteer that.

Mr. BLUNT. Give us a chance.

Senator McCURE. Let me invite you to submit any further comments you desire later on while the record is still open, but let me pose this question:

If the State in its discretion determined that its State economic development plan was best furthered by putting a portion of their money in operational grants for health or education, would they be permitted to do so or should they be permitted to do so under the EDA program?

Mr. BLUNT. I guess as as an Administrator—

Senator McCURE. Using a part of the \$100 million?

Mr. BLUNT. I wouldn't want to make that decision in advance, but it certainly seems now to be within the spirit of giving the States as broad a scope as possible in doing what they think is necessary for their own development purposes.

Mr. SCOTT. We don't have the same problem of them doing as we do with the Federal Government because that is a continuous role that the States or local government may be planning.

Senator McCURE. They can afford it in connection with their other educational responsibilities in a way which EDA could not do.

Mr. SCOTT. Yes.

Senator McCURE. Mr. Blunt, you have recommended against language in the bill that might allow local governments to control State planning.

As I understand it, you have no objection to the coordination of State and local planning, but you think that to the extent that that is desirable, it is provided for elsewhere rather than in the kind of language that you criticized in your statement?

Mr. BLUNT. That is correct.

Senator McCURE. In your statement you also say, additional language should be placed in this provision to allow the use of the supplemental grants, and so forth.

Do you have proposed language that would accomplish that or can you furnish it for us?

Mr. BLUNT. We would be glad to furnish some for the review of the committee.

Senator McCURE. One final subject matter, you indicate that the limited resources of title IX should be directed toward development of opportunities rather than payment of unemployment compensation, yet the Bellmon study states that the Federal Government has accepted these responsibilities to try to minimize the hardships for individuals, resulting from changes in economic conditions beyond their control.

Do you believe that this responsibility is better met through the regular unemployment compensation programs, rather than creating a new categorical compensation program under this act?

Mr. BLUNT. Very much so. I feel that in the first place, I think the proposals now before the Congress treat the problem of aggravated unemployment on an area base, that is pockets of unemployment is properly providing unemployment compensation.

Second, from an administrative point of view, I feel that I can take on the challenge of section 302(a) and some of the other challenges, but I don't think I could take on the burdens of the Depart-



ment of Labor's expertise and sensitivities and policymaking authority on the shoulders of the Economic Development Administration.

I feel that the coordination between the kind of program that would be involved in using these funds for unemployment compensation with the broad Federal program, which already exist, would be extremely difficult if administered under this authority.

I would also feel, of course, that combining the existing programs with proposals that are before the Congress, would adequately treat the unemployment compensation part of the adjustment necessary to economic change. We oppose use of the funds for that purpose.

Senator McCURE. You mentioned proposals that are pending. Are you talking about the comprehensive amendments to the regular unemployment compensation program, which are now pending before appropriate committees in both the Senate and the House?

Mr. BLUNT. Just to exhibit my lack of expertise in this area, I am going to refer to a letter from the Department of Labor on the subject, which in turn refers to the Job Security Assistance Act of 1974.

The Department of Labor has advised us that this bill is before the House Ways and Means Committee, that they held hearings, that title II does provide a temporary program for workers not eligible for unemployment compensation and for those who have exhausted their benefits, and I think it is this approach within a comprehensive program which offers the best solution to the critical problem in this country.

Senator McCURE. Do you know if that letter is a part of the record?

Senator MONTANA. I don't think it is.

Senator McCURE. Could we have a copy of that letter made a part of the hearing record?

Mr. BLUNT. Yes, it was directed to the chairman of the House Public Works Committee. I am sure the chairman of the House Public Works Committee would have no objection.

Senator McCURE. What is the date?

Mr. BLUNT. June 25, 1974.

Senator McCURE. I would ask unanimous consent that it be made a part of the record.

Senator MONTANA. Without objection, it will be supplied for the record.

[The letter to be furnished follows:]

U.S. DEPARTMENT OF LABOR,  
OFFICE OF THE SECRETARY,  
Washington, D.C., June 25, 1974.

Hon. JOHN A. BLATNIK,  
Chairman, Committee on Public Works,  
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The purpose of this letter is to express the strong objections of the Department of Labor to the new section 903(b)(5) which H.R. 14883, as reported by your Committee, would add to the Public Works and Economic Development Act. This provision would require that no demonstration grant under the Title IX may be approved by the Secretary of Commerce unless it includes the payment from the grant of extended unemployment assistance for workers unemployed as a result of an "economic adjustment need." Assistance would be limited to 1 year after the commencement of the unemployment.

In our judgment, this provision would be seriously disruptive of the existing Federal-State unemployment insurance system. It would establish a parallel



system without providing any standards governing its operation. For example, individuals with no previous work experience would apparently be eligible for a full year of benefits under the program. The provision contains no standards regarding benefit levels, or individual qualification requirements. It leaves unclear its relationship with existing unemployment compensation programs. The program would be discriminatory in its application. It would apply in areas selected for demonstration programs without regard to the level of unemployment existing in those areas and the resulting difficulties in obtaining suitable employment. By vesting responsibility for administration of the provision in the Department of Commerce, the bill would fragment administration of the Nation's unemployment insurance laws which are administered primarily by the Department of Labor and State employment security agencies. The provision contains serious drafting flaws.

On the basis of our experience in the administration of the Nation's unemployment insurance laws, we do not believe that the proposed provision would be useful as a demonstration program or would justify the substantial expenditure of funds which it is likely to entail.

The Administration has proposed and sent to the Congress a bill entitled the "Job Security Assistance Act of 1974." This bill is before the House Ways and Means Committee, which has held hearings on the proposal. Title II of that bill would provide a temporary program of supplementary unemployment compensation for workers ineligible for unemployment compensation and those who have exhausted their benefits under existing programs. The program is applicable to workers in areas of high unemployment. The Administration proposal is a carefully developed measure which would specify the particular conditions under which benefits would be payable, establish eligibility criteria, indicate the benefit levels which would be payable, provide a realistic duration period for benefits, and indicate the relationship between the special benefits program which it would establish and other unemployment compensation programs available to workers.

We strongly urge that the proposed provision be deleted from H.R. 14883 and the Administration's proposed "Job Security Assistance Act of 1974" be enacted.

The Office of Management and Budget advises that there is no objection to the submission of this report and that enactment of the Administration's proposed "Job Security Assistance Act of 1974" would be in accord with the program of the President.

Sincerely,

PETER J. BRENNAN,  
*Secretary of Labor.*

Senator MONTÓYA. I believe this is all.

We will have as our next witness Mr. Richard Lincoln, special assistant, representing the National Governors' Conference.

Before you proceed, Mr. Lincoln, I want to submit for the record at this point some statements from Senator Magnuson, Senator Lloyd Bentsen, Senator Cotton, Senator McIntyre, and Senator Nelson. These will be made a part of the record before the remarks of Mr. Lincoln.

[The statements referred to follow:]

U.S. SENATE,  
COMMITTEE ON COMMERCE,  
Washington, D.C., June 25, 1974.

Hon. JOSEPH M. MONTÓYA,  
*Chairman, Subcommittee on Economic Development, Senate Committee on Public Works, Washington, D.C.*

DEAR MR. CHAIRMAN: I had hoped to be able to testify before the Subcommittee on June 26 in behalf of S. 3641. Unfortunately, numerous other commitments will make it impossible for me to testify. However, I would very much appreciate your making the attached statement which I had prepared to deliver part of the official hearing record on the bill.

Best personal regards.

Sincerely,

WARREN G. MAGNUSON.

Enclosure.



STATEMENT OF HON. WARREN G. MAGNUSON, U.S. SENATOR FROM THE STATE OF  
WASHINGTON

Mr. Chairman, I am pleased to be a co-sponsor of the legislation (S. 3641) you and Chairman Randolph have introduced which would extend the Economic Development Administration for three more years and which would also continue the regional commissions, including the Pacific Northwest Regional Commission.

Mr. Chairman, you and Chairman Randolph both deserve special praise for the leadership you have both provided—and continue to provide—in our long-running battle to save EDA from the Administration's shortsighted efforts to abolish it.

As you know, I have worked side by side with you—in the Appropriations Committee and on the Senate floor—in that long battle. It has been a tough fight, and I doubt it will get much easier any time soon. But EDA's continuing success—despite the Administration's harassment—convinces me that our efforts have been totally worthwhile. And you can count on my full support for EDA in the future.

Mr. Chairman, I do not intend to speak at length today. And I do not want to take up your time with a lot of numbers. But the best way to quickly sum up why I am so supportive of EDA and of S. 3641 is to cite three key sets of figures:

*Number One.* Since it was established in Fiscal Year 1965, the Economic Development Administration has provided \$73,249,000 for projects and programs in Washington State. Only four other states—California, Minnesota, Kentucky, and Texas—have received more.

*Number Two.* Out of thirty-eight counties in Washington, thirty-three are eligible for EDA assistance as are ten Indian reservations.

*Number Three.* With a seasonally adjusted unemployment rate of 8.2 percent, Washington continues to suffer from unemployment well above the national level which, of course, is far too high.

Mr. Chairman, those figures leave no room for doubt. EDA has been of extreme importance to Washington's economy. And there remains a critical need for the kind of solid job-creating projects and programs that EDA has demonstrated it can provide. Enactment of S. 3641 and extension of EDA will benefit, in one way or another, almost every resident of my State.

In light of those facts, the Administration's proposal just makes no sense whatsoever. EDA is an established program. It enjoys wide local and state support. Most important, it has gotten the job done. Why, then, does the Administration propose to phase EDA out and replace it with an entirely new and untested program?

Mr. Chairman, the people of the State of Washington want action and jobs—not more of this Administration's empty promises and strange theories.

Before closing, I wish to comment specifically upon title IX of S. 3641. That section, of course, would authorize the federal government to spend up to \$300 million over the next three years to assist states and communities that are adversely affected by federal actions or decisions. I understand that the program's basic thrust would be to assist those areas where a federal action, such as the closing of a military base, causes serious unemployment. Clearly, there is a need for federal assistance in such cases. However, I would like this morning to urge that the Subcommittee give very close and serious consideration to expanding Section 8 so that assistance could also be provided where a federal action causes other kinds of economic disruptions.

Mr. Chairman, I have in mind, specifically, the situation that is emerging in Kitsap County, Washington, where the Navy plans to locate the Trident Submarine installation. Although estimates are still not final, county officials now estimate they will require considerably more than they expect to receive from state and local tax revenues if they are to provide the schools, roads, sewers, public services, etc., that will be required by the influx of new residents. I view this as an extremely important problem and expect that it is one shared by other communities around the country. Consequently, I would again urge that this kind of economic disruption—as well as unemployment—receive the Subcommittee's very careful and close consideration as it proceeds with S. 3641.

Mr. Chairman, in closing let me thank you and the Subcommittee for this opportunity to testify. And let me express again my total support for extension of the Economic Development Administration.



## STATEMENT OF HON. LLOYD BENTSEN, U.S. SENATOR FROM THE STATE OF TEXAS

Mr. Chairman, I want to join my colleagues in congratulating you for holding today's hearings, for focusing our concern, and for championing the cause of the Economic Development Administration. Your steadfast and tireless efforts in behalf of this most worthwhile program have not gone unnoticed, and they are deeply appreciated.

Since its inception in 1965, EDA has fostered healthy and productive ties between the federal and local governments. It has meshed the resources of our public and private sectors and evoked a joint cooperation and enthusiasm almost without parallel in our nation's history. It has increased employment, stimulated previously depressed economies, and generated a variety of flourishing enterprises.

I have, however, been most impressed with EDA's profound impact on the lives of individual Americans. By fostering industry and enterprise in rural America, EDA has permitted tens of thousands of our citizens to resist the steady migration to choked urban centers and to remain in the areas of their birth. It has given those Americans new pride, a pride that results from productive labor, steady employment, and a sure income. And, it has given those Americans hope, both for themselves and their home areas, where there was no hope before.

I have personally witnessed all of these developments in my native South Texas. One of my first priorities following my election to the Senate was to find a way to improve economic conditions there. It had long been an area of high unemployment and low wages, where migrant labor and seasonal employment spelled chronic instability and frustration. I knew those workers needed only a chance to prove themselves, but I also knew that it would take the cooperation of government at all levels and of private enterprise to provide the opportunities needed. That was the beginning of COSTEP, the Council for South Texas Economic Progress. Business leaders joined with local government leaders in this endeavor to stimulate and promote economic growth in South Texas, to coordinate the attack on unemployment, underemployment, and despair.

COSTEP has brought new jobs, new industry, and new hope to an area where more than a million human beings have lived on incomes far below the national average. EDA has provided the crucial financial assistance to make many of the projects possible, and South Texas and I are deeply grateful.

Much has been accomplished in Texas and throughout the nation, but much remains to be done. I am confident that our witnesses will recount both in their testimony, and I look forward to examining it carefully.

Lyndon Johnson was, I believe, most proud of the educational assistance programs enacted during his Presidency. I believe, however, that EDA—and the impact it has made on the lives of so many of our citizens—is an equally important part of his legacy, and I shall work to ensure its continuation.

Again, Mr. Chairman, I congratulate you on your efforts. Thank you.

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U.S. SENATE,  
COMMITTEE ON COMMERCE,  
Washington, D.C., June 24, 1974.

Hon. JOSEPH M. MONTOYA,  
*Chairman, Subcommittee on Economic Development, Senate Public Works Committee, Dirksen Senate Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: Enclosed are copies of sections of House Report 93-1094 which was published to accompany H.R. 14883 (Extension of Public Works and Economic Development Act of 1965).

I am including them with my letter so that they will be conveniently available to you as I submit my views on the above-mentioned House bill and on S. 3641 which your Subcommittee is scheduled to consider on Wednesday.

As you know, special attention was directed in the early days of the recent energy crisis to the importance of the Nation's recreation industry, and subsequently members of the Congress, government officials and private businessmen and economists joined in a renewed recognition of not only the direct effects of recreational activities on every state in the Nation but also their "domino" effects on employment and other aspects of the economy.

I have in my possession—as does your Subcommittee, I am sure—numerous statements by responsible officials concerning these "domino" effects, but I



shall quote only one, a statement made in January by William Simon, who was then the director of the Federal Energy Office. Speaking at a time when the conservation of energy was one of the foremost issues of the day, Mr. Simon said:

Can I tell you a story? This was brought up in the White House at an energy meeting last summer: What are we going to do about people in power boats? They're riding all over the place, they're using up all this energy.

And I said, well, tell me something: How many boats are sold in this country in a year? Well, take a look at it and last year \$1.16 billion was spent on boats, and I said, OK; number two, how many of these boats are financed? How many people are buying boats today instead of second houses, going on vacation and renting a house and they go down on their boats—they cost \$3,000, \$12,000. Well, you'll find that a majority of them are. You tell people that they can't use their boat, all they can do is get on it in their garage or at the dock and scrape it and paint it, nobody's gonna want to continue to make the payments on that boat, are they? Because the boat market's gonna get depleted and you won't be able to sell it. What do you do to the leisure industries? You know, tourism is as important in some of the states as steel and other basic industries are to others. Every move the government makes has an economic impact and let's not say "You can give up running around on your boat" or "Never mind going skiing".

In other words, Mr. Simon pointed out in plain language that recreation and tourism are more than simply "fun" activities; they are vital parts of the economy, and there is not a member of the Senate or of the House whose constituency is not directly affected by the health of our recreation industry.

For this reason, I respectfully direct your attention to the necessity for a new program of direct and guaranteed working capital loans, as set forth in the enclosure, for businesses experiencing or threatened by problems involving job loss for reasons including such government action as the closing of Federal installations, environmental orders resulting in plant shutdowns, and Federal energy allocation decisions. Additionally, in areas like my State, working capital loans would aid the winter recreation industry when there is a loss of business because of abnormally low snowfall. Working capital loans could keep these areas operating until improved conditions prevail and business picks up.

I respectfully urge, therefore, that any legislation approved by your Subcommittee and ultimately the full Committee contain the abovementioned provisions and I further request that the Committee's Report include a specific reference to "the winter recreation industry" identical or similar to the one in the House Report under the heading "Business Development Assistance" (pages 4 and 5).

Copies of this letter are being sent to Senator James A. McClure, ranking Minority Member of the Subcommittee, and to Senators Jennings Randolph and Howard H. Baker, Jr., the Committee's Chairman and ranking Minority Member.

With every good wish,

Yours sincerely,

NORRIS COTTON.

[From House Report 93-1094]

\* \* \* \* \*

#### BUSINESS DEVELOPMENT ASSISTANCE

Section 3 of the reported bill provides additional tools to the Secretary of Commerce for industrial and commercial business development.

Authority is provided to guarantee direct loans and working capital loans made by private lending institutions to borrowers in "redevelopment areas" or "economic development centers". Guarantees are authorized up to 90% of the outstanding unpaid balance of such a loan.

The Secretary is also authorized to guarantee the rental payments of leases not to exceed 90% of the remaining rental payments required by the lease. This assistance is designed to increase the business development opportunities in distressed areas of our large cities particularly in special impact areas where vacant buildings are available for the occupancy of new business ventures.

Because this authority is a new approach in assisting economically distressed areas, it is expected that the Secretary will closely monitor the guarantees ap-



proved under this section to determine their effectiveness as an economic development tool.

After the first year, the Secretary should report the effectiveness of lease guarantees along with his evaluation of such guarantees to the Committee on Public Works.

In addition, Section 3 authorizes the Secretary to make direct working capital loans. Such authority was added to provide for working capital for businesses where such assistance is not reasonably available and whose needs cannot be met by other available forms of assistance.

It is anticipated that working capital loans will be made to businesses which have experienced, or may be reasonably foreseen to be about to experience, temporary but severe problems involving actual or potential job loss, for reasons including but not limited to the closing of Federal installations, environmental orders resulting in plant shutdowns, and Federal energy allocations.

Additionally, working capital loans are intended to aid the winter recreation industry in areas of the country which has suffered a loss of business because of abnormally low snowfall. Working capital loans could keep these areas operating until improved snow conditions prevail and business picks up.

The Secretary should expedite processing applications for loans and guarantees where needs are urgent.

Loan and lease guarantees will be a means of providing assistance without substantially increasing Federal financial outlays by stimulating participation of private financial sources.

Section 3 provides for an annual authorization of \$60 million for each of the fiscal years 1975 and 1976.

\* \* \* \* \*

U.S. SENATE,  
SELECT COMMITTEE ON SMALL BUSINESS,  
Washington, D.C., July 3, 1974.

HON. JOSEPH M. MONTOYA,  
*U.S. Senate,*  
*Washington, D.C.*

DEAR JOSEPH: I would like to congratulate you on your work on S. 3641, the amendments to the Economic Development Act, that you held hearings on last week. A general loosening of the requirements for economic aid is certainly in order.

I was particularly pleased to note that the language of the legislation of the Economic Development Act allows the Secretary of Commerce to make working capital loans, guarantee working capital loans made by private borrowers, and guarantee rental payments on leases. I hope that this language remains in the final legislation as it is reported from the Public Works Committee.

Second, I would like to encourage you to allow language as general as possible in the new Title IX to the Economic Disaster Act so that needy companies that have faced disaster that is both man-made and natural, such as a naval base closure or a snow drought, will be able to apply for special economic development and adjustment assistance.

Best wishes.

Sincerely,

THOMAS J. MCINTYRE, *U.S. Senator.*

STATEMENT OF HON. GAYLORD NELSON, U.S. SENATOR FROM THE STATE OF  
WISCONSIN

#### EDA AND TITLE EXTENSION

Mr. Chairman, I appreciate this opportunity to testify in support of a continuation of EDA programs and in particular the Title V regional commissions.

S. 3641 provides a 3-year extension of the Title V commissions at an annual authorization of \$200 million. This compares with a 2-year extension, 95 million annual authorization contained in the public Works and Economic Development Act Extension passed by the House recently. The Senate authorization is substantially higher than the current authorization of \$95 million, and the current appropriation of \$42 million. The increase recognizes, as the bill's sponsor (Sen.



Montoya) has said, the need to provide a meaningful level of funding for the continued vital role of the commissions in economic development. Another specific feature of the bill which has my support is the additional \$25 million annual authorization earmarked for Indian economic development.

I would like to offer a comment on the new supplemental grant program providing \$100 million annually to be allocated among the states for the purposes of supplementing Title I public works fund. The formula in S. 3641 proposes distribution of these funds according to the ratio which grants made under Title I in each state is to total grants made to all states since August 26, 1965. I have some concern that this formula may not necessarily take into account more recent changes in economic patterns, employment and prices, which are important if the purpose is to meet current and future economic needs. I hope that the committee will provide some information specifically on what the state-by-state breakdown would be according to the proposed formula.

Before proceeding, I also have a few comments about the proposed Economic Adjustment Act (S. 3041) which proposes a system of bloc grants to the states for economic adjustment programs, replacing the current program. That proposal would threaten the federal-state-local partnership by removing the active federal participation in these economic planning activities. It would seem to place emphasis on short-term economic readjustment problems and de-emphasize long-term economic planning for the most depressed regions in the country. It would further disperse the already inadequate federal resources committed to economic development in rural America.

In short, the Administration's proposal would be no substitute for the current economic development and regional action program. To be sure, improvements and innovations can be made in economic planning and development programs. But until such time as they can be developed and tested, and regional commissions should continue as vehicles for attacking rural and regional poverty and must be given adequate support to realize their potential in the overall economic growth of the nation.

When we fought for—and won—an extension for the Title V commissions last year, the Congress overwhelmingly expressed its support for this program. It has been well received and supported over the years as an effective approach to economic planning and development.

The Upper Great Lakes Regional Commission, formed in 1967, has provided multistate regional development planning and assistance in the upper midwest to an area consisting of 119 counties in the northern portion of Wisconsin, Minnesota and Michigan, and serving a population of about 2.8 million. The Commission covers 36 counties in Wisconsin having a population of a little over a million. Through its two basic activities providing supplemental grants and technical assistance, it has provided invaluable assistance to the economy and people of the region since its inception.

The active support and involvement of the Governors of Wisconsin (Lucey), Minnesota (Anderson), and Michigan (Milliken), have encouraged the most beneficial use of limited funds for economic revitalization of the area. The support given to these commissions by the Congress and adequate appropriations have been absolutely vital to their work of relieving acute economic depression and generating needed investment and development.

Over the years, the efforts of the Commission have resulted in gains in transportation, in construction of water and sewer facilities to encourage businesses to move into new areas and in the establishment of job training programs to provide workers for new industries. These efforts have significantly aided small businesses, farmers and working men and women in the region. The investment in economic development and growth throughout this region will repay in taxes many times over the cost of the program. To fail to expand the efforts of the regional commissions would be to ignore Congress' responsibility to improve the programs which have demonstrated their worth and which have brought hope and improvement to areas of economic hardship.

Through supplemental grants, the Upper Great Lakes Regional Commission generates additional federal and non-Commission funds into the area. From fiscal years 1968 through 1973, projects having a total overall cost of \$144,237,948 went into the area of which \$23,747,820 was provided through the Commission's supplemental grants. The projects supported improvements in industrial parks, transportation facilities, regional manpower development, the recreation and tourism industry, and community facilities.



To give you some idea of the aggregate benefits to Northern Wisconsin as a result of the supplemental grants, the Commission's total of about \$1.2 million in supplemental grants in 1974 stimulated total investments in the area from governmental and non-Commission sources of about \$6.2 million. This investment resulted in the retention of over 600 jobs and will directly contribute to the eventual creation of about 2,300 more jobs.

In addition to supplemental grants, the Commission provides technical assistance. From fiscal years 1968 through 1973, technical assistance funds, totaling \$10,831,288 supported numerous, worthwhile projects. These projects, in Wisconsin, included a training program for unemployed and underemployed Indians in the field of natural resource management, the Inland Lakes Renewal and Management project, operation of the Center for Assistance to Small Business, development assistance to the tourist-resort-recreation industry. Waste disposal, pollution control, the development of a critical resources information program, and improvements in agricultural production methods received substantial Commission support.

Through the efforts and assistance of the Upper Great Lakes Regional Commission, progress is being made in this region. As one who has known the past, gripping economic depression of that area, I originally offered legislation in 1965 to attack such poverty on a regional basis, and have encouraged the efforts of the regional commissions ever since their establishment. I have seen firsthand in my own state the economic improvements that result from these efforts, bringing a more stable economy, more capable of supporting the population of the area and an improved standard of living and human environment.

But their work is far from finished. To be able to continue these coordinated regional programs, tried and tested over the years, the Congress must provide an extension and adequate funding and seek ways to improve their overall operation and impact.

The federal-state-local partnership represented through these commissions has proved its value in measurable economic improvement. Continued planning on the regional level is absolutely necessary to the future economic viability of these regions and the nation. The leadership, assistance and financial resources provided by the commissions, with strong federal support, must continue their major role in this process.

Senator MONTONA. Mr. Lincoln, you are certainly welcome before this committee. Will you proceed to state what your affiliation is and give us your statement, as you wish.

#### STATEMENT OF RICHARD LINCOLN, SPECIAL ASSISTANT TO THE NATIONAL GOVERNORS' CONFERENCE

Mr. LINCOLN. Thank you, Mr. Chairman. I have a very brief statement.

Mr. Chairman and members of the committee, I am Richard W. Lincoln, special assistant to the National Governors' Conference for Economic and Community Development. It is my pleasure to appear before the subcommittee today on behalf of the conference, and to express the regrets of Gov. Daniel J. Evans of Washington that he was unable to testify himself at this morning's hearing. I do, however, have a statement from Governor Evans expressing support for S. 3641, and urging speedy action on the bill. I also have a statement from Gov. Patrick J. Lucey of Wisconsin taking the same position on that bill. As you know, Governor Evans is the immediate past chairman of the National Governors' Conference, and is presently on our executive committee, and Governor Lucey is chairman of the NGC Task Force on National Regional Development Policy. I would ask that both statements be made a part of the record. [See p. 308.]

I expect that the subcommittee will be receiving statements from other individual Governors in the next few days. In the meantime,



I would like to bring your attention to the revised policy statement of the Nation's Governors on this subject, which was unanimously approved at the NGC annual meeting in Seattle on June 5, 1974.

The resolution urges these three things:

1. Extension of the Public Works and Economic Development Act of 1965;
2. Extensive congressional hearings, in Washington and in the field, to consider the various alternatives for regional partnerships which have been advanced; and
3. Passage of new national and regional development legislation consistent with certain specified principles. I would also ask that this policy be made a part of my statement and included in the record.

Senator MONTÓYA. That will be included. [See p. 308.]

Mr. LINCOLN. Mr. Chairman, since the subject of today's hearing is on point one, extension, I will leave the discussion of the second and third points for another time, and return to the first question. The National Governors' Conference favors passage of S. 3641. We are similarly favoring passage of the companion House legislation—H.R. 14883—which I understand is to be on the House floor this afternoon.

There are, however, several differences between the two bills. While we believe they can be quickly resolved in conference, we would like especially to commend the chairman for inclusion of title III, which will improve the planning and technical assistance capabilities of both State, regional, and local bodies which are involved in economic development planning activities. Particularly noteworthy is section 302(d), providing \$100 million in matching grants to States to supplement the required local share under the present title I grants.

Finally, we are pleased with the increased authorization provided to the title V multi-State regional commissions. Twenty-nine States now participate in these valuable partnerships, and their background and expertise should be continued.

Finally, I wish to comment on section 302(b), and to quote directly from Governor Evans' statement:

We also have a very strange provision that requires that State development plans be consistent with local and district plans, without the reverse being mandated. It seems to me this goes beyond coordination and does not provide for reciprocity. I fail to see how institutions which are creations of a State can be held to govern the actions of the State.

Governor Lucey also takes note of this provision in the statement calling it a major failing in the bill and urging its correction. I am confident the views of these two governors echo those of their colleagues and they would unanimously oppose this distortion in intergovernmental relations.

I was also pleased to hear Secretary Blunt endorse the deletion of this provision.

In conclusion, let me again emphasize the support of S. 3641 and urge the speedy passage by the Senate.

I thank you for this opportunity to appear and I will be glad to answer any questions you may have.

Senator MONTÓYA. What was the action of the National Governors Conference; and did you state how many Governors were present?



Mr. LINCOLN. At the time that this statement was adopted, to the best of my recollection, I would say that there were probably 40 to 45 Governors present in the room. It was adopted, after some brief discussion, on a unanimous voice vote. There wasn't a rollcall taken, that is to say, on the statement entitled, "State-Federal Partnerships," which is attached to my remarks.

Senator MONTOYA. You indicate here that the Governors' Conference, the National Governors' Conference favored passage of S. 3641. Was that the unanimous action of the Governors' Conference?

Mr. LINCOLN. No, Senator, the Governor's Conference did not specifically deal with that piece of legislation. As I recall, your bill was introduced on June 13 and this action approving this statement which I include was June 5. They did, however, if you would refer to the beginning of the last paragraph, it states—

In the meantime it is essential that the Public Works and Economic Development Act be extended in essentially its present form to maintain the existing programs.

Senator MONTOYA. Yes, I recall a meeting we had here with a committee from the Governors' Conference where they were delegated to apprise us of the feeling of the Governors at the conference that they endorsed the continuation of the regional commission concept and also the other concepts in the economic development which were in the present law.

Mr. LINCOLN. Senator, I believe to attempt to sort of summarize what I perceive to be the position of the Nation's Governors, that they are in favor of the extension for the purpose of providing the Congress and the administration and the States and local governments and other interested parties an opportunity to consider what kinds of revisions and changes over the long run should be made in multi-State programs and economic development legislation and so on.

Senator MONTOYA. I believe that is all.

Senator McClure?

Senator McCLURE. S. 3641 proposes to give planning funds for the State to prepare statewide comprehensive economic development plans. I know that some States, many States, are already involved in similar planning activities. Many Federal programs have required statewide plans for some years such as transportation and, more recently, the Comprehensive Manpower Act requires statewide manpower plans. Do you think that most every State will be interested and willing to undertake this program?

Mr. LINCOLN. Senator, I do believe that that will be the case. All of the States which are involved at this time are principally funded under the HUD 701 comprehensive management and planning program in overall broad statewide growth and development planning, and I believe they are all involved in various functional planning activities.

Senator McCLURE. The bill authorizes funds for the State to supplement title I public works projects. It has been recommended that the States be given more flexibility in the use of those dollars, for example using the funds as first dollars or seed money.

Do you believe that the States would welcome some greater flexibility in the use of these funds?



Mr. LINCOLN. I am certain they will.

Senator McCLURE. Do you believe although the total funds available are limited, that more flexibility would enhance their effectiveness?

Mr. LINCOLN. I believe as Secretary Blunt pointed out, greater flexibility could, in fact, provide that limited new source of funds with a certain increased leverage which I feel would certainly be desirable, yes.

Senator McCLURE. The program authorizes State development funds to begin in fiscal 1976. Do you believe these funds should be made available sooner, for example, \$50 million in 1975 and the full \$100 million in fiscal 1976?

Mr. LINCOLN. I believe that would be a reasonable approach. I am certain many States have immediate capability to utilize those funds responsibly.

Senator McCLURE. I think the director testified that they thought perhaps the States were not in a position to use that money now. I understand your statement to be that you think many of the States would be in a position to use that money effectively immediately?

Mr. LINCOLN. I believe many of them would, yes, sir.

Senator McCLURE. In the attachment to your testimony which is dated June 5, 1974, headed, "State-Federal Partnerships" there are several points listed in that particular attachment. Under point A, you say,

Improved State and local program management capabilities and authorities, with appropriate and significant involvement in the development of policy.

What do you mean by appropriate and significant?

Mr. LINCOLN. I believe that the Governors would say that that means that in the development programs and others, that there should be continuous dialog and involvement of Federal, State and local officials, particularly elected officials at the State and local level, and that that should be a continuous dialog.

I believe in many ways the bill that we are discussing today would further encourage some of that sort of communication.

Senator McCLURE. That ties directly to the next point which is in paragraph B on that attachment which talks about appropriate Federal, State and local participation, and I think you have addressed yourself briefly in passing to the deletion of "local." Is that what you have in mind?

Mr. LINCOLN. Our suggestion for the deletion of section 302(b) would certainly be consistent with that.

Senator McCLURE. Finally, have the Governors taken any position with respect to the use of economic development funds for the payment of unemployment compensation?

Mr. LINCOLN. We have no position. We have taken no position on that, sir.

Senator McCLURE. Has it been discussed?

Mr. LINCOLN. Not really.

Senator McCLURE. The failure to take a position doesn't arise out of disarray?

Mr. LINCOLN. I think that would be fair to say. That would be fair, there has been no position in relation to unemployment with relation



to this kind of program. Although I am not familiar with it, I know we do have positions on unemployment kinds of issues.

Senator McCCLURE. My recollection is that the Governors' Conference has in the past indicated a desire that the States maintain control of the unemployment compensation programs.

Mr. LINCOLN. I believe that is correct. If you wish, I can furnish a copy of our formal policy position which would have been either adopted or readopted on the same date, on June 5.

Senator McCCLURE. I would ask that you do so and that it be made a part of the record when supplied. I would also, if there are any supplemental materials that would deal with the feeling of the Governors with respect to whether or not a direct unemployment compensation provision here would interfere with that stated position, whatever it may be, that they have taken in the past, I would welcome that for the record as well.

Mr. LINCOLN. Fine.

[The information to be furnished follows:]

#### WORKMEN'S COMPENSATION

Since their inception at the turn of the century, workmen's compensation programs have been the responsibility of state government. The provision of adequate compensation for workers who are disabled, killed, or afflicted with occupationally related disease as a result of their employment is a continuing state concern.

In its 1972 report, the National Commission on State Workmen's Compensation Laws concluded that while many state programs were in need of updating, "the States' primary responsibility for the program should be conserved." The National Governors' Conference supports this view.

The National Governors' Conference urges all Governors to take action toward bringing state programs into conformance with appropriate standards recommended by the National Commission and the Council of State Governments.

Senator McCCLURE. No further questions.

[The policy statement referred to by Mr. Lincoln, and statements from Governor Evans and Governor Lucey follow:]

#### NATIONAL GOVERNORS' CONFERENCE

JUNE 5, 1974

#### STATE-FEDERAL PARTNERSHIPS

The National Governors' Conference Task Force on National Regional Development Policy has formulated a statement of principles to guide federal legislation relating to an improved national development program, and multi-state and sub-state program partnerships. At the direction of the NGC Executive Committee, this statement has been transmitted to the appropriate Congressional Committees.

The Administration has recently submitted a proposal calling for an eventual end to federal support for the Economic Development Administration and the "Title V" Regional Commissions, and the establishment of an "Economic Adjustment Program" to provide block grants to States for economic adjustment and development.

The Nation's Governors believe that elements of both proposals have merit and should be carefully examined by both Houses of Congress in the coming months. We further believe, however, that any national development legislation should provide for the following elements:

A. Improved state and local program management capabilities and authorities, with appropriate and significant involvement in the development of policy for and the administration of federal grants and programs;



B. Continuation and strengthening of multi-state and sub-state cooperative arrangements, with appropriate federal, state, and local participation, and with adequate transition time to implement subsequent legislative changes;

C. Maximum flexibility in the planning and program activities of state, multi-state and sub-state entities, including provisions for development projects involving States not within the same multi-state entity;

D. Provisions for concentrating available resources on selected priority goals in each area to achieve balanced urban and rural development and the revitalization of lagging areas;

E. A funding level for all multi-state regions adequate to provide a significant development impact; and

F. To the extent possible, federal regional administrative and program boundaries should be consistent with multi-state arrangements which may be established by the States.

In the meantime, it is essential that the Public Works and Economic Development Act be extended in essentially its present form to maintain existing programs. To allow time for consideration of improved national area development legislation, both Houses of Congress are urged, following passage of such an extension, to hold extensive hearings during the last half of 1974 on the future of national and regional development legislation.

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STATEMENT OF HON. DANIEL J. EVANS, GOVERNOR, STATE OF WASHINGTON

While circumstances make it impossible for me to appear before you in person at this time, I do want to go on record now in support of the bill introduced by Senators Montoya and Randolph to extend the Public Works and Economic Development Act. I ask that you give me a chance later on to talk with you in person when you move on to consider other legislation in this area.

As Governor of the State of Washington, a member of the Pacific Northwest Regional Commission, and immediate past Chairman of the National Governors' Conference, I have been much involved with EDA and regional commissions, with economic development, and with development in general. Along with other Governors, whose States have benefited from programs authorized by this Act, I am vitally interested in your action on this legislation. I am particularly concerned that you act quickly to make certain that EDA, regional commissions, and development districts not be permitted to die during the transition to a more permanent program. Even though the present organizations and programs are severely limited, they have produced considerable development momentum which we cannot afford to lose. At the same time, I strongly urge that you begin shortly to work with states, local governments, regional commissions, and development districts to shape the legislation for a long-range, comprehensive national development program.

For such a national program to be effective, I believe that one of the key requirements is that each level of government be significantly involved in the process. One of the weaknesses of the present Act has been, I feel, that it does not do enough to assure significant participation by cities, counties, and states. I am pleased to note, therefore, that S. 3641 includes provisions that would strengthen the economic development planning capabilities of state and local governments.

Another key requirement for an effective national program is, I believe, that of close inter-governmental coordination in both development planning and action. Again, this has been a weak point in the existing legislation, so I am also pleased to note the several provisions of S. 3641 which would facilitate mutual coordination between at least EDA, regional commissions, and development districts.

Here, however, we also have the rather strange provision that requires that state development plans be consistent with local and district plans, without the reverse being mandated. It seems to me that this goes beyond coordination, and it certainly does not provide for reciprocity. I fail to see how the actions of institutions which are creations of a state can be held to govern the actions of a state. Moreover, this could result in a single city or development district holding hostage a state plan which is designed to benefit all cities and districts.

As I understand it, this provision came about during the House Public Works Committee's deliberations on H.R. 14883. Cities and development districts ex-



pressed fears that the Administration might turn most of the planning dollars over to the states. Apparently motivated by this fear, the House Committee amended its bill to sharply limit the planning funds available to states, and to eliminate entirely any state role in providing technical assistance to its districts, or in reviewing their development programs. Indeed, the Committee went so far as to add this strange language.

This is a prime example of what can occur when parts of the federal system are seen as being in competition with one another. In this instance, it was the states that were directly harmed. Next time, it might be the cities or counties. But in fact all levels of government and, more importantly, the public suffer when this kind of attitude prevails. Such competition inevitably creates friction and can only subvert progress toward what ought to be our mutual goal of achieving development for all.

This is also a good illustration of just why the two key requirements that I mentioned before as necessary for an effective program are so important. Unless each level of government is given a significant role, and unless coordination is facilitated between levels, the system is liable to break down in the face of sharp competition over limited resources.

The authors of the Senate bill are to be commended for at least partially resolving the problem in this case by providing separate authorization for state and local planning grants. In this way, state and local governments will not be pitted against each other for the same federal funds.

The Senate bill is also clearly superior to the House bill in authorizing a far more realistic level of funding for all programs. The added \$100 million for FY 1976 and FY 1977 to supplement Title I grants is particularly welcome since it should enable states to support a number of worthwhile development projects which they could not afford to otherwise. With the exception, therefore, of the provision requiring that state plans be consistent with local and district plans (which I recommend be simply struck out), I have no hesitation in strongly supporting S 3641.

As promising as the Senate bill is, however, it is still not adequate to meet the development needs of the nation. While it should serve very well to carry us through a transition period leading into a long-range, comprehensive national program, it does not itself establish that program. The changes made by the Senate bill (and by the House bill as well) do, however, point in the right direction I believe, and should facilitate progress toward that broader program.

As you are aware, the National Governors' Conference Executive Committee has submitted the draft of a bill to this Committee, and to the House Public Works Committee, which would establish a comprehensive national regional and area development program. Without going into a great deal of history, I should like to briefly describe why the Governors have taken this initiative, and how we have arrived at this point.

Governors, of course, have always necessarily been interested in development, and the NGC recognized the importance of this area by establishing a Committee on Rural and Urban Development as one of its six functional committees. During the 1960's, this interest began to be focused on the opportunities inherent in a regional and area approach to development. This came about, I believe, primarily for two reasons. First was simple recognition of the fact that development problems cut across administrative lines and political boundaries and cannot, therefore, be solved without inter-governmental cooperation. Second, the landmark legislation that came out of this and the House Public Works Committees in 1965—the Appalachian Regional Development Act and the Public Works and Economic Development Act—demonstrated the possibility of actually building such cooperation into on-going development programs. Interest in this approach to development had grown by the late 1960's to the point where an *ad hoc* working group was established by several Governors to further explore these possibilities. By 1972, interest had grown sufficiently strong among a majority of Governors that the working group was transformed into a formal NGC Task Force on National Regional Development Policy. The Task Force was attached to the Committee on Rural and Urban Development and charged with looking into the whole question of the future of regional and area development programs.

The Task Force consists of Governors who are, or were, States' Co-Chairmen of the seven Title V Regional Commissions and the Appalachian Regional Commission. A total of eighteen Governors have served on the Task Force since it began its work under the able direction of Governor Jimmy Carter. Governor Pat Lucey has directed its work since succeeding Governor Carter as Chairman.



While the draft bill that we submitted in February is by no means a finished document, it does represent the product of nearly two years of effort by the Task Force staff. The staff, meeting periodically during 1972 and 1973, first developed an agreed-upon set of principles which were then widely circulated among Governors and other state officials. At the direction of the Executive Committee, the staff then drew up this draft bill on the basis of these principles. Subsequently, the draft bill was itself widely circulated for review and comment and has been revised several times. By now it has been coordinated with representatives of the great majority of Governors, and with representatives of some local government and development district organizations as well.

Since the Committee has copies of the draft bill, I need not describe its provisions. Let me simply say that we do not consider the draft to be final and, of course, not all Governors agree with all of the details. Moreover, we would expect that the Congressional Committee staffs would be able to make a number of improvements in it during the process of transforming the draft into a bill.

The majority of Governors are in agreement, however, with the basic principles underlying the draft. I am not aware of any Governor who has objected to these as principles. And these principles have been unanimously endorsed by the Executive Committee, the Committee on Rural and Urban Development, and by 32 Governors individually.

Governors feel, therefore, that regardless of the form the final legislation takes, and regardless of the specific details, a comprehensive national development program should incorporate at least the following key principles:

1. The aim of the program should be to promote comprehensive development at each level throughout the nation. Comprehensive development should encompass the design and implementation of public works investment and other policies to build better communities, protect the environment, and generally improve the standard of living and the quality of life of Americans everywhere, as well as continued efforts to stimulate the development and revitalization of economically depressed or lagging regions and areas.

2. The development program should be planned and implemented through a nation-wide federal-state-local system which would assure full participation by all affected interests, including private interests, in a decision-sharing process. The system should be based upon and utilize those elements of the present system which have proved their worth, in particular, federal-multi-state regional commissions and sub-state development districts. Thus, the new system should include a national development agency, regional commissions open to all states on a voluntary basis, state established sub-state development districts with majority control by local elected officials, and strengthened state and local planning agencies.

3. The development funds utilized in the program should be drawn from federal, state, and local sources with the federal funds used primarily for supplemental and demonstration purposes. The federal funds should be distributed throughout the system through a modified revenue-sharing approach which would provide maximum flexibility by incorporating features of both the general revenue-sharing or bloc grant approach, and the categorical or functional program approach. This would be made possible by the decision-sharing process that involves the three levels of government plus the regional and area inter-governmental units as the key links.

4. The federal share of development funds should be of sufficient magnitude to give creditability to the entire system, and to provide a stake in the system for each level to assure their active participation.

In conclusion, let me compliment the sponsors of the bill for producing an excellent piece of legislation under severe time pressure. I believe that S. 6341 will not only ensure continuation of essential programs, but that it will also point the way toward better programs in the future. I am looking forward to supporting the bill as it moves toward passage.

I am also looking forward to what I hope will be an early schedule of hearings dealing with the future legislation. It is through such hearings, I believe, that not only Governors, but federal and local officials, and private citizens as well can help the Congress shape an effective, comprehensive national development program for the benefit of the entire nation.

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STATEMENT OF HON. PATRICK J. LUCEY, GOVERNOR, STATE OF WISCONSIN

Mr. Chairman, members of the Subcommittee on Economic Development. I would like to take this opportunity to express my position on national economic



development legislation as well as to briefly review S. 3641. Unfortunately, prior commitments prevent my attendance at the June 26 hearing. Nevertheless, I hope my comments will assist you in your deliberations.

In my work with the Upper Great Lakes Regional Commission, as Chairman of the National Governors Conference Task Force on National Regional Development Policy, and in testimony before Congressional committees over the past three years, I have, I believe, established my position around the following points.

First, there are certain areas of the country, including those in Wisconsin as well as the other States of the Upper Great Lakes Region, which suffer from substantial economic stress such as unemployment and low incomes. These areas, be they rural or urban, non-metropolitan or metropolitan, require and deserve continued support from Federal and State governments as well as the private sector.

Second, the various programs of the Public Works and Economic Development Act of 1965 have been effective in dealing with economic problems in areas of persistent and substantial unemployment. For example, it is estimated that fiscal year '74 supplemental grants of the Upper Great Lakes Regional Commission will aid in the addition of 2,300 new jobs and the retention of 600 additional jobs in Northern Wisconsin over the next two to three years. Considering the fact that total supplemental FY '74 funding in Northern Wisconsin was only \$1.5 million dollars, I would have to say that this is a highly efficient program. To continue these types of efforts on a nationwide basis, we very much need the programs of the Title V Commissions as well as the Economic Development Administration.

Third, numerous economic development programs cross State lines, and in this regard, I have found the work of the Title V Commissions most valuable. For example, under the aegis of the Upper Great Lakes Regional Commission, Governor Anderson of Minnesota and Governor Milliken of Michigan as well as myself met frequently during late 1973 and early 1974 to deal with the specific energy problems which are unique to the northern portions of these States. These meetings generated an action work program dealing with problems such as the transmission of energy resources to farms and other small businesses which are often widely scattered and isolated, the maintenance of energy resources to tourist and recreational facilities which are seasonally operated, and the individual and public transport of vacationers over long distances to the Upper Great Lakes Regional Commission area.

Fourth, national economic development programs must encourage maximum participation and cooperation of all levels of government—federal, state and local. As a result of the Upper Great Lakes Regional Commission in the northern portion of our state, both Federal and State agencies and local units of government have discovered that they can accomplish far more by working together than they could by working independent of each other. For example, we have a close working relationship with the 10-county Northwestern Wisconsin Regional Planning and Development Commission, which has been designated as an Economic Development District by EDA.

Fifth, while I strongly support programs of general revenue sharing and block grants, such as the recently enacted Comprehensive Employment and Training Act, these programs, by themselves, do not provide adequate delivery mechanisms and dollars to meet the needs of economically depressed and lagging regions. For these latter purposes, we need specific but flexible categorical programs which zero in on the unique economic, social, and physical needs of these regions.

Sixth, economic development programs must be in balance and harmony with efforts to maintain and improve the quality of our environment. This certainly has been our aim in Wisconsin in carrying out programs under the Upper Great Lakes Regional Commission. For example, we let several technical assistance contracts for the Inland Lakes Renewal and Management Project which had two objectives—physical lake renewal and well planned economic development of shorelands.

This lake renewal project has been highly successful. It has demonstrated that lake renewal is feasible and economically possible, which is extremely important to the entire Upper Great Lakes Region, which has over 17,000 lakes. Within Wisconsin, it provided the impetus for important and recently enacted lake



renewal legislation. Initially, this legislation contains two million dollars in state funds, and it is anticipated that considerable Federal funding will become available.

Seventh, the effectiveness of our national economic development programs has been limited more by a lack of funds than by any other factor. Now I would like to make a few remarks about S. 3641.

I strongly support extension of the Public Works and Economic Development Act. Furthermore, I am delighted that it raises the annual authorization level for Title V Commissions to \$200 million. I have continually maintained that the Title V Commissions cannot truly demonstrate their full merit until there is an adequate funding level.

I also support that feature of the bill which authorizes 75 million dollars in economic planning funds to States, localities, and substate planning and development bodies, with up to 15 million dollars set aside for the States. However, I would like to note that Section 302(b) of S. 3641 requires that State economic planning be consistent with local and substate economic planning, but it does not require that local and substate economic planning be consistent with that of the State. This is a major failing of this planning assistance provision, and it is imperative that it be corrected. If the States are to become increasingly involved in providing funds and other assistance for substate and local economic development, they must be given adequate coordinative planning responsibilities at substate and local levels. An early version of H.R. 14883, before its May 20 markup, included appropriate provisions for State-local exchange of economic plans. This earlier version of H.R. 14883 also contained appropriate provisions for the delivery of technical assistance at federal, state and local levels.

Section 303(d) of S. 3641 provides 100 million dollars to the Governors in both FY 76 and 77 to supplement the Economic Development Administration's Title I public works funds, provided that a recipient State contributes an additional 25 percent. This money shall be awarded to a State on the basis of the percentage of Title I funds a given State received since 1965.

I support this section, but I have some serious problems with its distribution formula. Based on figures contained in the "EDA Directory of Approved Projects as of December 31, 1973," our calculations indicate that 17 States received close to two-thirds of EDA's public works grants and loans in the period 1965-1973. Section 303(d) should not be based solely on this distribution of funds. Its formula needs to be more dynamic, recognizing changing economic conditions as well as EDA's changing eligibility criteria, including those proposed in S. 3641.

The proposed Title IX "Special Economic Development and Adjustment Assistance" is, of course, a partial implementation of the Administrations Economic Adjustment Act. The Administration's proposed Act places undue emphasis on solving potential or immediate economic problems, including those created directly by the Federal government. As a consequence, the needs of long standing economically depressed and lagging regions and areas may well be forgotten. Therefore, if the Senate passes some version of Title IX, it should be carried out on a demonstration basis such as it is written into H.R. 14883. Furthermore, its funding level should be geared to that of a demonstration program. So much for my thoughts on S. 3641.

Starting July 1, the Title V Commissions as well as the EDA will be operating on a continuing resolution. Funding levels under this continuing resolution will be lower than in FY 74. To say the least, this makes program planning and management very difficult. Therefore, I would urge the Congress to extend the Public Works Act just as soon as possible. This should not be difficult inasmuch as S. 3641 and H.R. 14883 are not very far apart.

Following enactment of this extension legislation, I strongly urge the Senate, the House, the Administration, and other parties at interest to enter into a national dialogue relative to improved long-term national economic development legislation. The House is about to initiate this dialogue with field hearings as part of its Public Works Investment Strategy. Hopefully, the Senate will also hold hearings—both in Washington and elsewhere.

In this regard, I would like to extend an invitation to this Committee to hold hearings in Wisconsin.

Various proposals might be considered in such hearings, and they include bills or proposals developed in the past or very recently by various Members of the Senate and the House, the Administration, and the Governors. The Governors' draft proposal was transmitted earlier this year by Governor Evans, then Chairman of the National Governors' Conference, to the Chairmen of the



Senate and House Public Works Committees. This proposal, entitled "National Regional and Area Development Act," was developed by a National Governors' Conference Task Force on National and Regional Development Policy which I chair. I should also mention that this draft proposal is based on a set of general regional economic development principles which have been endorsed by over 30 Governors.

In closing, let me again urge expeditious passage of extension legislation. This will allow us to effectively operate existing economic development programs and, then, move on to a debate concerning future national economic development legislation.

Senator MONTROYA. Our next witnesses are Mr. George W. Murray and Mr. Nick L. Salazar.

Mr. Murray will speak for the Development District of Southeastern New Mexico and Mr. Nick Salazar, who is the outgoing president of NADO and the president of the North Central New Mexico Economic Development District, will be the other witness, so we welcome you before this committee.

Gentlemen, my junior colleague from New Mexico wanted to be present, and I think he will be present before this dialog and your testimony end, so you may proceed in the order that you might designate for yourselves.

**STATEMENT OF NICK L. SALAZAR, PRESIDENT, NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT; ACCOMPANIED BY GEORGE W. MURRAY, PRESIDENT, SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT**

Mr. SALAZAR. Mr. Chairman and members of the committee.

Senator MONTROYA. Are you a county commissioner?

Mr. SALAZAR. I am a State legislator.

Senator MONTROYA. I am sorry. You were county commissioner?

Mr. SALAZAR. I was county commissioner, yes.

I was county commissioner when the district program first started and I was elected their president, and I am still their president, and I have been in the district for quite some time.

I have with me Mr. George Murray who is chairman of the Southeastern New Mexico Economic Development District, which is one of our newer districts.

It is in this capacity as past president of NADO and also as a New Mexico State legislator that I wish to make my testimony.

Let me first say that I appreciate the courtesy extended to me since 1969, or for the last 5 years, in letting me testify before your committee.

I have heard some testimony this morning regarding the good and bad of the economic development programs since EDA has been in existence and for the purpose of the edification of this committee and for the record, let me quote for you some statistics that bear out what EDA has done for small communities throughout this Nation.

In the 6 years of operation EDA has made only 2,337 grants totaling \$1.152 billion and 271 business development loans totaling \$282 million for an overall total of \$1.4 million and I think, Mr. Chairman, as you are pretty well aware, that when the act was first enacted, it actually called for an authorization of \$1.4 or \$1.5 billion. You can see



over the years it has only been funded at \$1.4 billion level so as a consequence, if there is any laxity in our operation, it is only because of lack of funds.

These actions have resulted in the creation of 518 new jobs at a per job cost of \$2,700; the important item to remember is these projects or jobs generated an annual payroll of \$2.8 billion. These are dollars earned by those jobs that we created and are taxed and reimbursed.

Mr. SALAZAR. In summary, then, EDA's assistance to the economically distressed areas of the country can be measured by jobs its assistance has created and by the income these jobs have generated.

Thus, EDA jobs, created at a cost of \$1.4 billion over a 6-year period, yield \$2.8 billion of annual income to the economically distressed and rural areas of the country. Every EDA dollar invested is returning \$2 in wages and salaries every year.

This appears to me to be the best kind of revenue sharing:

It is private enterprise revenue sharing. It is money that goes to the wage earner and those who are out to make a living for themselves.

These calculations are based only on the impact of public works and business loan projects. This is because the jobs they create are easily identified and can be directly related to the particular project, therefore providing hard factual information. So I am sure the spin-off is more.

Senator MONTONA. Where did you get these figures?

Mr. SALAZAR. These were compiled through the assistance of the various districts throughout the country and again in relation to the EDA offices here, which have actually proved our figure so that they are very factual figures, Mr. Chairman.

On the other hand, jobs developed by technical assistance feasibility studies can only be indirectly related to the eventual job producing project.

Therefore, in the interest of basing our measures on "hard facts," I have limited my statement of jobs and income figures to those derived from business loans and public works projects.

With results such as these, if this is a so-called social program, another 5-year extension of EDA could be a strong determining factor in helping to eliminate some of the less than successful welfare or social programs the President must be alluding to. If there is one thing EDA was never intended to be, that is a social program.

The Committee on Public Works created the initial legislation in the field of economic development in 1965. Mr. Chairman, I shouldn't have to tell you, you should be complimented in developing an extra fine piece of legislation concerning economic development districts under part B of title IV.

Even Secretary Dent in his testimony before this committee and the House Public Works Committee saw fit to testify \* \* \*

that the experience with multi-county, economic development districts established under this title has been very encouraging. The Districts have frequently served to improve the effectiveness of the Economic Development Assistance.

I want to add in hearing the testimony this morning regarding block grants, we know the administration proposes phasing in pro-



grams of block grants totaling \$100 million in fiscal year 1975 for all States participating in EDA programs.

Well, needless to say, NADO and the economic development districts throughout the country oppose block grants.

Following this course, we feel, would be the death knell to any continuity for local development organizations or regional commissions.

Our Governor may favor the concept of regionalism and sub-regionalism. The Governor succeeding him may be totally opposed to the concept. The local rural people could be ignored or forgotten about in the Governor's endeavor to meet the needs of the urban or large metropolitan areas.

The safe way is as is done now, from the Economic Development Administration directly to the regional commissions or local development organizations with the rather limited, technical requirements of the act and the official guidelines, but with most of the determination as to projects, plans, and so forth left to the local people.

The old adage about the economic development districts being autonomous groups formed for the benefit of local people to do local planning for local projects to accomplish economic development within multicounty areas has held true universally through the 121 districts that have been created by title IV.

These 121 districts are governed by a total board membership of 4,370 of which 58.8 percent or 2,570 are local public officials. The balance of 41.2 percent is composed of professional, business, banking, industry, labor, agriculture, and education representatives of minorities and the unemployed and underemployed.

Maximum program achievement has developed in these districts whose local control authority is broadly representative of both officialdom and a cross section of local lay leadership.

Fourteen separate Federal agencies beside EDA are utilizing development districts for program delivery purposes in varying degrees.

On October 1, 1973, there were 436 grants being channeled through these local district boards. Various regional commissions worked with 19 separate development districts in joint efforts in fiscal year 1974, to deliver \$2,207,766 in program benefits within their boundaries.

There are 108 districts designated as A-95 clearinghouses performing the review and coordination services required by the States. Adding this service mission being provided by districts, the average number of separate programs being delivered by development districts in fiscal year 1974 is well over four missions each—4.4.

The big talk in this day and age is the new federalism, revenue sharing and returning controls and decisions to the local level. I must say I think the revenue sharing has had an impact at the local level.

However, as you know, rural communities in America are in need of a tremendous amount of funds and first things must come first. As a consequence, local governments being in need of capital investment, most of their money is in this equipment to provide services for the local people.

As a consequence, there is very little left for economic development and other needs to finish a job.

If the advocates are really serious and sincere, now is the time for proving it by extending the Public Works and Economic Development



Act of 1965 for a minimum of 3 more years—preferably 4—and letting these local district boards at the local level make the decision to solve their own economic problems.

Mr. Chairman, I don't have to tell you that I fully agree with the extension and the level of funding you are now proposing in your bill and we are hopeful it will still go on.

I would strongly recommend to this committee and the Congress that if block grants are under consideration they be given to sub-State organizations such as economic development districts rather than to the States.

I am sure in a lot of cases you might disagree. This would assure the delivery of the funds to the local level where the decision should and would be made as to what projects would have the greatest economic impact on the area.

There was talk awhile ago regarding planning by the States and the local government toward these sub-State organizations such as districts and, Senator McClure, I fully agree with you that planning should be done from the local level with confirmation by the State so that everybody, local government as well as private enterprise has an input as to the State planning and this would be vary adequate with us.

I would like to take issue with the Administration that I heard awhile ago and strongly recommend to this committee the continuation and, if possible, the expansion of the Public Works Impact Program (PWIP).

The Administration alleges that \* \* \* "In most instances, it has not proven successful." They are prone to denunciate a program because of data that is far from conclusive. The evaluation upon which they base their denunciation fails to divulge many hidden benefits that have resulted from this program.

I might add that I think when we consider the number of projects or the number of jobs created, we are not really dealing with the problem at hand.

I think that what a project does for a community, the life of the community, regardless of the jobs it created, it has to have some merit to it and, Senator Montoya, I don't think I have to tell you, I think you are pretty well aware of the problem in Springer.

I would like to read this simply because it does make a lot of sense.  
Senator MONTÓYA. Springer, N. Mex.?

Mr. SALAZAR. Yes, sir. Where we funded, or the EDA funded, the PWIP project.

I am reminded of a particular PWIP project in our district that triggered a 180-degree turn in the attitude of the town of Springer, a small community of 1,574. This community's residents, 40 miles removed from the county seat and one-fifth the size of the county seat, were practically convinced the mainstream had passed them by.

From 1897 to 1956, they suffered the loss of the county seat, the district highway office. Fire had wiped out the entire business section of the town. Flood had destroyed the railroad depot, sections of the track, and half the town. A gas explosion had destroyed the five main businesses of the town.



The outlook was indeed bleak. The city hall was an empty store building. The fire department was in a small garage. They had no detention or jail facilities—this is a fact.

Under the PWIP program, a new municipal complex was constructed which we dedicated last year, consisting of a new fire department (three stall) with quarters for the fire chief; a new city hall consisting of a business office, vault, utility office and multipurpose council chamber; a new jail facility and detention quarters for male and juvenile offenders, cell for women and a jailer's quarters.

In acquiring the city block for the municipal complex, they also acquired an adobe residence. With revenue-sharing funds they remodeled the building and converted it to a municipal library. The whole town seemed to change and we went to celebrate with them.

With funds from local sources, they were able to match a Federal Aviation Administration grant to construct a 5,000-foot landing strip to be used not only by Springer but also Philmont Scout Ranch and all northeastern New Mexico.

They received approval for 30 units of low-income and elderly housing. The chamber of commerce has taken on a project of remodeling the business section of Springer. Through its combined efforts, the town of Springer was able to attract its first new major industry—Rondesics Leisure Homes Corp., of Asheville, N.C.

I don't have the figures of the people they employed, but they do employ quite a few. All of this came about because the town's pride in itself was revived as a result of a city hall complex that could have been obtained under no other program.

Results such as these are not reflected in the empirical data gleaned from evaluations of the PWIP program. For such cases the program should not only be retained but should be expanded with adequate financing.

I might add that Congressman Lujan made a statement, I would say a month and a half ago, that if there was one criticism of EDA, it was because it has never been adequately funded and for the last 5 years, it has been extended 1 year at a time.

The university that has created an "albatross around our necks."

Mr. Chairman and members of the committee, we haven't known whether we were going to live or die in the last 3 years—we are funded from year to year—let alone do any long-range planning, to correct our ills.

My plea then to this committee and to the Congress is that they give us 3 to 5 years additional life and a sufficient amount of money that will permit us to target in on localities of greatest need in order to correct that need, instead of having to spread funds so thin they will have practically no impact on the future of rural America's economy.

Senator MONTOLA. Thank you very much, Mr. Salazar.

Now, we will hear from Mr. Murray.

#### STATEMENT OF GEORGE W. MURRAY, PRESIDENT, SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT

Mr. MURRAY. Mr. Chairman and members of the subcommittee, my name is George W. Murray. I am president of the Southeastern New



Mexico Economic Development District. It also includes the Mescalero Apache Reservation.

In the interest of time, I intend to be brief because I have given this statement to Mr. Jim Boyer.

Senator MONTOKA. Your statement will be made a part of the record and you may proceed to make any comments you wish.

[The statement appears at p. 320.]

Mr. MURRAY. I wish to make a brief comment with regard to some of the projects we have. We have been extremely happy with EDA as far as it has been able to go. We feel it has not been funded to the extent that it could have been.

We have had a tremendous success in the area of loans to Glover Packing Corp., in Roswell, the Alamogordo Industrial Park, the funding for the Lincoln restoration; the PWIP programs and other fundings for the abandoned air base at Roswell—gee, we think that EDA has been successful.

We would like to see the composition of the board include a minimum of 25 percent of nonelected officials, while the majority of them should be elected officials. Were it not for the nonelected officials, I wouldn't be able to be here today because I am a nonelected official, and I seem to have the backing of the elected officials.

Our board does comprise mainly elected officials and, yes, they saw fit to elect me president.

It has been a pleasure being here today. I thank you for the opportunity and if we could just get the proper appropriations, the bill that you now have under consideration would be of tremendous help to us.

Senator MONTOKA. Thank you very much.

Senator McClure, do you have any questions.

Senator McCLURE. You make a very valid point on PWIP, that the employment created in the construction of the project is not the only employment created by the project. Do you have any kind of an estimate as to the jobs that are indirectly created that would in any way modify the testimony that has already been given that it costs \$85,000 for every job for every man-year of employment created?

Mr. SALAZAR. I certainly don't have those figures. I can provide for the record the number of jobs created. We had another PWIP project in Mora County.

Senator McCLURE. We have a similar problem with respect to the analysis of cost-benefit ratios on water development projects, and some other public works projects where they want to relate all of the benefits to those benefits that are generated internally, and they look at none of the external benefits.

There is a very great danger involved in that. I have been very critical of the National Water Resources Council for the analysis that they have made in regard to the benefit that flows from the construction of that kind of public works project.

If you have any knowledge of any study that has been made which attempts to extend the benefit analysis to include those indirect job opportunities created, I wish you would provide that for the record or lead us toward where we can find that kind of indirect analysis.

Senator McCLURE. I note from the data which has been submitted to us that a great many States have provided State moneys for eco-



conomic development projects. In some States, the local development districts would get the money from EDA and HUD and the State, that is the case in Louisiana and in Arkansas.

They get it from EDA, HUD, HEW, Labor, and State, but I notice in New Mexico, the districts you gentlemen represent, get no money from the State.

Mr. SALAZAR. I think, Senator McClure, at the last session which was a year ago, I sponsored a bill which called for \$1.5 million, which was intended to assist small communities with their water and sewer problems.

Needless to say, this was used as seed money to match Federal money.

Senator McCLURE. Did that go through the economic development districts?

Mr. SALAZAR. It didn't because the money was funded to the water and sewer control agency in the State.

Senator McCLURE. There is no direct financial support for development of the district?

Mr. SALAZAR. I introduced a bill a year ago where the State will provide assistance to the local districts to do planning for the State. There is participation for the State.

Senator McCLURE. How much money has been appropriated?

Mr. SALAZAR. \$12,000 per district.

Senator McCLURE. How many districts do you have?

Mr. SALAZAR. Seven.

Senator McCLURE. That is a total of 7 times 12?

Mr. SALAZAR. Right.

Senator McCLURE. A rather modest amount of money.

Mr. SALAZAR. Yes; but it is a beginning.

Senator McCLURE. I assume you intend to continue those efforts?

Mr. SALAZAR. Yes; I am now up for reelection and I intend to increase the money.

Senator McCLURE. I gathered that impression that you were up for reelection. I served in the State legislature too, so I can appreciate that. I have no further questions.

Senator MONTROYA. Thank you very much. I know what work you are doing in New Mexico, but I will just extend the record too much if I start reciting your accomplishments.

[Mr. Murray's prepared statement follows:]

STATEMENT OF GEORGE W. MURRAY, PRESIDENT, SOUTHEASTERN NEW MEXICO  
ECONOMIC DEVELOPMENT DISTRICT

Mr. Chairman and members of the subcommittee: My name is George W. Murray. I am president of the Southeastern New Mexico Economic Development District. Our territory takes in five counties: It also includes the Mescalero Apache Reservation.

First off, I want to associate myself with the testimony of Mayor Moosa. It is hard to conceive of more different terrains than the Evangeline country, with abundant water sources and neverending greenery and our arid high plains and mountains. Despite appearances, our problems are very similar—areas of high unemployment, generally low income levels, and high out-migration.

Our district is a relatively new one. We organized and were funded by EDA for the first time in 1971. Our overall economic development program was approved by the State of New Mexico and by EDA in March 1972. So we have a



somewhat different perspective than Mayor Moosa and the people of his district. We in Southeastern New Mexico were pretty shocked last year when we learned that the administration wanted to abolish EDA. We felt our tires were being shot out just as we were starting to move.

Thanks to the firm stance of Congress. The Economic Development Administration continues to function. In our view, it functions very well—especially when we consider the low funding levels it operates on. It has been charged that EDA has failed, that it has not solved the national problem of unemployment. That's ridiculous. The failure involved rests in another sector: The failure of this administration, as well as the previous one, to give it support and to press for adequate funding.

According to EDA's own study, the 2,337 public works grants and 271 business loans made over a six-year period resulted in the creation of 518,000 direct jobs. The cost to EDA was \$1.4 billion. Yet the annual wage income created by those 518,000 jobs was \$2.8 billion. So for every dollar EDA spent over that six-year period, it made for two dollars in personal income each year. If that is failure, then let's have much more of it.

The legislation introduced by the distinguished chairman and senior Senator of our great State, S. 3641, would provide for the organization of economic development districts with only one redevelopment area. I am told that this would enable the formation of more than 200 new economic development districts. Assuming that our own district funding level is typical, I figure that EDA would need at least eight million dollars more in planning funds if it is to support anything like that number of new districts. For that reason, I am pleased to support the provision of S. 3641.

Authorizing \$75 million for the planning, technical assistance and research operations of EDA. This appears a more logical sum than that provided in the bill passed by the House committee.

And as you can guess from what I've been saying, the money authorizations in the bill you are considering today are much more realistic than those prepared by the House committee. There is another point I want to make before concluding. That concerns the wisdom of EDA in its guidelines for composition of governing bodies of economic development districts. The Agency requires that every county involved, and every major city be represented on the board of directors by an elected official. That is obviously wise. That is one reason why Mayor Moosa is here today. EDA also requires that there be representation of a broad range of private citizen interests. I surely approve of that. Otherwise I couldn't be sitting here today, as I am not an elected public official. Our experience is that it is a real help to have the knowledge and the ideas of a variety of private citizens in formulating policy for our district. I think I'm safe in saying that our elected officials firmly believe that too. One proof is that they constitute a majority of our board—yet they elected me president.

I'd like to suggest that you gentlemen could strengthen EDA's hand if you wrote into the law that development districts, regional commissions and the like have at least a majority of local elected public officials on their boards, but that at least 25 percent be from the private non-elected sector.

You in the Congress made a start in this direction in enacting the disaster relief act of 1974. In title V of that act, amending the Public Works and Economic Development Act of 1965 by adding to it a new title concerning economic recovery for disaster areas.

The new section 802 of the Public Works Act provides that in the case of a major disaster affecting all or part of an existing economic development district, that district is to be designated as the Recovery Planning Council. That section requires that a majority of the council members be local elected officials. It also states that such councils "shall include private citizens as members to the extent feasible." That is a good start; it would only make sense to spell out a citizen participation requirement in title IV of the act.

Mr. Chairman we want you to know that we feel that the efforts of the Montoya bill to strengthen the economic capability of the States is much needed and can only lead to more effective State, district, and local economic development.

The title 3 proposal to provide funds to the States to supplement title I Public Work grants is a very interesting and appears to be a very positive approach to increase State and district cooperation. It also promises to be an incentive to



closer consultation between the States and districts in setting development priorities. The increased funding proposed for the title V commissions is well deserved and will enable the commissions, the States and the districts to work more closely with one another.

We hope that the Senate will keep the House amendment which would allow a district to put a project anywhere in a district so long as it is of benefit to the distressed or needy areas in the district. This provides a flexibility which would substantially strengthen a district's capability to deal with its most pressing problem areas.

While on the subject of flexibility, we wish to state our strong support of the Montoya bill's proposal to put all distressed areas under title IV, thereby making all redevelopment areas eligible for the full range of EDA assistance.

One more note, title IX of the Montoya bill is worthy of a trial but we would hope that the Senate would still retain EDA's "sudden rise" qualification which, would insure that our small towns and villages would get assistance when natural disasters strike or major employers close their doors. Title IX holds promise but does not have the flexibility and quickness of response that EDA's "sudden rise" has provided on countless occasions.

Mr. Chairman I close by commending this committee for the very positive forward looking bill you have presented. If only the Appropriations Committee will act to support your efforts, the future of all of us will be much brighter.

Thank you for the privilege of appearing before you.

Senator MONTOKA. We are trying to accommodate everybody. We will forgo lunch to accommodate all these people who came to Washington and want to get out so quickly.

Dr. Gerald Bush, director, Mayor's Office of Commerce and Manpower, city of Boston.

Dr. Bush, you have a statement here, do you wish to submit it for the record and then proceed to summarize it or do you wish to read it?

**STATEMENT OF GERALD BUSH, DIRECTOR OF THE MAYOR'S OFFICE  
OF COMMERCE AND MANPOWER, CITY OF BOSTON, REPRESENT-  
ING COUNCIL FOR URBAN ECONOMIC DEVELOPMENT**

Mr. BUSH. Let me simply go through it briefly, but submit it for the record.

Senator MONTOKA. It will be made a part of the record and you may proceed to summarize it as you wish, sir. [See p. 327.]

Mr. BUSH. Senator Montoya, this is one of the most significant pieces of legislation with regard to urban areas before the Congress this year.

As director of the Economic Development Department for Boston, and the Mayor's Office of Commerce and Manpower—and within that agency, is the responsibility for conversion of the Boston Naval Shipyard closed last year by the Federal Government—as well as serving as vice president and legislative chairman of the National Council for Urban Economic Development, I speak with the combined awareness of the potential positive local and national impact of this economic development legislation and, I might add, the present administration's lack of commitment to it.

The Public Works and Economic Development Act of 1965 is the only major Federal legislation which provides appropriate tools to urban officials to effectively deal with the fiscal and economic problems endemic to this Nation's large cities. These are: Impacted and persistent unemployment—indeed, more than 10 percent in the city of Boston today—dense poverty; a heavy reliance on regressive property



taxes; the growing need for increased rate of new capital expenditure both in the public and private sector to replenish the older buildings; and severe competition of low-tax, more bucolic suburban communities for both our middle income residents and our industrial employment base.

I should add that, in Boston, we have begun to get an edge on suburbia in the competition for middle to upper income residents. Our population as a whole—and in the middle income sector in particular—is on the rise.

However, in the competition to build our industrial base, we face two problems which Federal policy has until recently exacerbated: (1) a Federal transportation policy which has encouraged the flight of urban firms, and (2) the mistaken impression by the Federal Government that the solution to the city's problems is in massive housing assistance (HUD and model cities programs) and in massive funding of human service type programs such as HEW, OEO, and DOL programs.

This terribly lopsided Federal commitment to urban housing and human services programs and to suburban highways, with only token Federal assistance to urban mass transportation and to urban economic development—the stimulation of private capital—is, from my perspective, a substantial part of the problems of the cities.

We know that cities are 25 to 33 percent more efficient than suburbs. In term of land use, energy consumption, waste disposal, and ease of people movement the full utilization of urban infra-structure resources represents a vast dollar savings to the Nation when compared to suburban sprawl.

In terms of full human resources utilization, we know that all major American cities suffer tremendously high unemployment and underemployment. This, the result of prior national policy, is the most pitiful of wastes. Without overstating the case, a balance of housing, human services, and economic development programs is the appropriate solution.

As an example, since 1965, the city of Boston, with a population of about 700,000 persons, received \$500 million in Federal assistance for housing and for services for the disadvantaged and unemployed. During that same period, the city, received only \$1 million in Federal assistance for economic development. I do believe that the city honestly needs the assistance it receives for housing and services. My concern here this morning is to plead for a similar commitment to strengthening the cities' economic base and thereby improving the chances of its residents to enter the mainstream of American life, to enter private sector employment, which is absolutely essential.

It is for these reasons that I am most pleased to speak in support of S. 3641 today. This bill, with minor amendments, could well be the single most important piece of urban legislation to be considered by Congress in this session. S. 3641 finally authorizes adequate funds to assure that economic development programs already begun under this legislation can continue. The fact that business loans finally will be adequately funded will guarantee the full-fledged sources of economic development programs.

Programs in Boston which are funded under the Public Works and Economic Development Act are working and they are successful. The



limited amount of funds available to the city, however, makes it frustrating and difficult for me, as a municipal official, to even begin to fill the need for economic development.

This frustration is compounded when one considers that 25,000 Boston residents—10 percent of the working population—are actively looking for work and cannot find it, another 20 percent of the city's total population is living at or below the Federal poverty level, and 5,000 of the city's disadvantaged residents are part of a \$9 million job training program managed by the Manpower Division with DOL funds. Yet, if this legislation fails to become law, the city will not have adequate business development funds to assist in the creation of new private sector jobs, and these trainees will not find gainful employment. Job training and economic development, combined in my city department, are two parts of the same process.

I would like to take a moment to list some of the programs presently operating in Boston under the Public Work and Economic Development Act.

1. With a combination of \$1 million of city bonds, a \$400,000 public works grant, and \$75,000 in technical assistance from the New England Regional Commission, we have generated \$1.5 million in private investment to break ground next month for the city's first publicly financed light manufacturing neighborhood work center. This work center will house two divisions of a major international electronics firm which had originally intended to locate in a Boston suburb; the project will result in 300 new jobs in Dorchester, one of Boston's primarily blue-collar neighborhoods, and in 20 years will yield in new tax revenue a 30-percent return of public funds invested. The project has received strong support from Dorchester's residents, and residents from many of the city's other neighborhoods have requested similar projects. With additional funding from the New England Regional Commission and from the Economic Development Administration, the city can move ahead on several such projects; but without such funding, we will have one successful pilot project but no long-term development program.

2. With a technical assistance grant of \$500,000 from EDA and the potential of a \$5 million business loan, we are presently working to help locate a newly organized shipbuilding firm in the Boston Naval Shipyard, thereby replacing the 5,600 jobs lost by the closing of the shipyard this month by the Defense Department. Such a shipbuilding operation will add \$35 million in new capital investment to the city, with an overall economic impact of over \$120 million per year, an annual Federal tax revenue increase of \$1.5 million, and thus will get almost an unbelievable 300-percent return on investment in 1 year. With additional funding of EDA, the business loan programs, lease guarantees, and the proposed title IX of S. 3641, the city of Boston and private enterprise will be able to turn a major economic dislocation into a major economic success story.

3. With a small grant of \$50,000 from EDA, my office recently began Operation Neighborhood, a pilot project to assist in the revitalization of neighborhood businesses. Operation Neighborhood will provide city staff to work in local chambers of commerce to channel local, State, and Federal business development resources into small neigh-



neighborhood businesses, particularly in minority communities. In Boston, 90 percent of the work force is employed in firms of less than 100 employees.

With an economy so dependent on smaller businesses, the need for a neighborhood business revitalization program is clear; with adequate Federal funding, such a project could become a long-range, full-fledged development program which would attract local resources. The seed-money role of EDA is responsible for every major local economic development program in America and should be preserved. Three years ago, Boston received its first EDA grant. Since that time, the city has progressively recognized the excellence of that program and has, indeed, with local resources picked up most of the cost of funding. However, we need a continuation of this program.

In my contacts with other members of the National Council for Urban Economic Development in other cities throughout this Nation, I have seen similar successes under the Public Works and Economic Development Act. I have also heard similar complaints about the administration's lack of commitment to these programs and the tragedy of high hopes of city officials and low goals of the administration for urban economic development—the stimulation of private capital investment to create new jobs.

I would hope that with the congressional approval of S. 3641, with some minor modifications, and with full congressional appropriation for the spending level authorized by this bill, these high hopes for urban economic development can become a reality.

First, I would like to explicitly support an extension of 3 years and not the administration proposal for 2 years. It is very important to local officials that we have the security and knowledge that the programs will be going on rather than this 1-year to 1-year situation.

Secondly, I am particularly concerned that the level of appropriation for this legislation reflect the commitment to economic development programs so strongly shown in S. 3641. The level of appropriation for the Public Works and Economic Development Act has historically been considerably less than the amount authorized in the enabling legislation. The amount has ranged anywhere from one-half to one-third the authorized level.

Recently the House Appropriations Committee has again only provided a small percentage of the amount of money needed to operate a realistic economic development program; in this case, only \$201 million, a cut of \$80 million in the amount appropriated last year. I would hope, therefore, that the members of this committee would act with concern to assure that the Senate Appropriations Committee make available adequate funds to carry out this legislation as intended. The bills are going through the Congress with substantially lower dollar figures than those authorized by the bill. I would urge you in fact to appropriate at the authorization level.

I would also like to suggest two sections where S. 3641 should be modified to strengthen the role of cities in economic development planning and in dealing with economic dislocations. I also want to say that I do support the development of the State capacities. I believe that the States at this point have the least capacity, but I would not want them to develop capacity at the expense of larger cities which have a long track record in this field.



I would also propose that under title IX the impact of economic dislocations on localities should be more adequately dealt with. Of course we are suffering in Massachusetts in a way which is only equaled by Rhode Island. Here again there should be a percentage split in the bill as far as appropriations are concerned. It is our fear as a local agency in charge of reutilization of the Boston Naval Shipyard, that these funds could go entirely to States when, in fact, the cities and local districts have held the primary responsibility, so the congressional intent should be made clear as to how much of those funds under section 9 should go to cities, districts, and States under the Federal funding.

I would suggest that 20 percent of the funds appropriated under title IX be set aside to be used by States, with the remainder set aside for localities.

Senator MONTROYA. You heard what I said a few minutes ago that I favor the local entity jurisdiction over applications and approval. Because sometimes there is a conflict between a Governor and a mayor, I want some higher authority to resolve any conflict of that nature.

Mr. BUSH. I would support that. I have become intimately familiar with those conflicts in 2½ years in city hall.

Senator MONTROYA. I fully appreciate that situation arising in this country in different States. Now, is it your feeling in view of your experience that EDA can serve a very worthwhile purpose in the urban areas of this country?

Mr. BUSH. Yes, indeed. I could not support that enough.

Senator MONTROYA. You have had that kind of experience, it has been very productive in the city of Boston?

Mr. BUSH. Extremely productive. Not to go into our track record in detail, but none of this would have happened without a very small grant of \$150,000 from the Economic Development Administration which started the entire process 3 years ago.

Senator MONTROYA. What can you tell us by way of fruits from every EDA dollar spent in the city of Boston? What does it generate?

Mr. BUSH. My problem is—

Senator MONTROYA. First give it to me in terms of what has been your experience, what does an EDA dollar generate in the nature of additional contributions for construction projects?

Mr. BUSH. We have received as of yesterday our first public works grant under the EDA, so that that \$400,000 grant will be combined with \$1 million of city funds to generate \$1.5 million of private sector investment which is already in hand with the letters of intent, so that that \$400,000 in Federal money will generate an initial investment of more than \$3 million, and create 300 new jobs and will create \$80,000 a year over the next 20 years in new tax revenues. We are talking about a 30 percent return in taxes of the public sector dollar. You would be talking about a 200 or 300 percent return on investment from the Federal Government, so that piece which is put into the economic development puzzle is critical, it is relatively small, it has the effect of having vastly disproportionate impacts in terms of savings on welfare—whatever proportion of new employees come off these rolls. These dollars are very, very well spent from the point of view of the local officials.



Senator MONTÓYA. Doesn't this investment, in turn, generate enthusiasm for similar investments in the business community?

Mr. BUSH. Indeed. It has a multiplying effect. For every \$500,000 from EDA, based on a year ago, when they crippled our economy and Rhode Island's, "they" being in the Defense Department and Federal administration, EDA responded quickly with an initial grant to get started on re-use planning and followed it up with a proposal and grant. Their \$500,000, if we are successful in the next 60 days, will generate \$120 million in new economic activity. I know no Federal dollar that gets that kind of return, just in new Federal income tax revenues, that will receive three times its investment in the first year, which is usurious on the rate of return on your dollar. It is a tremendous investment.

Senator MONTÓYA. Well, I have to go to the Senate now and report for work there, so I certainly want to thank you for your testimony.

[Mr. Bush's prepared statement together with additional material received subsequent to the hearing follow:]

STATEMENT OF DR. GERALD W. BUSH, DIRECTOR, MAYOR'S OFFICE OF COMMERCE  
AND MANPOWER, CITY OF BOSTON

Senator Montoya, honored members of the subcommittee: I am honored by your request to testify today and am pleased to be able to speak in favor of S. 3641, a bill to amend and extend the Public Works and Economic Development Act of 1965.

As the director of Boston's Economic Development Department and as vice-president and legislative chairman of the National Council for Urban Economic Development, I speak with the combined awareness of the potential positive local and national impact of this economic development legislation and, I might add, the present administration's lack of commitment to it. The Public Works and Economic Development Act of 1965 is the only major Federal legislation which provides appropriate tools to urban officials to effectively deal with the fiscal and economic problems endemic to this Nation's large cities. These are: impacted and persistent unemployment; dense poverty; a heavy reliance on regressive property taxes; the growing need for increased rates of new capital expenditure both in the public and private sector; and competition of low-tax, bucolic suburban communities for both our middle income residents and our industrial employment base. I should add that in Boston we have begun to get an edge on suburbia in the competition for middle to upper income residents: our population as a whole, and in the middle income sector in particular, is on the rise.

However, in the competition to build our industrial base we face two problems which Federal policy has until recently exacerbated: (1) a Federal transportation policy which has encouraged the flight of urban firms, and (2) the mistaken impression by the Federal Government that the solution to the cities' problems is in massive housing assistance (HUD and Model Cities programs) and in massive funding of human service type programs (HEW, OEO, and DOL programs.)

This lopsided Federal commitment to urban housing and human services programs and to suburban highways, with only token Federal assistance to urban mass transportation and to urban economic development—the stimulation of private capital is, from my perspective, a substantial part of—the problems of the cities.

We know that cities are 25 to 33% more efficient than suburbs, in terms of land use, energy consumption, waste disposal, and ease of people movement. The full utilization of urban infrastructure resources represents a vast dollar savings to the Nation when compared to suburban sprawl.

In terms of full human resource utilization we know that all major American cities suffer tremendously high un- and underemployment. This, the result of prior national policy, is the most pitiful of wastes. Without over-stating the case, a balance of housing human services, and economic development programs is the appropriate solution.



As an example, since 1965 the city of Boston, with a population of about 700,000 persons, received  $\$1\frac{1}{2}$  billion in Federal assistance for housing and for services for the disadvantaged and unemployed. During that same period, the city received only \$1,600,000 in Federal assistance for economic development. I do believe that the city honestly needs the assistance it receives for housing and services. My concern here this morning is that a similar commitment to strengthening the city's economic base and thereby improving the chances of its residents to enter the mainstream of American life is absolutely essential.

It is for these reasons that I am most pleased to speak in support of S. 3641 today. This bill, with minor amendments, could well be the single most important piece of urban legislation to be considered by Congress in this session. S. 3641 finally authorizes adequate funds to assure that economic development programs already begun under this legislation can continue. The fact that business loans finally will be adequately funded will guarantee the full-fledged success of economic development programs.

Programs in Boston which are funded under the Public Works and Economic Development Act *are* working and they *are* successful. The limited amount of funds available to the city, however, makes it frustrating and difficult for me, as a municipal official, to even begin to fill the need for economic development.

This frustration is even more distressing when one considers that 25,000 Boston residents (10 percent of the working population) are actively looking for work and cannot find it; another 20 percent of the city's total population is living at or below the Federal poverty level; and 5,000 of the city's disadvantaged residents are part of a \$9 million job training program managed by my manpower division with DOL funds. Yet, if this legislation fails to become law, the city will not have adequate business development funds to assist in the creation of new private sector jobs. Job training and economic development, combined in my city department, are two parts of the same process.

I would like to take a moment to list some of the programs presently operating in Boston under the Public Works and Economic Development Act.

1. With a combination of \$1 million of city bonds, a \$400,000 EDA public works grant, and \$75,000 in technical assistance from the New England Regional Commission, we have generated \$1.5 million in private investment to break ground next month for the city's first publically financed light manufacturing neighborhood work center. This work center will house two divisions of a major international electronics firm which had originally intended to locate in a Boston suburb; the project will result in 300 new jobs in Dorchester, one of Boston's primarily blue collar neighborhoods and in 20 years will yield in new tax revenue a 30% return of public funds invested. The project has received strong support from Dorchester's residents, and residents from many of the city's other neighborhoods have requested similar projects, with additional funding from the New England Regional Commission and from the Economic Development Administration, the city can move ahead on several such projects; but without such funding, we will have one successful pilot project but no long term development program.

2. With a technical assistance grant of \$500,000 from EDA and the potential of a \$5 million business loan, we are presently working to help locate a new organized shipbuilding firm in the Boston Naval Shipyard, thereby replacing the 5,600 jobs lost by the closing of the shipyard by the Defense Department this month. Such a shipbuilding operation will add \$35 million in new capital investment to the city, with an overall economic impact of over \$120 million per year (an annual Federal tax revenue increase of 1.5 million dollars in the first year alone). With additional funding of EDA, the business loan programs, lease guarantees and the proposed Title IX of S. 3641, the City of Boston and private enterprise will be able to turn a major economic dislocation into a major economic success story.

3. With a small grant of \$50,000 from EDA my office recently began "Operation Neighborhood," a pilot project to assist in the revitalization of neighborhood businesses. "Operation Neighborhood" will provide city staff to work in local chambers of commerce to channel local, State and Federal business development resources into small neighborhood businesses, particularly in minority communities. In Boston 90 percent of the work force is employed in firms of less than 100 employees. With an economy so depended on smaller businesses, the need for a neighborhood business revitalization program is clear; with adequate Federal funding, such a project could become a long-range, full-fledged development pro-



gram which would attract local resources. The "seed money" role of EDA is responsible for every major local economic development program in America.

In my contacts with other members of the National Council for Urban Economic Development in other cities throughout this Nation I have seen similar successes under the Public Works and Economic Development Act; I have also heard similar complaints about the administration's lack of commitment to these programs and the tragedy of high hopes of city officials and low goals of the administration for urban economic development—the stimulation of private capital investment to create new jobs.

I would hope that with the congressional approval of S. 3641, with some minor modifications, and with full congressional appropriation for the spending level authorized by this bill, these high hopes for urban economic development can become a reality.

I am particularly concerned that the level of appropriation for this legislation reflect the commitment to economic development programs so strongly shown in S. 3641. The level of appropriation for the Public Works and Economic Development Act has historically been considerably less than the amount authorized in the enabling legislation. The amount has ranged anywhere from one-half to one-third the authorized level.

Recently, the House Appropriations Committee has again only provided a small percentage of the amount of money needed to operate a realistic economic development program—in this case, only \$201 million, a cut of \$80 million in the amount appropriated last year.

I would hope, therefore, that the members of this committee would act with concern to assure that the Senate Appropriations Committee make available adequate funds to carry out this legislation as intended.

I would also like to suggest two sections where S. 3641 should be modified to strengthen the role of cities in economic development planning and in dealing with economic dislocations.

In the proposed section 303, a total of \$75 million is authorized for economic development planning, with \$15 million set aside for States. In the event only \$20 million is appropriated for this section, only \$5 million would remain for non-State use. I suggest, therefore, that the States receive a set percentage of planning funds, possibly twenty per cent of the amount available nationally.

In the proposed title IX, the impact of economic dislocations on localities would be more adequately dealt with, in my opinion, if this State-City funding split is also retained in this section. Again, I would suggest, that twenty per cent of the funds appropriated under title IX be set aside to be used by States, with the remainder set aside for localities.

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COUNCIL FOR URBAN ECONOMIC DEVELOPMENT,  
Washington, D.C., July 11, 1974.

Mr. RICHARD T. GREER,  
*Economic Development Sub-Committee,*  
Washington, D.C.

DEAR Mr. GREER: At the request of Dr. Gerald W. Bush of Boston, who testified before the Senate Committee on Economic Development on June 26, 1974, the attached material is being submitted as an addendum to his statement for inclusion into the official record of that hearing.

Thank you very much for your attention in this matter.

Sincerely,

LUCY B. WELLS.

SUPPLEMENTAL STATEMENT OF DR. GERALD W. BUSH, DIRECTOR, MAYOR'S OFFICE OF COMMERCE AND MANPOWER, BOSTON, MASS., AND VICE PRESIDENT, COUNCIL FOR URBAN ECONOMIC DEVELOPMENT

Economic dislocations, particularly those prompted by federal facility closures, are in almost all cases a matter of local concern. It is the local employment that is most immediately and significantly altered; the local commercial suppliers that are impacted, and the local jurisdiction that has responsibility for expeditious and careful development of a reuse plan which best reflects the overall economic needs of that particular community.



Yet for a variety of reasons, local officials find it extremely difficult to meet the challenge so abruptly presented to them. This is in part because of the suddenness of the dislocation with federal facilities closed usually with little or no warning. It is also because of the normally tight financial condition of local communities which find it extremely difficult to quickly set aside local funds to perform the necessary re-use planning. And it is in part due to the incredible tangle of red tape and federal policies that must somehow be dealt with in order to achieve the ultimate objective of converting a facility from federal to non-federal use with the least disruption of the local economy.

In order to assist local communities in performing this difficult task more effectively and efficiently, several new provisions are proposed.

(1) *First-day Re-use Planning Grants*—The announcement of a major federal facility closing generally causes an immediate pall of shock and gloom to descend upon the local community. Valuable time is often lost while the necessary local funds and personnel are pulled together to begin the arduous re-use planning process, if in fact they can be secured at all. If a modest federal planning grant could automatically be made available to impacted communities on the day of announcement or immediately thereafter, much of that delay could be avoided as communities could more quickly get started with re-use planning. It must certainly be said that the Economic Development Administration has done a laudable job in getting technical assistance funds out as quickly as possible to communities, especially those impacted by the April, 1973 round of military base closures. The planning grants being here proposed would be even more prompt and more automatic than those presently available through EDA. It is certainly possible that additional planning funds may be required further along in the process depending on the size and severity of the economic dislocation, but a first day grant, even though modest in size, would serve to get a community moving more promptly on re-use planning and thus more likely insure a smooth transition from federal to non-federal use.

(2) *Phasedown Periods*—Particularly in cases of major facility closings, the phasedown period can be of critical importance to a community in accomplishing a smooth transition with minimal local economic disruption. It is recognized that budgetary needs of the federal agency formerly utilizing that facility are a major consideration in determining the phasedown period. But to date that consideration appears to be the only one taken into account with little or no thought given to the time needed by the local community for smooth and well planned version. This situation is particularly regrettable in view of the fact that a difference of as little as three or six months can be extremely significant in the conversion process, and considering that any budgetary losses incurred by the federal agency because of longer phasedown periods would likely be more than matched by gains resulting from maintaining the local economy throughout the conversion process. It is proposed, therefore, that phasedown periods should be established only after consultation with the local effected jurisdiction and that the needs of the the community be given as much weight as those of the federal agency in making that determination.

(3) *Facility Profile*—While the ultimate responsibility for re-use planning rests with the local community, the cooperation and support of the federal agency previously occupying the facility is of crucial importance. Experience has shown it very difficult for local officials to get full information about the closed facility especially in a timely manner. This problem has complicated the re-use planning process substantially. It is suggested therefore that the Federal agency, on the day that closure is announced, supply to the local community a complete report on the facility being closed. This report should include at least the following elements:

(a) A list of all land, plant, and equipment being surplus including the condition of each, and any other conditions, such as availability of replacement parts or conformance with local building codes, of concern in re-use planning.

(b) A profile of all civilian personnel employed at the facility including skills, age, and place of residence.

(c) A list showing names and dollar volume of major local suppliers of goods and services to the facility.

(d) Any other data, such as soil conditions, of potential use to the community in re-use planning.



Ideally a facility profile on all major federal facilities should be provided to local communities even while the facility is under federal control. Such a procedure would allow the local jurisdiction to keep track of the degree of dependence its economy may be developing on that facility and allow the community to develop contingency plans for a closure. But when closure actually occurs, the prompt availability of complete and up-to-date data on the facility is crucial to effective re-use planning.

(4) *Economic Development as an Allowable Purpose*—According to present law and policy, title to surplus federal property may be transferred without charge if that property is to be used for a public educational or health facility, an historic monument, a park, an airport, or a wildlife refuge. Re-use for economic development purposes requires purchase at "fair market value" with one exception. If an airport facility is expected to operate at a deficit, it is permitted to locate profitable business activities of a commercial or industrial nature on the parcel of land thus bringing the overall operation up to the break-even point and still not sacrifice the free transfer of title. It is proposed that a similar arrangement for transfer of title at less than full fair market value be extended to all economic development uses sponsored by a unit of general purpose government. This suggestion is made for a number of reasons:

Economic development is very appropriately a public purpose. Increasingly units of general purpose government are engaging in economic development activities for the long and short term benefits of the population much as they traditionally have engaged in public health and educational activities.

In many cases the best solution to abrupt economic dislocation caused by a federal facility closing in prompt economic development preventing undue hardship to local workers and suppliers.

Local jurisdictions are often financially unable to pay the full fair market value of surplus property especially since such an expense is generally unanticipated and therefore not included in the already overburdened capital budget.

In numerous instances, federal agencies over a period of many years have utilized substantial parcels of land on a tax-free basis thus denying to local jurisdictions the tax revenues that would otherwise be derived from that property. This opportunity cost along with the roads, schools, and other infrastructure costs borne by the local community should be taken into account in determining federal policy.

(5) *Reimbursement for Re-use Changes*—Situations have arisen in which a community has paid fair market value for federal property in anticipation of undertaking economic development activities. Then, for a variety of reasons, that community has changed its re-use plan to include purposes, such as educational or recreational activities, for which free transfer of title would originally have been permitted. It is proposed that when such a situation occurs within a reasonable period of time following the original purchase that the local community be reimbursed by the federal government for that portion of the surplus property to be used for allowable purposes.

The closure of a major federal facility is, for the local community a crisis in the classic sense. It holds the opportunity for substantial disaster and substantial opportunity. The changes in policy and procedure suggested herein would significantly tip the balance toward encouraging sound economic growth to result from facility closings.



# legislative bulletin

council for urban economic development

June 24, 1974

## NEW EDA EXTENSION BILL INTRODUCED IN SENATE

On June 13, Senate Economic Development Subcommittee Chairman Montoya (D-N.M.) introduced S.3641, a bill to amend the Public Works and Economic Development Act of 1965. The bill reportedly has the strong support of Senate Public Works Committee Chairman Randolph (D.-W.V.), who co-sponsored it. Although Montoya's bill differs from H.R. 14883 already reported out of the House Public Works Committee (Blatnik, D-Minn., chrmn.), the basic thrusts of increased funding for economic development planning and economic adjustment activities and an expanding role for states remain the same (see comparative analysis chart on following pages).

Major features of the Senate bill compared to the House bill include:

- S.3641 is a three year, rather than two year, extension of the Public Works and Economic Development Act.
- As in the House bill, the Title I redevelopment area designation of areas with substantial unemployment during the preceding calendar year is transferred from Title I to Title IV. This will mean that approximately 330 Title I areas located predominantly in older urban areas will qualify for all benefits of redevelopment areas rather than only public works grants.
- In both the Senate and House bills Title II is amended to allow EDA to make and guarantee both fixed asset and working capital loans and to guarantee rental leases.
- Title III in both bills is amended to provide 100 percent planning grants to states, cities and districts, but in S.3641 \$15 million is reserved from the authorized \$75 million to fund state planning activities, leaving the remaining \$60 million for local planning and Sec. 301 activities. The equivalent authorized figure in the House bill for local planning and Sec. 301 is \$55.2 million, and the current appropriation level for Sec. 301 alone is \$26.5 million. One danger in the Senate version would arise if, for example, only the same \$26.5 million were appropriated for Title III. If EDA funded states for the full \$15 million authorized, it would result in a net funding cut for Sec. 301 and local planning efforts.
- The Senate bill also authorizes funds to states to be used for supplementing Title I grants to districts and localities. Beginning in the second year (FY 76), \$100 million would be distributed to states according to a formula based on the pattern of cumulative Title I funding since August, 1965. Twenty-five percent match from state funds is required.

**CU** Council for Urban Economic Development  
**ED** 1620 Eye Street, N.W., Washington, D.C. 20006 202/293-6911 Kenneth Fry, Executive Director

CUED is an independent, nonprofit, tax exempt organization which serves as a clearinghouse for policy, technical, and legislative information on urban economic development. CUED provides numerous services to support efforts to maintain and develop local economies. It is supported by dues and fees and by grants from the Economic Development Administration, U.S. Department of Commerce, and the Ford Foundation.



- According to the Senate bill, the economic adjustment program in Title IX will not be on a demonstration basis, as it is in the House bill, and projects funded will not be required to include extended unemployment benefits. As in the House bill, there is no language that would prohibit the Administration from directing the major portion of appropriated funds to states. Although House and Senate staffers indicate such a situation would violate the intent of the proposed legislation, the official report accompanying H.R. 14883 states "This Title has been added to give the Secretary an opportunity to demonstrate the effectiveness of proposals advanced by the Administration in their February 1st, 1974 Report to Congress proposing an Economic Adjustment Program" (i.e., the Economic Adjustment Act).

- The total authorization in the Senate bill amounts to \$845 million for FY 75 and \$945 million for FY 76 and FY 77. The House bill authorizes a total of \$510 million per year for FY 75 and FY 76. The current authorization level for FY 74 is \$430 million.

Floor action on H.R. 14883 should begin during the week of June 29; no problems are anticipated at this time. The Senate Economic Development Subcommittee will hold hearings on the Montoya bill, S.3641, June 26. Dr. Gerald W. Bush, director of Boston's Department of Commerce and Manpower and vice president of CUED, will testify. The Senate hopes to vote out a bill before the end of July. It will then be necessary to reconcile the House and Senate bills in conference and send the final version to the President for his action. Chances of a veto are impossible to predict at this time.

The appropriation for EDA is handled in both the House and Senate by the State, Justice, Commerce, and Judiciary Subcommittees of the respective Appropriations Committees. Little official coordination exists between the authorization and appropriation process. In spite of the fact that there is no current EDA authorization for FY 75, the House Subcommittee (Rooney, D-N.Y., chair.), has reported out a bill, subsequently adopted by the full House June 18, with an EDA FY 75 appropriation level of \$201,825,000. This is down slightly from the Administration request of \$201,987,000, reportedly the only official basis on which the subcommittee was able to work. More importantly the House EDA appropriation figure is an \$80 million reduction from the FY 74 level of \$281,500,000. It is this discrepancy between the Administration's request and the FY 74 appropriation figure that causes EDA officials to predict a 200-man reduction in force as well as some possible program cuts if the Administration request is adopted.

The Senate Appropriations Subcommittee (Pastore, D-R.I., chair.), will soon take up the question. Again, in the absence of FY 75 authorizing legislation, this subcommittee will probably base its deliberations on the same Administration budget request. There is some feeling, however, that if the appropriation process in the Senate could be slowed enough to allow the authorization bill containing significantly higher authorization levels to be enacted, the Senate Appropriations Subcommittee would be in a position to substantially increase its proposed appropriation level, thereby balancing out the rather low House figure in the final conference bill. If this does not happen and if the Administration request is adopted, EDA may be in the peculiar position of enjoying greatly increased authorizations with significantly reduced funding.

Because neither an authorizing nor appropriation bill will be enacted before the end of this fiscal year, a continuing resolution will have to be passed by Congress and signed by the President to carry EDA. Funding under the continuing resolution will probably be at the House appropriation bill level of \$201.8 million and will be in force until new legislation is enacted.



Questions or requests for up-dated information on EDA legislation should be addressed to Lucy Wells of CUED (202-293-6911). Copies of the bills under discussion are available free to CUED members.

\* \* \* \*

#### LAND USE BILL FAILS IN HOUSE

On June 11, the House rejected by a close vote of 211 to 204 consideration of the Land Use Planning Act (H.R. 10294). This bill had been passed twice in the Senate and at one time was strongly supported by the Administration.

The bill would have authorized \$800 million over an eight year period for states and localities to conduct, among other activities, land use planning for areas of special environmental concern such as wetlands, flood plains, and sites with particular scenic, historic, or environmental significance.

Although Senate Interior Committee Chairman Jackson (D.-Wash.) may seek to revive the legislation, by all estimates the bill is dead for the duration of this Congress.

For information on this legislation contact Victor Hausner of the CUED staff (202- 293-6911).

\* \* \* \*

#### HOUSE VOTES EXTENSION OF OEO PROGRAMS

On May 29, the House overwhelmingly (331 to 53) adopted H.R. 14449, the Community Services Act of 1974, a bill to continue Community Action programs for three years. Programs will be administered by a new unit in the Department of Health, Education, and Welfare. Authorization for the first year will be \$380 million, of which \$50 million will be distributed to Community Action Agencies. The Senate is expected to consider similar legislation soon, although a final Senate bill will probably differ substantially from the House version.

For further information, contact Lucy Wells of the CUED staff (202- 293-6911).

\* \* \* \*

#### HOUSE PASSES NEW COMMUNITY DEVELOPMENT LEGISLATION

On June 20, the House passed (350-25) H.R. 15361, the first comprehensive housing and community development legislation since 1968. The Senate passed S.3066, its own version of similar legislation, March 11.

Although both bills consolidate a number of categorical programs to allow a bloc grant approach to community development, the Senate bill attaches priorities to the use of the funds; the House bill does not. Total authorization for the House bill is \$11.5 billion with \$8.35 billion earmarked for community development over three years. Total authorization for the Senate bill is \$10.4 billion with \$6.1 billion earmarked for community development over two years.



The bills also differ in provisions for distributing those funds. S.3066 relies entirely on "hold-harmless" provisions. The "hold-harmless" provision in H.R. 14490 would be phased out between the third and sixth years, after which a formula based on census figures such as population, poverty, and overcrowding, would be the sole distribution criterion. In addition, funding cuts may result during the first three years as Model Cities grants are dropped from the "hold-harmless" computation. Finally, the Senate retains the Sec. 235 and 236 housing programs; the House replaces those with a new subsidized housing program.

Questions on this legislation should be directed to Lucy Wells of CUED (202- 293-6911).

\* \* \* \* \*



EDA Extension  
Comparison of Pending Legislation

| S. 3641                                                                                                                                                                                                                                                                                                                                                                         | H. R. 14883                                                                                                           | Public Works and Economic Development Act of 1965, as amended                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Three year extension                                                                                                                                                                                                                                                                                                                                                         | 1. Two year extension.                                                                                                | 1. Expires June 30, 1974.                                                                                                                                                                           |
| 2. Sec. 105: Title I authorization of \$300 million per year for FY75, FY76, and FY77 with \$30 million of authorized funds per year to be reserved for grants for operation of any health or educational project funded under Title I. FWIP 25%/35% restrictions maintained.                                                                                                   | 2. Sec. 105: Title I authorization of \$200 million per year for FY75 and FY76. FWIP 25%/35% restrictions maintained. | 2. Sec. 105: Title I authorization of \$200 million for FY74 with restriction that not less than 25% nor more than 35% of appropriated funds be reserved for 401 (a)(6) (FWIP) redevelopment areas. |
| 3. Redevelopment area designation of "those areas which the Secretary of Labor determines on the basis of average annual unemployment statistics were areas of substantial unemployment during the preceding calendar year." transferred from Title I to Title IV, Sec. 401(a) (8) making those areas eligible for loans and other advantages available to redevelopment areas. | 3. Same as S.3641.                                                                                                    | 3. Areas of substantial unemployment for preceding calendar year were eligible only for Title I Public Works grants.                                                                                |
| 4. Sec. 201(c): Title II authorization set at \$100 million per year for FY75, FY76, and FY77.                                                                                                                                                                                                                                                                                  | 4. Sec. 201(c): Title I authorization set at \$60 million per year for FY75 and FY76.                                 | 4. Sec. 201(c): Title II authorization of \$55 million for FY74.                                                                                                                                    |
| 5. Sec. 202: Allows Secretary to make and guarantee fixed asset loans; make and guarantee working capital loans, and guarantee rental payments of leases.                                                                                                                                                                                                                       | 5. Sec. 202: Same as S.3641.                                                                                          | 5. Sec. 202: Allowed Secretary only to make fixed asset loans and guarantee working capital loans.                                                                                                  |

June 24, 1974

Prepared by: Council for Urban Economic  
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| S. 3641                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | H.R. 14883                                                                                                                                                                                                                                                                                                                                                                                                                                        | Public Works and Economic Development Act of 1965, as amended                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>6. Sec. 302: A new section is added to Title III providing in (a) 100% planning grants to cities or other political sub-divisions of the State or Sub-State planning and development organizations (including economic development districts); and in (b) for 100% planning grants to States. Any State plan must be prepared in conjunction with and be reflective of plans for districts and localities. The Secretary may further aid economic development districts to provide TA to localities within the district and to carry out A-95 review functions. Sec. 301 of Title III remains as enacted.</p> | <p>6. Sec. 302: A new section is added to Title III providing 100% planning grants to States, cities, other political sub-divisions, or organizations. Any State plan must be prepared in conjunction with and be reflective of plans for districts and localities. The Secretary may further aid districts to provide TA to localities within the district and to carry-out A-95 review functions. Sec. 301 of Title III remains as enacted.</p> | <p>6. Sec. 302: No comparable section.<br/>Sec. 301 of Title III provides 75% planning, research, and TA grants to redevelopment areas and other areas in which the Secretary finds substantial need for such assistance.</p> |
| <p>7. Sec. 303: Authorizes \$75 million per year for FY75, FY76 and FY77 for Title III (Secs. 301 and 302) reserving \$15 million of that in each FY for Sec. 302(b), planning grants to States.</p>                                                                                                                                                                                                                                                                                                                                                                                                             | <p>7. Sec. 303: Authorizes \$60 million per year for Title III for FY75 and FY76. Not less than 60% of funds expended (up to \$36 million) must be spent on Sec.301; of the remaining 40% for Sec. 302 (up to \$24 million), no more than 20% of appropriated funds (up to \$4.8 million) can be directed to State grants.</p>                                                                                                                    | <p>7. Sec. 302: Authorizes \$35 million for Title III for FY74.</p>                                                                                                                                                           |
| <p>8. Sec.303: Authorizes \$100 million per year in FY76 and FY77 for allocation by the Secretary to States for the purpose of supplementing grants made under Title I. Funds are to be distributed among states according to the ratio which grants made under Title I since 8/26/65. These funds may be used by States to reduce or waive the non-Federal share required for Title I grants. States may receive funds under this subsection if they put up a 25% match.</p>                                                                                                                                    | <p>8. No comparable provision.</p>                                                                                                                                                                                                                                                                                                                                                                                                                | <p>8. No comparable provision.</p>                                                                                                                                                                                            |

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| S. 3641                                                                                                                                                                                                                                                                                                      | H.R. 14883                                                                        | Public Works and Economic Development Act of 1965, as amended                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9. Sec. 403(a)(1)(B): Amended to allow areas to qualify as economic development districts if they contain "at least one redevelopment area."                                                                                                                                                                 | 9. Sec. 401(a)(1)(B): Same as S.3641.                                             | 9. Sec. 403(a)(1)(B): Requires economic development districts to contain "two or more redevelopment areas."                                                  |
| 10. Sec. 403: New sub-section (i) requiring that each district provide a copy of its OEDP to the appropriate regional commission or ARC.                                                                                                                                                                     | 10. Sec 403(i): Same as S.3641.                                                   | 10. Sec. 403(i): No comparable provision.                                                                                                                    |
| 11. Sec. 403: New sub-section (j) allows the Secretary to make assistance presently available to redevelopment areas now also available to areas outside a redevelopment area but within an economic development district when such funding will be of substantial direct benefit to the redevelopment area. | 11. Sec. 403(j): Same as S.3641.                                                  | 11. Sec. 403(j): No comparable provision.                                                                                                                    |
| 12. Sec. 403(g): Authorizes \$45 million per year for Title IV and an additional \$25 million per year for projects for Indian tribes for FY75, FY76, and FY77.                                                                                                                                              | 12. Sec. 403(g): Authorizes \$45 million per year for FY75 and FY76 for Title IV. | 12. Sec. 403(g): Authorizes \$45 million for FY74 for Title IV.                                                                                              |
| 13. Sec. 505(a)(2): Authorizes regional commissions to also pay administrative expenses to sub-State planning and development organizations.                                                                                                                                                                 | 13. Sec. 505(a)(2): Same as S.3641.                                               | 13. Sec. 505(a)(2): Presently authorizes regional commissions to engage in planning, investigations, studies, demonstration projects, and training programs. |
| 14. Sec. 509(d): Authorizes \$200 million per year for FY75, FY76, and FY77 for Title V.                                                                                                                                                                                                                     | 14. Sec. 509(d): Authorizes \$95 million per year for FY75 and FY76 for Title V.  | 14. Sec 509(d): Authorizes \$95 million for Title V for FY74.                                                                                                |



| S. 3641                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | H.R. 14883                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Public Works and Economic Development Act of 1965, as amended                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <p>15. Sec. 511: Requires increased coordination between the Secretary and the regional commissions in making grants and providing technical assistance, and between the regional commissions and economic development districts.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>15. Sec. 511: Same as S.3641.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>15. Sec. 511: Calls for less comprehensive coordination between the Secretary and regional commissions.</p> |
| <p>16. Sec. 2: Extends the moratorium on de-designation of re-development areas until June 30, 1977.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>16. Sec. 2: Extends the moratorium on de-designation of re-development areas until June 30, 1976.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>16. Sec. 2: Moratorium on de-designation of re-development areas in effect until June 30, 1974.</p>         |
| <p>17. Title IX: Economic Adjustment Program</p> <p>a) To deal with economic dislocations including those caused by actions of the federal government.</p> <p>b) On-going program; not demonstration.</p> <p>c) Eligible recipients include States, redevelopment areas, economic development districts, Indian tribes, cities, or other political sub-divisions of the state, or consortia of such sub-divisions. (Note: Not multi-State organizations.)</p> <p>d) Eligible expenditures include public works, public services, business development, planning, unemployment compensation, rent supplements, mortgage payment assistance, research, TA, training, relocation of individuals, and other appropriate assistance.</p> <p>e) Expenditures may be made directly by the recipient or through re-distribution by it to public and private entities in grants,</p> | <p>17. Title IX: Economic Adjustment Program</p> <p>a) To evaluate and test programs to deal with economic dislocations including those caused by actions of the federal government, and to encourage and demonstrate new approaches to cooperative intergovernmental action for dealing with economic dislocations especially before or as they occur.</p> <p>b) Demonstration program.</p> <p>c) Eligible recipients include regional commissions, ARC, States, redevelopment areas, economic development districts, Indian tribes, cities, other political sub-divisions of the State, or consortia of such sub-divisions.</p> <p>d) Eligible expenditures, same as S.3641.</p> <p>e) Expenditure pattern, same as S.3641.</p> <p>f) Grants would be made by the Secretary, upon application, to carry out a plan which must:</p> | <p>17. Title IX: No comparable provision.</p>                                                                  |



| S. 3641                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | H.R. 14883                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Public Works and Economic Development Act of 1965, as amended |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| <p>loans, loan guarantees, or other appropriate assistance. No grant can be made to a private, profit-making entity.</p> <p>f) Grants would be made by the Secretary, upon application, to carry out a plan which must:</p> <ol style="list-style-type: none"> <li>1. identify needs for which funds will be used,</li> <li>2. explain how funds will be used,</li> <li>3. contain assurances that proceeds from loan repayments will be used for economic development purposes.</li> </ol> <p>g) Authorizes \$100 million per year for FY75, FY76 and FY77.</p> | <ol style="list-style-type: none"> <li>1. identify needs for which funds will be used,</li> <li>2. explain how funds will be used,</li> <li>3. describe evaluation methodology,</li> <li>4. include payment from the grant of extended unemployment assistance to individuals affected by the dislocation for up to one year,</li> <li>5. contain assurances that proceeds from loan repayments will be used for economic development purposes.</li> </ol> <p>g) Authorizes \$50 million per year for FY75 and FY76.</p> |                                                               |

**NOTE:** As part of the Disaster Relief Act Amendments of 1974 signed into law on May 22, 1974 (PL93-288), a new Title VIII was added to the Public Works and Economic Development Act to assist in economic recovery from natural disasters. The new Title VIII has the following provisions:

1. Within 30 days after the President has authorized assistance for an area under this Title, the Governor will designate a Recovery Planning Council (RPC).
2. The RPC will be made up of at least five members, a majority of whom will be local elected officials of political subdivisions within the area affected by the disaster. The RPC will also contain at least one State representative and one Federal representative. The Governor may designate an existing multi-jurisdictional organization as the RPC, if it meets the membership requirements already set forth, and is encouraged to designate the A-95 review body.
3. The function of the RPC is to review existing development, land use, and other plans for the disaster area, to make revisions or develop new plans including a 5-year recovery investment plan, and to recommend such revisions to the Governor and local elected officials.



4. The recovery investment plan may recommend the revision, deletion, reprogramming, or additional approval of Federal-aid projects and programs for which application has been made but not approved, funds obligated but project not yet begun, funds scheduled to be apportioned within the relevant 5-year period (e.g. Revenue Sharing), or which may reasonably be expected to be made available. Upon the recommendation of the RPC and request of the Governor, any of these funds can be held in reserve by the relevant Federal agency for use in accordance with such recommendations. Upon the request of the Governor and the concurrence of affected local governments, such funds can be transferred to the RPC to be expended in accordance with the recovery investment plan.
5. The President is authorized to provide funds available to the RPC for public works loans, grants, loan guarantees, or technical assistance.
6. \$200 million is authorized to establish a revolving fund in the U.S. Treasury to be replenished on an annual basis.



Senator MONTROYA. Mr. Jim Evans, counsel for the National Association of Counties, has a statement, and Mr. Howard McGuigan of the AFL-CIO has a statement. Unless you people want to add to your testimony, we will submit these statements for the record. Do you have any further statement to make?

Mr. McGuigan?

**STATEMENT OF HOWARD MCGUIGAN, LEGISLATIVE REPRESENTATIVE, AFL-CIO; ACCOMPANIED BY ARNOLD CANTOR, AFL-CIO**

Mr. MCGUIGAN. I don't wish to take a great deal of your time. I am Howard McGuigan. I represent the AFL-CIO.

I am accompanied by Arnold Cantor who is an economist with the AFL-CIO. We would like our statement in the record.

Senator MONTROYA. Your statement will be made a part of the record. [See below.]

You may proceed, Mr. McGuigan, to make any supplemental statement that you wish.

Mr. MCGUIGAN. First, we would like to say that we support your bill S. 3641, and we are especially pleased that you saw fit to introduce legislation extending the EDA for a period of 3 years and proposing adequate funding. We hope that the Congress will see fit to appropriate those dollars which your bill would authorize.

We want to speak specifically, Senator Montoya, on the issue of unemployment assistance. Under title IX of the bill, the Senate bill, unemployment assistance may be given for demonstration programs. Under the House bill as reported and which, as you undoubtedly know, is under consideration on the House floor this afternoon, it is mandatory that unemployment assistance be approved as a part of the title IX program. We hope that your committee will see fit to include unemployment assistance as it has been included in the bill reported by the House. We feel it is especially important that the workers who are displaced by plant closings or base closings or any other severe economic jolt in a community have the benefit of unemployment assistance for a period of 1 year to enable both the individual and the community to maintain an economic base which is healthy for everyone until some new employment is provided to put the community back on its feet.

This is done, as you know, under the Trade Adjustment Assistance Act where foreign competition takes jobs, and what we are proposing here could be implemented in the same manner. Unless you have a question, we will conclude.

Senator MONTROYA. I am very sympathetic to this because in previous bills, we have included it, and we have had a little trouble with it and, of course, the administration has been against it, but I presume that Senator Magnuson will again introduce the amendment if it isn't mandatory and we will certainly consider your suggestion, sir.

Mr. MCGUIGAN. Thank you very much.

[Mr. McGuigan's prepared statement follows:]

**STATEMENT OF HOWARD MCGUIGAN, LEGISLATIVE REPRESENTATIVE, AFL-CIO**

We welcome this opportunity to express the views of the AFL-CIO on legislation which would continue and strengthen the Public Works and Economic Development Act of 1965.



The underfunding and uncertainty that has plagued the Economic Development Administration since 1970 must be ended and quickly.

We therefore support the proposed extension of the PWEDA to June 30, 1977. And, we feel the funding authorization—\$845 million in fiscal 1975 and \$945 million in 1976 and 1977—is realistic provided that the full amounts are appropriated and expended.

As this committee knows, the AFL-CIO has a long and consistent history of support for federal programs which can create jobs, help meet the nation's public investment needs and target aid to the people and the areas where it is needed most. We have learned from experience that even when the overall economy is expanding and performing well, many parts of the nation are left behind in poverty and unemployment. When the economy is in severe trouble—as now—conditions in these areas deteriorate further and hardship and deprivation become even more acute.

We feel it particularly important at this time to emphasize the fact that the PWEDA and its predecessor, the Area Redevelopment Act (ARA) represented *selective* and *specific* approaches to economic problems. *But*, at the same time, in enacting these programs the Congress recognized that such selective and specific federal programs were necessary and vital to the achievement of national economic goals.

The economic record of the past five years has reinforced our position on the importance of the economic tools provided by legislation such as the PWEDA—and the need to strengthen them.

Throughout the past five years, the Administration has battered the economy by overnight shifts and changes—game plans, freezes and phases. Through it all there has been one constant—an unrelenting series of actions to undermine programs which could effectively help in dealing with inflation and unemployment. The recent attempt by the Administration to destroy the EDA is but one example.

Right now, the American people are trapped in a tightening vise. The accelerated inflation of the past 21 months has combined with cutbacks in production, working hours and employment. In short, we have the worst possible combination of economic developments.

Last October, for example, *before* the energy crunch and *before* the recession, unemployment was at its lowest level in three and one-half years. At that time there were 4.1 million unemployed persons—4.6 percent of the labor force. Since then another 600,000 jobs were wiped out and the unemployment rate has risen to 5.2% of the labor force.

There are presently 706 labor market areas identified by the Department of Labor as areas of substantial or "persistent" unemployment (April, 1974). And, this past month the Labor Department reported that two more major labor areas were added to the list of those with "substantial" unemployment and that these additions "... increased the number of major labor areas in the substantial unemployment category to 43, the highest total since January 1973 ..."

What is more, hundreds of areas have been experiencing extraordinarily high levels of unemployment for prolonged periods of time. Again, according to the most recent Department of Labor survey (April 1974) there were 410 areas where unemployment has averaged 6 percent or more for the previous year and, in addition have met one or more of the following criteria:

- a) an unemployment rate of at least 50 percent above the national average for three out of the last four years;
- b) an unemployment rate of at least 75 percent above the national average for two out of the last three years; or
- c) an unemployment rate of at least 100 percent above the national average for one out of the last two years.

These grim statistics, of course, represent only a small sample of the constant barrage of bad economic news. Hardly a day passes without further evidence of assaults on living costs, paychecks, jobs and the welfare of Americans.

As significant, is the fact that there is no evidence of a pick-up in sight. To the contrary, all indications are that the recession will be long and drawn out and inflation will continue.

The AFL-CIO has repeatedly called for the enactment or strengthening of selective measures to curb the specific causes of recession, unemployment, and inflation. At this time, the economy's complex mess has festered so long that there is no single device or simple remedy to provide a workable solution.

A host of effective and responsive measures are needed and in our view, the federal aids to the states and localities made possible by the PWEDA represent one such measure.



The PWEDA provides for public works and development facility grants and loans; low-cost, long-term industrial and commercial loans; working capital loan guarantees; and grants for technical assistance and planning and research. And, it has established a viable mechanism for fostering multi-state cooperation in economic development.

The bulk of EDA's spending is for "Title I" grants to state and local governments to help finance public investment projects in areas that have been hit by substantial unemployment. These grants create jobs and help finance construction and repairs of essential public facilities such as waste treatment plants, water supply and sewer systems and health-care facilities.

In addition, under Title I—the public works section of the Act—federal assistance is made available to localities whose economies are disrupted or destroyed by natural disasters. Last fiscal year over \$45 million of Title I funds went to aid the areas victimized by tropical storm Agnes.

The job and public investment creating potential of EDA programs has been well established. Under the Title I Public Investment program for example, each EDA dollar outlay yields an average of \$1.67 in public investment expenditure. Moreover, a 1970 evaluation of the program showed that when EDA's outlay resulted in the development of a new industrial facility over \$8 in private investment was made for each \$1 spent by EDA. There are presently some 1,800 areas that are eligible for federal assistance under EDA's Title I programs—because of excessive unemployment or underemployment.

To us it is clear that the needs of these areas cannot be ignored and the federal government's commitment to come to their aid—through the EDA—must be fulfilled.

It is for these same reasons that we are happy to see that the Congress has shown little enthusiasm for the Economic Adjustment Act proposed by the Administration.

The Administration's program was in our view, a clearly unacceptable substitute for the existing public works and economic development programs. It would have substantially weakened the federal commitment to help the jobless in hard-pressed communities at a time when it is imperative that that commitment be substantially strengthened.

We do feel, however, that the PWEDA will be improved by the addition of the new Title IX which authorizes \$100 million per year in special economic development and adjustment assistance in situations where a special need arises as a result of a particular event such as the closing of a military base or a plant.

We strongly feel, however, that if the true purpose of this Title is to be met primary emphasis must be on protecting individual workers and their families from undue hardship.

In our view the purpose of such special assistance program is first to protect *people* in the event of a severe and sudden economic jolt such as a plant or military base closing. Second, it represents a means to prevent such jolts from hampering or destroying the economic development potential of the affected areas.

These purposes will be best served if approval of plans be conditioned on the mandatory inclusion of a provision for the payment of extended unemployment assistance from the grant funds. And such assistance should be available to jobless workers for at least 52 weeks. We therefore urge this committee to include the provision contained in H.R. 14883 (Sec. 903(b)(5)). Specifically, that no plan shall be approved unless such a plan "include the payment from the grant of extended unemployment assistance for a period not to exceed one year after the commencement of his unemployment to each individual who is unemployed as a result of an economic adjustment need of the eligible recipient."

Since the first legislation to establish effective federal aid to the economically distressed areas of the nation was introduced almost twenty years ago by Senator Paul Douglas, the AFL-CIO has given this effort its unstinting support. The program is essential when the nation's economy is healthy. Under current circumstances the need to continue and to strengthen federal programs that can create jobs, public facilities and protect living standards is urgent.

#### STATEMENT OF JAMES EVANS, COUNSEL, NATIONAL ASSOCIATION OF COUNTIES

Mr. EVANS. Could I ask two quick questions?

I am Jim Evans, National Association of Counties. I appreciate the time here. We would like to add two things to your statement.



First, we would like to supply some additional supportive material and urge you to retain the PWIP provision that is not in our testimony.

Senator MONTROYA. You may submit your supplementary statement.

Mr. EVANS. Also we would like to encourage you to consider your bill as it is. It is very well-funded. We think the funding level can be administered responsibly. We discourage any amendments from the way your bill is currently.

Senator MONTROYA. Thank you.

[The prepared statement from the National Association of Counties and a supplemental statement follows:]

STATEMENT OF WILLIAM KONIARSKI, COMMISSIONER, SCOTT COUNTY, MINNESOTA,  
ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. Chairman and members of the subcommittee: My name is William Koniarski, Commission of Scott County, Minn. I appreciate the opportunity to testify today before this distinguished subcommittee on behalf of the National Association of Counties (NACo). We in county government have a high regard for the work of your subcommittee and your continuing attention to the economic development needs of the country.

This will be a brief testimony because we are in substantial support of the legislation before your subcommittee in the form of S. 3641 authored by your chairman, Senator Montoya.

NACo has analyzed the economic development legislation now before Congress including the House version, H.R. 14883 (Blatnik), the Administration's proposed Economic Adjustment Act, and the Senate version, S. 3641 (Montoya). Based on our evaluation, the National Association of Counties' basic position can be summarized as follows:

NACo supports a two-year extension of EDA programs with an adequate funding level.

Therefore, for the legislation before Congress, NACo supports:

1. the two-year extension contained in the House bill (H.R. 14883);
2. the funding levels contained in the Senate bill (S. 3641);
3. the Title IX provisions in the Senate bill (S. 3641) for a "permissive,"

rather than "mandatory" unemployment compensation program.

Further, we recommend that the Congress clarify its intent that the Secretary of Commerce conduct an evaluation of a model "block grant" or Economic Adjustment Assistance program on a small scale through the flexible provisions of Title IX.

BACKGROUND—SUPPORT FOR EDA EXTENSION

I would like to point out to the Subcommittee some background information concerning our position at this time.

The National Association of Counties is the only national organization representing the more than 3,000 counties in the United States. More than 1,300 of these counties actively participate in EDA programs.

NACo has been a strong supporter of decentralization and giving more responsibility and authority to local elected officials. We urged these principles years before the announcement of "New Federalism." Through General Revenue Sharing, Law Enforcement Act programs, Public Service Employment and other manpower programs, the counties and other local governments have responsibly demonstrated that formula distribution of "block grants" *does* work. However, the EDA grant program has proven to be one of the most successful and popular federal grant-in-aid programs in addressing specific unemployment problems.

Much of the credit for the popularity and success of the EDA programs should go to the excellent administration provided by Undersecretary for Economic Development, William Blunt and his staff. It has been their recognition of the "pump priming" economic development projects and loans to local governments and to private entities that has made EDA a success.

One of the keys to this success has been the reliance by the EDA administration on overall economic development plans prepared at the local government



level. We are therefore reluctant to see EDA programs terminated or replaced without extensive evaluation with a trial program.

Such a trial program for block grants should include the following provisions:

1. An eligibility formula for local government based primarily on high and persistent unemployment;
2. A guaranteed and equitable pass-through for a large percentage of the funds to eligible local governments;
3. Required participation of locally elected officials at the state planning level.

NACo is not opposed to block grant programs such as that proposed in the Economic Adjustment Act. We support those block grant programs that rely heavily on local government and citizen planning and contain a guaranteed pass-through of a large percentage of funds.

It is our understanding that the House Public Works Committee plans to hold field hearings in the coming year on alternatives for federal public works and economic development programs. A two-year extension will allow time for these hearings to be completed and at the same time an evaluation to be made of a model Economic Adjustment Assistance program.

#### FUNDING SUPPORT

If Congress expects economic development programs to be effective you must continue or increase the funding level for these programs that address the high and persistent unemployment problems. NACo is pleased to see the amounts proposed in the Senate bill S. 3641.

I believe that my county, Scott County, Minnesota, is an example of why Economic Development funding is necessary. Scott County is not now an Economic Development county for our unemployment rate is less than the national average, and we do not face any serious economic problems locally. However, should a serious unemployment problem occur, the county would be unable to channel any major local resources to provide alternative employment opportunities or to stimulate private development efforts. Scott County is at its legal maximum property tax rate of 8 percent, established by state law. We would be unable to respond without some type of outside assistance such as the "pump priming" assistance offered by the Economic Development Administration. On behalf of my sister counties, many of whom have serious unemployment problems, and whom I am representing today, I stress that it is important that this avenue of funding be continued.

#### TITLE IX PROVISIONS

NACo believes that the proposed Title IX provisions, which are indeed flexible, should be used by the Secretary of Commerce, through the Economic Development Administration, for innovative economic development programs. This will provide an opportunity for establishing, among other things, a model Economic Adjustment Assistance program similar to that proposed by the Administration. We would encourage your subcommittee to indicate its intent for the Title IX provisions to be used in such a manner.

The unemployment compensation section in Title IX may be such an innovative approach—one that allows those individuals who are unemployed due to some federal action to remain in their home community while redevelopment efforts take place. However, we prefer that this provision be permissive, as it is in S. 3641, rather than mandatory so that other local factors can be taken into consideration and so that Title IX can be used for other purposes.

That concludes my testimony. Thank you for the opportunity to appear before you today. I will be pleased to answer any questions you may have.

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NATIONAL ASSOCIATION OF COUNTIES,  
Washington, D.C., July 2, 1974.

Hon. JOSEPH M. MONTOKA,  
Chairman, Senate Public Works Subcommittee on Economic Development, New  
Senate Office Building, Washington, D.C.

DEAR SENATOR MONTOKA: The purpose of this letter is to supplement the testimony presented by the National Association of Counties (NACo) at your hearings on the extension of economic development legislation where amendments were suggested by several witnesses that would weaken your bill (S. 3641).



Mr. Montoya, NACo believes you have a fine bill in S. 3641 that as currently written will allow the Economic Development Administration to continue working with local governments and private entities to tackle our serious problems where high and persistent unemployment exists. *We urge you to retain the provisions and funding levels as they are now written in your bill.*

We offer the following supplemental information for your consideration.

#### *Public Works Impact Program*

Amendments were requested that would do away with this important program that allows economic development grants in areas that need a quick boost for construction and employment problems. The current requirement for a percentage of EDA grants to go for Public Works Impact Projects (PWIP) recognizes the "pump priming" stimulus to a sagging economy provided by governmental public works projects. These projects have many direct and indirect employment benefits. We urge you to retain the current PWIP provisions.

#### *Retain Section 302(b)—"Bottoms up Planning"*

NACo commends you for your recognition that local governments and economic development districts have long been preparing sound overall economic development plans with the encouragement and assistance of the Economic Development Administration. We recognize the need for the states to develop statewide economic development plans and for the states to guide and assist local planning. However, without Section 302(b) as it is now written the states would have a veto over local plans and there would be no real requirement for the states to accept the local plans.

Without 302(b) these plans would amount to "top down planning" from the states rather than "bottoms up planning" from the local areas. We urge you to retain this important provision in your bill.

#### *Three-year Extension*

In our testimony we indicated a preference for a two-year extension. We do not oppose the three-year extension included in your committee's bill.

We merely wanted to have sufficient time provided for a real evaluation of the proposed Economic Development and Adjustment Assistance provisions in Title IX. We believe "block grants" can work if adequate formulas are developed to guarantee a pass-through of funds to eligible local units of government. NACo sees no reason why a successful Economic Development and Adjustment Assistance program cannot be carried out *in addition* to current EDA programs. EDA should be provided the flexibility of responding to special state and local needs during periods of severe economic problems without going back through the legislative and funding process.

NACo believes the Economic Development Administration has proven to be a successful and capable agency and we urge you to retain the provisions in your bill to extend EDA programs and to fund Title IX *in addition* to current programs, not as a replacement.

Thank you for your sincere efforts on behalf of the economic development needs of our country.

Sincerely,

BERNARD F. HILLENBRAND,  
*Executive Director.*

Senator MONTAYA. We will stand adjourned subject to the call of the Chair.

[Whereupon, at 1:15 p.m., the subcommittee recessed, to reconvene subject to the call of the Chair.]

[Additional statements follow:]

TRIBAL EXECUTIVE BOARD,  
ASSINIBOINE AND SIOUX TRIBES,  
FORT PECK INDIAN RESERVATION,  
Poplar, Mont., May 2, 1974.

Hon. Senator LEE METCALF,  
U.S. Senate, Senate Office Building,  
Washington, D.C.

DEAR SENATOR: In reference to the additional hearings on legislation to extend Economic Development to be held by the Subcommittee on Economic Development by the middle of May, I would like the Fort Peck Tribes opinions



and recommendations submitted for inclusion in the record of hearings by Senator Montoya.

The positive effects of extending the present EDA legislation relating to on going and future EDA projects for the Fort Peck Indian Reservation are:

1. An all Indian EDA Planning team utilizing EDA Planning Grants to upgrade the economic and industrial development of the reservation. Presently the Tribal EDA Planning District is negotiating with various corporations namely:

(a) Brunswick Corporation—A net rigging facility.

(b) ESCO Corporation—A grinding, heating-treating steel products facility, out of Portland, Oregon.

(c) Optical Diode, Inc.—An electronic component assembly facility, out of San Jose, California.

(d) Flag & Pennant Manufacturing—In process of acquiring information and materials necessary to open a tribal operation.

2. Long range planning for Tribal Agri-Business utilizing tribal land base.

3. Water-treatment facility—The project is negotiated and is now awaiting funding through EDA this summer.

4. Rail spur for Industrial Park—Construction costs have been acquired and is now in the proposal stage.

The Economic Development Administration has been greatly beneficial to The Fort Peck Indian Reservation. The Tribal Government is also concerned about the administration's proposed transfer of the Indian programs from EDA to the Bureau of Indian Affairs.

As Tribal Chairman of the Assiniboiné and Sioux Tribes, I offer these recommendations for inclusion in the record of hearings:

1. Extension of the present EDA legislation for a period of three to five years.

2. Supplemental EDA appropriations.

3. Separate funding for planning and development districts.

4. Continuation of the Public Works Impact Program as administered by EDA.

5. Continuing the development momentum now being produced by the EDA Regional Commissions and Economic Development Districts so that our area will not suffer additional unemployment.

It is felt that without the continuation of the Public Works Impact Program as administered by EDA, many of our present and future plans to develop the reservation will dwindle without the support of EDA.

The Fort Peck Tribes appreciate all you have done for us and look for added support in the future.

Sincerely,

NORMAN HOLLOW,  
Tribal Chairman.

[Enclosure.]

#### RESOLUTION No. 159-74-1

WHEREAS; the Fort Peck Tribal Executive Board is the duly elected body representing the Assiniboiné and Sioux Tribes of the Fort Peck Reservation and is empowered to act in behalf of the Tribes. All actions shall be adherent to provisions set forth in the 1960 Constitution and By-Laws and Public Law No. 449, and

WHEREAS; through the assistance provided by the Economic Development Administration, the Tribes have been able to alleviate many of the economic problems which otherwise would have continued to plague the Reservation, and

WHEREAS; the Tribes are presenting receiving EDA financial assistance in the forms of grants and loans, and

WHEREAS; it is the objective of the present federal administration to phase the functions of the EDA out of existence as of June 30, 1974, and

WHEREAS; such action would have a very adverse effect on the economy of the Fort Peck Indian Reservation, now

THEREFORE, BE IT RESOLVED; that the Assiniboiné and Sioux Tribes strongly and adamantly oppose any federal efforts to discontinue the functions and programs currently administered by the EDA.

BE IT FURTHER RESOLVED; that the Assiniboiné and Sioux Tribes hereby support any and all federal legislation which would propose to extend the functions of the EDA beyond June 30, 1974.



## CERTIFICATION

I, the undersigned Secretary-Accountant of the Tribal Executive Board of the Assiniboine and Sioux Tribes of the Fort Peck Indian Reservation, hereby certify that the Tribal Executive Board is composed of 12 voting members of whom 10 constituting a quorum were present at a Regular meeting duly called and convened that 28th day of January, 1974; that the foregoing resolution was duly adopted at such meeting by the affirmative vote of 10.

LILLIAN S. HERTZ,  
*Secretary-Accountant.*

APPROVED :

JOSEPH RED THUNDER,  
*Vice Chairman.*

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STATEMENT OF ANDREW BENNETT, ANDREW BENNETT ASSOCIATES,  
WASHINGTON, D.C.

Senator Montoya, honored members of the subcommittee, I am pleased by your invitation to present this statement. I welcome the opportunity to speak in favor of S. 3641, a bill to amend and extend the Public Works and Economic Development Act of 1965. Between 1963 and 1969, I was employed by the Economic Development Administration, and its predecessor agency, the Area Redevelopment Administration. During that time my efforts were directed to economic development of cities.

Since 1969, I have functioned as an advisor and consultant to cities and to urban organizations. My area of activity has continued to be urban economic development.

During both my public and private involvement in cities I have observed the value of Economic Development Administration resources used in cities. Where limited resources have permitted, EDA programs, applied in a flexible and responsive manner, have been extremely effective.

Limited resources have been a problem, forcing the agency to be selective and making it unable to apply funds on a scale required by the magnitude of need. Urban economic development is expensive. The massive infra-structure which represents the basis of the powerful economic engines of the cities requires significant renewal investment. Given such an investment, the return is also significant.

In the cities, economic development interconnects with every other urban activity. It is elemental; the state of the economy underlies every other socio-economic situation. Planned improvement in the size and quality of the city's economy has cumulative, positive effects upon a welter of urban problems. More employment opportunity, greater income to enterprises and higher revenues to the city wipes out a host of social problems. A direct attack upon poverty can be made by the creation of new permanent employment and by direction of those jobs to the unemployed.

From the viewpoint of city government, successful economic development has double impact. By creation of employment opportunities, dependency can be reduced and the revenue base expanded. As revenues expand, the city can itself move away from Federal dependency.

The housing crisis in cities is serious and requires extensive direct Federal involvement. Yet new and renewed housing in urban settings is only successful where the family incomes of residents are great enough to provide for mortgage and maintenance. Systematic efforts in employment creation are direct contributions to better housing for the urban poor.

Our manpower programs, which are necessary and desirable, have suffered because we have concentrated too heavily upon the side of labor supply and too little upon the side of labor demand. We have all observed the frustrations of trainees who have completed training courses only to find no job available, no way to use newly acquired skills.

Integration of economic development with manpower programs aims at the happy goal of a job available when training is complete and a trained worker available when the job appears. New institutional structures are evolving as the effects of new manpower legislation are being felt. S. 3641, with its increased authorizations for planning and its expanded array of development tools, will help local governments and community organizations orchestrate manpower, training and economic development activity in a way not possible in the past.



Economic development involves, as our preceding examples show, not only growth but constructive change in the institutions, structures and processes which affect the economy. S. 3641 must be viewed by those concerned with the economies of cities as beneficial. Well used, it will contribute to significant change in the institutions basic to economic development. It contains, too, authorizations which move in the direction of matching resources to need.

Local place development must be planned and carried out locally. Resources can come from outside the city, but only local forces can identify objectives, set goals and work toward this achievement. Economic development, given the complexities of cities, requires the day by day application of a wide range of skills.

Local institutions must be shaped to respond to local need. Local competence must be developed; the capacity to do the job must be built on the scene.

This capacity does not stop at the city level. Cities are made up of many communities, each with a stake in their own economic futures. Sophisticated city officials have come to realize that economic development can best be advanced by involving community organizations in development on a cooperative basis with city government.

In a number of cities, community development corporations are playing a constructive role in economic development. They know best the needs of the residents of their communities. They are able to involve the residents in development activity and they are able to protect the interests of community residents as the development process goes on. Coordinated effort between city hall and community corporation produce results that neither can produce singly.

The EDA overall economic development process, where carried out in good faith and not simply as a qualifying exercise, has had a salutary effect in cities. It brings together all of the factors in economic development and forces realistic examination of needs and potentials for satisfying those needs.

Scarce resources in the past have had a limiting effect upon this process, for inability to commit funds to programs of demonstrated worth, often converted the process into an academic exercise. If appropriations are produced which approach the authorizations in S. 3641 the OEDP process will acquire new meaning.

My view of the economies of cities is positive, because I continually see the basic economic strengths of cities. They have been abandoned by some, ignored for political reasons by others, used as dumping grounds, had their best parts stolen and still they continue to function, still they remain a remarkable engine for economic growth.

Cities and communities within cities are not inert. Recognizing that economic institutions are man-made and are, therefore, changeable by man they are moving toward beneficial change. Cities which have pioneered in the field of planned economic development are now in the beginning of a second generation of institutional evolution. They are adapting old structures on the basis of new knowledge. They are creating new instrumentalities to deal with economic phenomena which they are now beginning to understand for the first time. They are considering the impact of such approaches as: tax incentives, tax-increment bonding, general obligation and revenue bonding, public works and capital improvements effects on development, economic development authorities, integrated physical and economic development planning, integrated manpower and economic development planning, use of eminent domain in economic development as well as expansion of the range of skills being brought to bear.

Many cities which have had no economic development units in the past are moving into the field. They have come to realize that most of the people in the city make their livings from the private economy and that the workings of the market alone will not retain and rebuild their economies. They are moving to create the institutions and build the capacity to insure that city actions will enhance the economy in quantity and in quality.

Both the cities with long experience, now moving to a great leap forward, and those cities newly entering the field will benefit by the passage of S. 3641. The resources made available by the legislation will make it possible to accelerate needed change and constructive results will come sooner than would have been possible otherwise.

Concern for our energy supply, for our environment, for diminishing land supply, refocuses attention upon the city as an economic center. Concentration tends to beget conservation. Central location reduces energy consumed in transportation and limits the pollution caused by automobile travel to scattered sites. Concentration of industry makes possible economic installation of anti-pollution



equipment. Energy shortages impel a greater use of rail transportation and rail transport is most efficient between central places.

Multi-billion dollar infra-structure in place in our cities precludes the need for duplication of costs. If we can develop a process for renewal to substitute for the "exhaust and abandon" policies of the past, that infra-structure will represent a massive investment *already made* which can contribute greatly to the country's economic well-being.

The "gross municipal product" of cities is so large that it is not possible to conceive of urban economic development totally funded by the Federal government. What is needed is enough Federal investment to bring the programs to the level of private feasibility. Then the major investments flow from the conventional private investment institutions. Judicious application of Federal funds can lever multiplied amounts of private capital into the economies of cities.

In our concentration upon public programs and their effects, we tend to lose sight of a basic and prized value: the independence of the individual. Now it is apparent that we cannot embrace rugged individualism nor can we accept as slogans the phrases "I'm all right, Jack" or "I've got mine". In our large and complex society we are necessarily interdependent in many things. But in our personal lives we are entitled to the greatest possible degree of independence and free choice.

I illustrate with a line ascribed to G. B. Shaw who, when asked to contribute to a fund for "music for the people", refused, saying: "What I want is bread for the people, jobs for the people, freedom from oppression and exploitation for the people, and then the people will make beautiful music for themselves—should all of the works of Beethoven perish in the process!"

If we are able to form the institutions of our economy, and if we are willing to invest adequate resources, in such a way as to produce decent jobs, decent incomes for the people, then the people will be able to decide for themselves the direction of their lives. Disposable income in the hands of the people is a powerful spur to independence.

Adequate investment of resources is essential. Economic development in the absence of substantial funding is like bear hunting with a switch.

The authorizations contained in S. 3641 move in the direction of the magnitude required. I would express my sincerest hope that appropriations will provide for the full spending level authorized.

It is my hope that, during the period of extension, there will be a searching reexamination of Federal economic development policy and programs. I would like to suggest three areas for appropriate consideration.

It must be obvious from my testimony that I place a great deal of importance upon local competence to make the urban economic development process work. There exists, however, a real shortage of qualified practitioners in economic development.

My first suggestion therefore is that the Congress instruct, legislatively, the Economic Development Administration to conduct a continuing Economic Development Institute in Washington, D.C. This would be a school, patterned after the one conducted by the World Bank for underdeveloped countries, that would train local and community representatives in the arts and skills of economic development. It could draw, for faculty, upon officials of EDA and other Federal agencies, upon qualified local practitioners and upon academic institutions. The graduates of such an Institute would provide valuable cadres for local development staffs.

The second suggestion involves development banks to serve local economic development institutions. A logical evolution from the expanded categorical programs authorized by S. 3641 would be banks empowered to provide a full range of investment services to complement private investment institutions. Such institutions would enable local practitioners to shape the best possible financial package for the development of their areas. More flexible public or quasi-public investment institutions would lever more responsive private investment.

The third area of interest is much less precise and yet is important to successful urban economic development. It deals with the secondary labor market—that low wage, low productivity sector which provides employment for a significant number of urban workers. The secondary labor market is engendered by the availability of large numbers of low skilled, almost casual workers *and* the existence of large numbers of undemanding, low end, low productivity jobs, mostly in the service area.



Employers are satisfied (or make do) with this labor market because the employees, as they are, fit the jobs as they are and add enough value to the good or service to provide return.

Employees take the jobs because there is nothing else for them. There is little job-satisfaction, high turnover and not enough income to support a decent life.

Skill training and manpower programs by themselves cannot upgrade the jobs in the secondary labor market. A careful combination of economic development, increased productivity, job enrichment and manpower programs would be needed to gradually move the job and jobholder higher on the scale. It is certainly impossible to affect all such jobs and there is no guarantee that any such result is possible but, given the number of low level, dead end jobs that exist in the city and the damage done to the lives of those who hold these jobs, attention should be given the subject during the course of preparation of new legislation.

Thank you for the opportunity to present this statement.

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COASTAL PLAINS REGIONAL COMMISSION,  
Washington, D.C., June 20, 1974.

Hon. JOSEPH M. MONTOYA,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR MONTOYA: It is my pleasure to transmit to you a copy of a RESOLUTION of the Council of Coastal Plains Governors in Support of Legislation to Continue Title V Commissions.

Sincerely,

W. JOE LANHAM,  
Executive Director.

COUNCIL OF COASTAL PLAINS GOVERNORS RESOLUTION No. 6

A RESOLUTION OF THE COUNCIL OF COASTAL PLAINS GOVERNORS IN SUPPORT OF  
LEGISLATION TO CONTINUE TITLE V COMMISSIONS

WHEREAS, Title V of the Public Works and Economic Development Act recognized that there are several regions within the country involving more than one state with chronic economic problems, and

WHEREAS, the nature of these problems and/or development potentials have internal linkages such that policies and programs need to be considered without regard to specific state location, and

WHEREAS, the physical and/or fiscal resources required to solve regional problems or realize development potentials frequently exceed the ability of any state acting independently, and

WHEREAS, the policy machinery necessary to effect solutions often involves the Federal Government acting on a regional scale, and

WHEREAS, intellectual resources of State and the Federal Governments are stimulated to greater creativity when brought together to seek solutions to common problems, and

WHEREAS, the Coastal Plains and other Title V Commissions have not been in existence long enough to accomplish their development objectives or to fully test their organizational viability, and

WHEREAS, the accomplishments of the Coastal Plains Regional Commission have been such that additional time is warranted to carry out plans already prepared and to determine appropriate organizational changes to make it a more effective mechanism for correcting regional imbalances in economic growth and development, and

WHEREAS, there is not sufficient time to analyze and enact new legislation changing the basic structure of the Commissions prior to the expiration date of the existing legislation; now therefore

BE IT RESOLVED that the Governors of the three States in the Coastal Plains Regional Commission support:

1. Extension of existing legislation for two years ending June 30, 1976, and



2. A thorough analysis of existing legislation and the design of new legislation to correct structural deficiencies prior to June 30, 1975.

Adoption certified:

Hon. JAMES E. HOLSHOUSER, Jr.,  
*Governor of North Carolina.*  
 Hon. JOHN C. WEST,  
*Governor of South Carolina.*  
 Hon. JIMMY CARTER,  
*Governor of Georgia.*

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STATEMENT OF EUGENE T. GUALCO, SUPERVISOR, SACRAMENTO COUNTY, CALIFORNIA,  
 ON BEHALF OF THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS

It is a great privilege for me to submit this statement before the distinguished members of this subcommittee. I am Eugene T. Gualco, President of the National Association of Regional Councils and serve as a member of the Board of Supervisors of Sacramento County, California. I am also a member and past President of the Sacramento Regional Area Planning Commission.

Let me begin with some introductory comments about our organization which will serve to make clear our point of view. The National Association of Regional Councils was initiated in 1967 to assist local government elected officials in organizing a rapidly growing number of regional councils.

Simply summarized, regional councils for the most part are areawide organizations of general purpose local governments which involve more than one local government and encompass a total regional community. Regional councils exist both in densely populated metropolitan areas and in sparsely populated rural areas. Their prime purposes are to increase communication, cooperative decision making, and coordination among local governments and state government; to review and comment on certain federal grant applications; and to develop policies and programs to meet mutual problems and guide orderly development.

More than 625 such regional councils have been established to deal with areawide problems. Their governing bodies are composed primarily of local government elected officials. In the last two years, the continued growth of regional councils has been encouraged by the actions of the states. Forty-four (44) states have initiated the process of establishing substate districts. Of these, 34 have completed or will shortly complete the subdistricting process and have designated regional councils for each district.

Most regional councils serve as the basic coordinative device for federal funding of local government activities. This function is based on the "review and comment" provisions of Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, and the Intergovernmental Cooperation Act of 1968, both of which are implemented through Circular A-95 of the Office of Management and Budget. Regional councils, designated as A-95 agencies, review federal aid applications of local governments prior to submission to the federal funding agencies. This review process saves taxpayers an estimated \$450 million a year.

NARC is a membership association of 300 regional councils throughout the country. Our Board is composed of local government elected officials and other regional council policy members, as well as representatives from the Boards of the National League of Cities and National Association of Counties.

A basic regional council concern is the balanced and orderly development of our metropolitan areas and rural regions. It has also been a continuing and major concern of Congress and your subcommittee. The Public Works and Economic Development Act of 1965 represents an initial step in providing national policy on growth and development. In fact, it was this legislation which encouraged the use or establishment of at least 150 regional councils (i.e. development districts).

Thus, we have a very vital interest in S. 3641. In my statement, when I refer to a regional council or development district, I am speaking of a multi-county organization created under state law or by local government agreement to ac-



comply regional coordination, planning and decision making. We prefer regional councils which have governing bodies composed of at least 51% membership of elected officials of general purpose local governments.

We support the extension of the Public Works and Economic Development Act of 1965 for the three year period provided in S. 3641. But, our endorsement must be qualified. There is no doubt that the Economic Development Act has been of great benefit to the severely and economically depressed areas in our country.

We believe, however, that this program and legislation could be improved. Substantial changes to rectify some of its shortcomings are proposed in S. 3641, and we will comment on these amendments in specific terms. But, there are more fundamental changes which we urge this subcommittee to consider. Obviously, such changes should not be undertaken preceptively or allow the current program to lag or be lost. For this reason, we support the three year extension of the current program if within that period, the Congress undertakes a significant effort to reexamine the Economic Development Act and develop new legislation that builds on the successes of the existing program, but at the same time, extends the purpose and scope to provide a public investment policy for this Nation that is directly associated with our national, state and local goals and priorities. Moreover, we must give more thought to the planning management and operational structure at all levels of government to undertake the sound responsive and efficient delivery required for such a program.

As you know, several of the other national public interest groups representing state and local government have made major studies on this subject. The National Governor's Conference has developed proposed legislation. NARC has been engaged in developing policies on economic development and growth over the last two years. This effort was culminated at our annual conference in Los Angeles, March, 1974, by the adoption of a set of principles and policies which reflects, in our opinion, the sentiments of the majority of elected officials that participate in our member regional councils.

I believe a statement of these policies would best represent NARC's opinion as to the type of economic development legislation and national growth policy which will evolve over the next two to three years. Salient provisions of our policy statement are as follows:

Economic development must be considered as a vital component of national growth policy which is the product of an intergovernmental process. The process should reflect local government and regional needs in establishing priorities and programs at the national and state government levels.

Regional councils, organized by local and state government, should be the preferred mechanism for local governments to articulate regional development goals and needs for state and national development policies and priorities.

National economic development policy should emphasize the rehabilitation, redevelopment and full utilization of existing developed areas. Special emphasis and grant funding should be provided for locals in economic distress. Designation for special emphasis should be based on meaningful criteria such as outmigration, underemployment or underutilization. The main emphasis in program support should be through direct federal grants-in-aid conditioned on their consistency with national, state and regional economic development planning and programming.

The creation of multi-state commissions, such as the Appalachian Regional Commission, should be authorized in national legislation but not required. Such agencies should be created at the initiative of the states. Such multi-state commissions, if created, should be principally planning and coordination mechanisms. They should be authorized to provide supplemental grants to states and substate agencies and local governments. Such grants should be consistent with state and regional development programs.

In carrying out economic development programs, the states should perform at least the following activities:

- Develop state economic policy and plans within the context of total state development planning;

- Designate substate districts and regional councils composed of a majority of elected officials; and

- Provide a cooperative process between the states and substate districts in formulating growth policies, priorities and the allocation of state funds.

In this process, regional councils should:



- Adopt a multi-year balanced development plan and strategy ;
- Provide input and review to state and federal growth policies ;
- Set priorities for public investment through multi-year development projects with other state and federal programs ;
- Provide technical assistance to member local governments.

Several of the policies set forth above are proposed as amendments in S. 3641. We are especially pleased with the provision of greater financial support for substate district (regional council) planning, and the authorization to fund technical assistance and A-95 reviews undertaken by regional councils/development districts. We also agree with the increase in authority for Title I public works projects, and the reduction in the requirement of two redevelopment areas for each district. This will provide for an expansion of the program both by increasing the opportunity of making more areas and their regional councils eligible for planning assistance, and their local governments eligible for public works grants. In this regard, however, we urge the subcommittee to take steps to assure that the administration will budget for the full Congressional authorization for district planning and technical assistance. Without added financial resources, this liberalization of the eligibility conditions for planning and hardware grants will be of little consequence. Moreover, we believe that your legislation should make it clear that in establishing any new districts, regional councils as presently constituted can receive planning assistance funds for such areas without changing the governing bodies. Member regional councils/development districts in NARC have had continuing difficulty with administrative requirements of EDA which decree the composition of the governing body of a district agency. In those cases where a regional council has 100% elected officials or other governing body composition not congruent with EDA requirements, the use of such regional councils for economic development planning purposes has been made difficult, if not impossible in some instances.

We find this type of administration inflexibility hard to accept, especially within an administration that is ostensibly committed to a policy of returning decisionmaking back to state and local governments. NARC does not question the absolute need to bring business, community and minority interests into the decisionmaking process for economic development. All of these interests are vital ; they must be reflected. But, this result can be accomplished without requiring major surgery on the governing body of the regional council which is usually established local agreement or state enabling legislation. Rather, the more practical solution is to have a flexible policy. Establish performance requirements to ensure such interests are really involved in the decisionmaking process. There are many methods of getting such involvement without requiring an organic change in the existing regional council. Mr. Chairman, the NARC staff would be happy to provide language or work with the subcommittee's staff on such language.

We also support the addition of state and cities to those governmental units that can plan and participate in the economic development program.

NARC also urges the subcommittee to consider the incorporation of the Title IX demonstration program included in H.R. 14883. This new program would permit regional councils/development districts to investigate some new and innovative approaches to economic development and is consistent with our desire that the three-year extension lead to fundamental changes in the present program.

Finally, Mr. Chairman, I want to thank the subcommittee for permitting us to present our view on this important legislation.

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NORTHEASTERN PENNSYLVANIA INDUSTRIAL DEVELOPMENT COMMISSION,  
Scranton, Pa., June 21, 1974.

Senator JOSEPH M. MONTOYA,  
*Chairman, Subcommittee on Economic Development, Committee on Public Works,  
U.S. Senate, Dirksen Senate Office Building, Washington, D.C.*

DEAR SENATOR: We were very encouraged with your introduction of Senate 3641—To extend the Economic Development Act of 1965.

Your willingness to expedite hearings on this important measure, likewise, represented very impressive personal leadership in this vital area of local economic development assistance.



Our Commission is providing the attached statement in support of Senate 3641 and we are hopeful that you will include it in the hearing record when the subcommittee accepts testimony on June 26th.

We would like to note that our group is very heartened by the fine job that Under Secretary of Commerce John K. Tabor is accomplishing to orienting this great federal program to more positive performance.

Again, we are very encouraged with your prompt and affirmative action in advancing the extension and expansion of the effective Economic Development Administration program.

Respectfully submitted,

VICTOR C. DIEHM,  
*President.*

STATEMENT OF VICTOR C. DIEHM, PRESIDENT, NORTHEASTERN PENNSYLVANIA  
INDUSTRIAL DEVELOPMENT COMMISSION

Please extend the Public Works and Economic Development Act of 1965.

The multitude of programs under the Economic Development Administration and its predecessor, the Area Redevelopment Administration, have provided heavy nut-and-bolts, down-to-earth assistance to people, small business and communities in need of some financial and technical guidance.

Quite often some of our less glamorous federal programs do not gather Congressional notice but, nevertheless, they must be measured by performance and short and long term results achieved.

Therefore, we urge immediate approval of Senate 3641 which will extend this vital Administration for another three years. Also, we are in heavy support of the new Title IX—Special Economic Development and Adjustment Assistance which could make the total assistance concept more meaningful at the field level.

Our Commission was in the forefront of the campaign which launched the Flood-Douglas Bill—Area Redevelopment Act of 1961—and we have worked hard for its expansion into the EDA.

We did this because we have witnessed the implementation and results provided under its programs—whether it was flood assistance, planning grants, federal loans, or whatever, EDA was present to extend advice and dollars where they could contribute to bringing the local gap to economic survival.

Therefore, we would like your Committee record to show that we support and affirm the extension and expansion of the Public Works and Economic Development Act and its effective programs.

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WESTERN UNION MAILGRAM,  
*Sante Fe, N. Mex., June 13, 1974.*

Hon. JOSEPH M. MONTOYA,  
U.S. Senate,  
Washington, D.C.

Strongly urge continuing economic development administration. Projects are best in Federal Agencies in creating permanent employment in New Mexico.

WILLIAM F. TURNEY, *Engineer.*