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94-24 TO AMEND THE PUBLIC WORKS AND ECONOMIC
GOVERNMENT DEVELOPMENT ACT OF 1965 TO EXTEND THE
Storage AUTHORIZATIONS FOR A THREE-YEAR PERIOD

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DEVELOPMENT ACT OF 1965 TO EXTEND THE AUTHORIZATIONS FOR A THREE-YEAR PERIOD

AUTHORIZATIONS FOR A THREE-YEAR PERIOD

DOCUMENTS

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

OF THE

COMMITTEE ON

PUBLIC WORKS AND TRANSPORTATION

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 9398 and Related Bills

TO AMEND THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 TO EXTEND THE AUTHORIZATIONS FOR A THREE-YEAR PERIOD

SEPTEMBER 18 AND 23, 1975

Printed for the use of the
Committee on Public Works and Transportation



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1975

WASHINGTON : 1975

63-186

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H. R. 9398

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 5, 1975

Mr. JONES of Alabama (for himself, Mr. HARSHBARGER, Mr. ROE, Mr. HAMMER-SCHMIDT, and Mr. DON H. CLAUSEN) (by request) introduced the following bill; which was referred to the Committee on Public Works and Transportation

A BILL

To amend the Public Works and Economic Development Act of 1965 to extend the authorizations for a three-year period.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 102 of the Public Works and Economic Devel-
4 opment Act of 1965, as amended (42 U.S.C. 3121 et seq.),
5 is amended by inserting after "June 30, 1976," the fol-
6 lowing: "September 30, 1977, September 30, 1978, and
7 September 30, 1979,".

8 SEC. 2. Section 105 of such Act, as amended, is
9 amended by striking out the period at the end of the
10 first sentence and inserting in lieu thereof a comma and the

1 following: "September 30, 1977, September 30, 1978,
2 and September 30, 1979.", and by inserting in the third
3 sentence after "June 30, 1976," the following: "Septem-
4 ber 30, 1977, September 30, 1978, and September 30,
5 1979,".

6 SEC. 3. Section 201 of such Act, as amended, is
7 amended by deleting in subsection (c) "and June 30, 1976."
8 and inserting the following in lieu thereof: "June 30, 1976,
9 September 30, 1977, September 30, 1978, and Septem-
10 ber 30, 1979."

11 SEC. 4. Section 303 of such Act, as amended, is amended
12 by deleting in subsection (a) "and June 30, 1976" and
13 inserting the following in lieu thereof: "June 30, 1976,
14 September 30, 1977, September 30, 1978, and Septem-
15 ber 30, 1979".

16 SEC. 5. Section 304 of such Act, as amended, is amended
17 by inserting in subsection (a) after "June 30, 1976," the
18 following: "September 30, 1977, September 30, 1978, and
19 September 30, 1979,".

20 SEC. 6. Section 403 of such Act, as amended, is amended
21 by deleting in subsection (g) "and June 30, 1976," and
22 inserting the following in lieu thereof: "June 30, 1976,
23 September 30, 1977, September 30, 1978, and Septem-
24 ber 30, 1979,".

25 SEC. 7. Section 404 of such Act, as amended, is amended

1 by deleting "and June 30, 1976," and inserting the follow-
2 ing in lieu thereof: "June 30, 1976, September 30, 1977,
3 September 30, 1978, and September 30, 1979,".

4 SEC. 8. Section 509 of such Act, as amended, is amended
5 by deleting in subsection (d) "and June 30, 1976," and
6 inserting the following in lieu thereof: "June 30, 1976,
7 September 30, 1977, September 30, 1978, and Septem-
8 ber 30, 1979,".

9 SEC. 9. Section 905 of such Act, as amended, is amended
10 by striking out the period at the end thereof and inserting
11 in lieu thereof a comma and the following: "September 30,
12 1977, September 30, 1978, and September 30, 1979.".

1. The first part of the report deals with the general situation of the country and the progress of the work during the year. It is divided into two main sections: the first dealing with the general situation and the second with the progress of the work.

2. The second part of the report deals with the results of the work during the year. It is divided into two main sections: the first dealing with the results of the work in the field and the second with the results of the work in the laboratory.

3. The third part of the report deals with the conclusions drawn from the work during the year. It is divided into two main sections: the first dealing with the conclusions drawn from the work in the field and the second with the conclusions drawn from the work in the laboratory.

4. The fourth part of the report deals with the recommendations made during the year. It is divided into two main sections: the first dealing with the recommendations made in the field and the second with the recommendations made in the laboratory.

5. The fifth part of the report deals with the summary of the work during the year. It is divided into two main sections: the first dealing with the summary of the work in the field and the second with the summary of the work in the laboratory.

TO AMEND THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 TO EXTEND THE AUTHORIZATIONS FOR A 3-YEAR PERIOD

THURSDAY, SEPTEMBER 18, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
OF THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:10 a.m., in room 2253 Rayburn House Office Building, Hon. Robert A. Roe (chairman of the subcommittee) presiding.

Mr. ROE. The hearings will come to order. We are honored this morning to have with us Chairman Jones of our full committee. The Chair will defer to the chairman for any opening and welcoming remarks he would like to make.

The CHAIRMAN. Mr. Chairman, thank you very much.

It is a privilege to have the Secretary here this morning. More particularly, we are pleased with the fact that he is an alumnus of this association, and we are in the position of demanding great expectations and great rewards out of your service.

Since you have been there, the associations have been profitable and cordial, and that is the way it should be. I am quite sure the committee, under the chairmanship of Mr. Roe, and with Mr. Hammer-schmidt and the other members of the subcommittee, can accomplish a great deal.

It is good to have you, sir.

Mr. ROE. Thank you, Mr. Chairman.

Mr. MIZELL. Thank you, Mr. Chairman.

Mr. ROE. We begin hearings to receive testimony on bills referred to the subcommittee to amend the Public Works and Economic Development Act and to receive suggested changes and improvements to the existing programs.

It is particularly appropriate that we hold these hearings at this time in view of the recent action taken by the U.S. Senate.

As you probably know, the Senate has proposed amendments to the Public Works and Economic Development Act—the EDA Act—with two bills passed by the House and sent to the Senate earlier this year. The first bill, H.R. 5247, that authorized a local Public Works Capital Development and Investment Act, was passed by the House on May 20 of this year.

This bill, proposed by the House leadership, as it passed the House, authorizes 100 percent Federal grants to State and local governments in areas of high unemployment for public facility projects. The Sen-

ate, in acting on this bill on July 29, incorporated the basic provisions at a substantially reduced funding level into the Public Works and Economic Development Act.

In addition, their legislation amends the act to authorize an interest subsidy of up to 4 percent on loans for working capital. The title X job opportunities program of the EDA Act is revised and extended for another year and additional funding is authorized for this period.

In addition to the changes made to the Public Works and Economic Development Act, the Senate adopted the provisions of the Muskie intergovernmental countercyclical assistance bill that would authorize grants to assist State and local governments to continue governmental services in areas that have a substantial loss of tax revenues because of high unemployment. Also adopted was an amendment by Senator Talmadge that amends section 205 of the Federal Water Pollution Control Act to establish a new allocation formula for the distribution of past and future funding.

The other bill, H.R. 4073, passed the House on May 19 to continue the programs authorized by the Appalachian Regional Development Act of 1965, as amended. In addition to amending and continuing the Appalachian regional development program, the Senate broadened the authority and increased the funding of title V regional action planning commissions authorized by the Economic Development Act.

Because these amendments passed by the Senate will be before us when we go to conference on these bills, it is important that we hear recommended changes to this legislation before meeting in conference with the Senate.

Also before the subcommittee is the bill, H.R. 9398, the proposal submitted by the administration to continue the economic development programs at existing authorized levels for 3 additional years.

We begin our hearing today with testimony from the administrators of these programs, Secretary Mizell and Special Assistant to the Secretary, Mr. Chambers, who in addition to testifying on the legislative bills before our committee will be reporting on the progress made in administering new programs under the act enacted in our legislation last year. These include the loan and lease guarantee programs of title II, the planning grants and supplemental grant programs of title III, the special economic development and adjustment assistance program of title IX, and the job opportunities program of title X.

Actually, ladies and gentlemen, hearings on economic development legislation are scheduled for today and next week.

There are a number of bills pending before this committee and different ideas and suggestions that have been made, including the thoughts of the administration, that have been submitted so that the hearings will not be directed to one piece of legislation. Your suggestions should cover the bill before us and take into consideration those bills that have been presented by different Members of the Congress.

Before I proceed formally, I will defer to Mr. Hammerschmidt, the ranking member of our Subcommittee on Economic Development.

Mr. HAMMERSCHMIDT. I too join in welcoming our distinguished witnesses before this subcommittee today.

As has been noted, we do have some special guests with us. Of course, Mr. Mizell, our former colleague and member of this committee, now

serving as Assistant Secretary of Commerce for the Economic Development Administration.

We are always pleased to have you here, Secretary Mizell.

I am pleased that the administration has finally recognized the importance and effectiveness of EDA by requesting a 3-year extension of the program.

As we all know, since 1971, Congress and the executive branch have been at odds over this program, but those differences seem to have disappeared. We are ready now to work cooperatively in extending this program or modifying it if such changes are necessary.

I have specific reservations about some programs under EDA, and I hope that in the course of these hearings the specific programs I have doubts about will be fully explained, and perhaps my doubts will be erased.

Secretary Mizell will perhaps elaborate on the implementation of title IX, the effectiveness of title X as a job-creating program and the new planning section 302, State Planning Process.

I am also pleased to see a new Special Assistant, Mr. Terry Chambers, for Regional Economic Coordination. Perhaps you will be able to comment on the organization of title V commissions and the similarities or differences between the title V's and the Appalachia Regional Commission in their decisionmaking processes.

I will not take any more time. Our witness list is long, and we have many important witnesses before us today.

Thank you.

Mr. ROE. Thank you, Mr. Hammerschmidt.

I also want to welcome my good friend and former colleague, Secretary Mizell. The Economic Development Administration is doing a splendid job under his leadership.

We feel that there now is an economic development program for the Nation. We certainly give credit to you, Mr. Secretary, for the job you are doing, and to your chief counsel, Bill Clinger, to Bill Henkel, and all of your associates. As John Paul Hammerschmidt points out, we are developing a positive approach.

Among other provisions, we also want to talk about your implementation of the new title X job opportunities program under the EDA Act.

Without any further comments, the Chair now recognizes the distinguished Mr. Mizell, who is our Assistant Secretary for Economic Development, U.S. Department of Commerce.

TESTIMONY OF HON. WILMER D. MIZELL, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, U.S. DEPARTMENT OF COMMERCE; ACCOMPANIED BY WILLIAM F. CLINGER, CHIEF COUNSEL, ECONOMIC DEVELOPMENT ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Mr. MIZELL. Thank you, Mr. Chairman, and Chairman Jones, and John Paul Hammerschmidt.

You know, one of the highlights of my life, of course, was serving on the Public Works Committee in the House for 4 years with you gentlemen, and during that period of time, in joining with you in the bat-

ties to try to see the accomplishment of an economic development program for this country.

As I was coming up here, I thought of this young rookie pitcher—and I feel like a rookie sitting on this side of the table—that got his first start in the major leagues after a long spring training session, and in the first inning, of course, got himself into so much trouble the manager had to go out and take him out of the game. And, of course, they brought in one of the old pros in relief, and as the young boy started walking off, the old pro said, “Do not worry, kid, the fireman is here.”

And he got on the mound, and the manager said, “This is your situation; you have Pete Rose at third base, Morgan at second, Perez at first, and Johnny Bench is the hitter.”

Whereupon the old pro said, “Hey kid, don’t use all of the hot water in the shower.”

So today it is a real pleasure to be before this committee, and to be for something, to be for economic development.

With that, Mr. Chairman, I certainly want to thank you and the members of the committee for the opportunity to present the views of the Department of Commerce on H.R. 9398.

This bill would extend the dates authorizing the appropriation of funds for titles I, II, III, IV, V, and IX of the Public Works and Economic Development Act of 1965, as amended, for 3 years beyond the existing authorizations which expire June 30, 1976.

The administration and the Department have requested a 3-year extension of the Agency, as we believe it will make the administration of our programs more efficient and at the same time enable States and communities to better plan for their future economic development programs.

We are convinced that thoughtful and intensive planning is vital for successful economic development and for the creation of job opportunities.

This proposal represents the administration’s commitment to continue EDA as an important agency in the administration’s program to provide relief to areas of economic unemployment in the Nation.

Almost 50 percent of the Nation’s people live in EDA-designated areas. We estimate the unemployment rate in these areas to be an average 9.3 percent.

In the Public Works and Economic Development Act, Congress has created a flexible program with tools that aid States and local communities to develop a variety of solutions to overcome problems that are as varied as America itself.

It is important to note that the objective of all EDA programs is to assist local communities to do the job themselves. We do not dream up proposals or grandiose plans in Washington. EDA projects originate with and in the community.

I would like to dwell on the flexibility of our programs for a moment. You, of course, as the architects of EDA are quite familiar with our basic tools—public works grants, business development loans and guarantees, planning and technical assistance, and the new economic adjustment program.

These tools have been used in all sections of our country, and their use has been as effective as the imagination and abilities of the people

involved. Indian tribes have created jobs in agriculture projects, in industries involving forestry and lumber, in fishing and fish processing, in electronics plants, and in some of the most spectacular new recreation developments in the country.

Large cities, such as New York, Chicago, Los Angeles, and Seattle, have created jobs in high unemployment areas by developing new industrial sites and ports. Hundreds of rural areas have used EDA programs to develop public facilities needed to attract and keep industry.

One example of EDA's flexibility is our technical assistance program which is not limited to designated redevelopment areas and has been used to solve special problems, some of them national in scope.

Technical assistance funds have been used to help establish national organizations for minority businessmen, bankers, and savings and loan institutions. This program also supports university business and job development centers which work with businessmen and communities in economically lagging areas to encourage growth and new jobs.

One of our Agency's major successes has been the establishment of multicounty economic development districts over the last 10 years. Because many, if not all, economic problems ignore political boundaries, the district program was an idea whose time had come. The concept already being used by some States—Georgia and Kentucky, for instance—when Congress included it in the Public Works and Economic Development Act in 1965.

Today, EDA planning funds help provide professional staffs for 162 districts that include 1,249 counties. These staffs work with local communities in creating jobs and also coordinate other Federal and State programs in their districts.

Each district must have at least one growth center—a community that can provide jobs and services for residents of the economically lagging areas in the district. The idea is to accelerate growth in already growing centers and create jobs closer to home for those people who in the past have been forced to move to distant cities to seek employment.

I believe that EDA's legacy will not only be the jobs, now numbering in the hundreds of thousands, created with the help of our different programs, but also the opportunities and facilities initiated by local organizations as a direct result of our programs which will continue to be of economic benefit to local areas for years to come.

Since its first budgeted year of operation, fiscal year 1966 through June 30, 1975, EDA has made 3,753 public works grants totaling \$1,765 billion, and 365 business development loans totaling \$350 million, for an overall total of \$2,115 billion.

These funds, together with resources provided by State and local entities and the private sector, have facilitated the creation of approximately 780,000 direct jobs at an average cost to EDA of approximately \$2,700 per job.

I would now like to turn to a brief review of the new programs added by Congress just last year. These new programs continue the tradition of flexibility and adaptability under the original legislation.

Section 302(a) enables us to make grants to States and local governments to help them employ staff and to develop economic development planning capacities. In fiscal year 1975, we made grants of

more than \$5 million to help 46 States launch such planning programs. The other four States, Puerto Rico, and the Virgin Islands will take part in this program in fiscal 1976.

Section 304 of the act established a new program of assistance to the States whereby funds appropriated for that section are apportioned among the States on a statutory formula basis, and are available for use by the States to provide matching shares on projects approved for assistance under titles I, II, and IV of the act or in certain circumstances may be used as first-dollar money for projects which meet the criteria for assistance under the other titles of the act. During fiscal 1975, EDA apportioned \$13 million to the States and territories for these purposes.

Amendments to section 202 in fiscal year 1975 provided new authority to make direct loans for working capital, to guarantee leases, and eliminated the previous limitation that working capital loan guarantees were available only in connection with direct loans under section 202.

Utilizing the new section 202 authority, EDA has thus far approved eight working capital guarantees in the amount of \$38.8 million, two fixed asset loan guarantees in the amount of \$2.5 million, and two direct loans for working capital in the amount of \$537,000.

Perhaps one of our most important new programs is the special economic adjustment assistance provided in title IX. Again, flexibility is the keyword. Title IX funds have been provided to help develop adjustment strategies and to implement specific programs in areas that face economic disruptions or major job losses because of substantial economic changes. These can include the loss, or threatened loss, of a substantial number of jobs through the cutting back or closing of a major employer. The thrust of title IX is preventative, not remedial.

To date, we have approved 59 grants totaling \$49 million under title IX. These have gone to States, counties, cities, and economic development districts. If I might just cite a few examples of the uses title IX grants are being put to:

A \$5 million grant to the city of South Bend, Ind., is being used to establish an industrial revolving loan fund. The first loan from this fund was extended to an ESOT, which acquired the South Bend Lathe Co. and saved 500 jobs. Loan repayments will be deposited in the fund and used for other economic adjustment projects.

The State of Colorado received approximately \$1.8 million also to establish a revolving loan fund. Initially, the State will loan funds to three communities experiencing problems caused by natural resources exploitation. The repayments from these loans will be used to help communities similarly impacted by severe adjustment problems.

The State of Rhode Island is using \$8.25 million in title IX funds to create jobs on Aquidneck Island, which has been affected by defense cutbacks. The funds will be used for a shipbuilding and repair facility, a warehouse, and a rail spur.

The city of Los Angeles is utilizing approximately \$150,000 in title IX assistance to develop a comprehensive economic adjustment strategy which would create job opportunities for some of the 2,000 people thrown out of work when the Van Camms tuna cannery was closed due to the enforcement of environmental regulations.

You have also asked that I report on our operations under title X, the job opportunities program. From 1,241 initial proposals, 877 were approved by the Secretary of Commerce for allocation of funds, on June 17, 1975, the first \$125 million appropriation was allocated to 26 Federal agencies to create 27,000 temporary jobs.

The additional appropriation of \$375 million became available on July 25, 1975. Project recommendations from the different agencies were due on September 15, and we have those in hand. The projects will be recommended by the Secretary on October 15, and the \$375 million allocated to the agencies involved.

In allocating these funds, Congress established guidelines which give priority consideration to areas of highest unemployment, to projects that are labor intensive, to projects which match the skills of the unemployed in the area, and projects which can be initiated and completed quickly.

I have discussed certain phases of our legislation with the most important exception being title V, which authorizes the establishment of multistate regional commissions.

This title will be discussed by Mr. Terry Chambers.

Gentlemen, this concludes my statement, and I will be happy to try to respond to any other question or inquiries of the committee. I have with me Mr. Bill Clinger, and several of my deputy assistant secretaries, Bill Henkel, and Joe Hamrick, and others from the Department, if I cannot respond, I am sure they can.

Mr. ROE. Thank you, Mr. Secretary.

I think it is a splendid report, and I am particularly impressed with the approach that you and your colleagues have taken in the implementation of title IX.

You have developed a very substantive case history on the achievements and innovativeness of the EDA programing.

So I think you are carrying out the intent of Congress in the legislation, at least as I see it.

Are there any questions, Mr. Chairman?

The CHAIRMAN. No, Mr. Chairman, except to make this short comment.

If you are the manager, do not take him out or let him play, and keep the water hot.

Mr. ROE. Mr. Roberts.

Mr. ROBERTS. Thank you, Mr. Chairman.

I want to say it is a great honor to have our distinguished former colleague of the committee with us, and we appreciate the job he is doing. You still have lots of friends here.

Mr. MIZELL. Thank you very much.

Mr. ROE. Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

I too want to join in welcoming our former colleague before this subcommittee, and certainly I share the views of other members of this subcommittee in having the distinguished Secretary before us, certainly his zeal and enthusiasm will be a great asset in the ongoing efforts of EDA.

I certainly appreciate the fact that he does recognize the importance of flexibility, in meeting the challenge that we face in providing jobs for the people throughout this Nation.

I think this is one of the problems that we have too often in the bureaucracy, that we are not flexible in meeting the problems as they arise, and I appreciate your approach, and certainly welcome you before the committee, and it is good to see you again.

Mr. ROE. Thank you. Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Mr. Chairman, I, too, want to thank you for a very helpful statement. I would like to talk with you a little bit about a couple of the titles.

Could you give us more of a breakdown on title IX grants, and how the money has been spent, as it pertains to cities and States and where the money has gone?

Mr. MIZELL. If I may, I will just give you a more thorough rundown than I did in my statement of how we have tried to utilize the title IX program, and show just where we are now with the program.

We have made 50 economic development assistance grants in 1975, and 16 of these were implementation grants, totaling more than \$35 million, and 34 of those were development grants, totaling more than \$3 million, to help communities develop adjustment plans.

Now, the 16 implementation grants range in size from \$60,000 to the \$8.25 million grant that I mentioned in my statement, which averages a little over \$100,000 each.

Now, as you know, this was a new program, and we were able to utilize the appropriations for 1975, I think, very effectively.

Up to this date this year—during the 12 weeks of this year—we have obligated approximately \$10 million of title IX funds of the 1976 appropriations already.

We think this is significant, because we are getting the help to those communities when they need it the most, and primarily for the implementation of economic adjustment plans.

Mr. HAMMERSCHMIDT. Have those been urban communities pretty well across the board?

Mr. MIZELL. If we consider the \$8.25 million that went to the State of Rhode Island as being used in an urban area, then the split would be about 50-50 urban-rural for the title IX funds.

Mr. HAMMERSCHMIDT. Has there been any criticism that processing of these title IX applications has frequently bypassed existing development districts, or is it the thought of the Agency that that was the intent of the Congress?

Mr. MIZELL. I think it was. At least in our opinion title IX projects did not have to be in an economic development designated area, and for that reason we had applications coming in for title IX assistance from communities that previously did not have high enough unemployment, or did not otherwise meet the criteria of designation.

Yet, because of the structural change, such as the closing of a military base in South Bend. One employer's plant definitely was going to be closed, which would have brought about the structural change. We were able to respond with title IX assistance.

To try to deal with it—

Mr. HAMMERSCHMIDT. Of course, that is the idea of that title.

Are there districts that might not be given valid consideration for title IX grants?

Mr. MIZELL. Well, right now the districts themselves, if they would like to come in for title IX assistance, to deal with the real structural change in those areas, they could apply now.

But, if I understand what the question is related to, maybe we are talking about a situation where a city that has experienced a structural change—it might be in an economic development district—and the city itself comes forth with a request for funds, which under the legislation I think they could, John Paul. As to whether it would be wise to permit them to come back directly or require them to come back through the districts.

I am not—I really have just not thought this thing through from this standpoint, because as yet it really has not presented a real problem that I am aware of.

Mr. HAMMERSCHMIDT. Let me change over to title X for a moment.

From what you have said in your statement, it is difficult to get title X moving, even though you are operating under a quickly drawn up law. But yet, once you got rolling and received some direction from the administration, you seemed to do a pretty good job. From what you said in your statement, and from my personal knowledge of the operation of title X, you have people out there working now because title X projects are in place. And, as I understand it, quite a few jobs have been created, is that not so?

Mr. MIZELL. That is true, and it is our judgment that about half of those 27,000 job opportunities, are on line now, and the remainder will be on rather quickly because of the time limit that they are operating in.

Mr. HAMMERSCHMIDT. I think that is a pretty good track record. I do not know whether this committee, in its wisdom, and Congress will want to try to continue title X or not, but operating under those difficult conditions, as far as the EDA part of title X, you have done well. Have you had your people go down the same checklist that you use for title I projects?

Mr. MIZELL. A large number of them would have been those projects that EDA was aware of, but in many cases, of course, a title I project, because of the time and the size of the project, you know you would not be able to do. You would be restricted from doing it.

I would say a number of these projects are projects that could be done with title I funds, yes.

Mr. HAMMERSCHMIDT. Well, the point I would like to make, is that if we do not have any more title X, and we funded title I larger than it has been funded, let us say through bigger authorization and bigger appropriation, we could get similar results.

If your Agency, and the people in your Agency at the Federal regional level, approached title I project with the same sense of urgency to move those projects as they did title X, I believe that you could put jobs on line almost as quickly as you do on title X.

Mr. MIZELL. Well, title I, as I see it, are projects that the communities developed, and that EDA participates in with the aim of looking toward the long-term economic development impact on that community.

Certainly the immediate jobs that might be created would help temporarily to relieve some of these, and we experienced this with the PWIP program, as you well know, that we did many of those projects. Some projects you can do rather quickly. Many of them were projects that did have some long-range benefit.

But title I, it seems to me, is directed more toward development, rather than trying to deal with a countercyclical problem.

To go in and try to begin to rebuild that economic base in those communities—

Mr. HAMMERSCHMIDT. I would certainly agree. I am urging you to find a way to expedite approval of title I projects.

Mr. Chairman, I just have a couple of other questions.

You mentioned the PWIP program. What is your policy on PWIP? Are you funding PWIP now?

Mr. MIZELL. No, and for two reasons, I believe.

One, of course, the administration is opposed to the PWIP program.

The other is that we are still operating under the continuing resolution, and because of that we are not encouraging the PWIP project.

In our appropriation bill, if the language remains in that bill that has been in there previously, that says at least 10 percent of these funds will be used for PWIP projects, then we would expect to fund some PWIP projects in this year.

Mr. HAMMERSCHMIDT. We still have in the authorization bill at no less than 10 percent, nor more than 35 percent of title I projects shall be funded from PWIP projects.

Mr. MIZELL. That is true. That is true.

Mr. HAMMERSCHMIDT. But you really have not been doing that?

Mr. MIZELL. No, and for those two reasons.

Mr. HAMMERSCHMIDT. Yes, for those two reasons.

Mr. MIZELL. And there is a third reason, too. It is because we really have been concentrating on these title X projects, you see, which is something that—

Mr. HAMMERSCHMIDT. You know, PWIP is practically the same concept as title X.

Mr. MIZELL. That is true, except the results from the PWIP program in dealing with the countercyclical situation, our track record there has not been nearly as good as it has been under title X.

I think some of it is because of the type of project that we were doing, but the cost factors there were tremendous.

Under the PWIP program, a study that was finished in 1973, I believe, on about 50 PWIP projects, showed that the average cost per man year of employment was about \$40,000 on those projects, and now that is. I am sure, because of the type projects that were done on the PWIP program, where under title X, you see, we are selecting the project. Most of them, of course, are not as large.

Mr. HAMMERSCHMIDT. We do not really know those costs yet under title X. Is there an evaluation yet?

Mr. MIZELL. On the costs, I have those figures for you.

Mr. HAMMERSCHMIDT. I know you have good costs on EDA, \$2,700.

Mr. MIZELL. That is true. That is on your regular public works.

On our title X, the cost to EDA is \$7,744.20. If you include the matching funds on many of these projects from local communities, for those 27,000 job opportunities, the cost per man-year for employment—and we anticipate that there will be 16,000 man-years—the cost will be \$10,990 for a man-year of employment, which we think is real good.

Mr. HAMMERSCHMIDT. One more question.

Are you still using the work study program to target areas for project funding?

Mr. MIZELL. No, we have completely forgotten about the old work program. We have done away with that—

Mr. HAMMERSCHMIDT. What do you call it?

Mr. MIZELL. Of course, we—what I have tried to do, and certainly what the Agency is trying to do would be—as we begin to look toward a longer life for the Agency, is to really strengthen the grassroots participation in this process, and even now you see we are beginning to look at the revising of the OEDP's, and there is reason for it, for the reason that we have a serious energy problem in many areas, so we need some revision, but also to strengthen them so that they become a viable planning document for the local district and the local EDA areas, and also to be helpful to EDA in trying to utilize the resources that we have to fund projects.

Mr. HAMMERSCHMIDT. Mr. Secretary, I commend you in moving in that direction. I think it goes toward the intent of Congress, and I do think as projects come along, they should not be frozen out because of some predetermined conclusion that has been reached in some regional office or somewhere else; they should always be open for consideration, and the need to project itself at the grassroots level.

Thank you.

Mr. ROE. Thank you. Mr. Howe.

Mr. HOWE. Thank you, Mr. Chairman.

Mr. Secretary, it is nice to have you with us again.

We will visit with you a little bit about EDA problems, and the progress of your administration.

I think that in the main, I can say that I certainly support the programs that EDA has. I think it has embarked on a very important course, to support job expansion in our country, and one particular problem that we have in my part of the country, as you know, is the impact that the new demand for energy—coal mining—and the new communities that are coming into existence, the new population, the training of the coal miners, the coming of more powerplants fired by coal.

These kinds of problems are mounting in the whole inner mountain area.

What do you think that EDA can do to assist in that type of job expansion, and those kinds of programs in those energy impacted areas?

Mr. MIZELL. Well, in some of those areas, where they are anticipating unusual growth even now, we are involved with the communities in public works grants, for example, to try to help them upgrade their facilities, and so forth, so that they can try to avert the impact that this will have on the community, but under title IX, in the State of Colorado, we make a title IX grant to the State, which in turn will make loans to some of these communities, to help them offset this growth.

Mr. HOWE. Are those energy impacted areas in Colorado receiving those grants?

Mr. MIZELL. The three communities that those funds were directed toward are to be assisted as a result of energy exploration in that area.

Mr. HOWE. Could that be done in other States with title IX funds, do you think?

Mr. MIZELL. I think so, if it can be shown that you are going to have that tremendous problem with the sudden growth that comes to an area, and that there are communities, without the tax base, or the means to move fast enough to supply the necessary facilities that we could.

Mr. HOWE. I am told by some of the people in the State of Utah, who went to your Denver office, that the amazing answer that they received to the presentation of some of their problems was, that if the jobs were not already there, the grants might be able to be made.

But since the jobs were already there, we kind of have the problem of trying to make grants and justify them in job creation, because apparently the jobs were already going to be created anyway.

But you know the problem of the community facility strains what you have when you have a lot of new people move into an area that does not have the housing, the water, and the sewer facilities—none of the community facilities to be able to serve those people.

Would you have any comment on what the policy ought to be on job creation versus service of those who are already there for the jobs?

Mr. MIZELL. Well, I think that our primary role should always be directed toward jobs and job opportunities. But the unusual situation that these communities are facing there with the sudden growth, I think they have to be given some special consideration, and we have, in a number of instances given them that consideration.

Because of this, we are interested in the jobs there, you see, as well as the community effort. Because of that, then we feel like that we have a role to play.

Now, I happened to be in the regional office when we had some of the people—I believe it was from Price—there.

Mr. HOWE. Yes.

Mr. MIZELL. And I met with them and they met with our people in the regional office, and we are moving forward with offering some assistance to that community, and that is an area that is impacted as you know well.

Mr. HOWE. Yes.

Mr. MIZELL. So that is an example of the kind of things we are trying to do.

Mr. HOWE. We appreciate that, Mr. Secretary, and we know there are a lot of demands on the Agency, and we have, we think, a particular contribution to make in the intermountain area, toward solving the energy problem—the new coal production, and the new powerplants, and those things—to create many, many attainment problems.

Let me ask you one other thing that is quite close to me, and that is, your attitude about the expanded title V commissions.

Would you personally be willing to support some other strengths for programming and funding for the title V commissions at this time?

Mr. MIZELL. Well, we have Mr. Chambers who will be testifying in a few minutes, and really the Secretary has given him the responsibility for this area, and I would just rather wait and let him comment on title V.

Mr. HOWE. I think that is all the questions I have, Mr. Chairman. Thank you.

Mr. ROE. Ms. Abzug.

Ms. ABZUG. Well, I think that it is important that you come before us at this particular time, because we are experiencing the worst economic conditions since the depression, despite the claims you have made here before us.

I wonder if you believe that the changed conditions call for broadening of existing programs, and the creation of any new programs to meet these conditions, which might be particularly targeted for jobs, since you said that is still a major emphasis in the planning of employment?

Mr. MIZELL. Well, Ms. Abzug, I am just happy to be here with a proposal for a 3-year extension of EDA and, of course, that is my position, and the legislation that we have before the committee.

In these other areas, there are a few things that certainly, in the wisdom of the Congress, and the administration, will have to be dealt with.

Ms. ABZUG. Well, then the only questions I should ask you about is whether I agree or disagree that there should be a 3-year extension, if that is so?

Mr. MIZELL. No, Ms. Abzug. Certainly I would not try to limit your questions in any way.

Ms. ABZUG. I know, but there is not much point in it if you are not open for other solutions to the problems that exist. If you are not open to other suggestions, we are wasting our time, it seems to me.

I have to say that to you, frankly. This is a very serious problem.

All right, let us go at it another way.

I would be very interested in knowing if you could give us the statistics as to how the title I, II, and III moneys, which are, I think, the heart of EDA, were distributed in 1974.

Mr. MIZELL. You mean between the different entities, between rural, Indian, and urban.

Ms. ABZUG. Right.

Mr. MIZELL. Traditionally, EDA has utilized about 25 percent of its funds in the urban areas, and this is in title I funds.

In the business loan programs, and with the expansion of your guarantees and so forth, a large number of these loans are being made in your urban areas.

Now, I think just before you arrived I was commenting on the fact that if we take into account the title IX grant that was made to the State of Rhode Island, to try to deal with the base closing and the reduction of military personnel in the area, which is considered urban funds, it would have been considered 50-50, in 1975.

So this is basically the breakdown, and we usually—

Ms. ABZUG. What is the breakdown without—outside of Rhode Island; if you do not mind?

Mr. MIZELL. You mean in dollars?

Ms. ABZUG. No; percentage or dollars.

Mr. WHALEN. As the Assistant Secretary stated, the percentage of about 25 percent is accurate for the urban program over a long range of time.

The Indian programs have traditionally run about \$25 million in public works, and in the range of \$1½ to \$2 million for technical assistance, with some lesser amounts directed to business development in prior years.

Since the passage of the Indian Financing Act in 1974, our activities have kind of tailed off in that area. The remainder of the funds other than the urban and the Indian you would find equally divided between redevelopment areas in districts, and outside districts.

Ms. ABZUG. What do you mean—what kind of district?

Mr. WHALEN. Within the economic development district.

Ms. ABZUG. Areas of 250,000?

Mr. WHALEN. The 250,000 figure deals with the limitations on growth centers themselves. Approximately half of the so-called green spots that the Agency has are inside districts, and approximately half outside, and the distribution of dollars has matched that with some proportion distributed to the growth centers in the district program.

Ms. ABZUG. Is there any relationship in the distribution of these economic funds to the areas of unemployment?

Mr. MIZELL. All of these areas are areas that have a high unemployment problem. For most of them it has been a chronic problem, and so those are considerations.

Ms. ABZUG. I would like you to provide for the record the distribution of funds in both the dollar figures and percentage figures to areas of urban entities, which would include all metropolitan areas of more than 250,000, as compared to other areas in the country for 1974 and 1975, or whatever similar figures you have.

It is going to primarily have to be 1975 figures.

[The following was received for the record:]

U.S. DEPARTMENT OF COMMERCE,
THE ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT,
Washington, D.C.

HON. ROBERT A. ROE,

Chairman, Subcommittee on Economic Development of the Public Works and Transportation Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I am submitting the following information, requested by Ms. Abzug, for inclusion in the record:

In fiscal year 1974, \$7.2 million was obligated for public works projects in urban areas of 250,000 or more; this is four percent of the total obligations. For business development loan projects, \$12.8 million, or 73 percent of the year's program was obligated in major urban areas.

In fiscal year 1975, \$14.6 million was obligated for public works projects in major metropolitan areas with populations over 250,000; this is nine percent of the total obligations. For business development loan projects, \$3.4 million or 35 percent of the total obligations went to urban areas.

In fiscal year 1974, 36 percent of EDA's program funds were invested in SMSA's; in fiscal year 1975, 36 percent was approved for projects in SMSA's. The 1975 calculation does not include title X.

Since not all these projects went to densely populated urban areas in the SMSA's, we estimate the urban impact to be 20 to 25 percent.

Sincerely,

WILMER D. MIZELL,
*Assistant Secretary
for Economic Development.*

Mr. ROE. Can I interject a thought there?

Ms. ABZUG. Surely.

Mr. ROE. One of the basic problems you are faced with in the mechanism of the law, if you like, at present, is that you are limited in certain areas because of the designation situation, and to permit your administration to energize and move forward with greater flexibility under title IX, perhaps some designation should be spelled out in the

law for those urban areas that are not designated for one reason or another.

Therefore, their participation is limited, not because of your desire not to help, but because you have constraints in the law which have to be corrected in the law.

So I think it would be good to have for the record, as Ms. Abzug was asking.

Ms. ABZUG. The issue would be if there are difficulties in getting them. Then we should get some elucidation on what those difficulties are.

Mr. MIZELL. There is really no problem with an area becoming designated if they meet the criteria of unemployment or underemployment that is required in the act, and in fact, we have 135 urban areas that are designated areas now, and this within itself, you see, is going to have an impact on where your funds are going to be utilized.

If I might, just an idea of what we are doing in some urban areas.

In New York State in this last year, we are participating in a \$4 million grant to establish an industrial park in the southern Bronx. Under our business loan program: Seatrain, where we guaranteed a \$40 million loan to try to get 2,200 people back to work. And we are glad to see that they now have about 800 back at work at Seatrain, and they are going to be putting back about 100 a week, and this is in a depressed area.

These are the types of things that we are doing in urban areas even now. These areas are designated areas, and they are entitled to all of the benefits under EDA.

I am not so sure that I would like to get completely away from the procedure of designation for these regular programs, because you know our role is to try to deal with these communities that have these chronic problems, and if they have them, there is no problem in getting designation. But there is a beginning of really pulling your community together, and then with our overall economic development plan that we require from them, you know it pulls the community together.

The political and the different minorities are represented on our boards, and you get them all working together, and planning, and they evaluate their own resources, and then we can offer some, not only some leadership and guidance, but then we may be able to offer some funding to help.

Mr. HAMMERSCHMIDT. Would the gentlewoman from New York yield for a minute?

Ms. ABZUG. Yes.

Mr. HAMMERSCHMIDT. I want to recall that you knew this program was originated almost as totally a rural program. Then in 1970 there was an amendment that passed allowing designation of areas without regard to political boundaries.

We have moved substantially in the direction of urban funding. I notice that the chairman and yourself moved further in that direction, but I did not know whether you recalled it.

Ms. ABZUG. I recalled it, because one of the areas was when I first came to the Congress, and I have been involved in seeing the related needs of the rural and the urban areas, and worked with you and others on this very closely.

The problem is that we are now dealing with a situation in which probably 90 percent of the population of this country finds itself in some very deep areas of unemployment—a small part of the population of the country is not as affected. What I am more interested in, frankly, is finding the ways in which economic development can be meaningful, not only because of today's conditions, but in terms of developing legislation in a way in which it really serves economic development.

I realize that we are dealing with a very small program. But essentially our EDA program has been concerned with infrastructure developments through certain kinds of programing, and we did discuss this previously when the last bill came up for consideration in the committee last year.

But is not this really the time when economic development should be looked upon as something that might be more helpful in terms of a long-term development in helping industry develop programs which create permanent long-term employment?

I think we have not dealt with that question. We did not deal with it last time, essentially. We began to move a little bit, during the last session of Congress, and I think we are now up against it, where we ought to consider some kind of amendment which recognizes this shifting.

We have the whole question of potential designees and of additional areas with substantial unemployment above 6.7 percent, which means more areas are eligible for EDA assistance.

Yet we have not gotten any guidance or leadership from you as to how your Department will deal with these increased demands in a way that each of the areas can feel that we are developing a meaningful and revised program to meet their needs, and that is what concerns me.

Mr. MIZELL. All right.

I could not agree with you more that the role of EDA is long-term economic development in these areas. For many of the areas that are experiencing difficulties, and problems now, we have the title X program in which we try to deal with the countercyclical type of problem.

If we can take an area like New York City, for example, or a county up there in the area, now the more specific areas that we feel that we would like to deal with are those depressed areas in those communities, and this is where we can better direct our attention.

So therefore, we use a designation procedure to isolate those areas that have difficult problems. We can deal with them directly, and not be dealing with problems maybe out in the county, or somewhere, although they may be related, but rather where we can zero in on those really chronic economic problems, and try to develop the base there.

Ms. ABZUG. If I may interrupt you, Mr. Secretary.

I may not be accurate on this, but I understand that there are a lot of areas like Newark, N.J., which is not in my State, which have been trying to get designated, and have not.

There are problems in that area, which I think we have to get solved.

Mr. ROE. Would the gentlewoman yield?

One point that is obvious is that the EDA Act is finally emerging as a viable dynamic tool of government.

Second, I think it is important that you look over your report in those areas where you have concentrated in the last year, and I am

thinking particularly under the title IX special adjustment assistant program which, in large measure, has not been directed toward urban areas. These provisions have provided a new viable tool for the urban areas but the mechanism is too restricted at present, for example, to be able to designate these areas of need in the urban States. I am not so sure, for example, that we should just be designating a loan for a section of Newark—maybe the fourth ward—because unemployment is high there.

Perhaps a facility in the first ward can accommodate that. In my State we only have three counties that are presently designated for eligibility under certain titles of the act—Passaic County, Camden County, and Cape May. Unless the areas of need are eligible under the designation formula, they are only eligible for technical assistance unless there is a chronic or catastrophic situation.

So we would like to direct our efforts toward the objective wherein the urban centers are copartners in this particular legislation.

It should not be a question of designation based on catastrophe. It should be designation based on fact. If we do not take facts into consideration and do what we are talking about doing, situations like the State of New York, and particularly New York City, which is deteriorating from an economic point of view, as is happening in my State, by the way, are going to be a chronic continuing problem. We hope to be able to create a mechanism in the PDA act that is flexible for your administration to operate under to help those urban centers.

Mr. MIZELL. Mr. Chairman, and Ms. Abzug, and I merely point this out, and I am not being critical of my counterparts over at Labor, but one of our problems in getting an area designated is, of course, getting the latest figures, and of course, you know we are required to have the unemployment figures, and this is based on a time period, and it takes time to get these figures.

Now, sometimes this causes a delay, and I am not saying that it is anybody's fault. The mechanism is just unavailable to pull those figures out any time you need them.

This is one of the problems in getting an area designated, but if they meet the criteria, and we have it, we do not really have any long delays in moving forward with their application.

Now, the other thing I wanted to say; the other point I wanted to make, and of course, I have said this any number of times in the last several months, is that I think it is essential that we address the economic problems within the inner cities, and I think it is just—just as I believe it is essential that we try to address the economic problems in the rural areas.

I do not think you can isolate the two areas as far as the economic strength of the Nation is concerned, and I guess the point that I am trying to make is, that you know, with EDA, and with our tools and our flexibility, we are trying to address those problems in a fair and equitable way.

Ms. ABZUG. What about the provision that we put in this act last year, which guarantees leases for new businesses to get started?

Have you guaranteed any leases on the renewal program since we enacted this statute, this amendment?

Mr. MIZELL. We have had a report from St. Louis, Mo., that the municipality would be managing that—would utilize the lease guarantee.

We have another project, I believe, that is either coming in, or it may be in, from Minnesota, that addresses a lease, and this being new, and of course we have some, you know, as you get into a new program like this, where errors in understanding becomes involved. I am sure we will utilize it even more in the future.

Ms. ABZUG. I am sure.

Mr. MIZELL. If I remember, it was your amendment last year in the committee.

Ms. ABZUG. Yes. The reason that I raise it is I have been hearing reports that the EDA staff—and I do not know why—has discouraged the applications for lease guarantees. I am glad they are considering it, because there has been some difficulty with this aspect of the program, and if we are using these funds to stimulate business, these guarantees are rather critical.

Mr. OBERSTAR. If the gentlewoman would yield.

At that point, having been involved in discussions with EDA concerning the lease guaranteed project under consideration in Minnesota, and I must say that the staff has been most anxious to cooperate, and to work, and to use the authority to the fullest, and I must say I am very pleased with their cooperative attitude, and initiative in wanting to move ahead.

Ms. ABZUG. I appreciate that information.

Mr. ROE. Would the gentlewoman yield?

Ms. ABZUG. Yes.

Mr. ROE. There is a specific question on that title II.

Is it my understanding that when you get x dollars appropriated, you have to, in effect, hold a percentile in reserve when you make the lease guarantee. Is it 10 percent?

Mr. MIZELL. No, it has been changed. When the program was first set up—the loan program—we set aside 25 percent.

This is the history of the Agency. Then, of course, as you build some equity in the fund to cover those loans, and as you know, we are dealing in high risk areas, because if they could get the loan somewhere else, they would not be coming to EDA.

Then they cut it back to the 10 percent, because we felt that this would cover it. During this economic situation that we are in, with the increase in the funding level, with the guarantee provision that we have, and the size of some of our guarantees, it was the opinion that it would be—it was essential that we set aside a larger percentage of these funds to build up the equity in this fund to cover, if one should happen to go under. So we are using 20 percent right now, Mr. Chairman.

Mr. ROE. Then what bothers us is that we are trying to do our best to utilize the funding to the maximum, as you are.

Mr. MIZELL. Yes, sir.

Mr. ROE. And Members are now beginning to see that this is a viable operation, and so forth.

However, the question is should we add more funding. There are two or three different loan guarantees that come to your mind at the moment, and when we look at the order of magnitude of the fiscal problem, therefore, you are limited on how far you can stretch that appropriation.

OMB has discouraged your using your revolving fund. Is there something like \$125 million in that revolving fund right now?

Mr. MIZELL. I would say that is probably close to accurate. But in the sense of being a revolving fund, in that sense, it is not really that much, because these funds go right back into the General Treasury.

Mr. ROE. They go back into the General Treasury?

Mr. MIZELL. They are earmarked, and they say these are loans that have been paid back in.

Now, we went through this last year. I really thought to try to get a decision as to whether we were going to be able to address these funds, and at the time we were trying to address the Seatrain situation. The history of it has been that in the past, the Appropriations Committee would never permit the use of that fund. They specifically restricted it, because you know, this was the idea of backdoor spending by the Congress to where they did not have a handle on it.

So the administration then enforced that position, and although the language has been removed from this legislation now, you know, EDA has really been prohibited from using the revolving fund, because they feel like it is a part of the budget. I have no problem with this, because of the simple reason it is just as easy to deal with an appropriation as it is to have to come up and get permission in order to use these funds, and how you are going to use them, and I think that is the procedure.

Mr. ROE. That raises a question as to whether or not that is backdoor spending, because in effect, it is money that is there, meaning that you do not have to appropriate as much next year if you have it to use.

The second point is, if you have, by policy or mandate, set aside 10 percent, \$120 million in that fund, that means you have to set aside about, what—\$20 million, \$18 million, or thereabouts—which is not first instance funds. So therefore out of the \$120 million, you are allocated approximately—what does that multiply into?

Mr. MIZELL. If I recall correctly, last year in the 1975 appropriation, we had about \$17 million, approximately or close to \$17 million in the business loan program.

With the guarantees that remain, we had to set aside a little over \$5 million.

Mr. ROE. The Members must take leave to go to the House floor to vote.

We will get back to the first question. In all due candor, based on the order of magnitude of the problem throughout the Nation, \$12 million is not a great sum of money.

Mr. MIZELL. I think there is \$50 million in the budget for business loans this year. But you know when we put the Government's guarantee on the line, then of course, if one of these high risk loans should happen to go under, and default, then of course we need to come up with the money, and we will either have to do it this way, or come up with a direct appropriation.

Mr. ROE. We will recess for 15 minutes, and go on with discussing with the Secretary when we return.

[Short recess.]

Mr. ROE. There are two points.

We were discussing title II from the point of view of the revolving account, and something should be done about it. Perhaps it should be taken out completely if it serves no purpose.

Mr. MIZELL. Well, Mr. Chairman, as I mentioned, we went through this past year with the—and some of the members of the Appropriations Committees of the Senate and the House—and they were aware of this and they were urging the use of the revolving fund—well, at least several of them were trying to deal with some of these unusual situations that we had.

But the decision was made that that was not the route to take in trying to deal with it, but rather to use a new authority that we had been given, and that was the guarantee.

So you know this was a decision, and of course, that is what we are trying to—

Mr. ROE. Let me ask the second question on title X.

Under the \$125 million initial appropriation and subsequent \$375 million, a percentile of that was set aside for other agencies, such as HUD and other agencies. How has that worked out?

We have found that dealing directly with EDA, at least from our experience, the projects received real attention and things were done. There seems to be some kind of fuzziness beginning to develop when HUD and HEW became involved in the process.

In other words, if you take their regulations added to and multiply it by the thousands of applications to be processed, therein the dilemma becomes more complex. So I am just wondering if—I notice you have been silent on the extension of the title X job opportunities program. We consider that title X is an integral part of the EDA Act. Should it not be that EDA is the shepherd of the whole program, rather than going through 24 agencies? That creates a lot of problems, you know.

Mr. MIZELL. Well, of course, one of our problems in trying to deal with a program of this size is the shortage of manpower in order to develop the number of projects that we are talking about. And while it does create some problems as far as trying to communicate with the other agencies, I feel like we worked many of those out in that first round because the results, you see, are what we can look at and say that it worked pretty good.

I think that when we finally get through with the \$375 million, that the record itself will show that it has been effective. At least we hope that this will be the achievement.

Now, to say one thing in a positive vein in utilizing the other agencies, is the diversity of projects, the diversity of the areas of the country that they come in from, you get a broad distribution and you are able to use the manpower that is already available in those agencies to develop these projects that they can do under their statute and under their regulation.

Now, that is one of the advantages in utilizing them in a title X countercyclical-type program.

Mr. ROE. Then the Secretary has to approve their recommendations—

Mr. MIZELL. Yes; and I might add that we now have the applications for the \$375 million in from the other Federal agencies at this time. They were due in on the 15th of September and I understand that they have come in.

Mr. HAMMERSCHMIDT. Mr. Chairman, I recall you received about 18,000 applications, totaling \$3.4 billion for that first \$125 million. What kind of response did you get on the \$375 million?

Mr. MIZELL. I understand that we have got \$2.1 billion worth of projects in hand right now. But I would also mention, while we have not had a chance to evaluate all of them, that one agency, HEW, sent in a request for over \$1 billion worth of projects. Then the Community Services Administration which is in HEW, I notice also sent in a request for over \$400 million.

Now, when we begin to rank these projects in achieving the goal that is the mandate of the legislation, I do not know how many of those would qualify for funding for the \$375 million. We will just have to wait until we get them ranked.

But I mention this because of the \$2.1 billion that came in, over half of that came from one agency.

Mr. HAMMERSCHMIDT. How many agencies are you dealing with?

Mr. MIZELL. There are 30. In the \$125 million, we had 26 agencies participate in those fundings and for the \$375 million, we had applications for projects from 30 of the Federal agencies.

Mr. HAMMERSCHMIDT. Do you think you could handle all of the title X programs under EDA, if we gave you that authority?

Mr. MIZELL. Well, we can handle anything in EDA.

Mr. HAMMERSCHMIDT. You had better get geared up.

Mr. ROE. Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman; and Mr. Secretary, we welcome you to this committee and we, too, are grateful that you are here to share your wisdom with us just as you mentioned a while ago.

I was very interested in your comment a while back in EDA's interest and concern in strengthening the grassroots participation in this program and your very positive reference to the multicounty economic development district program.

This is one that we feel that is very important in coordinating economic development efforts at the level where development takes place. It does not take place in the Governor's offices or in the secretarial offices in Washington, or even in committees of Congress. It really happens at the local level.

If you cannot get down there where the people are creating the jobs and making industry happen, then the program is not going to be effective. So I honestly hope that not only will you give your strong support but also your support to additional funding for the district program.

Is there any hope for support from the administration for additional funds for development districts?

Mr. ROE. EDA can handle anything.

Mr. OBERSTAR. That means they can spend it.

Mr. MIZELL. If I might, for the record and for your information, just briefly outline exactly what our development district program looks like at this point and what we see, what the demands are that are being made on the Agency.

We have 242 planning and development districts that are being assisted; 135 of these are designated and funded by EDA. We have 12 additional districts which are authorized and funded. Those are

recent. Twenty-seven are designated but not funded; we do not have the funds for these.

Sixty-eight districts are authorized but are not funded at this point. In addition, there are—or we think there will be—an additional 175 substate districts that will qualify as potential districts should funds become available for them. This is the total picture we see for our district program.

Mr. OBERSTAR. No additional increase in funds requested?

Mr. MIZELL. In the 1976 budget, we did not request any increase in funds and, of course, school is still out on 1977, what the 1977 request will be.

There are \$3 million in the conference committee for funding for districts but there was no request from the administration for these funds.

Mr. OBERSTAR. In other words, you received no authority from OMB to ask for additional funds?

Mr. MIZELL. The 1976 budget was put together before I came to the Agency.

Mr. OBERSTAR. Your Agency received—

Mr. MIZELL. Right. That is true.

Mr. OBERSTAR. I yield to the gentleman.

Mr. HAMMERSCHMIDT. As I understand it the conferees on State, Justice, Commerce appropriations are meeting today and there is funding for about 45 more districts.

We would like to know if you intend to form those districts?

Mr. OBERSTAR. That is my direct question because I wrote a letter to the subcommittee urging them to appropriate that amount.

I was just trying to get a handle on the administration position. I would assume that, given the tools, that you would be willing to do the job.

Mr. MIZELL. As I recall, I believe that you could fund, probably, 60 districts with the funds that are there and, certainly, if the funds are made available, we would intend to utilize them for that purpose.

Mr. OBERSTAR. You would go right ahead?

Mr. MIZELL. Should they be made available.

Mr. OBERSTAR. You would not be recommending to the President a deferral or revision?

Mr. MIZELL. The Assistant Secretary for EDA would not be making that recommendation.

Mr. OBERSTAR. Thank you. Very good.

The question of eligibility criteria has come up and was discussed at some length earlier, and concurrent with that is the question of extending EDA farther into the major urban areas. What has been a matter of some lively debate and concern for a number of years for this committee, concerning—being very frank about it—on the one hand, expressed by your rural areas that if EDA goes deeper into major metropolitan areas, they will absorb those areas. Those areas will absorb a lion's share of the funds and, second, some concern that those areas really need other programs than economic development.

Maybe we have learned a good deal in the years since that debate was first opened by former Member of Congress Leonard Farbstein, of New York, and I remember appearing before this committee fre-

quently, appealing for broader jurisdiction of urban problems. You have the door open and that raises a question of eligibility criteria.

EDA has been geared almost exclusively to unemployment, a very obvious indicator of economic knowledge in an area. But are there other criteria that we could look to in determining an area's eligibility?

Now, the one that I have in mind—let me throw this out on your thinking—one that I have in mind is something that the committee in a way coped with some time ago.

EDA funds go into an area, or other economic factors occur within an area to reduce the level of unemployment below that magic 6 percent and then, within a stated period of time, that area is dropped from eligibility. That does not mean its economic problems are resolved. It just means that for out-migration reasons or for sudden burst of employment, temporarily the unemployment has gone down.

Another area that may be eligible has just a marginal level of unemployment, just enough to keep it eligible, has a great need for other—a great need of infrastructural assistance. Unemployment does not just happen, except in some places where an industry shuts down. Normally, it is a slow attrition over a long period of time, 15 years, during which tax-basing roads, public facilities decline, maintenance funds are not available for maintenance, some other community services decline and while that unemployment level might be down, the level of need is very high.

I am just wondering if there is not some way that we can use that concept in determining the basis for EDA eligibility and are there others that your Agency has considered?

Mr. MIZELL. You know, I think our criteria right now are broad enough if a community is experiencing some economic problems. The one thing you are tied to, of course, is the unemployment level. This is a pretty fixed criterion.

But if we look at this in regards to an urban area, you know they have the records now within that area, of an area that has chronic unemployment problems. There would be very few that I could think of right now that would not be eligible for designation for those particular areas—I think we do have great flexibility in our language right now.

Now, the point I was trying to make a while ago with Ms. Abzug was that I felt like it was important to keep this designation criteria so that we can zero in on those targets and, of course, I mentioned New York, for example. You know if you get the whole standard metropolitan area of New York as a designated area, you see—then, it will miss all those outlying areas that may have a chronic problem. But specific designation isolates a problem and permits us to deal with that problem within a city.

It is my judgment that we have. The committee in its wisdom has provided the flexibility to designate these areas that have a real problem.

Mr. OBERSTAR. You do not have the money to respond to those needs, though?

Mr. MIZELL. This is true, and in further following up on the point you are making, and it is true that there have been areas where EDA has dealt with communities and, of course, the unemployment figures have come down. During the situation we find ourselves in now, those

counties have suffered as well, but as you have been successful in those areas, with the resources we have available, you see, we would shift to other areas that are more critical in order to use our resources there.

This does not mean that you do not seize on an opportunity that might have a real impact on an EDA area and many times you do work with a community, permit them to take advantage of an opportunity that might come along.

But in trying to utilize our resources, you can see why a county that had dropped down with the unemployment problem, that we would look more to other areas that are having a more severe problem.

Mr. OBERSTAR. Well, I am glad to hear you say that EDA has enough flexibility to take care of such situations that I have described. But take a specific example, using the growth center concept and applying it to one of these major urban areas such as one that the chairman represents or Ms. Abzug represents, where you have people heavily concentrated in one part of that major urban segment and the industry or industrial opportunity in another segment that may not have the unemployment, people commuting back and forth to jobs. Can the growth center concept work there where EDA would feel that it could designate section A of an urban area as eligible and section B, as the growth center and put the industry or the public works grant fund—or whatever is needed to attract industry in the growth center—making it possible for people in the designated area to get jobs there?

Mr. MIZELL. Well, I guess maybe the way I look at the problem in these large urban areas, is that they are different from maybe a growth center of EDA. I think the problems that you are dealing with are a great deal different.

My judgment is that you are going to have—if you are going to be successful in those areas, and I think we have had some track record of success in these areas—is that you are going to have to try to provide those jobs for that community within that inner city. If you are going to be successful or closely related to that area you must connect some job training, some job placement, and so forth, together.

Mr. OBERSTAR. That is fine when you are dealing with the Brooklyn Navy Yard situation. When you have got easily identified, localized, major problems, which happens right there, and here you can convert this to an industrial park concept at any rate and you can fairly well zero in to that.

But I am talking about a somewhat more lushy kind of unemployment problem that you have in these urban areas where the unemployment is not generally by one major installation, but by this kind of general decline or erosion over a period of time.

Mr. Chairman, does that kind of describe the situation as you see it in your area?

Mr. ROE. I think what we are looking for is to include a special reference in the language of the law to these districts. I agree with you that the criteria that you are using is pretty valid. But I think it is important to specifically define the district if we want to mandate such economic development districts to be established.

In view of the need to build these infrastructures you are talking about, even if these districts were created in urban centers, literally by mandate, to be eligible, they would have to meet the existing criteria that is established.

Do you see what I am getting at, rather than the chicken-and-the-egg riddle?

Mr. OBERSTAR. I think if we had to find some way to come to grips with this problem with the increasing urbanization of this country and the simple demographic fact of the last 5 years that indicates rather than a continuing flow of population from rural to urban areas, we have a great movement of people from suburban area to suburban area and we are going to be successful in keeping the EDA program alive, it seems to me we have to generate the support in Congress by broadening our base and reaching out to cope with the problems that many others have and that we have to do that without diluting EDA so that it cannot be effective.

You cannot drop a little bit here and a little bit there and expect to have an effective program. You have to be able to concentrate resources in one area and make a big enough impact.

I would like to move on then to some specific comment, if I might. The other body has made some amendments to a rather simple, streamlined, we think very effective measures to combat high unemployment—Local Public Works and Capital Development Act of 1975. By the time the other body got through with it, it was sort of like sending a mission to the moon and finding that it landed on Mars. You did not recognize it when it came back.

One of the things they did across the way was to add authority for interest subsidy up to 4 percent on loans for working capital in the business loan program. And increased the authorization for that total program from \$75 million to \$200 million.

Is this a program that EDA would look favorably upon? Would you support this? Would you recommend to this committee that we keep that intact or would you have some other recommendation?

Mr. MIZELL. Well, I guess, first, I should maybe try to address the total package you are talking about. I think with the administration's position on all these things, that you could not assume that they would support the bill at all. As far as the administration's position, I am just looking at the past record that we have had.

Mr. ROE. I think you have said it all.

Mr. MIZELL. What is the next question?

Mr. OBERSTAR. Normally, that is referred to as breaking an embarrassing silence. While we are on that, Mr. Chairman, we—

Mr. ROE. The jury is still out.

Mr. MIZELL. When we were looking at our business program, we were discussing the interest subsidy as this is related to the business loan program and I think for the record and for your information that I would just like to leave these figures with you because out of our \$17 million for the business program, for the guaranteed program alone, we set aside slightly over \$5 million but with those guarantee reserves EDA guaranteed loans of \$74 million. I just wanted to say that, so that you would see that we are utilizing this guarantee provision very effectively.

Mr. ROE. All right.

Mr. OBERSTAR. Yes; you are using it. There is no question about it.

My concern is that EDA has in all its long history—and going back to its days of ARA—never received the authorization, the full appropriation up to the authorization of it, for the business loan program or for any other portion of it.

Mr. MIZELL. With the guarantee authority, I do not think we need direct funding at the level that we have in that bill to have an effective business loan program.

This permits us to address the situation and do what I think the committee intends for us to do, and that is to try to utilize the financing from the private sector to the maximum for the Federal dollars that are expended in these areas and I think we are permitted to do that.

Mr. OBERSTAR. Is not that subsidy program one of interest to the business community? Will it attract more investments?

Mr. MIZELL. Well, I really do not know. We have looked at it and we really have not come to any conclusion that I could present to the committee.

But we have looked at this and we are continuing to look at it.

Mr. OBERSTAR. I do not know even how an infrasubsidy program would work.

Mr. ROE. Well, it would be the marketplace——

Mr. OBERSTAR. The question is: Would you make a payment to the firm or would EDA absorb that difference, or does the industry have to go out and borrow money on the private money market and then EDA would pay the difference between that?

It raises some question to me whether that would be effective at all if the intent is to force an industry out into the private money market to borrow at, say, 12 percent, and then EDA would subsidize that by 4 percent, the point is they cannot get that money in the first place; that is why they are into EDA.

If the money were available, we would not need an Economic Development Administration. It would just be flowing into these distressed areas and we would sit there with our chin cupped and let the gold flow and it just is not going to happen that way.

You know, I really—would really have nothing to base a judgment on as to how effective a program like this would be.

Mr. OBERSTAR. I have an opinion in mind that it is not worth a—it just is not worth very much and the only program that has really been attractive to industry is a good low interest loan, direct loan program from EDA, the most effective thing that we have had.

We talked about lease guarantees, loan guarantees. These are all substitutes for the fact that EDA has not had enough money to run its program on.

If we get a direct loan program we are going to do the job. One last, and I have——

Mr. ROE. We have witnesses that are waiting.

Mr. OBERSTAR. The other body added a program called intergovernmental countercyclical assistance. It may take longer to say that name than ever to fund it.

What is your reaction to a countercyclical program?

Mr. MIZELL. Well, the administration's position has been in relation to title X. They really have not endorsed this program and the size of the program that is in the Senate bill. I just cannot see that the administration would support it. The size of it alone, I think, is what would——

Mr. OBERSTAR. What about the concept of the countercyclical?

Mr. MIZELL. You know, one of the things that we hope to accomplish with title X—when we say “we,” I am talking about EDA—what

we would hope to accomplish, if we are permitted to evaluate these programs as we hope to be able to do, the title X programs, is to develop the record of how effective this approach has been. This information will be available then for the Congress and for the administration and future administrations on types of employment, the countercyclical type, and how effective this approach can be. That is our approach. That is what we hope to accomplish, and then in the future this information will be available for those that will be making those judgments as to whether this is a viable approach. A tool that they would like to see used to deal with situations in the future.

Mr. OBERSTAR. Well, we had witnesses before our committee earlier this year on the other legislation, local public works program, notably Mr. Mean, who in 1962, testifying on the accelerated public works program at that time, said that he did not believe a countercyclical or, as it was called then, standby capital improvement program, would be effective. He reiterated the statement with somewhat less fervor this spring.

Leon Keyserling, both in 1962 and again this spring, testified in opposition to a standby capital improvement program. There was one such program developed and designed in the Eisenhower administration, I believe.

But for some reason it never caught on and now the other body has offered a program which, in my mind, seems to be somewhat similar to our title IX. We may already have enough of an authority if we are looking to prevent economic catastrophe, we just might well expand on title IX and not get bogged down with another new concept that may cost us some problems.

Mr. MIZELL. I think one of the problems is in trying to use public works facilities such as the construction of public buildings as a countercyclical device. It is the amount of time it takes for the design, engineering work, and the time it takes to get the work started. If it is a recession you are going through and you come out, then of course much of the employment would come in line at the end of the time.

I think this is where the opposition builds to utilizing this approach and if title X is successful, then maybe this is something that for the future someone could take and utilize.

Mr. OBERSTAR. People get nervous when they see a whole new program, whole new concept and another avenue opened up, untried, untested, and we have something that we can just tailor slightly; title IX and title X, we have it already in the program.

Let us stick with a winner and expand and improve upon it and maybe we can come up with something a lot better in the long run.

Mr. ROE. May I caution the members we have people who are waiting to testify and are running behind on time. We want to make sure that all the witnesses are heard today, so if we could just taper our discussion a bit. Mr. Nowak.

Mr. NOWAK. Thank you very much, Mr. Chairman and Mr. Secretary. I would, first of all, like to compliment you. I had visions of the total EDA legislation expiring. At least I was told that as a new member when I came to the committee. For you to bring in, not only a 1-year but a 3-year extension of this legislation, I think, shows to a great degree the amount of work and the energy you have given this organization and I think that your own dedication has really led the adminis-

tration to see that this Agency is viable and certainly is going to perform a great service in the future.

I know that you have followed EDA representatives and I have been in touch with them on several occasions, and I can only say I do not know how they cover the territory that they do with the amount of money that you have out there. So, I think we are getting an awful lot for the money and certainly your figure of \$2,700 a job compares very favorably to industries' investment of over \$28,000 to create one job.

I wanted to address something that perhaps has been in the minds of many of the members of the committee. Relating to your testimony, you refer, as far as the title X programs are concerned, to the flexibility that you have been able to work with.

I wonder if we were looking at some different changes and different wording, knowing the need that is in the community, more money is certainly going to be one avenue that has to be looked at very closely, because I do not think you can accomplish what your intentions are especially if the title X program expires and you have no alternative in that area.

So, we relate back then to what Mr. Oberstar was talking about and what the Chairman was talking about as to other means to meet what I have termed in the amendment that I have introduced yesterday, as facing the problem of long-term economic deterioration of a city or a community in facing their problem; we are sort of limited, I believe, as to what the possible steps you can take.

Mr. Oberstar made reference to people moving out from an urban area to a suburban area, with loss of population and all of our cities becoming somewhat older, especially in the North and very possibly in the majority of the cities in the country. There is a great need, I think, for some help to come into those types of areas and in title IX we have provided for sudden economic disruption.

The title I, of course, has some feeling for the long-term deterioration area. But I have to feel we are not doing enough in this area and I do not have it to present to you here, but I certainly have some copies of an amendment I put in, and I would like to submit it to your Agency.

I know you did not have an opportunity to look at it yet, so I felt it would be unfair to ask you to try to comment now, but I would like to submit it and then have your comments back. It hits the problem of long-term deterioration. It very simply adds an amendment to title IX, which would let you use some percentage of the total funding of title IX to face that problem, along with the sudden economic deterioration. It provides an increase in funding, too.

I wonder, just on the basis of what I have said, if you had any feeling or reaction to that? I know it was brought up by Ms. Abzug and Mr. Oberstar, certainly by the Chairman. I tried in my proposed amendment to set different criteria, not a mandate of criteria but a priority of criteria, which encompasses unemployment and other factors which would lead to the conclusion that this is happening, heavy loss of population and so forth, and the community facing a structure that has the same problems that it had when it had a larger tax base and a larger population.

I think over the last 10 years you can almost pinpoint many areas that this has happened to throughout the country. My legislation really aims right at that and tries to give you the flexibility to go into these areas, as well as what is existing now in title IX. I wonder if you thought that would be a feasible way to approach this total problem?

Mr. MIZELL. If I might, Henry, do what you suggested and, Mr. Chairman, and that is to first take a look at your proposal and then be able to submit it so that it would be on the record here for the hearings. If I could do that, I think this would be the best thing for me to do.

Now, the other thought that you have of trying to deal with urban deterioration from an economic base and trying to address it in a preventive way, this is—this certainly is one of the things that title IX addresses from the standpoint of a sudden structural change, that is to try to provide preventive medicine before it becomes a real chronic problem.

Try to deal with it early, and I take it this is the drift—

Mr. NOWAK. Yes.

Mr. MIZELL. Well, if this could be done and in those communities where they are faced with some real economic problems and where the cost to them is getting them in a critical situation and help could be offered, this seems to me to be certainly a good idea.

Now, I would like to have the chance to try to evaluate before I go any further.

Mr. ROE. I think there would be unanimous consent on that response, consent that the Secretary do that and report to the committee.

Mr. NOWAK. Report formally back to the committee?

Mr. ROE. Without objection, so ordered.

[The following was received for the record:]

U.S. DEPARTMENT OF COMMERCE,
THE ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT,
Washington, D.C.

HON. ROBERT A. ROE,

Chairman, Subcommittee on Economic Development of the Public Works and Transportation Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I appreciate the opportunity you provided me on September 18, 1975, to present the view of the Administration on H.R. 9398 which would extend for three years the authorization provisions of the Public Works and Economic Development Act of 1965, as amended.

During the course of the hearing, I was requested to provide comments after the hearing on the bill Mr. Nowak introduced amending title IX of the Public Works and Economic Development Act of 1965. I have since received a copy of the bill, H.R. 9636. The bill is now under study within the agency and is receiving immediate attention. We expect to report our comments at an early date in accordance with established procedures for legislative matters.

Sincerely,

WILMER D. MIZELL,
*Assistant Secretary
for Economic Development.*

Mr. NOWAK. I think the steps that you have taken in implementing these title X grants especially, really do merit our looking at title X also. I think both of these combined could really make a difference.

I know we are working under the stresses of OMB and other divisions of the administration. But you were successful so far in bringing a 3-year extension which I think was invaluable because it showed some continuation of this program to the representatives, to the field

workers in the communities and I think it will be a great help and it will give a lot of confidence to a lot of communities who will now really look at EDA as a viable sustaining area of Federal help.

So, I want to compliment you on that, and Mr. Chairman, I will reserve the rest of my questions for a later time, perhaps.

Thank you very much.

Mr. ROE. Thank you, Mr. Secretary. We appreciate your splendid report.

You and your staff are doing a great job and we look for your continued cooperation. Thank you for being with us this morning.

The next witness is the Honorable Terry M. Chambers, Special Assistant to the Secretary for Regional Economic Coordination, U.S. Department of Commerce.

Mr. Chambers, we want to welcome you to the committee. I understand this is one of your new experiences, but I am sure that with your past history in the sovereign State of California, that you will do a splendid job.

So, if you will go ahead and proceed, Mr. Chambers.

TESTIMONY OF TERRY M. CHAMBERS, SPECIAL ASSISTANT TO THE SECRETARY FOR REGIONAL ECONOMIC COORDINATION, U.S. DEPARTMENT OF COMMERCE; ACCOMPANIED BY GEORGE R. MILNER, PROGRAM OFFICER, AND STANLEY WOMER, FEDERAL COCHAIRMAN, FOUR CORNERS REGIONAL COMMISSION

Mr. CHAMBERS. Thank you, Mr. Chairman.

Gentlemen, I could not help but wonder when Mr. Mizell referred to himself as a rookie, what I was supposed to be on this, my maiden appearance.

Then when you said you were reserving the hot water for later on, I was quite sure what was ahead.

So, with that preface, I would like to get into my statement.

As the Special Assistant to the Secretary for Regional Economic Coordination, I have the delegated responsibilities for liaison with the title V commissions.

Insofar as the title V regional action planning commissions are concerned, the administration has recommended a 3-year extension of the Public Works and Economic Development Act. This proposal is before this committee as H.R. 9398.

In my meetings with the State officials who work for, or are members of, the regional commissions, I have consistently heard complaints about the uncertain future of these commissions. H.R. 9398 should go a long way toward putting those uncertainties to rest. It is difficult to plan several years in advance when your known life expectancy appears to be the end of the fiscal year, or even less.

H.R. 9398 will hopefully alleviate the uncertainty of continuity and administrative direction available to these commissions of Governors. This regional multistate approach to the resolution of common problems can be effectively folded into the recognized structure of governments and I believe it can be accomplished without adding further burdens on the taxpayers we all serve.

Over the past 10 years, the Congress has evidenced both interest in, and concern for, regional multistate programs, but greater emphasis has been placed on the more visible direct impact grants to local government, than has been placed on discretionary funding for regional planning through technical assistance grants and the ability to help change priorities placed on other State and Federal programs through the supplemental grant processes.

If the effectiveness of this regional multistate program is to be improved, I hope redirection or diversion of funding can be accomplished.

I urge the concurrence of this committee in support of the administration's recommendation for a 3-year extension.

There are two other bills currently before the committee which are of specific interest to the regional program. These are H.R. 5261, and H.R. 8632. The two bills are identical and expand the present basic authorities of title V regional commissions through adding a new section 515 to the Public Works and Economic Development Act. This proposed new section would authorize regional commissions to provide financial assistance to States and communities in their regions in order to help them deal with social, economic, environmental, or Federal policy difficulties. The commissions would also be authorized direct financial assistance to achieve regional development objectives identified in their comprehensive long-range plans, which section 503 of the act requires them to develop.

These purposes are worthy, and the needs which they would address are unquestionably serious in several, if not all, of the regions within the title V regional program. I am not convinced, however, that H.R. 5261 and H.R. 8632 are the correct way to deal with these needs. First, many of the authorities, which these bills would confer on the regional commissions, are similar to authorities which the Congress—this committee—extended to EDA approximately a year ago by enacting title IX of the Public Works and Economic Development Act. These authorities should not be duplicated. Different agencies should not be competing in the same program areas. Unless the EDA title IX authority for substate programs should prove inadequate, I would recommend that we rely upon that existing authority.

Second, the two bills would authorize the regional commissions to make direct grants so as to “* * * achieve regional development objectives identified in comprehensive long-range plans.” I believe that this issue should be addressed in the context of the evaluation of overall objectives of the regional commissions, not simply as an additional new authority.

Although not formally before this committee at this time, I wish to express reservations about authorities in title II of H.R. 4073—the Appalachian regional bill—as passed by the Senate. These reservations relate to the proposed increase in funding authority and expansion of program activities. The title V regional commissions already have discretionary authority to carry out most of the activities which this bill proposes. The bill also proposes an interregional allocation by formula which precludes administrative allocation among commissions based upon their maturity, individual needs, and their capacities to implement. This bill further mandates submission of approved regional development plans and a Presidential report to the Congress in

an unrealistic time frame, rather than placing this responsibility within the executive branch.

There certainly can be no objection in principle to the provision of the bill requiring Commission plans to be submitted to the Congress for review. I understand that such plans have previously been made available to you. But I strongly believe that requiring plans to be submitted within 120 days does not serve the interests of planning or the development of well thought-out investment strategies. Neither is the related provision that the President submit his recommendations on administration within 6 months likely to produce alternatives for improved operation of the program which will be useful either to the Congress or to the executive branch.

When Secretary Morton transmitted the proposal which became H.R. 9398, he pointed out that the 3-year extension, which the bill would provide, allows sufficient time to implement and evaluate new programs authorized by the act. His comment is particularly apropos to the proposed additional grant authority of H.R. 5261, H.R. 8632, and the amended H.R. 4073. The time period which enactment of H.R. 9398 would permit, should be used to more fully assess the mission and accomplishments of the regional commissions. This additional time will also permit analysis of the regional plans which are drafted by new commissions and to review the plans which the older commissions are currently revising. Substantive modification to the appropriate act, if warranted, could then be made after this evaluation has been completed.

The justifying philosophy underlying regional commission activities must be, that some economic problems are of such a scale that they extend beyond the boundaries of a single State. This typically means that no single State has a paramount interest in resolving them by itself. A multi-State approach, as a common interest region, should be utilized. For example, local industrial development programs cannot succeed by themselves without an adequate transportation network. Yet, a comprehensive transportation system of air, rail, and highways is usually of such a scale that it can only be effectively accomplished by groups of States working together in conjunction with the Federal Government. The whole set of activities necessary to insure that an effective transportation system serves a broad region will not automatically occur; they must be planned and coordinated in such a way as to serve both regional and subregional needs.

The coordination of public investments by both the Federal and State Governments should be a principal objective of regional commissions. The plans, programs, and strategies that these commissions assemble and implement are the main instruments of this coordination activity. Orientation of their primary program toward regional planning and demonstration projects should be the primary thrust. Selected supplemental grants to other Federal or State programs that can potentially assist in implementing these regional goals should be a valuable secondary role. The regional commissions should work with State and local governments and with other Federal agencies to help insure that broad regional objectives are met.

Again, I strongly urge enactment of H.R. 9398. It is the logical key to any future action which might be taken with respect to the regional

program. I strongly suggest that the enactment of any of the provisions in H.R. 4073, H.R. 5261, and H.R. 8632 is premature at this time.

Thank you, ladies and gentlemen.

I am available for questions within the limited scope of my technical knowledge of the program, but I assure you that my enthusiasm for the regional concept is self-evident.

Might I further say, Mr. Chairman, that I have spent the last 5 days at the Southern Governor's Conference talking to Governors and with their staffs about problems of implementing this regional approach. I hope to continue this practice, to find the actual problems as they are existing in the field, not, as someone commented to Mr. Mizell, in the halls of Washington.

Mr. ROE. Thank you, Mr. Chambers. I have no questions. The statement is a splendid one. We understand where you stand, that is for sure.

Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Thank you, Mr. Chambers, for a very helpful statement.

I notice in your statement that you say: "The Regional Commissions should work with State and local governments and with other Federal agencies to help insure that broad regional objectives are met."

Would it not be appropriate in calling in Federal agencies in considering the coordination of regional commissions that you call in economic development districts as Congress really has mandated in the law. I am sure that, on thinking that through, that you would want to include districts in that coordinated process.

Mr. CHAMBERS. Of course. The differentiation between programs funded through Federal sources and those being statutorily created as Federal programs is somewhat hazy. My ability to discern which side of the fence they would fall on is sometimes faulty but we work very closely with EDA, and I would agree with you.

Mr. HAMMERSCHMIDT. Are those districts part of the planning process?

Mr. CHAMBERS. Yes, sir.

Mr. HAMMERSCHMIDT. I think that is very important. Congress saw fit to write that into the law. I want to call it to your attention.

Mr. CHAMBERS. I appreciate that.

Mr. HAMMERSCHMIDT. I know you are no doubt familiar with the recent congressional concern that the Governors are not taking an active personal role in decisionmaking in the Appalachian Regional Commission. In fact, the Senate had added requirements for the Appalachian Commission that a quorum of Governors is necessary to transact Commission business. This has disturbed some of us on this committee as it pertains to title V regional commissions.

How would you feel about a similar provision for all the title V commissions?

Mr. CHAMBERS. I realize that the protocol is that I should not answer a question with a question, so let me make a statement of fact.

I think the record would show that the title V commission Governors have been extremely diligent in attending their meetings. They have an excellent attendance record. In the provisions of the act, you saw fit to provide an alternate as a designee of the Governor, and there

has always been someone representing them in that capacity, to the best of my knowledge.

One of the facts that was brought out very strongly in meeting with both the Upper Great Lakes and the other commissions is that the extreme difficulty in working a program of this type and a meeting of this type into the crowded agendas of the various Governors, and I think that that has been the limiting factor. There has been a concerted effort in the last 3 or 4 days, I know, to adjust their meeting dates and agendas for the coming year, they could be then made more aware of the problems coming to them on proposed agendas.

Mr. HAMMERSCHMIDT. That may really be unfair to ask your opinion on this because of your relative short-term experience working with them.

What I would like to see us do, and I think several of us have the same concern, realizing that we did arrange for alternates to attend in the Governors' places. I think that is really what happens. They attend, the Governors perhaps do not.

Perhaps we should get that information and put it in the record. I would suggest that we do that as a matter of information.

Mr. CHAMBERS. I would be happy to get that from the Federal co-chairman. How far back, and perhaps for a single year, would that be adequate?

Mr. HAMMERSCHMIDT. No, I think for a long-range period of time.

Mr. CHAMBERS. All right, sir. We will find out the availability.

Mr. HAMMERSCHMIDT. If it is available.

Mr. CHAMBERS. I would comment, however, that I have been very encouraged by the enthusiasm of the Governors to participate. Perhaps it is that I am new in the job and they wanted to look me over as well. I do not know.

Mr. HAMMERSCHMIDT. Well, I understand that they tried out the new approach for an Appalachia meeting this past week. There was a quorum of Governors present and they were somewhat surprised at the decisions that were being made by some of their alternates. The Governors decided they might attend more meetings.

Mr. CHAMBERS. I attended that meeting, sir, as a guest and also had the opportunity to speak in front of the Appalachia Commission and it was an education for me, too.

[The following was received for the record:]

ATTENDANCE OF GOVERNORS AT TITLE V REGIONAL COMMISSION MEETINGS,
FISCAL YEARS 1971-75

As a general rule, Title V Regional Commissions hold quarterly Commission meetings although this has varied from Commission to Commission and from year to year. The following tables indicate for each Title V Regional Commission the meetings held during each fiscal year and whether or not the Governor attended. If a Governor was absent, but his alternate attended in his place, the alternate's space is checked (alternates are reported only if attending in lieu of Governors).

COMMISSION MEETINGS BY FISCAL YEAR

[Report Commission meetings by fiscal year. If a Governor was absent but his alternate attended, check the alternate space rather than the Governor's]

State	1971	1972	1973	1974	1975
COASTAL PLAINS REGIONAL COMMISSION					
Georgia: Governor	X	X	X	X	X
Alternate	X				X
North Carolina: Governor	X	X	X	X	X
Alternate					
South Carolina: Governor	X	X	X	X	X
Alternate	X	X	X	X	X
Florida: Governor					X
Alternate					
Virginia: Governor					X
Alternate					
FOUR CORNERS REGIONAL COMMISSION					
Arizona: Governor	X	X	X	X	X
Alternate					
Colorado: Governor	X	X	X	X	X
Alternate	X				
New Mexico: Governor	X	X	X	X	X
Alternate	X	X	X	X	X
Utah: Governor	X	X	X	X	X
Alternate	X	X	X	X	X

COMMISSION MEETINGS BY FISCAL YEAR—Continued

[Report Commission meetings by fiscal year. If a Governor was absent but his alternate attended, check the alternate space rather than the Governor's.]

State	1971	1972	1973	1974	1975
NEW ENGLAND REGIONAL COMMISSION					
Massachusetts:					
Governor	X	X	X	X	X
Alternate	X	X	X	X	X
Vermont:					
Governor	X	X	X	X	X
Alternate	X	X	X	X	X
Connecticut:					
Governor	X	X	X	X	X
Alternate	X	X	X	X	X
Rhode Island:					
Governor	X	X	X	X	X
Alternate	X	X	X	X	X
New Hampshire:					
Governor	X	X	X	X	X
Alternate	X	X	X	X	X
Maine:					
Governor	X	X	X	X	X
Alternate	X	X	X	X	X
OLD WEST REGIONAL COMMISSION					
Nebraska:					
Governor			X	X	X
Alternate			X	X	X
Montana:					
Governor		X	X	X	X
Alternate		X	X	X	X
North Dakota:					
Governor		X	X	X	X
Alternate		X	X	X	X
South Dakota:					
Governor		X	X	X	X
Alternate		X	X	X	X
Wyoming:					
Governor		X	X	X	X
Alternate		X	X	X	X

OZARKS REGIONAL COMMISSION

[illegible]

PACIFIC NORTHWEST REGIONAL COMMISSION

[illegible]

UPPER GREAT LAKES REGIONAL COMMISSION

[illegible]

¹ Commission established August 1972.

³ Although Governor was not in attendance, he did vote, by phone, on issues raised.

Mr. HAMMERSCHMIDT. Yes. You indicate that you felt 120 days required submission of the regional plan is unreasonable. That is a section that the Senate put in title II of our bill, H.R. 4072.

Why does this pose a problem and what would you suggest as a more reasonable time frame, that still recognizes the need for timely action?

Mr. CHAMBERS. I feel very strongly that any commission or any appointed or professional body can meet any deadline that is prescribed, but the quality of the work that goes into it sometimes suffers at the expense of a positive deadline. I am sure that two or three of the commissions would have a program available to the Secretary well within that time frame. Those are programs that are being revised and updated.

There are others who, not anticipating this mandate, had set up a different schedule for review process that it would work quite a hardship on. Two of the commissions are still formulating their initial program or plan. The regulations provide that that plan should be approved by the Federal Advisory Council and this in turn will take time. I feel that as a working document, it deserves a great deal of thought, full examination, and I would urge the Congress to provide the flexibility that would allow submission of that plan in as short a possible time frame as practical and at the same time allow perhaps some mechanism for review and evaluation to the staff of this committee, so that you are not getting a stack of documents that would require a great deal of administrative work on the Hill.

While I am on that subject, if I may, sir, I would view that to be the intent of Congress in establishing a provision in the Secretary of Commerce to coordinate these plans. If we are not able to coordinate and evaluate them for you, I do not really know what purpose we serve.

Mr. HAMMERSCHMIDT. Well, of course, that is not a mandate of this particular committee, but if we take it up for consideration it is important that we know your views.

Are you prepared to suggest a particular time from other than 120 days?

Mr. CHAMBERS. I am not prepared, as far as an administration policy, to make a recommendation, but I do believe that wording could be substituted that would allow submission as soon as possible after submission by the various regional commissions, which would still allow the flexibility and discretion of the Governors to be utilized, rather than having it be mandated upon them.

I feel this discretionary power is the commission's greatest asset.

Mr. HAMMERSCHMIDT. Let me change the subject.

Would you support a provision to make eligible for title IX grants the title V commission?

Mr. CHAMBERS. I would hate to have the record show that I paused quite that long, but that is a question, quite honestly, that is a policy situation that has not been too thoroughly examined. Title IX grants allowing EDA the opportunity to fund State development programs begin to get into the gray area between the purest approach, between multistate regional programs that are built upon the building blocks of State development programs; and the other extreme of that same gray area would limit EDA being a substate-oriented program.

We begin to interface at that point, and to the best of my knowledge, there has not been a policy determination made by the Administration.

I am sure that clarification language on the part of Congress would be helpful.

Mr. HAMMERSCHMIDT. Do you support any allocation formula title V funds?

Mr. CHAMBERS. An allocation formula, in my personal opinion, is a very useful management tool. Guidelines are most helpful, but given the problem of allocating funds within a program of this type and size, I would hope that Congress would not enact a formula into law, but give us guidance in the report so that we could carry out the intent. Conditions will change, the number of commissions are apt to change, the areas within regions are apt to change, and one of the major concerns that I have with the existing language is that it does not give us a date of application of such guidance in the budget process. If they take an 18-month budget process, and there is not a definite decision as to when it was to be implemented, or was not of the benefit of a certain commission, there would undoubtedly be people who would question its authority or the intent.

So, I would hope that in clarification language outside the act or bill would be added to it.

Mr. HAMMERSCHMIDT. Thank you, Mr. Chambers. The reason I asked about the title V commission funding with title IX grants was because the House made commissions eligible for title IX grants and the Senate took it out. I do not know whether the administration was on record one way or the other.

Mr. ROE. All right, Ms. Abzug.

Ms. ABZUG. Can you tell us what regional commissions have done for urban areas?

Mr. CHAMBERS. May I ask the assistance of my staff on that, Ms. Abzug?

Ms. ABZUG. Certainly.

Mr. CHAMBERS. This is Mr. George Milner, my program officer. He has a continuity with this program and he is doing his best to bring me up to speed.

Mr. ROE. Mr. Milner.

Mr. MILNER. The program in the past has primarily been a rural program based on the designation of the region. This is not consistently true in the New England region, which includes the six New England States, including Boston, as an example.

This Commission has made a number of both technical assistance grants and, historically, supplemental grants which have been applicable in urban areas. I think the Great Lakes area which is primarily a rural area has, in fact, made some assistance available in the Duluth, Minn., area.

Mr. OBERSTAR. Also, the Minneapolis-St. Paul area which is not covered.

Mr. MILNER. The other regions historically—

Ms. ABZUG. Am I yielding?

Mr. ROE. Bella, I was going to say you are mellowing.

Ms. ABZUG. Well, proceed.

Mr. MILNER. The commissions can do both.

Ms. ABZUG. I beg your pardon?

Mr. MILNER. The commissions can make assistance available.

Ms. ABZUG. But they have done only those very limited ones that you mentioned. How do you explain that?

Mr. MILNER. It is——

Mr. CHAMBERS. May I, George?

Ms. Abzug, one of my major concerns with the program as it has been administered in the past, is that there is no basis of evaluation for programs as set forth by any single commission, nor a review process within my office. So that to second guess the logic of the Governors when they approved or made a decision as to which programs to get involved in, is somewhat beyond our jurisdiction. We are somewhat in the same area of darkness that you are in why they have made some of the decisions they have, or why they have not.

But I have no authority over that ability.

Ms. ABZUG. I would hope that the gentleman would yield, but we are not both in the same area of darkness.

Mr. CHAMBERS. I certainly have not had the experience that you have had, ma'am.

Ms. ABZUG. Well, let us put it this way. Have there been any applications for new regions requested by governments?

Mr. CHAMBERS. Yes, ma'am. There has been extreme interest evidenced by several combinations or single State areas, and as I am sure you are aware, there are certain criteria that they must meet in submitting an application but we have none in hand at this point, there has only been an evidence of interest.

Ms. ABZUG. Like where?

Mr. CHAMBERS. Well, we have a letter of intent from the Commonwealth of Puerto Rico and the Virgin Islands. We have a letter of interest from the State of California. We have been in verbal contact with the State of Alaska asking the steps involved. There have been overtures from the staffs of several Governors in the Ohio, Illinois, Indiana sector as to logistics. There have been verbal inquiries from the staffs of Governors in the New Jersey—I believe they were speaking also in the interests of the State of Delaware.

In general, there is a great deal of interest being expressed and, in perhaps anticipation of a question from someone else, I think I should also say that I asked Secretary Morton for policy direction on this. He responded saying that if they did meet the criteria, that he was very interested in giving consideration to designating any of these areas as a region. I have expressed concern that perhaps regionalism as a concept should need perhaps a few broader criteria that would enable us to not be quite as restrictive in common need or common interest areas.

As an example, as you know, I am from California and have been in State government there for the past 3 years. In that particular State, you have three very distinct geographic common interest areas, but I would hate to see anyone attempt to mandate a program that would be all encompassing for the State.

Mr. ROE. Would the gentlewoman yield on that point.

Ms. ABZUG. Yes.

Mr. ROE. There is a very succinct advantage under the law as it relates to the regional commission aspect. We are talking about separate funding, we are talking, in fact, about supplemental grants and so forth which inures to those regional commissions. You cannot put Alaska in the same relationship geographically that you would put some of the other States that are already combined, nor than you

could place the State of New York or New Jersey. New Jersey, for example, is the most urban State in the Nation, barring none. There is no special reason for penalizing seven or eight of the major States of the Nation because they cannot participate from the point of view of joining with multiple States for eligibility.

Although we are contiguous of New York, look at the size of New York. Why should it not be that New York State should have its own economic development program? It is not comingled with other States anymore than California would be.

There are three succinct areas in California that you cannot compare with any other State—no affront to the people of other States.

I think what we are looking for is a very definitive infrastructure. The States of New Jersey and New York do not necessarily have common problems, other than being located in the lower part of the Delaware River, to require that they join together as an economic development district in order to be eligible to participate. That is what I am trying to point out.

We ought to have some response back as to succinctly what the Secretary and/or administration would feel toward these huge urban States who have singularly different problems, being entities unto themselves as a regional commission or a commission per se.

Mr. CHAMBERS. Mr. Chairman, I will assure that I would do my best to get policy on that point committed to writing, to be able to transmit it.

I think that several of my predecessors have failed miserably, and all I can tell you is that I will do my level best to get it to you. I would express a personal opinion, however, that I concur completely with what you are pointing out as being a very difficult problem. If the wording in the statute was such that they were capabilities to attack problems on other than State boundaries or political boundaries, I think it could be a major factor. Further, I would like to venture a personal opinion that I raised with the Appalachia and with several members of both the commissions comprised of Southern Governors, that to the best of my knowledge, it is not the intent of Congress to limit any State or a portion of a State to participation in only a single purpose region.

The State of Georgia has raised the question, and I hope that I have given them the correct advice on the intent of Congress, that if they care to extend their boundaries of their commission area to include their whole State, even though it might overlap areas of Appalachia, they could utilize title V money for whole State planning providing they did not provide supplemental grants into this double-shaded or overlapping area.

Because, as I view the program of regional or multistate integrated approach to problems, you cannot stop at a political boundary or an arbitrary geographically designated boundary, but you must, in fact, look at the common interest of the people involved.

Ms. ABZUG. Thank you.

Mr. ROE. Are there any other questions? Mr. Howe.

Mr. HOWE. Mr. Chairman, Mr. Chambers, I enjoyed your comments about your visit with the Appalachian Committee and I would be interested to know what your reaction to that program is in your brief encounter with it.

Mr. CHAMBERS. Thank you, Mr. Howe, for your confidence that I could in truth interpret the Appalachia program in my short exposure to it.

I am having enough trouble with the title V regions without either being knowledgeable, or in a position to observe any shortcoming or benefits—

Mr. HOWE. Let me ask you this—

Mr. CHAMBERS. May I? I had to be sure that I qualified my answer as a personal opinion, rather than out of knowledge. I looked at the Appalachia Commission and the program that they have had going now for roughly 13 years. I view it as certainly being the forerunner and the model of the regional experiment, the demonstration project for regional approaches. Hopefully we are all smart enough to learn by both their successes and shortcomings as the title V program is either implemented or modified in the wisdom of Congress.

Perhaps the reporting structures to the administration enjoyed by the Appalachian Commission can be viewed as being a part of the reason for their record.

Mr. HOWE. You mean the fact that they are an independent agency and do not report to any Government department?

Mr. CHAMBERS. Yes, I would pick up on your description of them.

I was wondering how I was going to get around that corner. I do feel that within any administrative branch of Government or organization of any administration, a very strong spokesman at the Cabinet level is a vital part of success, and I would hope that in analyzing the total program, that this committee would realize the shortcomings of the very awkward reporting structure that the title V Commissions have. I believe that Cabinet level representation to carry out both the intent of Congress within the shortcomings of funding available is vitally necessary for success. In that same light, I do not know whether I could compare the funding levels available to the 13 States within the Appalachian Commission, wherein they started out from ground zero and have been building on practically virgin territory, and the title V Commissions, that have been picking up in established and more—relatively more urban areas, when compared to Appalachia—I do not believe you really are comparing comparable programs.

Mr. HOWE. Yes. Well, I agree with you. I do not think that we are.

That is part of why I am a little disturbed that the Appalachian program has, I think, given substantial preference over the title V programs in the past, and as you heard from other members of the committee, perhaps not enough attention has been directed to develop problems in urban areas as well, but be that as it may, let me ask you this:

If you see any advantage of the title V commissions receiving expanded program authority, such as Appalachia has, some of which is alluded to in the Senate amendment to our bill, our Appalachia bill, would you comment on your statement?

Do you see some advantages to the title V commission's eventually having expanded program authority to accomplish what you believe they ought to do in your statement?

Mr. CHAMBERS. You provided me with the word that I needed when you say "eventually," sir.

There are obvious advantages to comparable program authorities in regional acts of any type. I would not be comfortable with making a policy statement on whether they should be put into title V at this point, because I believe administration is on record being opposed to the increased authority within the funding levels available. It is premature to add that to the other authorities currently existing in title V.

I also believe, and I attempted to bring it out in my testimony, that they have this permissive authority right now in every respect, except the new verbage in 4073, which mandates a transportation program, whereas everything else is permissive and I would hope that this could be modified to also make this a permissive authority granted to the Governors in those regions.

Mr. HOWE. Let me ask you a question about that.

In the Senate amendment, they take up some proposal for moving along energy projects in the title V areas, and they talk about the strategy for regionwide strategy. They call it for anticipating and planning for the economic and environmental impact of the energy crisis in the region in shaping, implementing ongoing activities so as to better meet these impacts.

Is it not true that all the tools that the title V commissions have at the present time to do that are the technical assistance grants which they can make and the supplemental grants programs which they are able to make supplementing basic Federal grants that other agencies have to initially make in order for them to make a thrust in really answering those kinds of energy impacted needs.

Mr. CHAMBERS. It is my belief that you are correct.

Let me confer with the staff a moment. I am not sure.

I think they are limited to the technical assistance grants and the demonstration authority that they can provide.

However, I would add the caveat that within the size of their staff; they only have seven people who are on the Federal side of each of these commissions, that I would hope that we do not suddenly get into so many large programs and further expansion of authorizations that we would not be able to implement them to the best advantage of the tax dollar being expended.

Mr. HOWE. I concur in that.

I am glad to hear that you do agree that there is some. Although there is some area for present operation, it is on a very limited basis, the demonstration project, technical assistance, supplemental grants.

What I would hope would be that the title V commissions might be able to have the same authority that Appalachia presently has to be able upon seeing the need for a transportation program or for an energy impacted area that needed assistance, to be able to have the authority, to be able to make those grants directly to them in addition to perhaps leverage power with other agencies that may have funds to access. I would hope that that might be incorporated as far—

Mr. CHAMBERS. The logic would certainly say that it would be of great assistance. The combined implications of the various portions of that amendment leave the administration in an opposed position, and therefore, for me to dissect it at this table, I do not think would be particularly feasible.

Mr. HOWE. Let me ask you one other question.

You mentioned the personnel in the commission. How many employees can each Federal office have for each regional commission?

Mr. CHAMBERS. At the present time, the Federal staff is limited to seven including the cochairman, for a total of 49, and the remaining 12 are in my office in Commerce to coordinate and handle the administrative functions of the budget and this type of thing.

One of the difficulties in that same area, I might add from an administrative standpoint, and again it is a personal opinion, but it is very difficult to insure that the maximum utilization of manpower available is being equally and equitably exercised, when all commissions have exactly the same number.

The States themselves, of course, can augment the commission side, but it is very difficult to handle a Federal personnel program when there is no line of authority to the Secretary of Commerce for these 49 people.

Mr. HOWE. Are there limitations on the number of staff people that each regional commission may have at the present time?

Mr. CHAMBERS. On the Federal side?

Mr. HOWE. On to the commission side, the Federal-State commission staff.

Mr. CHAMBERS. No, sir.

Mr. HOWE. How many people does the Four Corners Regional Commission have, do you know?

Mr. CHAMBERS. I may have that in material here. Federal Cochairman Womer is here. We could ask him that.

Mr. WOMER. Eleven.

Mr. CHAMBERS. Eleven on the Commission side.

Mr. HOWE. Are they located at the Commission headquarters in Farmington?

Mr. CHAMBERS. They are in the field. I do not know that they are all in the Commission headquarters.

Mr. HOWE. Do we have more than one office for this Commission?

Mr. CHAMBERS. Remember, sir, that the prerogatives are up to the cochairman, and not to my office, I believe that is the way Mr. Womer utilizes them, all in Farmington.

Mr. HOWE. Do we have those 11 people working directly on the program of the Four Corners Regional Commission, or would they be diverted to other types of projects that may be now originating elsewhere?

Mr. CHAMBERS. We could get a positive answer from Mr. Womer on the Four Corners area, but in general, looking at other staffs, I think that it is a fair assumption to say that yes, they are utilized wholly for the Commission with the one exception in the current excess property program. There are experts at State levels who are being utilized in a possible dual function, rather than start over from ground zero training a new property officer.

So, on the State side, in the Coastal Plains States as an example, there is possibility that they might be wearing two hats.

Mr. HOWE. They have some State funding as well?

Mr. CHAMBERS. Yes, sir.

Mr. HOWE. Let me ask you about that surplus property program.

I have had some contact with some people in that program who feel that it is somewhat overlapping and duplicative of the surplus property program that has operated in each of the States.

Do you have any comments on that, or any feel about that in the short time you have observed it?

Mr. CHAMBERS. Yes, sir, I have looked at that perhaps more closely than any other function of this program because it is both a current and difficult area to administer. I think potentially it can serve the economic development of a region to great advantage. However, there are shortcomings in that program in that the Commission staffs and the cochairman as the highest ranking Federal officer in the particular region, ranks with other Federal agencies in the screening process of material as it becomes available or as it is declared excess.

The result is sort of a mixed bag of opinions as to whether they should be skimming off the top, or whether they should be working at a sub-Federal level in acquiring property for particular usage.

There are so many people desirous of utilizing excess property that you sometimes run afoul with not only States' priorities but also with the criteria that are mandated on this program, and I would have to say that the jury is still out, as far as I am concerned, as to whether it truly does belong in this program or not. It could be duplicative.

Mr. HOWE. Let me indicate to you that the program in the Four Corners Regional Commission I think is working equitably between the States.

I think the record shows that the States of Arizona and New Mexico have primarily received all of the assistance through their program. The State of Utah that I share in the representation of in the Congress, have received nothing out of the surplus property program and millions of dollars have gone to the other States.

So, I would appreciate if you would look into the equities provision of that program and its administration and that Commission.

Mr. CHAMBERS. I, of course, will look into it for you, sir, and will certainly get back to you. However, it is my understanding of the intent of this act that there was no mandate for equitable distribution, that it was to meet the needs as identified by the individual staffs of the Governors involved, and too often the staffs of the Governors involved have opted not to become involved.

So, in defense of the manner in which it is being done, I could not agree. Four Corners is one of my outstanding examples of good administration of this program. So, you catch me somewhat amazed.

Mr. ROE. We will recess for 15 minutes while the Members vote. They are on the second quorum call.

If you will keep yourself available, Mr. Chambers, when we reconvene we will have additional questions.

[Short recess.]

Mr. ROE. The hearings will reconvene. When we recessed to vote we were in the midst of questioning Mr. Chambers.

Mr. HOWE. Mr. Chambers, knowing that other Members may want to ask more questions, I don't want to take more of the committee's time for my own questions, except to ask if you could provide for us some information. I am particularly interested in the operation of the Four Corners Regional Commission, that includes part of the State of Utah that I represent, and I would like to have a listing of the personnel of the Commission, their present assignments—that is, titles, salary levels, and also a listing of projects funded by the

Commission in that State, so that we could reflect upon them and look at what the performance of the Commission has been.

Mr. CHAMBERS. Mr. Howe, I assume that you are still talking about the Federal side?

Mr. HOWE. No; I am talking about the total Regional Commission, and I would appreciate also the Federal side, as a separate part.

Mr. CHAMBERS. We will give the full array, and in response to a question that you raised a few minutes ago, I have had an opportunity to quickly review and am of the opinion that the reason Utah has not been more involved in the excess property has been at the direct suggestion of the Governor, rather than any shortcoming of the staff of the Four Corners Commission.

Mr. HOWE. Well, I understand, Mr. Chambers, in response to that, that the Governor was objecting to some of the restrictions, or requirements imposed by the Office of the Federal Cochairman on the State, or requirements imposed by the—or the participation in the program, which I think the State felt was unreasonable.

Mr. CHAMBERS. I see, sir; fine. We will certainly do our very best for you.

Mr. ROE. With no objection, so ordered.

Mr. HOWE. Thank you.

[The following was received for the record.]

FOUR CORNERS REGIONAL COMMISSION FEDERAL AND COMMISSION STAFFING
PATTERNS AND SUMMARY OF TECHNICAL ASSISTANCE AND SUPPLEMENTAL
GRANT FOR FISCAL YEAR 1974 AND 1975

STAFF—FOUR CORNERS REGIONAL COMMISSION

Office of the Federal Cochariman, Washington, D.C.

Stanley Womer: Federal Cochairman.....	\$38,000
Norris C. Ellertson: Regional program coordinator.....	36,000
F. Kay Fronk: Grants management specialist.....	19,078
Ruth A. Calhoun: Budget and fiscal analyst.....	17,545
Isolde S. Mayes: Private secretary to the Federal Cochairman.....	13,968

Albuquerque, N. Mex.

Arch L. Penrod: Excess property officer.....	28,993
Gladys L. Fowler: Excess property clerk.....	12,626

Commission Office, Farmington, N. Mex.

Carl A. Larson: Executive director.....	34,695
Quincy C. Cornelius: Construction management officer.....	26,695
Bosko Krivokapich: Technical assistance coordinator.....	26,695
Keith M. Dotson: State and district coordinator.....	24,251
Londa Gilbreath: Executive secretary.....	8,783
Mary West: Administration assistant.....	9,513
Liova Valencia: Computer terminal operator, secretary.....	6,992
Bonnie Morris: Secretary, receptionist, mail clerk.....	6,604
Estelle Munn: Contract officer.....	7,852
Nancy Turner: Supplemental grant coordinator, secretary.....	6,604
Maryln Clement: Clerk typist.....	5,682
Gail Freeman: Clerk typist.....	6,216
Constance Simpson: Clerk typist (Albuquerque office).....	6,762

FOUR CORNERS REGIONAL COMMISSION, TECHNICAL ASSISTANCE, FISCAL YEAR 1974

Project name	Project No.	Period of contract	Total project cost	FCRC cost	State, local and other funds
ARIZONA					
Arizona Indian centers.....	141-999-005	Oct. 25, 1973 to June 25, 1974	\$22,500.00	\$22,500.00	
Navajo project training component—Phase I—Welding.....	642-266-009	Nov. 15, 1973 to Dec. 15, 1974	233,575.00	76,000.00	1 \$115,575
Hualapai tribal store complex.....	142-706-004	Oct. 25, 1973 to Nov. 25, 1974	6,072.00	6,072.00	
Travel funds for the Havasupai Tribal Council.....	141-102-008	Dec. 1, 1973 to Dec. 1, 1974	4,000.00	4,000.00	
Indian Development District of Arizona.....	141-900-015	Jan. 1, 1974 to Aug. 1, 1974	15,000.00	15,000.00	
Arizona community prospectus program.....	141-499-028	Dec. 20, 1973 to Jan. 20, 1975	15,000.00	15,000.00	
Environmental impact study of Lakeside Pinetop area.....	141-507-021	Feb. 1, 1974 to Feb. 1, 1975	16,500.00	7,000.00	9,000
Arizona Indian community profile—II.....	141-499-048	Mar. 1, 1974 to June 1, 1975	17,550.00	17,550.00	
Mohave County Mobile Community College—II.....	142-206-050	Mar. 1, 1974 to June 30, 1975	74,900.00	44,626.00	\$311,088
Yavapai-Apache Montezuma Castle survey and subsurface soil investigation.....	141-809-047	Apr. 1, 1974 to Dec. 1, 1974	7,500.00	7,500.00	\$219,263
Gila River Career Center, student evaluation project.....	141-208-045	Mar. 20, 1974 to Dec. 1, 1974	40,000.00	30,000.00	10,000
Early flood warning system.....	142-499-053	Mar. 20, 1974 to Mar. 20, 1975	5,813.00	2,442.00	\$3,371
Yavapai-Prescott Tribal affairs.....	141-509-058	May 1, 1974 to Aug. 31, 1975	22,540.00	22,540.00	
Havasupai Hilltop generator builder.....	142-502-065	Apr. 10, 1974 to Oct. 10, 1975	6,300.00	3,040.00	\$3,260
Twin City water works study.....	141-406-062	May 1, 1974 to May 1, 1975	20,480.00	20,000.00	\$480
Energy resource development.....	141-500-029	May 1, 1974 to Apr. 30, 1975	25,000.00	25,000.00	
Arizona total (16 projects).....			516,310.00	320,273.00	272,037
COLORADO					
Operational planning and Vocational programing for Delta Montrose Area Vocational Technical School.....	241-299-007	Oct. 25, 1973 to Aug. 30, 1975	35,188.00	14,500.00	\$215,733
Planning grant to assist in District development.....	241-999-011	Dec. 1, 1973 to Nov. 1, 1975	108,658.00	108,658.00	
Development of a craft business for rural low-income citizens living in San Juan Valley.....	241-708-006	Oct. 25, 1973 to June 25, 1974	10,000.00	7,000.00	\$3,000
Small farm management pilot project.....	242-399-001	Nov. 1, 1973 to Nov. 1, 1974	29,350.00	12,880.00	\$16,470
Study to determine the need and suitability of a cooperatively owned rabbit processing plant in the San Luis Valley, phase II.....	241-599-019	Dec. 20, 1973 to June 20, 1974	2,000.00	2,000.00	
Feasibility study for the production of peas for processing in the San Luis Valley, phase II.....	242-399-010	Dec. 1, 1973 to Dec. 1, 1975	11,295.00	4,435.00	\$23,860
Expand available alternative employment potentials as a result of the energy crisis.....	241-000-024	Dec. 24, 1973 to June 30, 1975	89,350.00	23,710.00	\$65,640
Feasibility of wine grape production in the outlying areas of Grand Valley.....	241-399-049	Mar. 20, 1974 to Mar. 20, 1976	8,600.00	5,400.00	\$3,200
Southwest Memorial Hospital.....	241-629-046	May 1, 1974 to Nov. 15, 1974	14,000.00	12,000.00	\$2,000
Colorado energy information center.....	241-500-030	May 1, 1974 to June 30, 1975	82,095.00	25,000.00	\$57,095
Study of availability of ground water on the southern Ute Indian Reservation.....	241-599-063	May 1, 1974 to May 1, 1975	15,000.00	7,500.00	\$7,500
Colorado total (11 projects).....			405,536.00	223,083.00	182,453

Footnotes at end of table, p. 52.

FOUR CORNERS REGIONAL COMMISSION, TECHNICAL ASSISTANCE, FISCAL YEAR 1974—Continued

Project name	Project No.	Period of contract	Total project cost	FCRC cost	State, local and other funds
NEW MEXICO					
Planning and coordination for Socorro and Magdalena Schools	341-220-002	Oct. 25, 1973 to Aug. 1, 1975	\$22,000.00	\$20,000.00	\$2,000
Navajo project training component—Phase I—Walding	342-256-009	Nov. 15, 1973 to Apr. 30, 1974	50,000.00	11 76,000.00	
A suggested communications development program for all-Indian Pueblo Council	342-200-013	Dec. 20, 1973 to Feb. 15, 1975	50,000.00	50,000.00	
A training program for machine tool operators	342-222-012	Dec. 17, 1973 to Nov. 15, 1975	15,000.00	15,000.00	
Catron hand crafts	341-702-016	Dec. 26, 1973 to Feb. 15, 1975	11,200.00	7,700.00	\$3,500
Assist in the establishment and development of the New Mexico-Mexico border development.	341-900-025	Jan. 1, 1974 to June 30, 1975	30,000.00	30,000.00	
New Mexico legal rights	342-399-027	Feb. 1, 1974 to Dec. 1, 1974	55,833.00	20,000.00	12 23 341 6 17 492
Plot agriculture awareness	342-211-017	Dec. 26, 1973 to Nov. 15, 1975	95,426.00	50,500.00	2 41 926
Rancho de Las Golondrias, Cienega Village Museum	341-800-037	Mar. 1, 1974 to Apr. 1, 1975	27,300.00	15,000.00	2 27 300
Raton water study	341-804-040	Mar. 1, 1974 to July 1, 1975	55,000.00	44,000.00	6 11 000
Indian Pueblo Cultural Center	342-203-038	Jan. 1, 1974 to Jan. 31, 1974	1,700,760.00	60,000.00	8 1 640,760
La Guira Rock Enterprise	341-923-038	Mar. 1, 1974 to Oct. 31, 1974	3,000.00	3,000.00	
Energy research coordination	341-500-031	Mar. 1, 1974 to Sept. 26, 1975	34,398.00	39,885.00	
Planning for San Juan County Archeological Research Center as Salmon Ruins	341-817-034	Mar. 1, 1974 to Oct. 1, 1975	71,070.00	7,070.00	9 54,504
Roswell Inland Distribution Center	341-503-025	Mar. 1, 1974 to Mar. 1, 1975	30,000.00	30,000.00	
Las Acequias Del Norte	341-321-022	May 15, 1974 to Oct. 30, 1975	13,240.00	9,240.00	4,000
Energy conserving home building techniques in Rural New Mexico	342-959-068	June 1, 1974 to July 1, 1975	34,000.00	34,000.00	
Courty information center	342-800-071	June 1, 1974 to Oct. 1, 1975	10,230.00	3,500.00	6 6 730
Solar sustenance project	342-999-067	June 1, 1974 to Aug. 1, 1975	28,100.00	15,000.00	13 100
Developing food distribution facilities in north central New Mexico—I	342-689-070	June 1, 1974 to July 1, 1975	143,520.00	16,520.00	127 000
Tularosa Basin desalination study	341-489-052	May 1, 1974 to Feb. 1, 1975	40,000.00	15,000.00	25 000
Home education livelihood program	341-400-041	Mar. 1, 1974 to Mar. 1, 1975	50,000.00	50,000.00	
New Mexico total (21 projects)			2,526,078.00	611,425.00	1,990,653
UTAH					
Materials and foundation investigation for Mill Creek Dam	441-307-023	Jan. 1, 1974 to July 1, 1974	50,000.00	45,000.00	5 000
Influence of nutrition and disease on reproductive processes and development in beef cattle	442-399-025	Jan. 1, 1974 to Jan. 1, 1975	73,100.00	8,000.00	13 1 500 14 65 100
Goshute Indian Management—I	442-299-018	Nov. 1, 1974 to June 1, 1975	50,000.00	50,000.00	
East carbon study of water and waste water needs	441-402-044	Mar. 1, 1974 to Oct. 1, 1974	6,000.00	6,000.00	
Utah Pueblo economic development assistance	441-299-036	Mar. 1, 1974 to June 1, 1975	24,300.00	22,500.00	1 800
Urban Indian assistance	441-900-035	Mar. 1, 1974 to Oct. 15, 1975	41,975.00	20,000.00	21 975
Park City Utah zoning program	441-517-056	Apr. 1, 1974 to Mar. 31, 1975	20,000.00	20,000.00	
A demonstration project to test corrective methods for reducing fruit losses caused by low spring temperatures—I	442-300-039	Mar. 1, 1974 to Mar. 1, 1975	80,600.00	38,600.00	18 42 000
Accelerated improvement and proper management of Utah's rangelands	441-300-059	May 1, 1974 to July 1, 1975	29,050.00	18,200.00	10 850

Preliminary water and sewer study for Snyderville Basin.....	441-417-043	Mar. 1, 1974 to May 1, 1975.....	35,000.00	15,000.00	\$20,000
Kaiparowits New Town study.....	441-510-060	Apr. 20, 1974 to July 30, 1974.....	19,000.00	6,700.00	\$12,300
Utintah Basin study.....	442-918-069	June 1, 1974 to July 1, 1975.....	75,000.00	6,071.00	\$25,000
Manti water project.....	442-915-072	June 1, 1974 to Feb. 1, 1975.....	10,000.00	10,000.00	\$43,929
Utah total (13 projects).....			514,025.00	266,071.00	247,954
REGIONAL					
Western Governor's Conference on Agriculture.....	642-365-033	Jan. 18, 1974 to June 18, 1974.....	9,003.00	3,000.00	\$6,000
Four Corners beef cattle demonstration.....	642-365-020	Jan. 1, 1974 to Jan. 1, 1975.....	80,003.00	40,000.00	\$40,000
Navajo Nation report.....	641-266-014	Jan. 15, 1974 to Aug. 31, 1975.....	-4,920.00	4,920.00	
Air advisory committee travel.....	Agreement	Oct. 31, 1974 to Feb. 15, 1975.....	5,000.00	5,000.00	
Economic development evaluation.....	641-966-053	Mar. 14, 1974 to Oct. 31, 1974.....	12,000.00	12,000.00	
Utility of air service index.....	641-966-064	May 1, 1974 to June 1, 1975.....	18,500.00	18,500.00	
Annual report.....	641-599-066	May 1, 1974 to Nov. 1, 1974.....	7,871.00	7,871.00	
Atom II and Utah process.....	541-914-061	Apr. 13, 1974 to July 31, 1975.....	205,000.00	205,000.00	
Regional total (8 projects).....			342,291.00	296,291.00	46,000
Grand total (69 projects).....			4,380,240.00	1,717,143.00	2,663,097

FOUR CORNERS REGIONAL COMMISSION, TECHNICAL ASSISTANCE, FISCAL YEAR 1975

ARIZONA					
Fort Apache Reservation topographic maps.....	151-007-016	Oct. 1, 1974 to Nov. 30, 1976.....	\$160,500.00	\$108,500.00	\$13,500
Research noxious and blood.....	151-606-009	Sept. 13, 1974 to May 20, 1975.....	12,000.00	5,000.00	\$13,500
Little Hollywood relocation.....	152-904-008	Sept. 3, 1974 to Sept. 1, 1975.....	28,000.00	28,000.00	\$7,000
Scheduled commuter air carrier.....	152-100-006	Dec. 23, 1974 to Feb. 15, 1979.....	112,000.00	112,000.00	
Inter-tribal Council of Arizona.....	151-999-034	Dec. 18, 1974 to Mar. 1, 1976.....	49,030.00	14,477.00	\$31,553
Ponderosa pine stump project, III.....	552-513-030	Jan. 1, 1975 to July 1, 1976.....	5,500.00	5,500.00	
Reclamation seeding.....	152-307-021	Sept. 3, 1974 to Sept. 1, 1978.....	5,250.00	5,250.00	
Flagstaff transportation project.....	152-102-031	Jan. 1, 1975 to Jan. 1, 1976.....	9,000.00	9,000.00	
Community economic development.....	651-965-081	June 1, 1975 to May 31, 1976.....	30,000.00	30,000.00	
Arizona-Mexico Border Commission.....	151-900-054	Apr. 1, 1975 to Mar. 31, 1976.....	30,000.00	30,000.00	
Educational operating plan for public schools on the reservation.....	151-299-048	Apr. 1, 1975 to Mar. 31, 1976.....	30,000.00	30,000.00	
Early flood warning system.....	142-499-053	Mar. 20, 1974 to Mar. 20, 1975.....	54,340.00	34,840.00	\$19,500
Miami sewer line.....	151-403-049	Apr. 1, 1975 to Apr. 1, 1976.....	59.55	59.55	
Travel funds for the Havasupai Tribal Council, II.....	151-102-070	May 1, 1975 to May 1, 1976.....	5,000.00	5,000.00	
Yavapai County, Bagdad summer recreation—Demonstration.....	152-809-063	May 1, 1975 to Aug. 30, 1976.....	2,500.00	4,000.00	
Arizona tourism research.....	151-800-080	July 1, 1975 to June 30, 1976.....	30,394.00	25,000.00	\$5,394
A solar energy demonstration.....	152-009-085	June 1, 1975 to May 31, 1976.....	47,293.00	29,000.00	\$18,293
Arizona total (17 projects).....			594,866.55	458,126.55	136,740

Footnotes at end of table, p. 52.

FOUR CORNERS REGIONAL COMMISSION, TECHNICAL ASSISTANCE, FISCAL YEAR 1974—Continued

Project name	Project No.	Period of contract	Total project cost	FCRC cost	State, local and other funds
COLORADO					
Colorado west tourism development and visitor program.....	251-800-017	Nov. 1, 1974 to Aug. 31, 1975.....	\$47,118.00	\$15,705.00	2 \$31,413
Southern Colorado State College vocational planning grant.....	251-239-023	Oct. 24, 1974 to Feb. 28, 1975.....	13,130.00	5,450.00	7,700
Colorado—Cooperative advertising.....	251-800-033	Nov. 1, 1974 to Oct. 31, 1975.....	130,000.00	65,000.00	65,000
Colorado—Regional profiles.....	251-300-028	Jan. 1, 1975 to Jan. 1, 1976.....	41,600.00	41,600.00	—
Lower Arkansas water management study amendment.....	252-335-064	Jan. 1, 1975 to July 1, 1976.....	27,750.00	27,750.00	—
Program in Career opportunities.....	252-237-039	Feb. 1, 1975 to Mar. 1, 1976.....	43,000.00	9,000.00	34,000
San Juan Basin transportation study.....	251-199-046	Mar. 1, 1975 to Sept. 30, 1976.....	43,000.00	30,000.00	13,000
New industry promotion for the lower Arkansas Valley.....	251-599-044	Feb. 1, 1975 to Mar. 1, 1976.....	17,916.00	5,900.00	12,000
Preliminary engineering study for Costilla Diversion Dam.....	251-323-025	Oct. 16, 1974 to Jan. 1, 1975.....	2,500.00	1,500.00	1,000
Delta-Montrose mobile welding unit.....	252-299-040	Feb. 1, 1975 to June 30, 1976.....	63,250.00	40,358.00	22,892
Colorado regional profiles, printing.....	251-500-045	Jan. 1, 1975 to Aug. 20, 1975.....	16,000.00	16,000.00	—
Wrights Mesa water system.....	251-440-041	Feb. 1, 1975 to Aug. 1, 1975.....	16,000.00	8,000.00	8,000
Southwest Memorial Hospital.....	251-629-057	Apr. 1, 1975 to Oct. 1, 1975.....	50,000.00	50,000.00	—
South Fork water and sanitation district study.....	251-437-064	May 1, 1975 to May 1, 1976.....	40,000.00	20,000.00	20,000
Preliminary engineering report on Monte Vista sanitation.....	251-437-065	do.....	8,000.00	4,000.00	4,000
Energy conservation on farms by the use of minimum tillage.....	252-399-066	do.....	19,900.00	12,500.00	7,400
North Lamar sanitation.....	251-208-078	May 1, 1975 to Nov. 30, 1975.....	6,000.00	6,000.00	—
San Luis Valley bilingual craft slide tape presentation.....	251-435-067	May 1, 1975 to Nov. 31, 1975.....	17,500.00	17,500.00	—
Chimney Rock planning.....	251-824-073	Jan. 1, 1975 to Dec. 31, 1975.....	26,500.00	1,500.00	25,000
Agricultural use of waste heat.....	252-336-083	June 1, 1975 to May 1, 1976.....	10,034.00	5,034.00	5,000
Colorado total (20 projects).....			636,223.00	376,297.00	259,926
NEW MEXICO					
Greater Albuquerque Chamber of Commerce world trade development.....	351-500-005	Oct. 1, 1974 to Aug. 28, 1975.....	29,500.00	24,500.00	5,000
Surficial-geomorphic map of New Mexico.....	351-000-010	Sept. 1, 1974 to Sept. 1, 1975.....	25,000.00	5,000.00	20,000
Bernalillo County topographic map.....	351-001-011	Oct. 1, 1974 to Oct. 1, 1975.....	35,000.00	5,000.00	30,000
A training program for machine.....	252-222-012	Oct. 7, 1974 to Jan. 15, 1975.....	4,590.00	4,590.00	—
Keep New Mexico Beautiful, Inc.....	352-600-029	Nov. 1, 1974 to Oct. 31, 1975.....	15,000.00	15,000.00	—
Downtown neighborhood housing services program.....	352-901-022	Jan. 1, 1975 to Dec. 1, 1975.....	46,351.00	30,000.00	16,351
New Mexico legal rights demonstration land grant project.....	352-900-032	Nov. 1, 1974 to Oct. 31, 1975.....	112,748.00	94,332.00	18,416
A suggested communications development program for all-Indian Pueblo Council.....	352-200-038	Feb. 16, 1975 to Mar. 16, 1976.....	110,000.00	110,000.00	—
Albuquerque Valley senior citizens activities center.....	351-499-037	Feb. 1, 1975 to June 30, 1976.....	69,200.00	31,600.00	37,600
Community economic development.....	351-966-082	June 15, 1975 to June 30, 1976.....	30,000.00	30,000.00	—
Preliminary engineering study Costilla Diversion Dam.....	351-323-025	Oct. 16, 1974 to Jan. 1, 1975.....	1,500.00	1,500.00	—
El Mirador agricultural development.....	352-215-052	Apr. 1, 1975 to July 22, 1975.....	29,000.00	23,000.00	6,000

Springer Vocational/Agricultural Training Program.....	352-204-053	Apr. 1, 1975 to May 31, 1976.....	112,721.00	47,223.00 {	\$ 50,298 2 15,200
Las Acequias Del Norte amendment.....	341-321-022	Apr. 1, 1975 to Oct. 30, 1975.....	3,000.00	3,000.00	-----
New Mexico minority business opportunity conference.....	351-900-079	June 30, 1975 to Oct. 30, 1975.....	11,434.00	5,000.00	6,434
New Mexico crafts marketing plan.....	351-700-072	May 1, 1975 to Nov. 15, 1975.....	8,500.00	2,500.00	6,000
Quara Amphitheater feasibility analysis.....	351-822-056	May 1, 1975 to Aug. 31, 1975.....	14,178.00	14,178.00	-----
New Mexico total (17 projects).....			656,222.00	446,423.00	212,299
UTAH					
Planning grant to assist in rural development.....	451-999-026	Nov. 1, 1974 to Nov. 1, 1975.....	15,000.00	(15,000.00)	-----
Sevier River Basin water management study.....	451-339-035	Dec. 15, 1974 to July 15, 1975.....	18,000.00	8,000.00	10,000
Utah Basin planning.....	451-918-027	Nov. 1, 1974 to Feb. 1, 1976.....	44,000.00	44,000.00	-----
Agriculture development, II.....	452-339-042	Feb. 1, 1975 to Sept. 1, 1975.....	25,000.00	25,000.00	-----
Planning within the Mountianland Association of Governments.....	451-499-051	Apr. 1, 1975 to Oct. 1, 1975.....	11,406.00	9,000.00	2 2,406
Springville storm drain study.....	451-419-050	Apr. 1, 1975 to Jan. 1, 1976.....	21,000.00	14,000.00	7,000
Comprehensive planning for east Carbon City, Utah.....	451-402-061	Apr. 1, 1975 to Jan. 1, 1976.....	10,000.00	10,000.00	-----
Kenilworth water study.....	451-402-068	Apr. 1, 1975 to Jan. 1, 1976.....	7,500.00	7,500.00	-----
Virgin water investigation.....	451-421-058	May 1, 1975 to June 1, 1975.....	10,000.00	10,000.00	-----
Wayne County master planning.....	451-822-062	Feb. 1, 1975 to Sept. 1, 1975.....	26,700.00	20,000.00	6,700
Springdale comprehensive planning and zoning.....	451-921-071	June 1, 1975 to Dec. 1, 1975.....	7,800.00	6,000.00	1,800
Bryce Valley water study.....	451-406-069	May 1, 1975 to Dec. 1, 1975.....	16,500.00	16,500.00	-----
Utah total.....			197,906.00	170,000.00	27,906
REGIONAL					
Program coordination, local government.....	651-966-043	Jan. 6, 1975 to June 30, 1975.....	15,000.00	15,000.00	-----
Technical and administrative support contract, Arizona.....	151-900-001	July 1, 1975 to June 30, 1975.....	32,500.00	32,500.00	-----
Technical and administrative support contract, New Mexico.....	351-900-002	do.....	32,500.00	32,500.00	-----
Technical and administrative support contract, Utah.....	451-900-003	do.....	32,500.00	32,500.00	-----
Four Corners beef cattle demonstration project—II.....	652-366-007	Sept. 11, 1974 to Jan. 1, 1975.....	20,000.00	10,000.00	10,000
Regional tourism development program.....	652-866-015-1	Oct. 1, 1974 to Sept. 30, 1975.....	59,500.00	59,500.00	-----
Economic development evaluations.....	651-966-019	Oct. 1, 1974 to Dec. 31, 1975.....	15,000.00	15,000.00	-----
Four Corners Regional Tourism Organization, Inc. promotion program.....	652-866-015	Jan. 1, 1975 to Dec. 31, 1975.....	167,500.00	107,500.00	60,000
Dominguez-Escalante trail development plan.....	651-866-036	Jan. 1, 1975 to Oct. 31, 1975.....	65,000.00	65,000.00	-----
Social impact on energy development in the San Juan River Basin.....	651-766-055	Apr. 1, 1975 to Nov. 1, 1975.....	40,900.00	13,500.00 {	2 4,000 6 23,400
Audit account.....		July 12, 1974.....	5,000.00	5,000.00	-----
Western Governors energy policy.....	652-366-047	May 9, 1975 to June 30, 1976.....	100,000.00	100,000.00	-----

Footnotes at end of table, p. 52.

FOUR CORNERS REGIONAL COMMISSION, TECHNICAL ASSISTANCE, FISCAL YEAR 1974—Continued

Project name	Project No.	Period of contract	Total project cost	FCRC cost	State, local and other funds
Western Governors Conference on Agriculture.....	652-366-074	Feb. 1, 1975 to June 1, 1975	\$26,000.00	\$5,000.00	\$21,000
Energy potential through bio-conversion of agricultural wastes.....	651-366-075	June 15, 1975 to Sept. 15, 1976	72,000.00	72,000.00	-----
Fly ash research.....	552-513-020	Sept. 1, 1974 to Oct. 30, 1975	40,000.00	40,000.00	-----
San Juan Basin integrated livestock and marketing.....	651-366-076	May 1, 1975 to Dec. 1, 1975	12,000.00	12,000.00	-----
Atom II and the Utah process.....	541-914-061	May 29, 1975 to July 31, 1976	3,200.00	3,200.00	-----
Annual report.....	641-966-066	May 1, 1974 to Nov. 1, 1974	2,307.66	2,307.66	-----
Colorado economic model.....	251-900-014	Oct. 1, 1974 to Sept. 30, 1976	70,000.00	70,000.00	-----
New Mexico economic model.....	351-900-013	Oct. 1, 1974 to Sept. 30, 1976	70,000.00	70,000.00	-----
Fiscal system coordination.....	651-966-086	June 23, 1975 to July 1, 1976	20,000.00	20,000.00	-----
Economic demographic model for the Navajo Reservation.....	651-966-080	Apr. 1, 1975 to Nov. 30, 1975	42,418.00	25,420.00	15,000
Reducing fruit losses caused by low spring temperatures.....	652-366-084	June 23, 1975 to July 31, 1976	48,000.00	48,000.00	-----
Preparation and coordination of excess property manuals.....	651-966-004	Aug. 30, 1974 to Feb. 28, 1975	5,000.00	5,000.00	-----
Advisory committees.....			11,931.10	11,931.10	-----
Regional total (25 projects).....			1,008,256.76	872,858.76	135,398
Grand total (91 projects).....			3,093,474.31	2,323,705.31	771,259

1 SEP.

2 Local.

3 AD. VE.

4 BIA.

5 NWS.

6 Other.

7 In kind.

8 EDA.

9 State.

10 USGS.

11 76,000 Arizona.

12 OEO.

13 UWR.

14 USC.

15 USU.

16 USGA.

17 HUD.

18 N.M.

19 Colorado.

20 Department of VE

FOUR CORNERS REGIONAL COMMISSION, SUPPLEMENTAL GRANT PROGRAM

FISCAL YEAR 1975

Project name	Project No.	Grant dated	Total project cost	Basic agency		FCRC grant	State, local and other funds	
				Agency	Amount		Amount	Type
ARIZONA—3d District								
Hopi Pasture Canyon Irrigation I, Coconino County	150-302-052	Feb. 26, 1975	1 \$49,285.00	ASCS	1 \$19,714	1 \$19,714	\$9,857.00	Local. ¹
Hopi Pasture Canyon Irrigation II, Coconino County	150-302-053	Mar. 5, 1975	193,550.00	ASCS	77,420.00	77,420.00	38,710.00	Tribe.
Congress water, Yavapai County	150-409-058	Mar. 11, 1975	150,000.00	FHA	50,000.00	50,000.00	50,000.00	Local (loan).
Yarnell water system—I O/R, Yavapai County	150-409-071	June 10, 1975	1,440,000.00	FHA	1,200,000.00	1,140,000	100,000.00	Local. ¹
Total (4 projects)			832,835.00		347,134.00	287,134	198,567.00	
ARIZONA—4TH DISTRICT								
St. John irrigation—I O/R, Apache County	150-301-022	Nov. 8, 1974	114,712.00	SCS	15,884.00	15,884	2,944.00	Do. ¹
Superior sewer, Pinal County	150-408-004	Dec. 19, 1974	1,627,371.00	FHA	209,800.00	209,800	1,196,655.00	Local (loan).
Hopi industrial park access road, Navajo County	150-507-051	Feb. 26, 1975	750,000.00	FHWA	400,000.00	200,000	11,116.00	State.
Lyman ditch IV, Apache County	150-301-059	Mar. 11, 1975	143,000.00	ASCS	71,500.00	35,750	150,000.00	Do.
Total (4 projects)			2,535,083.00		687,184.00	451,434	1,356,465.00	Local.
Arizona total (8 projects)			3,367,918.00		1,034,318.00	738,568	1,595,032.00	
COLORADO—3D DISTRICT								
San Juan Basin Vocational/Technical School, Montezuma County	250-259-021	Nov. 11, 1974	75,000.00	HEW	137,500.00	122,500	15,000.00	Do.
Pagosa Springs recreation, Archuleta County	250-502-010	Nov. 12, 1974	21,124.00	BOR	10,562.00	6,337	4,225.00	Do.
Lamar Community College, agricultural arena, Prowers County	250-235-019	Nov. 13, 1974	136,000.00	HEW	53,600.00	53,600	26,800.00	Do.
Sanford water system, Conejos County	250-407-017	Nov. 14, 1974	449,600.00	FHA	129,800.00	34,800	285,000.00	Local (loan).
King consolidated ditch, La Plata County	250-324-014	Nov. 15, 1974	46,000.00	SCS	23,000.00	13,800	9,200.00	Local.
Ignacio group, La Plata County	250-324-016	Nov. 18, 1974	17,600.00	SCS	8,800.00	5,280	3,520.00	Do.
Rocky Ford public library, Otero County	250-231-018	Nov. 19, 1974	190,600.00	U.S. & C.A.	75,000.00	45,000	70,600.00	Do.
Southern Ute swimming pool, La Plata County	250-824-015	Nov. 20, 1974	133,333.00	HUD	100,000.00	6,666	26,667.00	Do.
Round Mountain sewer, Custer County	250-410-001	Dec. 3, 1974	383,000.00	FHA	50,000.00	150,000	183,000.00	Local (loan).
La Junta industrial park, Otero County	250-531-003	Dec. 4, 1974	200,000.00	FHA	63,500.00	48,500	40,000.00	Local.
Springfield recreation, Baca County	250-803-039	Dec. 10, 1974	193,000.00	BOR	96,500.00	57,900	48,000.00	State.
La Junta Vocational/Technical Center—I, Otero County	250-231-044	Dec. 19, 1974	125,000.00	C.A.V.T. & M.E.	112,500.00	17,500	38,600.00	Local.
Stringtown water system—I, Lake County	250-402-057	Feb. 26, 1975	154,500.00	FHA	137,700.00	113,200	5,000.00	Do. ¹
Poncha Springs sewer, Chaffee County	250-405-002	Mar. 11, 1975	639,000.00	FHA	94,000.00	150,000	265,000.00	Local (loan).
							130,000.00	State.

See footnotes at end of table, p. 60.

El Salto water system, Taos County.....	350-421-026	Dec. 5, 1974	66,250.00	FCRD (FHA)	(15,000.00)	15,000	15,000.00	Local (loan).
Cuba recreation complex, Sandoval County.....	350-816-043	Dec. 6, 1974	125,247.50	BOR	33,123.75	30,000	24,000.00	State.
Mountainair recreation facility, Torrance County.....	350-822-030	Dec. 10, 1974	26,499.20	BOR	13,249.60	7,800	11,750.00	HELP.
Moriarty recreational facility, Torrance County.....	350-822-031	Dec. 11, 1974	18,726.78	BOR	9,363.39	5,500	500.00	OEO-CAP.
Torreón community park, Torrance County.....	350-822-035	Dec. 17, 1974	14,967.97	BOR	7,483.98	4,200	44,000.00	Local.
Jemez Springs recreation, Sandoval County.....	350-816-045	do.	160,014.40	BOR	80,007.20	47,000	18,123.75	State.
Acequia de Los Ortiz ditch, Santa Fe County.....	350-319-028	Dec. 19, 1974	15,277.00	ASCS	4,976.00	5,719	5,200.00	Local.
Las Joyas ditch, Santa Fe County.....	350-319-047	Feb. 5, 1975	8,600.00	ASCS	2,864.00	3,156	249.60	State.
Hondo-Secco recreation facility, Taos County.....	350-821-049	do.	19,405.59	BOR	9,702.79	4,887	3,687.00	Local.
Zia Pueblo irrigation, Sandoval County.....	350-316-048	Feb. 6, 1975	60,000.00	ASCS	12,000.00	12,000	176.39	State.
La Cienega ditch, Santa Fe County.....	350-319-046	Feb. 7, 1975	17,107.00	ASCS	5,485.00	6,500	3,143.00	Local.
Rio Arriba Vocational-Technical School, Rio Arriba County.....	350-215-050	Mar. 5, 1975	674,789.00	HEW	20,250.00	116,200	140.99	State.
Red River park, Taos County.....	350-821-061	Mar. 11, 1975	36,498.60	BOR	18,249.30	8,844	31,500.00	Local.
Pecos recreation facility, San Miguel County.....	350-818-066	Apr. 10, 1975	101,920.00	BOR	50,960.00	30,000	2,291.00	State.
Mora recreation facility, Mora County.....	350-812-065	Apr. 15, 1975	118,602.00	BOR	59,301.00	34,900	2,291.00	Local.
Cebolla water system, Rio Arriba County.....	350-415-074	June 4, 1975	78,250.00	FCRC (FHA)	(31,300.00)	31,300	4,633.00	Local.
Lumberton water system, Rio Arriba County.....	350-415-072	June 5, 1975	10,000.00	FCRC (FHA)	(4,000.00)	4,000	182.80	State.
Paradise Hills community park, Bernalillo County.....	350-801-073	June 6, 1975	203,840.00	BOR	101,920.00	50,000	24,000.00	Local (loan).
St. Vincent Hospital, Santa Fe County.....	350-619-079	June 11, 1975	19,031,000.00	DFW/HEW	1,315,792.00	100,000	2,561.00	State.
							527,000.00	Local.
							11,339.00	State.
							9,405.30	State.
							20,000.00	Local.
							960.00	State.
							23,284.00	Local.
							1,117.00	State.
							20,350.00	Local (loan).
							26,600.00	State.
							4,000.00	Local (loan).
							2,000.00	State.
							50,000.00	Local.
							1,920.00	State.
							3,700,600.00	Local (loan).
							11,000,000.00	Independent
								review boards.
							2,914,608.00	Other.
Total (25 projects).....			21,255,462.04		1,811,849.01	637,346	18,806,267.03	

See footnotes at end of table. p. 60.

Ouray park water system, Uintah County.....	450-418-056	Apr. 15, 1975	300,000.00	FHA	147,500.00	75,000	14,700.00	Local.
Roosevelt water system—II, Duchesne County.....	450-404-082	June 16, 1975	250,000.00	FCRC (FHA)	(200,000.00)	200,000	62,800.00	Loan.
Total (5 projects).....			1,210,659.00		198,205.00	504,800	507,694.00	Local.
UTAH—2D DISTRICT								
Junction water system, Piute County.....	450-412-036	Dec. 3, 1974	400,000.00	FHA	180,000.00	100,000	5,000.00	Do.
Cedar City sewer, Iron County.....	450-408-025	Dec. 19, 1974	2,713,628.00	EPA	2,035,221.00	135,600	115,000.00	Loan.
Beaver City wastewater treatment, Beaver County.....	450-401-055	Feb. 18, 1975	542,700.00	EPA	407,025.00	26,600	542,807.00	Local.
Beaver City sewage collection, Beaver County.....	450-401-054	Feb. 24, 1975	1,060,900.00	EPA	795,675.00	53,000	109,075.00	Do.
Glendale water system, Kane County.....	450-410-068	May 19, 1975	232,000.00	FHA	102,500.00	27,000	212,225.00	Do.
Bicknell water improvements, Wayne County.....	450-422-083	June 16, 1975	389,000.00	FHA	172,000.00	92,000	12,500.00	Do.
Garfield County Hospital, Garfield County.....	450-606-080	June 19, 1975	229,632.00	DFU/HEW	114,816.00	68,880	90,000.00	Loan.
Total (7 projects).....			5,567,860.00		3,807,237.00	503,090	1,257,533.00	Local.
Utah total (12 projects).....			6,778,559.00		4,005,442.00	1,007,880	1,765,227.00	Local.
Grand total (78 projects).....			39,718,957.94		9,134,838.95	3,955,893	26,628,225.99	Local.

FISCAL YEAR 1974

ARIZONA—3D DISTRICT

Kingman water system, Mohave County.....	140-405-035	Mar. 19, 1974	\$321,000.00	FCRC (HUD)	(\$200,000.00)	\$200,000	\$121,000.00	Local
Black Bill-Doney park water, Coconino County.....	140-402-051	Apr. 2, 1974	592,736.00	FHA	93,000.00	43,000	434,541.00	Do.
Yarnell water system, Yavapai County.....	140-409-052	Apr. 4, 1974	1,069,000.00	FHA	100,000.00	22,195	769,000.00	Do.
Fredonia water system, Coconino County.....	140-402-051	May 8, 1974	550,000.00	FCRC (FHA)	(200,000.00)	200,000	350,000.00	Do.
Valley Pioneers water system, Mohave County.....	140-406-059	May 9, 1974	105,000.00	FCRC (FHA)	(55,000.00)	55,000	50,000.00	Do.
Ash Fork water system, Yavapai County.....	140-409-076	May 14, 1974	547,000.00	FHA	154,000.00	123,000	268,000.00	Do.
Hopi Pasture Canyon irrigation, Coconino County.....	140-302-080	June 4, 1974	85,286.00	ASCS	34,114.00	34,114	17,058.00	Tribe.
Total (7 projects).....			3,270,022.00		381,114.00	879,309	2,009,599.00	

ARIZONA—4TH DISTRICT

Winslow Police-Court facility, Navajo County.....	140-907-001	Oct. 4, 1973	\$100,000.00	LEAA	0	\$100,000	0	Local.
Show Low-Silver Creek water conservation and power district, Navajo County.....	140-307-002	Nov. 9, 1973	443,862.00	ASCS	150,000.00	150,000	143,862.00	Local.
St. Johns irrigation—I, Apache County.....	140-301-003	do.	\$44,957.00	SCS	\$17,982.00	\$17,980	8,995.00	Do. ²

See footnotes at end of table, p. 60.

FOUR CORNERS REGIONAL COMMISSION, SUPPLEMENTAL GRANT PROGRAM—Continued
FISCAL YEAR 1975

Project name	Project No.	Grant dated	Total project cost	Basic agency		FCRC grant	State, local and other funds	
				Agency	Amount		Amount	Type
Lyman Water Co.—III, Apache County.....	140-301-005	Nov. 21, 1973	\$250,000.00	ASCS	\$100,000.00	\$100,000	\$50,000.00	Do.
Coolidge sanitation—I, Pinal County.....	140-408-037	Apr. 9, 1974	3 123,854.00	EPA	0	3 99,083	24,771.00	Do. ³
Total (5 projects).....			962,673.00				267,982.00	467,063
Arizona total (12 projects).....			4,232,695.00				649,096.00	1,346,372
COLORADO—3D DISTRICT								
Buena Vista domestic water system, Chaffee County.....	240-405-010	Jan. 22, 1974	620,000.00	FCRC (FHA)	(90,000.00)	90,000	530,000.00	Do.
Commonwealth irrigation measure—I, Alamosa, Conejos and Rio Grande Counties.....	240-399-009	Feb. 15, 1974	14,306.00	SCS	7,147.00	4,300	2,859.00	Do.
Vilas sewage collection and treatment system, Baca County.....	240-403-022	Mar. 8, 1974	88,000.00	FCRC (FHA)	(31,300.00)	31,300	6,700.00	State, Local.
Delta County Memorial Hospital, Delta County.....	240-611-033	Mar. 20, 1974	1,803,200.00	HCFCS	110,000.00	170,000	50,000.00	Do.
San Juan Basin Area Vocational-Technical School, Montezuma County.....	240-229-032	Mar. 26, 1974	100,000.00	C.A.V.T. & M.E.	50,000.00	30,000	20,000.00	Do.
Anticito two-stall enginehouse, Conejos County.....	240-807-030	Apr. 16, 1974	54,000.00	FHA	16,500.00	16,500	6,000.00	Do.
Southwest industrial park, Montrose County.....	240-530-036	Apr. 17, 1974	180,000.00	FHA	10,000.00	50,000	15,000.00	Foundation, Local.
Stringtown domestic water system, Lake County.....	240-423-057	do.	75,000.00	FHA	10,000.00	37,500	120,000.00	Do.
La Junta Vocational-Technical Center, Otero County.....	240-231-028	May 2, 1974	400,000.00	C.A.V.T. & M.E.	200,000.00	120,000	27,500.00	Do.
Ridgway sewer system, Ouray County.....	240-432-059	May 7, 1974	247,500.00	FHA	20,000.00	100,000	80,000.00	Do.
Prosperity Lane water system, Prowers County.....	240-435-070	May 8, 1974	120,000.00	FHA	15,000.00	60,000	116,000.00	Do.
Greede water system—I, Mineral County.....	240-428-068	May 9, 1974	45,000.00	FCRC (FHA)	(15,000.00)	15,000	11,500.00	State, Local.
Pagosa Springs water supply, Archuleta County.....	240-402-011	May 14, 1974	400,000.00	EDA	240,000.00	80,000	45,000.00	Do.
Manassa Water system, Conejos County.....	240-407-077	May 16, 1974	580,000.00	FHA	100,000.00	150,000	30,000.00	Do.
Total (14 projects).....			4,727,006.00				778,647.00	954,600
COLORADO—4TH DISTRICT								
Redstone water and sanitation, Pitkin County (1 project).....	240-434-008	Jan. 30, 1974	145,913.00	FCRC (FHA)	(90,000.00)	90,000	55,913.00	Do.
Colorado total (15 projects).....			4,872,919.00				778,647.00	1,044,600
NEW MEXICO—1ST DISTRICT								
French Association water system, Colfax County.....	340-404-016	Jan. 23, 1974	142,000.00	FCRC (FHA)	(30,600.00)	30,600	54,400.00	State, Local.

La Mesilla ditch lining, Rio Arriba County.....	340-315-014	Jan. 24, 1974	71,352.00	SCS	46,868.00	10,000	8,793.00	State.
Springer Tract water system, Colfax county.....	340-404-015	Jan. 29, 1974	50,000.00	FCRC (FHA)	(10,900.00)	10,900	5,691.00	Local.
Questa water system-II, Taos County.....	340-421-018	Jan. 30, 1974	75,000.00	FCRC (FHA)	(35,500.00)	35,500	20,000.00	State.
			41,775.00				24,000.00	Local.
Roy water system, Harding county.....	340-408-043	Mar. 13, 1974	60,000.00	FCRC (FHA)	(20,000.00)	20,000	15,000.00	Local.
Cimarron water system, Colfax County.....	340-404-041	Mar. 20, 1974	145,550.00	FCRC (FHA)	(33,750.00)	33,750	500.00	OEO-CAP.
Mountainair water system, Torrance County.....	340-422-040	Mar. 21, 1974	60,000.00	FCRC (FHA)	(18,000.00)	18,000	20,000.00	State.
San Juan marketing facility, Rio Arriba County.....	340-515-017	Apr. 2, 1974	50,000.00	EDA	25,000.00	15,000	51,800.00	Local.
Sandoval County courthouse, Sandoval County.....	340-416-025	Apr. 3, 1974	750,000.00	EDA	400,000.00	200,000	60,000.00	State.
Alcalde water system, Rio Arriba County.....	340-415-028	Apr. 10, 1974	35,100.00	FCRC (FHA)	(9,000.00)	9,000	24,000.00	Local.
			4,450.00			4,450	18,000.00	Do.
Sile water system, Sandoval County.....	340-416-071	May 9, 1974	75,000.00	FCRC (FHA)	(29,000.00)	29,000	10,000.00	Do.
Llano Quemado water system, Taos County.....	340-421-029	May 15, 1974	9,461.00	FCRC (FHA)	(6,988.00)	6,988	150,000.00	State.
Costilla domestic water system, Taos County.....	340-421-027	do	9,600.00	FCRC (FHA)	(7,100.00)	7,100	10,000.00	Local.
Sandia Pueblo recreation, Sandoval County.....	340-816-053	May 21, 1974	65,886.00	BOR	32,943.00	18,780	29,000.00	Do.
Ranchos de Placitas water system, Sandoval County.....	340-416-074	May 22, 1974	108,000.00	FCRC (FHA)	(44,800.00)	44,800	500.00	OEO-CAP.
Springer Airport, Colfax County.....	340-104-023	June 4, 1974	23,809.00	FAA	13,321.00	3,500	500.00	OEO-CAP.
Abiquiu water system, Rio Arriba County.....	340-415-072	June 5, 1974	74,000.00	FCRC (FHA)	(22,200.00)	22,200	1,643.00	Local.
La Cienega water system, Santa Fe County.....	340-419-081	June 19, 1974	36,000.00	FCRC (FHA)	(8,000.00)	8,000	12,520.00	State.
							43,200.00	Local.
							20,000.00	State.
							4,688.00	Local.
							29,600.00	Do.
							22,200.00	State.
							7,000.00	Local.
							6,000.00	State.
							5,000.00	Local.
							10,000.00	OEO-CAP.
							797,208.00	
Total (18 projects).....			1,842,983.00			518,132.00	527,643	
NEW MEXICO-2D DISTRICT								
Magdalena water system, Socorro County.....	340-420-044	Mar. 19, 1974	100,000.00	FCRC	(30,000.00)	30,000	38,000.00	State.
San Antonio water system, Socorro County.....	340-420-055	Apr. 25, 1974	85,600.00	FCRC (FHA)	(23,905.00)	23,905	32,000.00	Local.
Lincoln municipal water system, Lincoln County.....	340-409-050	Apr. 30, 1974	32,800.00	EDA	3,000.00	3,000	29,280.00	State.
Acoma commercial complex, Valencia County.....	340-523-067	May 8, 1974	180,000.00	EDA	90,000.00	47,000	32,415.00	Local.
Socorro public library addition, Socorro County.....	340-220-049	May 14, 1974	120,000.00	HEW-DLP	55,000.00	24,000	6,900.00	Do.
Zuni public library, McKinley County.....	340-211-075	May 15, 1974	13,070.00	HEW-DLP	7,188.00	3,267	41,000.00	Do.
Dexter water system, Chavez County.....	340-403-063	May 22, 1974	202,000.00	FCRC (FHA)	(40,000.00)	40,000	2,615.00	Do.
							58,000.00	State.
							104,000.00	Local.

See footnotes at end of table, p. 60.

FOUR CORNERS REGIONAL COMMISSION, SUPPLEMENTAL GRANT PROGRAM—Continued

FISCAL YEAR 1975

Project name	Project No.	Grant dated	Total project cost	Basic agency		FCRC grant	State, local and other funds	
				Agency	Amount		Amount	Type
Catron County Rodeo grounds, Catron County	340-802-073	May 23, 1974	\$13,262.00	BOR	\$6,631.00	\$3,780	\$331.00	State.
Grants park development—phase I, Valencia County	340-823-019	May 30, 1974	105,250.00	BOR	52,625.00	30,000	2,520.00	Local.
Hurley water system, Grant County	340-406-078	June 5, 1974	528,500.00	FCRC (FHA)	(43,500.00)	43,500	12,623.00	State.
Roswell vocational-technical building—ENMU, Chavez County	340-203-039	June 13, 1974	454,000.00	EDA	202,000.00	50,000	10,000.00	Local.
Total (11 projects)			1,834,482.00		413,441.00	321,352	202,000.00	Do.
New Mexico total (29 projects)			3,677,485.00		931,576.00	848,995	1,099,686.00	
UTAH—1ST DISTRICT								
Thompson culinary water system, Grand County	440-407-007	Nov. 28, 1973	103,850.00	FHWA	47,973.00	25,000	2,927.00	State.
Ferron sewage collection, Emery County	440-405-005	Nov. 29, 1973	68,300.00	FCRC (FHA)	(22,500.00)	22,500	27,950.00	Local.
Oakley water improvements, Summit County	440-417-024	Mar. 12, 1974	307,000.00	FCRC (FHA)	(240,000.00)	240,000	45,800.00	Do.
Roosevelt Culinary water system, Duchesne County	440-404-031	Mar. 13, 1974	648,000.00	FCRC (FHA)	(150,000.00)	150,000	60,000.00	Do.
Ballard Culinary water system, Uintah County	440-418-042	Mar. 19, 1974	269,000.00	FHA	50,000.00	81,000	498,000.00	Do.
Gunnison water distribution system, Sanpete County	440-415-046	Apr. 2, 1974	200,000.00	FCRC (EDA)	(150,000.00)	150,000	138,000.00	Do.
Johnson water system, Duchesne County	440-404-056	Apr. 9, 1974	100,000.00	FHA	25,000.00	35,000	50,000.00	Do.
College of Eastern Utah, Mining Education Facility, Carbon County	440-202-034	May 2, 1974	570,000.00	C.A.V.T. & M.E.	100,000.00	350,000	40,000.00	Do.
Total (8 projects)			2,259,150.00		222,973.00	1,053,500	120,000.00	
UTAH—2D DISTRICT								
New Harmony water system, Washington County	440-421-034	Mar. 13, 1974	110,000.00	FCRC (FHA)	(20,000.00)	20,000	90,000.00	Do.
Henrieville water system—I, Garfield County	440-406-045	Mar. 19, 1974	15,000.00	FHA	0	12,000	3,000.00	Do. ³
Kanab water system, Kane County	440-410-062	May 8, 1974	450,000.00	FCRC	(300,000.00)	300,000	150,000.00	Do.
Fillmore industrial park—II, Millard County	440-511-048	June 6, 1974	102,000.00	EDA	51,000.00	29,600	21,400.00	Do.
Total (4 projects)			677,000.00		51,000.00	361,600	264,400.00	
Utah total (12 projects)			2,936,150.00		273,973.00	1,415,100	1,247,077.00	
Grand total (68 projects)			15,719,229.00		2,633,292.00	4,655,067	8,430,870.00	

¹ Fiscal year 1975 funds added to previous year project.² Additional 1974 funding.³ Fiscal year 1974 funds added to previous year project.⁴ Administrative fee paid to Farmers Home Administration because of ruling by General Counsel, USDA, that Economy Act of 1934 requires such payment.

Mr. ROE. Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman.

One of the concerns those of us who support the regional commission program have had is the status of these commissions within the Department of Commerce.

There have been—at least there has been—some consideration given over a period of years to setting up the regional title V commissions in a status similar to that of Appalachia.

Could you comment on that?

Mr. CHAMBERS. Yes, sir, I'll be glad to comment on it. I must of course preface it with the caveat that there have been many opinions expressed, both within the Department of Commerce, at their budget level and personnel level, and further opinions expressed at the Office of Management and Budget level on the reporting structure and the number of personnel involved.

Unfortunately—and this is, again, my personal opinion—a great deal of the misunderstanding and lack of appreciation for the potential in regional commissions must come back and rest with the wording of the statute, in that they do not provide a direct line authority over Federal personnel to the Secretary of Commerce or to any other Cabinet officer.

It has been my experience in several levels of Government that unless there is a direct line of authority so that you can speak with assurance that your policies can be carried out, that the staffs usually resort to inactivity or ignoring them rather than run unnecessary risks.

Now, I would judge, in retrospect of the Commission programs to date, that you saw this in the Commission program. We started out with two, raised it to five, and now to seven; they are in various stages of sophisticated growth, and there is a great parallel between the cooperation the Secretary of Commerce receives from those commissions, depending upon their maturity—the more mature they become, the easier, it is to comply with the requests that are submitted and the necessity for reports that are to be submitted.

I have felt very strongly that my office could and possibly should be criticized because we were not able to provide immediate access to information on effective evaluation of programs. Yet we have no authority to even request, much less mandate, the submission of that type of an evaluation; it has to be done strictly on a "PR," or a personal salesmanship campaign.

So in the relationship of the Appalachia line authority, in which they do not answer to a Cabinet administrative officer, such as Mr. Morton, I can only say that if they were to create such a title V structure, and put all regional programs into one similar package, that I would personally urge that there still be a Cabinet officer assigned to represent that group of people, whether through my office or anybody else's is immaterial, but administratively, I don't believe it will work without it.

Mr. OBERSTAR. Well, Appalachia is in the Executive Office of the President, and there were proposals, in years past, to establish the title V commissions in a similar capacity within the Executive Office of the President, and reporting directly to the President.

Is it administration policy to favor that or to oppose that approach?

Mr. CHAMBERS. I have never seen it in writing, but I am quite confident that the policy would be in opposition, because you cannot have that many people reporting directly to the President.

Mr. OBERSTAR. Second, within the Department of Commerce, would you favor a proposal that would establish—

Let me rephrase the question.

Would it be administration policy to favor establishment of a separate Under Secretary for Economic Development—regional economic development coordination?

Mr. CHAMBERS. I don't know that I am, again, qualified to answer that, because in a sense the Secretary keeps a very close tab on that, and my authority—

Mr. OBERSTAR. Do you mean to tell me that the Secretary—that the Federal cochairmen have access to the Secretary of Commerce when they need him?

Mr. CHAMBERS. Since I have been here, yes, sir. We have met with the Secretary, and I am personally on his staff.

Mr. OBERSTAR. It's the first time in years—

Mr. CHAMBERS. I think you would find, in checking with the cochairmen, that there is a new ball game.

Mr. OBERSTAR. Then it seems to vary from Secretary to Secretary, so it would seem to me that then, to assure the kind of cooperation and coordination, we ought to formalize that structure.

Mr. CHAMBERS. To the best of my knowledge, it is formalized. If you were referring to formalizing it through answering directly to the President, I think that it's impractical.

If you were to say that the cochairmen did in fact answer to the Secretary of Commerce for direct line command and removed all of those hazy, fuzzy words that are in the present act, I think that you would be doing the whole program a tremendous service, because there is no way of interpreting the intent of Congress on this act.

Mr. OBERSTAR. Alright, so that you don't think we—we don't need to have another Under Secretary; you don't think it is effective to establish the regional commissions in a separate status within the Executive Office of the President.

You would favor clearing the lines of communication between the Governors and the Federal cochairmen with the Secretary?

Mr. CHAMBERS. No, sir. I would feel that you would best serve the intent of this act to draw the line at the level of the Federal cochairmen to the Secretary, because I would hate to see any wording that would imply that the Secretary of Commerce had jurisdiction over an elected authority such as a Governor. Now, I am still wearing a State hat, and I would defend that to my last breath. You cannot make it effective in that respect.

Second, I don't feel that it is a practical administrative structure to create too many chiefs, and the Federal cochairmen, in their relationship with the Governors, should be reporting to the highest possible level, so let's not introduce another level in between, whether it be under secretaries or anything else.

I am there more or less as the deputy to the Secretary for this program, to implement and make sure that it is responsive to both his needs and yours, but there should not be someone in my shoes with

line authority over the cochairmen, if that is the answer to the question you asked.

Mr. OBERSTAR. You are giving me the answers I am looking for.

The other body did some maneuvers in their recently enacted, or recently passed legislation, which would tie title V commissions with Appalachia in some way that I don't fully understand. I assume you have reviewed that. I would like to have your position and the position of the administration on the Senate-passed bill.

Mr. CHAMBERS. I was hoping you wouldn't ask that, Mr. Oberstar, but I'll do my best to answer it.

The administration has, in fact, or is in the process, of taking the position of being in opposition to 4073, and I don't believe that I could again dissect it and say specifically what the objectionable factors are, because there are a great many things that make very good sense and are very logical.

I have recommended some cosmetic modifications of language that would remove a great many of these objections. However, inasmuch as we were asked to come here to testify on different bills, and I brought that one in as a supportive argument for the extension, I feel that the greatest advantage would be to allow us to—may I rephrase that, and say—allow me in my capacity within the Department, to do my best to clarify the evaluation and programs of the existing Public Works Act, and work out some of the areas such as we were just discussing in reporting structures, without making a massive shift at this time into any new and relatively untried sector, similar to the Appalachian Act.

I think it is a little premature, but I would be also the first to admit on a personal basis that I think that it is inevitable that ultimately grouping of such an alinement of regional programs of multistate or those crossing State boundaries is a logical approach, and to allow EDA-type substate programs to remain as an EDA program, and somehow straddle that picket fence where the two overlap.

Mr. ROE. Would the gentleman yield on that?

Mr. OBERSTAR. I yield, Mr. Chairman.

Mr. ROE. It seems to me that, looking over the history and the testimony that has been held before us on a number of previous occasions, that the Governors of the title V regions where I believe there are 33 States represented; that sticks in my mind—

Mr. CHAMBERS. Thirty-one, sir.

Mr. ROE. The Governors most vociferously supported their States being tacked on to Appalachia, and that puzzles me a little bit, because that is kind of like throwing away the baby with the bath water, in my honest opinion.

Mr. CHAMBERS. Again, Mr. Chairman, with a lack of reporting structure that I can review, I am second-guessing the Governors in why they took that position, but playing the role: "If I were King," I would certainly be more tempted to aline myself with something as well funded as Appalachia has been, recognizing that title V has not enjoyed the best track record in the world.

Mr. ROE. Well, that is a very honest and objective approach, and I appreciate it, but the fact remains, we can't quarrel with the title V's as they try to get themselves tacked on to legislation that has been well funded.

That is the same parallel situation that exists with the seven urban States; they're out on the outside looking in, where half the population lives——

Mr. CHAMBERS. Mr. Chairman——

Mr. ROE. Let me finish.

It seems to me—how does that saying go? “I thought I heard what I thought you said.” It just does not seem right to me that States or other political subdivisions should have to play the devil's advocate and try to gravitate to where they are going to get help, because I think if the title V's are pulled out of this legislation, from my personal point of view, it is going to materially weaken the EDA structure, and it is going to materially weaken their opportunities.

They are going to need the title V authorizations funded.

Now my question: Do you see anything illogical about the idea that Mr. Oberstar's line of questioning is pursuing, that we beef up and rewrite the language so that the title V people would be achieving, in the main, that which they would be achieving if they were tacked onto Appalachian under the EDA law.

Mr. CHAMBERS. Mr. Roe, I would be less than honest if I did not bring up the funding aspects, and this is not an area that I can speak for the administration on with any authority, so I must recognize the old Navy term of “rocks and shoals,” and say that I would not want to be accused possibly of being out of step with the administration——

Mr. ROE. I don't want to place you in that position, but there is an illogical point here. If the administration's point of view centers around funding, I respect and understand it. If we take the 31 States that are tacked on now, in part, under Appalachian, then we in effect are saying that both pieces of legislation would be a danger. Let's let it go at that.

So there is no logic whatever as to what end we achieve if we botch up the title V's by placing them under the Appalachian sections of the bill when the don't belong there in the first place and the only reason they are there is because there was no other way they could get any substantive funding or substantive help.

Mr. CHAMBERS. I would comment on that remark, sir, in that I don't think you ended with a question mark, so I would just like to respond.

Mr. ROE. It was mean to be rhetorical.

Mr. CHAMBERS. I just wanted to make sure; sometimes those things don't come through in the transcript.

I feel there is a tremendous opportunity for the whole regional program if diversionary funding from other areas can be identified and made available to the Commissions of Governors as discretionary methods of carrying out the intent of Congress, as for example, title X.

Mr. Mizell is gone, and I would not want to be accused of raiding his programs the minute he left the room; therefore I am only parroting the remarks I hear from the Governors as to why this cannot be done. If in fact the intent of title X is to put people to work, isn't it a more logical assumption to provide block grants making funding available to Commissions of Governors, so as to create jobs at a lesser level than the Federal Government in Washington?

I would hate to be placed, with the staff I have available, in a position of doing what EDA is doing very well, in reviewing these massive grants, but even among our commissions, in the initial title X program,

we processed 179 projects, for a total of a little over \$16 million, and in the current program, we ended up with requests for 811 proposals for a total of \$131 million, now under consideration, and are in contention with other Federal agencies.

Mr. HAMMERSCHMIDT. Would you yield, Mr. Chairman?

I was just going to ask the cost per job.

Mr. ROE. Certainly.

Mr. CHAMBERS. Cost per job? In the first go-round, the common program created a little over 1,500 jobs—1,548 we have identified, with a total of perhaps 3,400 total available jobs—as the projects are brought into full flower.

Mr. OBERSTAR. That is all very interesting information, but it is a little—I would like to get back on the track that we were on before, and since you expressed some interest in the suggestion of a cleaner and more direct line of communication, I would like to request that you submit for the committee's consideration language that would amend the present act to accomplish that objective, without necessarily committing the Department or the administration to that position.

Because you would just be providing a drafting service to the committee or to me personally. This implies no administration position; I think it would help us if you could have people do that for us.

Mr. CHAMBERS. I will be happy to attempt to do that, sir, but you realize it will also meet with opposition from seven Commission co-chairmen, who now—

Mr. OBERSTAR. Well, that is not of concern to you or to me.

Mr. CHAMBERS. I just want to be sure that you realize that you now will have eight opinions.

Mr. OBERSTAR. That is a different subject. I would like to have your language; that is all I asked for.

Where do we stand with the State investment plans that are required under the regional commission program? Have all States submitted them to their respective commissions, or are some lagging? Could you give me an idea?

Mr. CHAMBERS. I would like to defer to Mr. Milner on that area.

Mr. MILNER. Yes, sir. I believe they are all in.

In most cases, it is a recurring sort of process; each year the regional commission makes a grant to its member States for the State investment planning process. It becomes part of the commission procedure, developing its priorities and budgets for the year.

Mr. CHAMBERS. One other point, Mr. Oberstar, if I might, and that is that, again, both with respect to those programs and the approval of economic development plans, there seems to be a concept sometimes that once a plan is developed, that is a fixed document on the shelf, and I view them as a working document that gets massaged almost daily.

Mr. OBERSTAR. They should be dynamic, rather than static pieces of material.

I assume, based on what you have said—just reading between the lines—that the administration and the Department of Commerce have backed away from the former Vice President's proposal of some years ago for full State commissions? That is, commissions that would provide not only planning, but also supplemental grant assistance available on a statewide basis?

Mr. CHAMBERS. In California, as an example, I was mandated by the Governor to attempt to implement that total program, and I worked long and hard on it. One of the basic criteria there was the necessity for a recognized, uniform plan within the individual States that could be used as a building block. This was extremely difficult to implement in a large State.

Whether the administration has backed off from that plan at this point, I cannot say, but I do know that Secretary Morton, in his admonition to me in taking on this program, made it very clear that we were to be responsive to the needs of the Governors, not to be responsive to any particular bias that I might have.

Mr. ROE. I will ask the gentleman to yield at that point and we will recess for another vote.

[Short recess.]

Mr. ROE. We are hearing from Mr. Terry Chambers, Special Assistant to the Secretary for Economic Coordination, and Mr. Oberstar was speaking.

Mr. OBERSTAR. Thank you, Mr. Chairman.

Mr. Chambers, some years back, a moratorium was imposed by the Department of Commerce on addition of counties to the various regional commission boundaries.

Does that moratorium remain in place, and what is your attitude on lifting it? And what is the administration's position?

Mr. CHAMBERS. The Secretary has instructed me that should there be unanimous request from any of the commissions of the Governors, for a change in either regional boundaries or inclusion of additional areas, that they would certainly examine it on the basis of the criteria and he would look at it favorably.

I have so informed all of the commissions.

Mr. OBERSTAR. Unanimous request of the Governors?

Mr. CHAMBERS. It requires a unanimous request, I believe, by the act.

Mr. OBERSTAR. Alright. That is a very significant change.

Mr. CHAMBERS. Which, if I am wrong, could probably change again.

Mr. OBERSTAR. Well, it is a very significant change, and it is the first break in that policy that I have heard.

Mr. CHAMBERS. I have conveyed this message to all of the Commissions.

Mr. OBERSTAR. That is excellent.

The Senate's bill makes some changes, or a change, I should say, in the funding of title V Commission, and there are in the Senate proposal four criteria.

Have you reviewed those, and what is your reaction? What would be the administration's position on this, on these changes?

Mr. CHAMBERS. I assume that by "the Senate's bill" you are referring to 4073, not the appropriations bill?

Mr. OBERSTAR. 4073, whichever one that is.

Mr. CHAMBERS. Right; the Appalachian Act.

Mr. OBERSTAR. Right.

Mr. CHAMBERS. The administration's position on the authorization level, I believe, will reflect that a level of authorization of \$150 million is more than adequate in light of the levels of allocation that have been made available to the program.

It is my personal opinion, as an implementer of the program, that it serves no particular purpose to raise the hopes of the various Commissions by steadily escalating levels of authorization if we can not find offsetting program dollars within the actual funds available under the President's budget to be allocated to this program.

Mr. OBERSTAR. That relates to the level of funding.

What about the allocation formulae that are established in the Senate language?

Mr. CHAMBERS. Earlier in the testimony, in my statement, I commented on the necessity of—not the necessity, but the desirability of a formula guidance, but that I hated to see the formula locked into the Congressional Act, because of the changes in the numbers of commissions, or the territories involved, or the other aspects that are bound to come up that would require modification.

Mr. OBERSTAR. Finally, you say that:

The time period which enactment of H.R. 9398 would permit should be used to more fully assess the mission and accomplishments of the Regional Commissions.

I was just astonished by that statement, frankly. I think it is unnecessary, I think that if the Department has not by this time evaluated the development plans for the title 5 Commission to have completed their plans, then it is sadly lacking in its mission, and I think that any more delay in fully implementing these commissions is simply—just can not be tolerated.

This Upper Great Lakes Regional Commission has had a 5-year development plan, completed, submitted, reviewed, and if the Department does not know now what is in that plan, then 3 more years—it isn't going to learn.

Mr. CHAMBERS. Undoubtedly my choice of words was wrong, and led you to a mistaken impression, sir.

When the plan was submitted, it was reviewed by Commerce and also by several other departments and agencies. It was submitted to the President and to the Congress. We are very cognizant of all the features in it.

The wording of the act, again, does not provide any ongoing monitoring of the effectiveness of those programs, and I would perceive this as one of its major shortcomings. I would hope to seek guidance, not only from this committee but from Congress, as to methods whereby the effect of Federal dollars could be monitored.

Mr. OBERSTAR. Who monitors Appalachia?

Mr. CHAMBERS. I don't know, sir. I really don't. As I said, my exposure to Appalachia has been superficial and social.

Mr. OBERSTAR. Thank you, Mr. Chairman. I think we have covered the ground.

Mr. ROE. We thank you very much, Mr. Secretary, for your cooperation and splendid testimony.

Mr. CHAMBERS. Thank you very much; I appreciate the chance to come and I hope that I have the opportunity to come back, because I am firmly and completely behind this program and hope that it can be implemented within the framework of the intent of this committee and Congress, and also can be made so cosmetically acceptable to the administration, so we can prove it will work.

Mr. ROE. Thank you.

Our next witness is Hon. Joseph Hoffman, New Jersey commissioner for the Department of Labor and Industry.

We welcome Mr. Hoffman of the great sovereign State of New Jersey.

If you will go ahead, Joe, and start right in with your testimony, we will proceed.

**TESTIMONY OF JOSEPH A. HOFFMAN, COMMISSIONER, NEW JERSEY
DEPARTMENT OF LABOR AND INDUSTRY**

Mr. HOFFMAN. Thank you, Mr. Chairman.

I would like to read a very brief statement and, with your indulgence, perhaps make a few observations from the—what I call the “frontlines”.

The opportunity which this committee has to take a fresh look at Federal economic development programs is of profound importance, for the Nation may be entering a new period of economic uncertainty unparalleled in the 20th century.

This new era may be marked by persistent, prolonged recession. We may no longer be able to assume that our Nation's economic activity is cyclical. Just a decade ago, Government economists announced that our labor force remained jobless. For the next decade, Government economists may be forced to accept an unemployment rate twice as high as a sign that our economy has returned to full employment levels.

New Jersey's experience may illustrate this point. We suffered severe hardship during the 1967–69 national recession, but when the Nation recovered in the early 1970's, New Jersey lagged far behind. Some 200,000 jobs lost during that recession were never replaced in the subsequent upturn, thereby swelling New Jersey's pool of workers who face permanent joblessness.

When a new recession hit the Nation last year, pushing the national unemployment rate above 8 percent, New Jersey's rate of unemployment skyrocketed to 13 percent.

No doubt, administration economists will declare the Nation's recession over when the U.S. unemployment rate drops back to 6 percent. But when that day arrives, New Jersey—and dozens of other States—will still have levels of double-digit unemployment that are wholly inconsistent with my notions of recovery and full employment.

The failure of the Nation in general, and industrial States in particular, to recover from recessions, may be traced primarily to inadequate public and private capital investment in the means of production. Antiquated factories are not being rebuilt; modern machinery is not being acquired at an acceptable pace.

Investments in infrastructure, such as roads, sewers, port facilities, and improvements to blighted land, are lagging far behind the employment needs of our people.

In short, Mr. Chairman, I am suggesting that recession may be a way of life for many of our industrial States for many years to come unless and until we devise programs to stimulate massive new capital investment.

Let me emphasize the magnitude of this challenge. In my State alone, in order to reduce our unemployment rate just to the national rate of

8 percent, would require capital spending in new business facilities, equipment, and infrastructures on the order of \$4 billion.

Your hearings, therefore, are most timely, and your decisions are most important to the national interest.

Let me offer several recommendations to this committee which I believe are responsive to the problems I have discussed.

First, I believe that Congress must redirect its spending priorities away from massive, but short-term, income-maintenance programs such as CETA and extended unemployment insurance benefits, in favor of more substantial capital investment in the means of production. Our people need jobs, not Federal wage substitutions.

You will be disappointed, I predict, if you assume that private capital markets will meet the challenge of rebuilding this Nation's economy. In this new era of prolonged stagnation, the Federal Government must assume a new responsibility for capital formation and investment.

My second recommendation is that you designate the U.S. Economic Development Administration as the chosen instrument for national job development, and that you provide this Agency with the mandate, the tenure, the legal tools—and above all, the appropriations—adequate to carry out this new mission.

My third recommendation is that you provide EDA with a specific mandate to rebuild and revitalize America's industrial areas. As you know, Mr. Chairman, Congress historically has given priority to rural economic development needs, and has responded to the needs of our industrialized States only as an afterthought. This imbalance must be redressed by the Congress.

My fourth recommendation is that, as you reshape the mission of this Agency, you write into the law provisions for comprehensive redevelopment assistance, and reject the traditional approach of categorical aid, multiplicity of titles, and restrictive terms and conditions.

The States and their political subdivisions stand ready to join with EDA in a partnership for redevelopment, but only if the Agency is equipped by this Congress to respond to our redevelopment needs flexibly, quickly, and on a comprehensive basis.

Some of our cities need massive public works; others require broad loan assistance for private rehabilitation. Many jurisdictions can provide matching funds in substantial amounts; others, which have been ravaged by this recession, cannot. We need economic development legislation that can respond to each of these needs and respond quickly.

Let me add, Mr. Chairman, that your own \$5 billion comprehensive public works legislation goes far toward achieving this objective, and I am in complete support of this measure.

My fifth and final recommendation is that, as you rewrite the broad mission of this Agency, that you not neglect to provide EDA with expanded administrative capabilities. A principal reason for the frustrating delays in obtaining EDA assistance today is the inadequate administrative budget given this Agency by Congress. The Agency's regional offices should be expanded substantially so that decision-making within the Agency can be decentralized. Congress should also provide for expanded administrative activities by the Agency within each of the 50 States. Such changes will reduce the time needed to deliver assistance to our depressed areas.

Mr. Chairman, let me conclude by expressing on behalf of our department and the people of our State a deep appreciation for the tireless efforts you and your committee are making to create employment and economic security for our people.

Mr. ROE. Thank you, Commissioner, for that splendid statement. You said you had some other comments you wished to make?

Mr. HOFFMAN. Just if I may embellish on those comments, Mr. Chairman. Contrary to what seems to be the popular party line today, the very tentative economic indicators which some people are telling us show a rebound, I think don't show any such thing.

We have definitely stopped plummeting as an economy. We have not rebounded, under any circumstances. If anything—well, one of the biggest employers over the last year were the State and local and Federal Governments. They are all cutting back.

The tentative increases in productivity that the indicators show will easily be served by the existing labor force.

What you are really seeing today is a halt to the rise of unemployment, but there is absolutely no sign that there will be an increase in employment, and to make this a short story, this recession is simply not going to end by itself.

The only way it is going to end is with significant expenditure and infusion of pump-priming moneys from the Federal Government, of course, in partnership, I think, with State and local governments.

But I believe that you have been and are on the right track with your public works bill, and I think that the people in this Congress ought to realize that without that kind of a jolt to the economy, the economy is not going to turn around, and that road back is going to be agonizingly painful for the people of this country, particularly the industrial States.

Mr. ROE. Let me ask you a question.

What is New Jersey's situation now as it relates to the unemployment compensation problem? Have you had to borrow money, too?

Mr. HOFFMAN. Yes. The unemployment compensation fund was bankrupted in January of this year; we borrowed—we borrowed \$250 million, just to get us through this year. Unquestionably, there will be more borrowing; other States have borrowed more. Eleven States have borrowed, so far, I know of—

Mr. ROE. Do you have a quantitative amount?

Mr. HOFFMAN. Off the top of my head, it is approximately a billion, or will be very soon.

I know that Pennsylvania is on the verge of borrowing. I think New York isn't too far away from borrowing.

We anticipate some 27 States will have borrowed on the unemployment compensation fund by the end of next year. Now, I know the point you are getting at—the point I have been making.

Here not only in supporting State funds, but in the extended benefits program, we are spending billions and billions of dollars today for unemployment compensation, which is good—I am not criticizing unemployment compensation; it is important to keep people's heads above water and I think it is a great hedge against depression.

But it certainly isn't a solution to our problem. The solution to the problem is jobs, and the way to achieve jobs, I think, is to marry cap-

ital investment and Federal public works with those areas that are most depressed.

Until we do that, and do it with significant amounts of money, we are going to be faced with this lagging employment picture for many years to come.

Mr. ROE. You make a profound observation in your testimony vis-a-vis the private sector, which is a popular connotation. "Let the private sector do it." And you observe that in your judgment that is not going to be workable?

Mr. HOFFMAN. I don't think there is enough private sector capital to go around without at least—at least during this crisis—without substantial Federal help, not only in terms of public works, but in terms of loan guarantees and low-interest revenue bonding and the like.

I understand the concerns of Arthur Burns, and Treasurer Simon, for the inflationary impact of spendings like these, but I think what is lacking is a balance. I think that these policies have to be selectively utilized.

For instance, public works may not be very important in Dallas, Tex.; they are damned important in Newark, because in one area you have a 5-percent unemployment rate, and in another area you have a 25-percent unemployment rate.

To induce capital investment down into those decaying areas, to arrest suburban sprawl, you have to marry public—or, private enterprise with those cities, and the way to do that, I think, is to sweeten the pot, artificially with Federal money, public works programs, public assistance programs, guaranteed loans such as we are using in our State, and low-interest revenue bond financing.

I think you can strike a balance with some of the inflationary dangers of these spending programs, if you spend selectively; in other words, spend in those areas where the problem exists, rather than across the board.

Mr. ROE. Let me ask this question; I think it might be beneficial to the other members of this committee.

One of the ongoing debates in the State of New Jersey—and not only in our State, but in most States—is the confrontation with so-called unbridled growth, which puzzles me in a way, because it seems to me that if we are going to be providing grant money at the Federal level that is only stimulating jobs and not resulting in productive jobs in effect, we are creating a sort of out-migration from the urban centers, including the jobs that go with them.

It seems to me that there ought to be some kind of a policy that starts to evolve here. What are we talking about? We are talking about growth; we are not just talking about growth across the board just to build the landscape up more. We are talking about redirecting the energies into sustaining those urban centers as best we can, with the jobs and the production facilities because if we are unable to keep the workers in the urban centers once they leave, they are not going to come back to us.

Mr. HOFFMAN. That is precisely correct, and I think our State, Mr. Chairman, is the microcosm of the world, maybe, in this problem. We face now—we have 400,000 people out of work in New Jersey. Our

labor force is constantly increasing. New Jersey has to create, before 1980, a million new jobs, just to get down—get the unemployment down to 6 percent.

Mr. ROE. Do you see that as possible?

Mr. HOFFMAN. It is possible.

Mr. ROE. How?

Mr. HOFFMAN. Let me finish the point you made.

We are presently the most densely populated State in the Union. We are suffering from suburban sprawl, and we have got to begin to think about land use. So how do we grow and how do we compensate for the other policies, such as land use, and the area—the way to do it, as you said, is to redirect that growth back into the cities, because decaying cities and suburban sprawl are really the same problem; they are one and the same problem.

If we can rehabilitate the cities, not only by social programs—we have tried that and apparently failed—to me, the way to rehabilitate the cities, as I have said before, is to remarry the cities with private enterprise, and that particular marriage is not going to be made in Heaven; it is going to be made here. You are going to have to induce industry and private capital back into the cities.

The way to do that is to—through EDA, public works, guaranteed loans, and the kinds of programs that you have been exploring and instigating here in this committee.

Mr. ROE. Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Mr. Hoffman, I think you made a very excellent statement, a very helpful statement, and in those five major suggestions that you made, I think this committee is probably in general agreement with you on them.

In the fifth one, where you are suggesting a massive restructuring in some of the programs, we might have some differences of opinion in how we go about that.

You mention marrying private capital with Government funds; of course, the purpose of this program has always been to use leverage on private capital, and I think it does a pretty good job.

If we were to develop some sort of structure which would speak to urban needs, which has been the subject of much conversation here this morning by the chairman, by Ms. Abzug, and others, do you foresee that we could develop a criteria that would give priority and consideration to tools with greater leverage on private capital?

Mr. HOFFMAN. It is conceivable. One of the points I was trying mightily to make, and maybe did not articulate well enough, was that the problems tend to be quite unique, not only from State to State, but from city to city, region to region, and the more rigid your criteria, the more unable we become to solve our problems.

Really, what I am talking about is, rather than burying the administration, the EDA, in rigid criteria, you really should think in terms of venture capital—tremendous flexibility to permit EDA to work out partnerships with local governments and State governments to try to solve problems, and the criteria should be quite general.

For example, I am chairman of New Jersey's New Economic Development Authority; we wrote the bill, and we wrote the bill from the point of making it as flexible as we could. The criteria and the standard is to create permanent employment in places of high unemployment,

and that was really as far as we went, and that has given us an ability to do all kinds of things, from starting up new factories in cities, to funding ice-skating rinks, and things like that, just to generate jobs, to generate the rippling effects of new investment in various areas.

And that is what I am suggesting, that your criteria should be quite general, that you should, I think, invest in venture capital, so that your leverage—you can leverage in one area, to a great degree, and in another area to a smaller degree. And as I mentioned in my formal testimony, some of our cities are unable to manage any kind of a grant program; they are flat broke.

Other cities can match 50–50, or even 25 percent is just fine; other cities don't even need grants. Cities in New Jersey—what they need, really, is a form of securing the financing of some of these inner-city industrial parks and projects like that, so you won't even have to talk about direct investment of capital. All you will have to worry about is fiscal protection of the investor.

Mr. HAMMERSCHMIDT. Thank you, Mr. Hoffman.

Mr. ROE. Mr. Oberstar.

Mr. OBERSTAR. Thank you very much, Mr. Chairman. I was so impressed with Mr. Hoffman's statement, I haven't planned to ask any questions until he got into his recommendations, and they are rather intriguing, and I would like to pursue a couple of items further.

Your recommendations three and four, which are very good, and I think this is the kind of thing we have tried to do with EDA—well, actually the second recommendation, and third and fourth—to give EDA the special mission as the Federal job development agency, and we have tried to give it mandates, and I think Congress is the only one that has given it tenure and the tools.

But I don't see any specifics as to how we would carry out your third and fourth recommendations, the revitalizing and rebuilding of the industrialized areas of the country.

This is a subject that has given this committee some puzzlements, as to how do we go about doing that? And now, if you make the suggestion, maybe you have some ideas on what we could do, and particularly, you say "write into the law provision for comprehensive redevelopment assistance, reject the traditional approach of categorical aid."

That sort of sounds vaguely like special or general revenue sharing, or block grants. Maybe you would like to elaborate on that.

Mr. HOFFMAN. If I may, Mr. Congressman, there are several ways. Let me give you one concrete example of how we are trying to accomplish the third and fourth recommendations.

As I said, in addition to being programmatically responsible for economic development in New Jersey, I also sit as well as the chairman of an Economic Development Authority, to finance new and expanded industry in the State.

What we are planning to do, for instance, is to finance—with EDA help—tracts of ground, tracts of land in some of our core inner-cities, where we have immense unemployment, where there hasn't been any kind of economic development in two decades.

We will go in and purchase the land; we will try to get an EDA grant to build the infrastructure for that land, the sewage, the roads and the electricity, and therefore, we can then go out and market read-

ily available, fully prepared land at very low prices, to attract private industry to build on this land, or to lease this land, and to bring jobs to this area.

Mr. OBERSTAR. If I may interrupt there, EDA calls that developing an industrial park. They do the same things—

Mr. HOFFMAN. In one way—that's a partnership way. Those are some of the things we can do.

There are, like huge buildings in some of our cities, which have been vacant for years; well-located buildings, near labor supply, near transportation, and yet we haven't been able to sell those buildings and make them useful.

We can rehabilitate those buildings, with State financing and with EDA help, and market them, and again, make them useful buildings. We have several concrete projects such as that on the drawing boards now; one in Congressman Roe's district.

But those are a few of the things we are talking about. There is also port development, in areas where the ports have disappeared for one reason or another, or have become less viable—all kinds of capital projects that you can engage in.

And the important thing is to have the flexibility, not only to just use it for public works, but to couple it with private investment, at any point in the transaction, at any point in the project, depending upon the viability of the project.

In some of our cities, we have been able, with just a little bit of State backing and revenue-bond financing, encourage huge industrial parks in some of our cities.

In others of our cities, the situation is so far gone that we have had to get—or, tried to get—major grants from EDA; we've put a lot of our own money in, a lot of our security reserves into it, just to get the thing going, but what you need is that kind of a jolt.

So you need different levels of private participation and public participation, and you need what I consider a creative approach to it.

Akin to that—and not directly then related to EDA or this committee's work, but I think right on the mark—is the fact that our tax policies are not being used today to solve our problems, and I have spoken to ways and means on this particular problem.

There is a threat, for instance, right now to do away with revenue bonding, exemptions for revenue bonding in our taxes. Now, that is alright in a rich community; it is a disaster in urban areas. What we really should do is begin to wed our tax policies to EDA development as well.

Again, sweeten the pot; let's say, a credit against corporate income tax for anybody who hires unemployed people in an area of a very high unemployment, or lifting the \$5 million exemption for low-interest financing in areas of high unemployment. There has to be combinations of things like that, I think, to solve these problems.

Mr. OBERSTAR. If in an urban area a shopping center were the thing that would really stimulate local growth, a shopping center with large department stores, and with small retail shops and restaurants and so on, would you favor that as a kind of activity for EDA to engage in financing?

Mr. HOFFMAN. Yes. What I was getting at—in some areas a shopping center would be the exact wrong thing; you would want heavv

industry. In other areas a shopping center would be an ideal approach. Or, the rehabilitation of a shopping center that has been going downhill for 5 or 10 years, which we see in our State in many of our suburban areas.

Mr. ROE. Will the gentleman yield on that point?

In effect, what we are faced with in these urban States is that we are forced to deal continuously with crisis situations. I don't mean just one a month; I mean four or five a day in a State such as ours—business collapsing, going bankrupt, et cetera, where just the smallest bit of help would have saved them.

Insofar as the urban centers are concerned, the current EDA law is in effect, oriented toward putting out brush fires. The economic holocausts in the urban centers are more than brush fires; they are catastrophic, to the tune of 2,000 to 3,000 employees in cities where that is the whole base, and this doesn't happen just once a month—it happens regularly every day. This is the order of magnitude of the severity of the situation we are talking about.

For example, 55 percent of the wage earners in the city of Paterson right now—which is the largest city in my district—are receiving some type of Federal or State aid—welfare or unemployment compensation, or a combination of some social security, food stamps, or other assistance—and the enormity of the drain that is taking place out of both State and Federal treasuries, is just unanswerable.

We are precluded in the urban States from participating in full measure of dynamics that this legislation provides, or the title V Regional Commissions, or the Appalachian Regional Development Commission provides, and the only way we are going to be able to participate is to open up this legislation and establish, in effect, urban economic development growth districts.

Let's assume hypothetically—if we were to mandate an “urban aid” section in this legislation whereby every city of 50,000 or more could establish an economic development district but still hold the criteria of eligibility the Secretary was talking about this morning in the State of New Jersey, for example you may have 20 or 30 districts that would be established—providing an ongoing, viable element to develop an overall economic policy in urban centers not just dealing from crisis to crisis—does that make sense?

Mr. HOFFMAN. It does.

Mr. ROE. And it seems to me you would also be in a position where some of the funds would be utilized throughout the Nation where they are needed the most.

There are 229 million people to help and a trillion-dollar economy to resolve, getting back to the fundamental point that if this legislation is going to be viable, then it cannot be a reactionary piece of legislation; it has to be an action piece of legislation, so that we can move down the road with dispatch.

So in effect what we are trying to achieve is some kind of a mechanism that is not complex and will not require 25 or 2,500 regulations to make it work so that the States can help themselves with some kind of an on-going economic development program.

And let me be candid about one other point. I don't fault those Governors of the title IV regions for rushing into the vacuum and tacking themselves onto the Appalachian program; I can't fault them

because they are looking for fair and equitable treatment under the law.

If we could develop the urban aspect economic development and revise the title V section of this legislation with adequate funding, we would be responding to the needs of our people.

It is just sheer nonsense for us to be spending billions of dollars in CETA and making new jobs that are not going anywhere. That is the thrust of your testimony, I take it.

Mr. HOFFMAN. Yes, Mr. Chairman.

Mr. ROE. Mr. Oberstar.

Mr. OBERSTAR. I agree with the Chair on that viewpoint. I think that there is obviously a need in the urban areas, and that need requires some additional management tools, and if we can provide those through legislation, I think we should.

Our concern in the past has been that, you know, we from the rural areas—and mine is a mixture of rural and urban and suburban territory—have been concerned in the past that the effort to expand EDA to the center cities has been simply to extend that authority, and not to provide any additional funding.

Of course, administration after administration has proposed extension-plus additional funding. So we have got to find a way to do those things.

And finally, if I might suggest to the Chair, the usefulness of what we sometimes call field hearings, where we would take this committee out to urban areas—which you could hardly call “field” in the strict sense of that word—and look at some of the problem areas, such as Mr. Hoffman is describing, and get a better idea of what we ought to do with the EDA program and how better to shape it to be responsive to those needs.

There are many questions that I could ask that would get into a good deal of specifics and mechanics of how we would go about this, but I think those questions would be better reserved for such hearings, if we could look to doing that kind of thing.

Mr. ROE. Yes, we have talked about that.

Mr. HOFFMAN. I think we could find a field in New Jersey for this committee.

Mr. ROE. Mr. Nowak.

Mr. NOWAK. Thank you, very much.

Mr. Hoffman, I wonder if I could address this comment? You make reference to the need for industrial States to have some way to attract—whether it is an industrial park or whatever—back into the cities, and I am wondering what, in your opinion, will make it attractive for the managers of corporations to come back into a very highly urbanized area, which is surrounded by deterioration?

Mr. HOFFMAN. It is a complex question. I can answer it for my own State.

We are really dealing in this with something that is quite possible. It is just that we have not had the momentum, the will and the proper planning to accomplish it.

Now take New Jersey cities; New Jersey cities, since they were the beginning of the industrial revolution—Paterson is the birthplace of the industrial revolution; it was Alexander Hamilton's city and he financed the first cotton factory—textile factory in Paterson.

Since we really were the first highly industrialized State, our cities began to decay as one of the first States to begin to decay; obsolescence began before anybody else's did.

With the same token, New Jersey's excellent location still is there; we are still the center of the greatest market. As we say in New Jersey, we are an overnight truck drive from one-third of the purchasing power in the United States, which is the truth, and we are sandwiched between the two largest ports in the United States in terms of tonnage. And we have a huge, well-trained labor force, a good educational system; there are many ways you can attract businesses back into those cities.

They were the greatest centers of commerce in America for many years, and it is the same in many of our other cities throughout the United States. They were, and there is no reason why they can not be again, with the proper planning, with the proper techniques and the proper fiscal support.

What you need, though—you have had a drift for the last three decades, out of the cities, and into the suburbs, and I think that drift, to some extent, has been good, and that it has created a dispersal of the population, which is not a bad thing.

But there is a point where that becomes a danger, and it is becoming a danger today, for a variety of reasons. One: we have to begin to think about the food chain, conserve agricultural land; we need recreational land—there are too many outward pressures. What we have to do is redirect those pressures back inward, and it is something that is not impossible at all.

If you look at those cities today, in the physical plant, you say it is impossible, they are wastelands. They are crime-infested, they're old and obsolescent. But the answer to that is money.

You clear that away and you put up brand new factories, and make industrial parks attractive, and with the energy crisis and transportation costs, which are all disadvantages to suburban sprawl, you have all kinds of incentives for rebuilding your cities.

What you need is the will and the capital.

Mr. NOWAK. The points that you raise here are certainly well taken. I can agree completely with everything you said, although to the degree to which I believe it can be done, I am just pessimistic, because of the level of funding that we have to work with, primarily, and secondarily, the attitude of the administration on looking at this problem and trying to redirect that.

I think we have made it very attractive for industry to move out from the inner city, move out into the suburbs, and that doesn't even nearly approach the problem of how attractive the Congress had made industrial movement out of the country, and the capital that has flowed out of the country.

You have made a statement here that private industry can't do it, or won't do it alone, and we need this Agency to form that seed money. I would just like to make the comment that according to some statistics I received from the Library of Congress, we have had an outgo of approximately \$100 billion in capital—production capital—outside of the country, for various reasons.

I think many of those reasons stem from laws that have been made right here in the Congress.

So we are trying, as you are suggesting here, to redirect this, and if we don't make it as attractive for them to go overseas, certainly that should be a natural goal. Now, should we come one step further and should we make it more attractive for them to come back into the cities, and combined with everything we can do to stimulate that, in the initial phasing of it, make it attractive for those managers to re-establish themselves in our cities, where most of our labor force, or at least the lower part of our labor force, is located.

But I just don't know how to do that. Even if you build, and even if you can provide enough Federal dollars to provide the sewage, the utilities that are needed for an industrial park in the clear areas, what other incentives can we give?

I put in a bill to increase the investment tax credit to 15 percent for industrialization in urban areas that had not existed before. I think that is one way, but I am wondering if, in your experience, you have found that there are other attractions that perhaps we have missed here?

Mr. HOFFMAN. I certainly agree with you. I think tax incentives is another major attraction; the 15-percent tax credit, low-interest loans—unlimited low-interest loans from revenue bond financing in urban areas—would be another thing.

Our authority right now is faced with an Internal Revenue stricture that we can only finance a project through our revenue bond capacity which costs no more than \$5 million. Now, all of us who know anything about business today know that \$5 million is a drop in the bucket. It is not much at all.

If we could lift that \$5 million limitation, only in the urban areas, or only in areas where you, say, have 8 or 9 percent unemployment for a—for protracted periods of time, or we'd even do it in rural areas, if necessary, where unemployment is the key—that would go a long way toward attracting industry, and you might consider credits against the corporate income tax for hiring unemployed people.

All of these would attract people, especially labor-intensive industries where there would be an immediate writeoff, a credit, money which could be plowed back into the credit markets, and the impetus for that money would be hiring people from the job service, for instance, and for every one person you would get x amount off your corporate tax.

So I think a policy of tax inducements to attract industry into the cities, a flexible policy through the EDA, that would go a long way, and we would have to think of public works.

A good example, for instance, is in Jersey City; we have for years tried to build Liberty Park, on the waterfront in Jersey City. Here is a huge piece of vacant, dead land, right across from Manhattan Island, 150 yards behind the Statue of Liberty; a magnificent spot for a park, with 1976 coming up.

And we have been trying for years to get that one off the ground, to get some Federal money and some State money, and local money, combined; Jersey City has a 24-percent unemployment rate, it is going bankrupt, it has had to add a payroll tax to support its own police and fire protection. They certainly can't do it.

The States can help a little but not a lot. Our State just does not have that much money, with a 13-percent unemployment rate, and all those other problems.

But if we could build that area into a park, and into a townhouse development, and a patriotic park, and an industrial park behind it; those kinds of things would be bringing people back into the city—the esthetics of it that are so important.

So I think it is a combination of public works, EDA-type seed money, and fiscal security for loans, a tax program—all of those things can help.

And even the crime problem in the cities; I don't think the Justice Department or the Federal Government spends nearly enough time on the problem of crime in the streets in the cities, and that of course has a tremendous economic impact. People forget that; when you are trying to locate a firm in the city, that is one of the major things that deters the investors.

And the Justice Department, I don't think, has really given priority attention to the violence in the streets. They are too much concerned with white-collar crime, which is, too, a problem, but it certainly is not the immense impact problem that we find in the streets.

So I think what we really have to do is look at the whole structure of Federal Government, local government, to solve the urban problem, and as people are now beginning to realize from the rural areas, they are not going to solve the rural problems without first solving the urban problems.

Mr. NOWAK. I certainly want to compliment you on your testimony. I think it has been of great value to us, and you have certainly a well-rounded background in these matters.

Thank you very much.

Mr. ROE. Thank you very much, Mr. Hoffman; it has been a pleasure to have you with us, and we will do our very best to see what we can do to help.

Now, we all have a problem of time.

It is now 2:45: the next witness is Hon. Albert Hofstede, mayor of Minneapolis, Minn., who is also a representative of the U.S. Conference of Mayors and the National League of Cities.

We do not wish to cut anyone off; I would stay here all night if you want to, but I would suggest that perhaps what we should do is summarize prepared statements because there are witnesses that are trying to make their travel connections, and so forth.

We can then use the time most effectively in questions and answers. So if the good mayor would be kind enough to join us with his colleagues. We want to welcome you, Mister Mayor, and we will be interested in hearing what your observations are.

The full text of your prepared statement will appear in the record at this point.

[The statement referred to follows:]

STATEMENT OF HON. ALBERT HOFSTED, MAYOR OF MINNEAPOLIS, MINN., ON BEHALF OF THE U.S. CONFERENCE OF MAYORS AND THE NATIONAL LEAGUE OF CITIES

Mr. Chairman, Members of the Committee. I am Albert Hofstede, Mayor of Minneapolis, Minnesota. I welcome this opportunity to comment on the importance of federal economic development assistance for the nation's cities. I am here today representing the United States Conference of Mayors and the National League of Cities, as well as my own city.

The U.S. Conference of Mayors is the national spokesman for Mayors of virtually all cities with population in excess of 30,000. The National League

of Cities is the national representative for approximately 15,000 municipal governments in all fifty states and Puerto Rico. We have been pleased to work with this Committee over the years on economic development legislation. You will recall that cities were in the vanguard of the proponents of the Area Re-development Act, the Accelerated Public Works Act, and the Economic Development Act. We have consistently supported comprehensive economic development assistance to local governments as well as specific aid for the construction of needed public works projects.

Both organizations have policy which calls for a strong federal commitment to urban economic development as one very important ingredient of a national strategy to ensure the vitality of the nation's economy. The continued economic development of our cities is critical to the health of the country. Urban communities offer the potential economic benefits of large labor pools, existing plants and infrastructure, economies of scale, energy-efficient transportation systems and concentrated development which this country cannot afford to waste. However, urban areas have for the past quarter century experienced severe economic distress typified by high unemployment, poverty, shrinking economic bases needed for jobs and revenues, and physical deterioration. Very few of our cities can claim that they are suffering from at least one of these ills.

I believe we have arrived at this state of affairs because of a series of policies—some inadvertent, some deliberate, but all uncoordinated—at the federal, state, and local levels. The Federal government must take the major responsibility for the current state of our cities, marked by severe economic distress and high unemployment. These conditions result in large part from federal economic policies. While the management of our economy is a recognized Federal concern, it must be remembered that the results of Federal policy, and more specifically, the results of Federal mismanagement, are felt first and hardest in our cities and other local governments. In addition, the Federal government has for a long time, supported a set of policies; including tax provisions and mortgage insurance arrangements favoring home ownership, federal highway construction programs, utility expansion programs, and the like; which have sustained and supported the so-called flight to the suburbs.

At the State and local level policies which take resources out of the city without replacing them with State aids, regulations which limit local revenue to the property tax, and tax competition between local governments have all worked against the preservation and development of our cities.

Such a set of policies which collectively encourage the dispersal of economic activity, duplication of investment in infrastructure, and allow the deterioration of already existing resource efficient investment in our cities is absurd. The encouragement of mis-use and over-consumption and the discouragement of rehabilitation and conservation has never been sound, rational policy even in the best of times. But, in a period of economic scarcity and inflation coupled with recession such as now, such a policy is shameful and must not be tolerated.

Mayors and other local elected officials have been stating this for some time before Congressional committees, Presidents and their administrations, federal agencies, state governments, and a variety of other groups. But, apparently our message has not been clearly received. Of necessity, therefore, our voices have become much more strident because the chronic urban crisis has worsened significantly as a result of the current national recession.

I am sure you are aware that the economic ills of our cities are at intolerable levels. The combined forces of inflation and recession have taken and continue to take a devastating toll on our residents and on local government, itself. Levels of unemployment are well above the national average with pockets of extreme poverty and unemployment—New York—11%, Detroit—21.8%, Los Angeles—11.1%, Phoenix—10.7%, Cleveland—10.0%, Atlanta—13.2%, and my own city of Minneapolis—8.6%. Rates of inflation in the public sector, perhaps at least 50% higher than inflation measured by the Consumer Price Index, have ravaged local city budgets. Energy costs and costs of both labor and materials have soared with no relief in sight while our sources of revenue have remained relatively constant or, in a great many cases, fallen off sharply. City governments are faced with the unpalatable choices of cutting essential city services (primarily through layoffs of personnel), raising local taxes, and/or delaying or eliminating necessary capital improvements in order to balance their budgets. The irony of it all, of course, is that all of these actions we are being forced to take at the local level run counter to and dilute the effects of the recent stimulative actions of the Federal government such as the recent tax cut and the

provision of emergency public employment. What payoff is there in decreasing a person's withholding tax when local governments are being forced to add dollars to that very person's property tax bill? Many cities are receiving national public service jobs funds to provide temporary city government employment for the unemployed while, at the same time, they are laying off experienced, permanent civil service workers.

We must all play a part in reversing these policies because we all had a part in creating them. I have heard too many times that it is up to the local governments to deal with these issues—or that we at the local level have not done enough.

I would like to cite a few examples from my own city and state in order to illustrate what has been going on at the local level. Minneapolis has a strong reputation as a progressive, creative city. I think we represent one of the many cities which have taken steps to avoid some of the more serious problems of the current economic situation. We still have real problems, however, and we feel it is time for the Federal government to take responsibility for its share of the problems it helped create.

We found ourselves, particularly after the 1970 HUD moratorium on Urban Renewal funding, with major development programs started for which there were no longer adequate funds. It was at this point that we felt it was necessary to initiate what we believe are innovated local and state actions that not only meet our immediate needs but which, more importantly, create consistent long-range policies for balanced and integrated development at the local level.

Our thrust for local development has involved the following basic programs:

A metropolitan area tax base sharing system which I helped initiate while I was Chairman of our Metropolitan Council.

The use of what we call tax increment financing for industrial commercial development in urban renewal and other low tax base areas.

Increase coordination among the local housing redevelopment authority, the Minneapolis Industrial Development Commission and the City Coordinator's office for marketing vacant industrial land.

The use of industrial development revenue bonds to acquire and market industrial commercial sites.

The limited use of Community Development funds as seed money for Community Development corporations. (While Community Development funds are very limited we have always felt that community development and economic development must be tied together. That is why we have tried to set aside some monies for this purpose each year.)

The successful development of a city-legislative strategy in 1974-75 for property tax relief that will help us stabilize city property taxes.

A local, not federal, housing program involving urban homesteading, low interest loans and grants for rehabilitation, a home-ownership program, and a spot renewal program which I might add we have done with the direct support and involvement of our local bank.

Despite all of these efforts we are still experiencing business and residential migration out of the city. This April, the Minneapolis-St. Paul area was added to the Department of Labor's list of areas with substantial unemployment. Inflation has cut into our ability to provide necessary services. In fact, we were forced to cut back on snowplowing operations last winter. In Minneapolis that kind of a curtailment in services is serious business. City budget hearings for 1975 are now going on in Minneapolis. At every hearing we hear the same thing—inflation has forced the cost of city services steadily upward. The prices of most materials which we buy have increased far beyond the national inflation rate—some materials have increased well over 100%.

While there may be a difference in severity, we in Minneapolis share the same problems faced by other cities. We are straining our local capacity to rejuvenate and maintain the local economy. Our needs are increasing while resources diminish. Yet, we cannot ask Minneapolis citizens to shoulder additional tax burdens. Too many of our citizens simply do not have the means to do this. Nor can we continue to drive middle class families to the suburbs with ever increasing tax bills. That is why we have committed ourselves to reducing property taxes this year. I firmly believe that concentrated attention must be given to the needs of the nation's cities. We at the local level have done our part and we can no longer stand by and watch our local efforts undercut by the vagaries and inconsistencies of Federal policies.

I hasten to point out that we strongly support those measures already enacted by the Federal government such as tax reductions and rebates to individuals

and extended and expanded unemployment benefits. But it is becoming increasingly clear that additional programs must be enacted to ensure economic recovery throughout the country.

We have now reached the point where the recession is feeding upon itself. We, at the local level, are finding that greater and greater demands are being placed upon the public sector, especially upon local governments, as economic activity continues to be depressed and unemployment persists at intolerable levels. But, as recent studies such as the Joint Economic Committee study of state and local fiscal conditions, the National League of Cities survey of 67 cities, and the U.S. Conference of Mayors' survey of 50 cities point out, the fiscal capacity of local governments is declining at the very time that public demands are on the rise. According to the Joint Economic Committee study, state and local governments have lost over \$20 billion in revenues this year due to the recession. This has obviously precipitated significant budget adjustments by local government. Our cities will enact an estimated \$1.5 billion in new taxes and will reduce expenditures by approximately \$1.4 billion. This is a total of approximately \$3 billion being taken out of the economy by local government, alone, right in the middle of the worst recession since the 30's.

As a result of these problems and because our cities have done and are continuing to do their share, the United States Conference of Mayors and the National League of Cities advocate a Federal urban economic recovery program. Immediate enactment of these measures together with the immediate re-enactment of the general revenue sharing program is necessary to ensure the economic recovery of the nation's cities. The three emergency measures are: accelerated public works together with a more urban-oriented economic development assistance program, emergency fiscal assistance to local governments, and expansion of the public sector jobs program. As you can see, we support economic development assistance—the continuation of which is the issue before us today—as a vital element of a national recovery program. However, it is an *element*, not a complete program. It is naive to assume that any one of these measures, by itself, could sufficiently stimulate the national economy to turn it around. An effective anti-recession strategy must have in place and operating concurrently a program aimed at mitigating the impact of unemployment on workers, a program aimed at mitigating the impact of inflation and recession on city budgets, and a program aimed at mitigating the impact of the recession on public works and economic development activities. Because these three programs are so essential to local government, I will highlight each beginning with the issue before this Committee—economic development assistance.

As I mentioned earlier, cities were early proponents of the Public Works and Economic Development Act of 1965 and have consistently supported comprehensive economic development assistance to local governments. The Economic Development Administration, by targeting assistance to economically depressed areas, has played a major role in supporting local economic development programs. The new elements incorporated in the 1974 Amendments to the Public Works and Economic Development Act provides EDA with additional tools needed to provide the necessary assistance. I am referring to: provision of lease guarantees in Title II; provision of planning funds for localities in Title III; transfer of Title I Redevelopment Areas to Title IV designation; and, the economic adjustment program provided for in Title IX to assist states and localities suffering from severe economic dislocation. The U.S. Conference of Mayors and the National League of Cities strongly support the three-year extension of the program. But, despite the significant role EDA has played in the past in assisting certain depressed areas and despite the fact that it does now possess many of the necessary tools to do battle with the economic ills ravaging this country we have some major criticisms of the program.

Various proposals abound for providing financial assistance to distressed local economies but they forget that an agency already has been designated as the principal vehicle for carrying out federal economic development assistance to localities—the Economic Development Administration. The major problem with EDA is that it has been and continues to be grossly underfunded. For FY '75, Congress saw fit to appropriate only in the neighborhood of \$330 million, this during a period of severe economic crisis, while other federal programs were funded at much higher levels. This amount is hardly sufficient to meet the needs of the urban areas let alone the entire nation.

In my view, the responsibility rests with Congress to recognize the crucial role that targeted local economic development plays in building and maintaining

a sound domestic economy and to meet that responsibility by appropriating sufficient funds to do the job. The tools are there—the resources are not. That is why the U.S. Conference of Mayors, at its 43rd Annual Meeting in July of this year, called for the permanent funding level for EDA to be substantially increased commensurate with its responsibilities, including an appropriation level in FY '76 of at least \$1 billion.

A second major problem with the present EDA program is its heavy emphasis on assistance to rural areas. Through FY '74, EDA has allocated approximately three-quarters of its resources to non-SMSA areas and only one-quarter to projects and programs located with SMSAs. The proportion of funding to the economically destitute central cities is, then, an even smaller proportion. Minneapolis has never been a recipient of EDA assistance. The formula criteria for the designation of an EDA Redevelopment area excludes Minneapolis despite the relatively high unemployment rate in major portions of our city. For all practical purposes, there are no Federal funds available for business loans, technical assistance, or economic planning in Minneapolis. The SBA has told us they don't have any money, HUD has told us that Community Development funds cannot be used for this purpose and, as I said, EDA assistance is out of reach. No matter the historical reasons for such a maldistribution of funds, it must be pointed out that all depressed areas, including urban centers, need help. More than seven out of every ten persons in this country reside in urban areas. The present recession is an urban recession. The extremely high unemployment levels in this country are those in the urban centers. Economic adjustment problems abound in our cities. Substantial federal investment in urban economic development is not an act of charity but a rational policy to treat the ailments we are suffering.

I have already mentioned the fact that cities offer many potential economic benefits such as large labor pools, existing infrastructure, resource-efficient transportation systems. In the transition to a resource-conservative society, cities offer the best return on the dollars invested. But, the urgency of this investment cannot be stressed enough. Our cities must be in a position to compete for and attract future market activity as the nation moves out of the present recession. That is why the National League of Cities and the U.S. Conference of Mayors have been strong supporters of an accelerated public works program, an issue which this Committee is handling at the present time. Such a program would provide assistance to build and/or improve the infrastructure necessary for a healthy and growing urban economy and, at the same time, increase local employment. Federal economic development assistance is needed to compliment this public works effort, however, to insure the long-term improvement of local economies. The EDA program must place a substantially greater emphasis on assistance to urban areas. The United States Conference of Mayors calls for 50 percent of EDA funds appropriated be direct to central city areas.

Along this line, I believe there is in front of this Committee an amendment to the current Title IX—Special Economic Development and Adjustment Assistance which would expand eligibility to include areas suffering from long-term economic deterioration such as higher-than-national rates of unemployment for at least 6 months, fifteen or greater per cent of the population below the defined poverty levels and erosion of the local tax base. Moreover, the amendment stipulates that at least 25 percent of the appropriated funds of Title IX must go to such areas. I strongly support such an amendment because many of our cities would then be eligible to receive targeted assistance.

We earnestly hope the Committee will look carefully at our recommendations for increased appropriations and greater emphasis on assistance to urban areas during its present deliberations on EDA. Public investment in urban economic development is essential to restoring the economic health of our nation.

Before concluding, I should like to briefly highlight the two other anti-recession measures we endorse as essential elements of a recovery strategy. Emergency fiscal assistance to those states and cities hardest hit by recession has been a top priority of the U.S. Conference of Mayors and the National League of Cities this year. We were indeed pleased to see this issue receive the strong support of the Senate when it recently amended S. 1587, the Public Works Employment Act of 1975, to include a title which provides emergency aid to state and local governments which are suffering the most from the recession. This measure meets virtually every criterion of a sound anti-recession policy. First, authorized monies get out into the economy quickly, providing a quick stimulative impact. Second, the program shuts off when the recession has subsided so it would not contribute to a revival of inflationary pressures. Third, the

assistance provided is very selectively targeted, reaching only those places severely affected by the recession i.e., those places having rates of unemployment at or above 6 per cent. Finally, and perhaps most importantly, this program strengthens the hand of the Federal government in dealing with the recession, by helping to prevent state and local governments from taking budgetary actions which undercut Federal efforts to stimulate the economy.

The emergency fiscal assistance measure is a logical complement to a public works approach. For that reason, we supported amending the Senate public works measure to include it. Complete recovery from the recession is projected to be slow, with high unemployment persisting well into the second half of the decade. A solid anti-recession program, therefore, should be one with both immediate and long-range impact, aimed at both the private and public sectors. The Public Works Employment Act of 1975, as passed by the Senate, is a splendid example of just such blending of Federal programs.

Finally, the anti-recession package passed by the Senate is within the spending ceiling set by the First Concurrent Budget Resolution for programs of this type. We look forward to this Committee's support, and the support of the rest of the House of Representatives, of this measure as passed by the Senate.

The final element in our anti-recession strategy is a substantially expanded public sector jobs program. As stated often throughout this testimony, unemployment levels have reached crisis proportions in many cities as a result of the recession and they are projected to remain at abnormally high levels for at least the next five years. The current funding for public service employment is woefully inadequate in addressing the unmet public service needs of this country. Both the U.S. Conference of Mayors and the National League of Cities has, for some years, called for 1 million public service jobs. Yet, during this present period of economic crisis, Congress has appropriated only enough funds to create less than half of this number—approximately 350,000 positions. The achievement of a full employment economy should be one of our national objectives. We hope that the Congress and the President undertake such actions as are necessary to achieve this objective over the next ten years.

Let me conclude my remarks today by again commending the Committee and its Chairman, Congressman Roe, for its outstanding leadership in the areas of economic development assistance and, as recently demonstrated, in the areas of accelerated public works legislation. The issue you have under consideration today has our support as one major component of a Federal economic recovery program. We hope that the Committee will move decisively in the coming weeks to insure speedy enactment of this legislation as well as the public works measure. I sincerely hope that the final legislative packages will reflect the suggestions and recommendations I have expressed today. Thank you.

TESTIMONY OF HON. ALBERT J. HOFSTEDE, MAYOR, MINNEAPOLIS, MINN.

Mayor HOFSTEDE. Mr. Chairman and members of the committee, I am Albert Hofstede, mayor of Minneapolis, Minn.

I welcome this opportunity to comment on the importance of Federal economic development assistance to major cities.

I am here today representing the U.S. Conference of Mayors and the National League of Cities, as well as my own city. Both of these organizations have called for a strong Federal commitment to urban economic development as one very important ingredient in national strategy to insure the vitality of the Nation's economy.

I personally believe that continued development—economic development of our cities is critical to the health of the total economy of the Nation.

Our urban areas have for the past quarter century experienced severe economic distress, typified by high economic—high unemployment, poverty, shrinking economic base needed for jobs and revenue and physical deterioration.

I believe we have arrived at this state of affairs because of a series of policies, some inadvertent, some deliberate, but all uncoordinated, at the Federal, State, and local levels.

The Federal Government must take the major responsibility for the current state of our cities, marked by severe economic distress and high unemployment. While the management of our economy is a recognized Federal concern, it must be remembered that the results of Federal economic policy, and more specifically, the results of Federal mismanagement, are felt first and hardest in our cities and in our local governments.

These policies, in conjunction with Federal development programs, and State and local tax policies, have sustained and supported the so-called flight to the suburbs. We must all play a part in reversing these policies, since we all had a part in creating them.

I have heard too many times that it is up to the local government to deal with these issues, or that we at the local levels haven't done enough.

I would like to cite a few examples in my own city and State as an—in order to illustrate what has been going on at the local level.

Minneapolis has a strong reputation as a progressive, creative city. I think we represent one of the many cities which have taken steps to avoid some of the more serious problems in the current economic situation. We still have real problems, however, and we feel it is time for the Federal Government to take responsibility for a fair share of them.

In order to address these problems, we have initiated what we believe an innovative local and State action that not only meets our immediate needs, but which will more importantly create consistent long-range policies for balanced and integrated development at the local level.

Our thrust for our local development has involved the following basic programs:

A metropolitan area tax-base sharing system, which I helped and supported while I was chairman of the Metropolitan Council.

The use of what we call tax-increment financing for industrial-commercial financing for urban renewal of a low-tax base area.

Increased coordination among the local housing and development authorities, Minneapolis Development Commission, and the City Coordinator's office for marketing vacant industrial lands.

The use of industrial development revenue bonds for acquiring industrial sites.

The limited use of community development funds as seed money for a community development corporation, and I might add, community development funds are very limited; we have always felt that community development and economic development must be tied together. This is why we have tried to set aside some moneys for this purpose each year.

The successful development of a city legislative strategy in 1974-75 which will help us stabilize property taxes and lastly, a local-run Federal housing program involving a homeownership program and a spot renewal program, which I might add, we have done with the direct support and involvement of our local banks.

In spite of all these efforts, we are still experiencing business and residential migration out of the city. Furthermore, in April, the Minneapolis-St. Paul area was added to the Department of Labor list of areas with substantial unemployment. Inflation has cut into our ability to provide necessary municipal services; in fact, we were faced with—we were forced to cut back on our snowplowing operations last winter, and in Minneapolis, that kind of curtailment of services is very serious business.

City budget hearings for 1975 are going on right now in Minneapolis. At every hearing we hear the same thing: inflation has forced the cost of city services steadily upward. Prices of most materials have increased far beyond the national inflation rate—some materials well over 100 percent.

While the severity of these problems may vary from city to city, they are still the same problems. We are straining our local capacities to rejuvenate and maintain the local economies. Needs are increasing while the resources are diminishing.

Yet we can not ask Minneapolis citizens to shoulder additional tax burdens. Many of our citizens simply do not have the means to do this, nor can we continue to divert and drive middle-class families to the suburbs with ever-increasing tax bills.

I firmly believe that concentrated Federal attention must be given to the needs of the Nation's cities; we can no longer stand by and watch our local efforts undercut by the inconsistencies of Federal policies.

As a result of these problems, and because our cities have done, and continue to do, their share, the U.S. Conference of Mayors and the National League of Cities advocate a Federal urban economic recovery program consisting of three essential elements.

First, an accelerated public works program, together with a more urban-oriented economic development assistance program.

Second, emergency fiscal assistance for local governments.

And third, the expansion of public sector jobs programs.

It is naive to assume that any one of these measures by itself could actually turn the national economy around. Allow me to quote from a recent study prepared by your own Congressional Budget Office:

Because anti-recession policy has many objectives stimulating demand in the private sector, putting unemployed and discouraged workers back to work, and insuring the financial viability of state and local governments, to name a few, it is doubtful that a single program would be very effective in achieving them all. One program may be more efficient in solving some problems than others, and a combination of programs may be the most effective way to mitigate the adverse effects of the recession.

Cities were early proponents of the Public Works and Economic Development Acts of 1965, and have consistently supported comprehensive economic development assistance for local governments.

The new elements incorporated in the 1974 amendments to the Public Works and Economic Development Acts provide EDA additional tools needed to provide the necessary assistance.

The major problem with EDA is that it was then and continues to be grossly underfunded. For fiscal 1975, Congress saw fit to appropriate only about \$330 million, while other Federal programs were funded at a much higher level.

The U.S. Conference of Mayors, at its 43d annual meeting, in July of this year, felt that the permanent funding level for EDA should

be substantially increased, commensurate with its responsibilities, including an appropriation level for fiscal year 1976 of at least \$1 billion.

The second major problem with the present EDA program is its heavy emphasis on assistance to rural areas. For fiscal year 1974—EDA has allocated approximately three-quarters of its resources to non-SMSA areas, and only one-quarter for projects and programs located within SMSA's.

We are particularly concerned about EDA's designation criteria, because EDA—because Minneapolis itself has never been a recipient of EDA assistance. The formula criteria for the designation of EDA development areas excludes Minneapolis despite the relatively high unemployment rates in major portions of our city.

For all practical purposes, there are no Federal funds available for business loans, technical assistance, or development planning in Minneapolis. The SBA has told us they don't have any money; HUD has told us that community development and revenue-sharing funds cannot be used for this purpose, and as I said, EDA assistance is out of reach.

The EDA program must place a substantially greater emphasis on assistance to urban areas. The U.S. Conference of Mayors called for 50 percent in EDA funds appropriated to be directed to the central city area.

Before concluding, I would like to briefly highlight two other anti-recession measures we endorsed as essential elements of a recovery strategy.

Emergency fiscal assistance for those cities and States hardest hit by the recession has been a top priority of the U.S. Conference of Mayors and the National League of Cities this year. The emergency fiscal assistance measure is a logical complement to a public works approach.

For that reason we supported the many Senate public works measures which include it.

The final element in our antirecession strategy is a substantially expanded public sector jobs program. Current funds for public service employment are woefully inadequate to address the unmet public service needs of this country.

The achievement of a full-employment economy should be one of our national objectives; we hope that the Congress and the President undertake such action as are necessary to achieve this objective within and over the next few years.

Let me conclude my remarks today by again commending this committee, the chairman, Congressman Roe, for its outstanding leadership in the areas of economic development assistance as I recently demonstrated, in the area of accelerated public works legislation.

The issues you have under consideration today have importance as one major component of a Federal economic recovery program. We hope that the committee will move decisively in the coming weeks to insure immediate enactment of this legislation as well as the public works measures.

I sincerely hope the final legislation package will reflect the suggestions and recommendations I have stressed here today.

Thank you very much, Mr. Chairman.

Mr. ROE. Thank you, Mayor. You have given us a splendid statement and it pretty well sums up what the situation is in our urban areas.

If this bill were enacted into law as written by our committee, we would be achieving what we would like to accomplish based on the testimony we have received. There are elements of this legislation that have been made in the Senate which have confused the issue, to say the least.

We are now on the trail of getting resolved that part of this EDA legislation that we can from our point of view and other members of this committee, and with the help of the rural people, who have been thrust into establishing economic policy in the rural areas of our Nation.

There is an element known as the consent of the governed, and you and I both know, having run for public office, that if 1 more than 50 disagree with you, then you had better go look for another job.

We frankly need help. We don't expect or hope to achieve a resolution of all of our problems with this piece of legislation at this time, but we have got to have more than lipservice. When we get to the floor, we are going to need help.

There are people who disagree with us. I don't mean to affront my colleagues, but the administration just does not believe that we should be expending public funds, practically in any degree, to resurrect our economy, because they contend that three months down the line, everything is going to be alright. I have a different belief.

So, that is our position at the moment.

I would now defer to Ms. Abzug.

Ms. ABZUG. I want to thank you very much for your testimony.

You know, we have been struggling with this economic development concept for quite a while, and last year we passed a rather limited bill with some modifications; most of us on the committee, I think, were a bit unhappy with it.

We dealt with the situation, trying to get something at least continued, if not significantly, hoping that then we could make some amendments, and deal effectively with the continuing problems of the economic recession.

Your points, of course, are very valid. We tried, as was pointed out by my colleague, Mr. Hammerschmidt, back in 1970 to expand the economic development program to go beyond rural areas and to develop certain provisions over the years, with the help of the Conference of Mayors and the League of Cities, and other outstanding people who will be testifying after you here on economic development; we find an urban area for economic activity, and in a sense, I think we share with a lot of those people who have come here and testified and will be testifying today, along with yourself and who showed an enormous amount of insight into a very regrettable economic development in this country, that the economic stress and problems are very great in the urban centers, as you point out.

And I know that my friends on this committee from the rural areas share our concern that we serve the economic interests of every section of the country. I think that is important to know.

But, built into the legislation that we have, right now, are some earlier priorities, and so even though there may be a desire, even in

the committee, or maybe even in the administration, for the Economic Development Act to make funding available on an equal basis for the urban areas. The program has not lent itself to that, possibly because of long practice in another direction, and also because of the way it is structured. We have, bit by bit, tried to include other areas.

The question I have is a more fundamental question than that, and that is: Should we develop this program essentially on the regional economic development concept, which is what EDA is based on that is essentially project oriented—roads, public buildings?

I don't think it is basically designed to stimulate the development of long-term employment security for stimulating business.

So the question is: Should there be an effort to change the emphasis from having the technical assistance, infrastructure, either increased or strengthened and rather deal more with the whole question of capital formation and funding? Do you think we should expand the regional commissions so that industrial areas can get into that program?

I mean, do you believe that this would make a difference?

Fundamentally, I believe that you have got to have a more meaningful basic program of economic development, with a lot more funding, in areas which are suffering the most depression; we have to deal with them also because it has a ripple effect on the rural areas as well as suburban and urban areas.

Well, we have got to deal with the history here, and we perhaps can't change the whole thing overnight. We should have made some changes in 1974, and probably in 1971, when we came out of the first recession.

The question is: do you feel that we can make it within this structure and expand the essential regional economic concept as well, and beef up the appropriations?

Mayor HOFSTEDE. I guess what you are asking is how to solve the problem, period; and how do we keep industry within the city. There is no one answer. It takes many, many answers to do that. Let me explain our city and not necessarily what we have done so much, and the problems we have had with industry, and how I think we can keep them there and what kind of assistance we need.

During the last 20 years, whether in our city or in other cities, industry has flocked out of it for various reasons; one, when you talk about industrial development I suspect industrial development means just keeping what you have—80 percent—and you just keep what you have in your own area, and not try to detract somebody from New York, or New Orleans, or what have you. Those are kind of, you know, the cherries on the cake. If you can attract the regional headquarters, that is fine. But how do you do that?

Well, we found out that when the company wants to expand there wasn't land for them within our city, there wasn't the price, you know, it was cheaper to go elsewhere, and when they did want it, we could not give it to them. So this is very simple.

So they go to the suburbs, and the suburban communities have assets, and where we were building our freeways, because they are usually built out there, they had land available at the time which they wanted which was cheaper than what we had it for in the city, and somehow we have to find a way in which to counter both those, and I think in Minneapolis we have begun to do that.

We have developed some tools, but we need help. And you asked another question of how then do you create an incentive for people to stay in the city, and stay within these urban areas, and one, I think has happened naturally because of the high cost of gasoline, and the high cost of sewers and what have you, and that is something that has taken place because of the time.

But more importantly, I think, it relates to Congress providing an incentive, and that may be some tax reduction to live in the city. I think that if you want the people to live in the city, for instance, if you just said there was a 50 percent reduction in all taxes for 5 years, they would all flock in; both industry and people.

Now, we obviously could not afford to do that on the local level, because we cannot afford to keep the services up that we have got, but you have to provide some kind of financial incentive to make them stay in those urban areas. I think, Congressman, your bill which appeared before the Ways and Means Committee, is the right way to go.

Mr. NOWAK. It does not cost the cities money.

Mayor HOFSTEDE. And we do need the help to assemble the land and to help these industries, and to plan these areas, that our local governments cannot come up with to provide the necessary assistance to some of these companies that want to stay and expand.

Ms. ABZUG. Do you favor an increase in the authorization of the economic development program, and if so, how much?

Mayor HOFSTEDE. We asked for \$1 billion.

Ms. ABZUG. Very well. Do you find that the designation procedures should be changed so that more cities can become eligible for various forms of EDA funding?

Mayor HOFSTEDE. That is right. We favor the change in the formula from 50-50 rural to urban. In addition to that, I have indicated we in the city of Minneapolis—and I use this for my city as an example—that we do not even get EDA funds at the present time because even though we have high unemployment within our city, we're out of the running because they take into account the entire county, rather than just the city of Minneapolis, and we need help, and I suspect many cities across the country are facing the same kind of problem we are, so there would have to be a change in that formula.

Ms. ABZUG. Do you favor—

Mr. ROE. Excuse me, Bella, would you yield?

Ms. ABZUG. Oh certainly, Mr. Chairman.

Mr. ROE. The conceptual idea of the economic development program, per se, is wrapped around unemployment. Fundamentally, what we are trying to do is work in the direction, as Bella pointed out, to create jobs, and it seems to me—and I do not want to rehash this because it has already been said—but the idea you had in your city—how many—what is the population.

Mayor HOFSTEDE. About 430,000.

Mr. ROE. All right, so here we have a city of over 400,000 people with high levels of unemployment, and you have an out-migration, a whole upheaval taking place in the economic structure in the first place, as is happening in almost every city, and particularly the older cities of the Nation. It seems to me that we could designate cities of 50,000 or more and immediately mandate that they be classified as

economic development urban centers eligible for assistance under this legislation.

Then it would seem to me that the cities could—and we are experimenting very heavily in the city of Paterson on such a premise right now—to start to build an ongoing framework of action for expanding industrial and commercial activities within the cities. The whole idea is to set the stage so that you have an ongoing economic vitality that relates to the basic fundamental point that a person has to have a job to live and eat, and they have to have a job to be able to pay the taxes, otherwise the rest of it is an exercise in futility. So we achieve nothing by pumping millions of dollars in countercyclical moneys, CETA money and whatever, into those programs, because it is only a short-term thing, and it makes all kinds of problems. In 6 months they are not going to have that, and I think that was the point that Ms. Abzug was directing toward.

Mayor HOFSTEDE. Mr. Chairman, you are absolutely correct. I think that some of the matters that we are talking about, the countercyclical takes care of the immediate problem, and we need some aid right now, but we still have to have the long-term problem, and that is to develop sound economic vehicles for the cities and you know a single-family home today does not pay for itself. You have to have that industrial-commercial tax base to not only keep the people there because people like to live and work in the same area generally, and at the same time you need that tax base to help support the services that we have to provide.

And every city has to develop a strategy, a long-term strategy to keep what industries and commerce they have in the cities. And that is the kind of assistance I think that we need.

Mr. ROE. That is what Ms. Abzug is talking about.

Ms. ABZUG. Well, one of the things I think the chairman is quite right in pointing out is the way to best handle this and some of the problems that involve economic development is to provide an equal opportunity, at least let's put it that way, to participate; that is. I think what we are trying to grapple with is the fairest and most effective way of resolving high economic problems.

I think that we should make more flexible or make eligible the areas not now included in the regional commissions. What do you think about that?

Mayor HOFSTEDE. Well, I think I understand. Mr. Chairman, if I may, could you explain what you mean, Congresswoman?

Ms. ABZUG. We had testimony here earlier today in which we were talking about title V, I think, and we had testimony from the secretary in charge of that regional commission and the indication was that there were very few, if any, areas of any urban character that received funding, and that there were some expressed interests on the part of many new areas of the country presently not involved in regional activities. They seemed desirous of securing coverage under regional commissions, but there has really to date been very little of that.

Now, there is not a lot of money compared to what is involved. Again, it is a small amount to deal with, but it does go through those regional commissions and it seems that it should be distributed in that area. Therefore, I wonder from your point of view if you think that

would be a useful thing to consider, making everybody more eligible under those provisions, the title V programs?

MAYOR HOFSTEDE. Again, if I understand your question correctly the answer is yes.

MS. ABZUG. Thank you.

MR. ROE. Are there any other questions?

MR. HAMMERSCHMIDT.

MR. HAMMERSCHMIDT. No, I want to thank Mayor Hofstede for a very fine and healthy statement, and in the interest of time I am going to forgo any questions at this time, Mr. Chairman.

MR. ROE. Mr. Oberstar.

MR. OBERSTAR. Thank you, Mr. Chairman.

When Mayor Hofstede talks about the economic conditions that drive people from the cities to the suburbs he is talking about my district. They migrate north into what we in Minnesota call God's Country. I am very pleased, Mayor, with your call for an expanded level of funding for EDA. I think \$1 billion for even just title I, just the public works grants, would be a good target, and spread that out among the other sections of that program, I think you would have to have more than \$1 billion.

I might differ with you over the 50-50 split between urban and rural areas. I do not know that we have to be stuck with a formula that would tie the Agency's hands, but certainly some division of funding is in order. I was interested in your three proposals for Federal urban economic recovery programs, accelerated public works, which we have already passed, in both this committee and the House, and urban economic development assistance, and emergency fiscal assistance. I'm not quite sure just how that latter would be used. That sounds to me like revenue sharing which you already have in place.

MAYOR HOFSTEDE. Something like the chairman spoke of, the countercyclical bill, that where unemployment reaches 6 percent, and that is the bill we are talking about.

MR. OBERSTAR. Well, in light of testimony that this committee has had over a period of a number of years, dating back to 1962, with the original accelerated public works program, and the testimony by Leon Keyserling, the former Chairman of the Council of Economic Advisers, George Meany, at the time and other witnesses, saying that the countercyclical was or as it was called then, standby capital improvements, was not a viable program. How do you come to that position?

MAYOR HOFSTEDE. Well, Mr. Chairman, I come to the position that we are at right now, and I might add that countercyclical is—what we are talking about is—when unemployment reaches 6 percent, you know, so much money is pumped into the economy and directed to the States and to the cities. It is different from revenue sharing, which is a direct grant.

Now, we are not saying the revenue sharing program is another issue all by itself. We are saying during times of high inflation or recession that we have the help of the Federal Government to meet the real needs of the city, and the kinds of bills that you have outlined here are the one that we think are necessary, not just one, but the combination of them all, to solve the problems of the cities of America.

Mr. OBERSTAR. Well, we already have a title IX program in EDA which I think goes farther and is a far better response to the needs by anticipating developments. Now, you remember when the White Motor Co. was shut down in downtown Minneapolis and the problems that that created, and that was anticipated, and we knew ahead of time that it was in trouble, and that there were problems. We have a title IX of the EDA that looks ahead to try to prevent those problem.

Now, wouldn't it be far better to beef up title IX and put \$1 billion in there or some respectable amount of money, and look ahead to the problems, rather than reacting after we have already got them. Because the regular EDA program already provides when unemployment in an area goes up to a certain level that area is eligible, and we could expand that and put more money in, to include the urban areas, and beef up title IX, which looks ahead to prevent problems.

Mayor HOFSTEDE. Mr. Chairman, any time you can look ahead to prevent problems, that is the way you ought to go, instead of reacting like we always have in the past. It seems we never catch up in this business of ours, and I think that direction in which you are going is a good direction, but right now we need the money just to keep up what we have got. And this is an emergency situation as far as most cities go, and that we have to take care of right now, and maybe at the same time try to take care of the problems of the future so we don't get into this position again.

Mr. OBERSTAR. One of the problems, Mayor, that I hear from the people in my district is criticism of the major urban areas, metropolitan areas, they have not done their part in the financial crunch, and I guess they have in mind New York City, and Philadelphia, and the outlying areas of Minnesota maybe are just a little shellshocked about that and wondering what is going to happen to them if Minneapolis-St. Paul gets themselves in the same predicament. How do you respond to that?

Mayor HOFSTEDE. Well, Mr. Chairman, if I may, we have no intention of getting into that position, and we have—I think there are two lines of relief, or three lines really; you have the Federal Government, which I firmly believe should—which is responsible—well, it caused the high inflation and recession that we are now in, and I think that the cities need help to solve that problem, and that is the responsibility of the Federal Government. And the States, together with the cities have the responsibility to help on their level. I have indicated that we in Minneapolis in particular, have worked with our State and our Governor, Governor Anderson, to come up with some solutions to solve, you know, our problems. And we have gone about as far as we can.

You know, we have got tax relief from the State, we have got tax relief or tax increment financing to help induce and encourage industrial development in our cities, and we have the fiscal disparities bill which will help. We are doing our part, except that by doing our part, we can never catch up. If we have another year of 11 percent, and another year after that of 11-percent inflation, eventually that pot—there is an end—and then not only in Minneapolis-St. Paul, but Chicago and many, many cities across this country are going to have very serious problems.

So right now is the time that we need some kind of help to keep our cities afloat. And while this goes on we hope that the mayors of this country will work with their States and you know, to help solve the problems in their areas.

Mr. OBERSTAR. Mr. Chairman, we are very proud of this young mayor in our State. You know, there is kind of an unwritten rule in Minnesota, to be mayor of a major city you've got to be under 40, and Mayor Hofstede in Minneapolis and Mayor Boden who has testified before our committee earlier this year, and who just was reelected, by the way, a few days ago, and we are very proud of these young, energetic, aggressive, hard-working mayors, and I wish you well with your upcoming election challenge.

Mayor HOFSTEDE. Thank you.

Mr. ROE. When I was 40 I was a mayor too.

Mr. OBERSTAR. I know that.

Mr. ROE. Mr. Nowak.

Mr. NOWAK. First of all, Mayor, I want to thank you for your testimony. I have read it in detail and I think you have highlighted several of the areas that we are really trying to aim at. I was just wondering if you could give us some background as to what your financial situation is in the city, as far as trying to accomplish some of these things—your infrastructure, and trying to rehabilitate at the same time, and trying to maintain your tax base, and maintain the level of service that you feel is desirable in the city?

Mayor HOFSTEDE. Well, Mr. Chairman, if I may, I think every city has to for the first time, if they have not, begin to take a look at just what their tax base is, and the growth of that tax base, and you have to take a hard look at the industrial and commercial end of that. The housing end doesn't pay for itself anyhow, so you have to begin to make sure that you develop a good commercial-industrial tax base. And you have to analyze that and take a look at it and see what it is, and kind of project that it is going to be. Obviously, that is difficult.

Now, the other question is what do you want to become; what do you want to create? You have to answer that question. And when you do that then you have to ask yourself what kind of programs do you have to have to create that which you want to create, and what it does take?

As I indicated before what it takes for us in our city. We have done something on the regional basis whereby we all share in what goes on, all the commercial and industrial growth that takes place, we all share in it. This is what we call our fiscal disparities bill, where 60 percent of that stays within that community in which that business is built, and 40 percent is put into a metropolitan pool. So therefore, the entire metropolitan area, the seven county area, shares in the growth of the other communities.

Mr. NOWAK. If I may interrupt, is that the tax revenue from the real estate tax revenue from those seven counties?

Mayor HOFSTEDE. Well, it is the assessment. What happens is that they take the—for instance if you had a building of say roughly \$20 million, or \$10 million is easier, 60 percent of that would stay—of the assessed value would stay within that community to be taxed, and the other 40 would be put into a metropolitan pool, and that would be distributed on a formula basis, and that is done primarily on a population basis.

In this case Minneapolis would get about \$10 million increase in their assessed valuation, and that goes up so that we can tax more than what we had before.

Mr. NOWAK. Even if it is not within the confines of the city?

Mayor HOFSTEDE. That is right. So when I build—you build an NSP plant where it should be built and not in the community that lobbies the hardest for it. You put an airport, for instance, in an area where it is the best to go, and not where some mayor knows the other mayor and knows the Governor and puts it in there. You put it in the best spot, because everybody, you know, benefits from the—

Mr. NOWAK. Employment?

Mayor HOFSTEDE. Right.

Mr. NOWAK. This is countywide or regionwide?

Mayor HOFSTEDE. This is seven counties wide, this is our region, metropolitan region, this is a State bill. In addition to that we have a number of tax increment districts whereby we sell bonds to tear the land—or we buy the land, tear the buildings down, and we have a developer come in and the increase in taxes that that new development has, it pays for the bonds that we have sold. So that is called a tax increment district.

We have a number of those in the city of Minneapolis at the present time.

Mr. NOWAK. What we are trying to accomplish in this new legislation, of course, are many of the things that you have talked about in your testimony. I have been trying also to find somewhere where a shift can be made recognizing the fact there is a shift in the problem. There was a very high unemployment and rural problem that existed in 1965, and the committee, I think, formulated the legislation to meet that rural problem. I think they have succeeded to a great extent. At least the Appalachian Regional Commission, which has been substantially funded throughout the period of years, has testified that they have had great success.

But now we are 10 years later and I can see that we are having a shift to the high unemployment we now have in the cities. Some help has been given to those other communities, so perhaps it is time that everybody realized that there has to be a shift in another direction.

And I have introduced a piece of legislation which really just amends title IX. At least, it is a start to shift some of these funds to an area so that we can look at long term economic deterioration, instead of as in title IX which exists today, a sudden dislocation which would be mandated before the funding could be received. And, of course, the funding would be very flexible.

I hope this is a direction you can endorse. I would like to see the league formally look at that amendment. You have stated a much higher funding level than we have available, but I think, too, that at least changing the direction of that specific title IX would be a movement in the right direction.

Now, I do not know if you have had an opportunity to look at it. I think we had somebody try to supply it to you anyway.

Mayor HOFSTEDE. Yes. Yes; we will look at it.

Mr. NOWAK. Thank you very much. I have no further questions.

Mr. ROE. Thank you, Mr. Nowak.

We appreciate all of your help and your splendid testimony. Mr. Mayor, and we will do our best to do something about it.

Mayor HOFSTEDE. Mr. Chairman, if I may, I will say that the Mayors will support you when the time comes. It is now time.

Mr. ROE. Well, the call is there my friend, and we will need your help very shortly. Thank you again.

Mayor HOFSTEDE. Thank you very much.

Mr. ROE. Our next witness is the Honorable Donald R. Raney, president of the National Association of Development Organizations, and executive director of the Northwest Arkansas Economic Development District. He is accompanied by Mr. Robert Chandler, vice president of NADO; and Mr. Gerald Skutt, secretary-treasurer of NADO. We welcome you again, Mr. Raney. You are not a stranger to our committee, and I will defer to my good friend, John Paul Hammerschmidt for your formal introduction.

Mr. HAMMERSCHMIDT. Well, Mr. Chairman, I am going to take about a minute and a half or 2 minutes of the committee's time here to welcome and introduce to the subcommittee Mr. Donald Raney, executive director of the Northwest Arkansas Economic Development District. Mr. Raney is a long-time friend and an old acquaintance, and he is one of the best and most knowledgeable economic development district directors in the United States. He will probably be one of the best witnesses, and the most knowledgeable witness, to appear before us, particularly as it pertains to district activities.

And I know that he is being followed by another illustrious man, Mr. Foley, who has a great amount of knowledge, and who has a broad overview of the program.

But Don has been involved in the economic development districts since their inception. Arkansas fortunately was one of the first States to be divided into districts, and the first one to be wholly divided into districts, which gave Don a great advantage, but other than that, he has done everything that every good citizen does in a small town. He has been president of the school board, he has been president of the Rotary Club, he has been president of the PTA, and he has been an outstanding Scout leader; all those things that give you an understanding whenever you are dealing with the people of the grassroots life which districts do.

Don served in the Marine Corps, and he attended the University of Arkansas, and was engaged in a retail business for some 16 years, which also gives him a good feel for the business community. And prior to becoming associated with the economic development program, Mr. Raney was the director of a \$5 million urban renewal project for some 7 years.

He is a charter member of the National Association of Development Organizations and has served in various national capacities of the organization, including vice president and now he is the president of NADO, I certainly welcome him here today along with his colleagues, Mr. Chandler and Mr. Skutt.

Thank you, Mr. Chairman.

Mr. ROE. Thank you, Mr. Hammerschmidt. Mr. Raney, the full text of your prepared statement will appear in the record at this point.

[Statement referred to follows:]

STATEMENT OF DONALD A. RANEY, PRESIDENT, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS, EXECUTIVE DIRECTOR, NORTHWEST ARKANSAS ECONOMIC DEVELOPMENT DISTRICT

Mr. Chairman and Members of the committee, My name is Donald Raney and I appear before the committee as President of the National Association of Development Organizations representing over 100 Economic Development districts—the “front line troops” in the implementation of the economic programs developed by this committee.

I am also Executive Director of the Northwest Arkansas Economic Development District. Accompanying me today are: Mr. Bob Chandler, Vice President, NADO, and Executive Director of the Lower Rio Grande Valley Development Council, and Gerald Skutt, Secretary-Treasurer, NADO, and Executive Director, Central Puget Sound Economic Development District.

We understand that the purposes of this series of hearings is “to consider pending legislation to amend the Public Works and Economic Development Act of 1965, as amended.”

I would be less than honest if I didn't admit that many of us are more than a little confused regarding the status, purposes, and “grand strategy” in respect to the various pieces of economic development legislation now before the Congress.

NADO does understand and supports the prior actions of this committee and the House of Representatives in the passage of HR 5247, The Local Public Works Capital Development and Investment Act and HR 4073, The Appalachian Regional Commission extension.

We obviously support without hesitation a three year extension of EDA as proposed in HR 9398. The Administration's long awaited endorsement of EDA is in our estimation a vote of confidence in the persuasive abilities of your former colleague, Wilmer D. Mizell, Assistant Secretary for Economic Development.

A three year extension will help permit the States, the districts and local governments to address problems of economic dislocation in a more efficient and effective manner. We have for some time been operating on a crisis to crisis basis. Thus we are pleased to see the new commitment of the Administration. We hope, however, at the same time to see a re-evaluation by the Administration and the Congress of a meaningful financial commitment as well. Continued funding on the level of the fiscal year 1976 requests of the Administration and funding as provided by the House Appropriations Committee is not a complete commitment! With a national unemployment figure over 8%, the approximately \$300 million annual proposed for the EDA program is not realistic—and is at best a token political judgement rather than a commitment to EDA as a major tool for a national growth or economic development policy.

We understand this committee is also considering possible economic development in the cities. NADO has during the past three years initiated considerable rural-city dialogue in respect to economic development programs. In cooperation particularly with Ken Patton, President, The Council on Urban Economic Development and Ken Fry, Executive Director, the sub-state districts have strongly supported authorizations and appropriations providing funding for planning and projects for urban economic development problem areas.

NADO, representing a non-metropolitan constituency, is convinced that the development of a national public investment policy or a national growth policy is short-sighted unless we work together. At our annual convention in Duluth, the membership passed the following resolution:

“RESOLUTION: CITY-RURAL DIALOG

Whereas: the economic problems of urban and rural areas have become increasingly interdependent; and

Whereas: It is imperative for the economic health of the whole nation that these problems be treated as interdependent, the membership of NADO requests.

Therefore: that the officers and board of NADO continue and expand dialogue with those national organizations who represent urban interest and in order to find mutually agreeable economic policy positions.”

It might be in order at this time to congratulate Assistant Secretary Mizell for his initiative in trying to make EDA work. He is obviously fully aware of Congressional intent. The employee morale is excellent. The new management team is committed to the implementation, if I may quote Mr. Mizell, of “a flexible

program with tools that aid States and local communities to develop a variety of solutions to overcome problems that are as varied as America itself."

NADO obviously is convinced that the district is the "keystone" for successful input into economic development on a local level. We endorse with enthusiasm Mr. Mizell's statement before the committee this morning as follows: "It is important to note that the objective of all EDA programs is to assist local communities to do the job themselves. We don't dream up proposals or grandiose plans in Washington. EDA projects originate with and in the community."

We are pleased to testify that Assistant Secretary Mizell has demonstrated this commitment in his public appearances and in the administration of the EDA program. The controversial "work program" for instance, which presented serious problems to local government and this committee last year has been removed through administrative action. A procedure has been established which permits goals and objectives to be established for project priorities by the administration and project selection and local priorities to remain the responsibility of the local elected officials.

NADO has during recent months, in anticipation of possible review of existing EDA legislation by this committee, spent considerable time in examination of recommendations for "housekeeping" and major revision of the Public Works and Economic Development Act of 1965, as amended. We have also considered the possibility of major new legislation which might be developed as part of the Public Investment Policy approach of this committee as expressed in previous meetings of this committee by Chairman Roe and other Members.

In the meantime, there are a number of priorities that we hope this committee might be able to resolve within the next few months in cooperation with the Senate: (1) We would hope to see passage by both houses as soon as possible of the 3 year extension (HR 9398); (2) The failure to pass some version of HR 5247 has been a calamity. Funding provided by Title X has identified the ability of the system develop and implement quickly meaningful public works projects. However, we still need the dollars and the flexibility provided in HR 5247—and need for this legislation is as great today as it was 6 months ago; (3) We also would like to see early passage of HR 4073. Our organization has not taken a stand on the action by the Senate in adding Title V to the Appalachian bill. We must admit, however, that we would be a lot happier if the Senate amendments more clearly defined a partnership role for the states, regions and districts in the legislation and the committee report.

I recognize that this is probably not the time to discuss "Housekeeping" amendments. However the committee may want to review current EDA legislation in depth for possible action as part of HR 9398 or as part of your oversight and future hearing schedules. If the committee decides to consider "Housekeeping" amendments during this session we would be pleased to provide a detailed memo of NADO's recommendations and meet with your staff to review them in depth.

In addition to the "housekeeping" problems there are a number of special problems—or needs—afflicting the districts that we hope that you might seriously consider for immediate action.

EDA'S 302(b) (1) PROGRAM

There is a need to give more specific program direction to EDA's 302(b) (1) efforts. In the absence of definitive guidance as to the legislative intent, there has been some controversy over the type of activities that should be supported. Also, there are some who favor the repeal of that authority. Our recommendations on the program applications are:

- (a) Fuel conversion assistance;
- (b) assistance to local governments within a district to plan for actual or expected developments which will have a substantial impact on the district as well as the specific community being assisted;
- (c) assistance to local governments to develop a system of dealing with or meeting the environmental assessment and related requirements imposed by state or federal legislation;
- (d) assistance to local governments in developing programs for the most effective use of general revenue sharing funds; and
- (e) engineering assistance to prepare preliminary estimates in connection with the development of a prioritized inventory of needed public works projects.

EXCESS PROPERTY

We call your attention to H.R. 9152 now in Government Operations which takes away from the Title V Commissions the authority granted by this committee to handle Excess Property. The same legislation takes away the authority for economic development districts to administer the excess property program and transfers this authority to the states. This is an important new program tool for the districts which we would hate to lose. NADO has just completed a series of training programs on a local level and although this is a new EDA activity over 39 grantees in recent months have obtained the use of local government property involving over \$7 million.

OEDP

Members of this committee have in the past heard of pleas from NADO for more formal recognition by the Congress of the OEDP. The Overall Economic Development Program, in too many instances in the past has been considered primarily as a qualifying document to obtain federal funds rather than a viable document which might be used by all government agencies as a comprehensive planning and action document. The future role of the OEDP is the subject of considerable discussion throughout the country today as the districts review their responsibilities for input into the new state economic development planning programs now funded by the EDA "302" program.

Planning on a district and state level today is action oriented. Local government is faced with new issues caused by environmental problems, export-import problems and major energy issues.

The regional offices of EDA, and Assistant Secretary Mizell are aware of the changing program needs. NADO hopes that the Public Works Committee will also recognize the changes that will be required in EDA planning and program priorities resulting from the development and use of a meaningful OEDP planning document.

TESTIMONY OF HON. DONALD R. RANEY, PRESIDENT, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS; ACCOMPANIED BY ROBERT CHANDLER, VICE PRESIDENT, AND GERALD SKUTT, SECRETARY-TREASURER, OF NADO

Mr. RANEY. Thank you very much, Mr. Chairman, and my friend, Congressman Hammerschmidt, you are very kind. Our organization does represent over 100 economic development districts across the United States. We provide service to all of the economic development planning districts of some 245. We feel like we are the frontline troops in the implementation of the economic development program.

My district is about 230,000 people in population. Mr. Chandler, who is the lower Rio Grande and Texas, represents over 500,000 people; and Mr. Skutt from the State of Washington has 1,904,000 people within that district.

We do have growth centers, and we do have SMSA areas within all of our districts. We do support this 3-year extension. In fact, all of us who are in economic development posts feel that H.R. 9398 comes to us as a Christmas present, because it will be the first time in history that we have had 3½ years to look ahead and to give services to our communities.

Mr. ROE. You are referring to Christmas in the year of our Lord 1975, I hope.

Mr. RANEY. Yes, sir. We think the 3-year extension will help our States, districts, and local governments to address the problems of economic conditions in a very efficient and effective manner. We have sometimes been operating on a crisis-to-crisis basis.

Continuing funding on the level of this year of 1976 requested to the administration and the funding provided by the House Appropriations Committee is not a complete commitment for us. With the national unemployment rate at over 8 percent, the approximately \$300 million annually proposed for the EDA program is not enough, because inflation has already eaten that up.

We understand the committee is also considering, and I have heard it here today, economic development in the cities, and we have always bought that part, and we have worked very much in cooperation with Ken Patton and the Council on Urban Economic Development, because through these substate districts, the urban areas are also a part of our problem.

There are a number of priorities that we hope this committee will try to resolve in the next few months, and we would like to see passage by both Houses, if possible, of course, the 3-year extension.

We, however, still feel that the H.R. 5247 and the dollars and the flexibilities provided in this legislation, as great as it was 6 months ago, we would like to see the early passage of H.R. 4073. Our organization is not taking a stand on the action by the Senate in adding title V to the Appalachian bill. We must admit, however, that we would be a lot happier if the Senate amendments were more clearly defined with a partnership role for the States, for the regions, and the districts in the legislation and in the committee report.

We realize that it may be that this committee and this Congress will not have the opportunity to take care of housekeeping amendments, but if we do, our committee and our organizations would be very most happy to work with your committee and the EDA 302B program, and in the excess property program, and we would like to call your attention to the fact that H.R. 9153 is now in the Government Operations Committee, and hearings will start the 29th of this month on taking the authority away from title V commission to receive excess equipment, and I might say, when you do that, then you take away from our entities of government the opportunity that we have now experienced in the last 6 to 9 months for heavy equipment for the building of county roads, city streets, and all those things that are a part of the economic development process.

And of course, we are very concerned, as your committee has been in the past, over the overall economic development program, and the OADP, and we in the organizations and districts and Mr. Mizell have made the commitment to each other that we are going to work toward a better overall economic development process.

And in closing, we are very appreciative of the fact that we could be here with you. The economic development districts represents two-thirds of all the counties in the United States. Thank you, Mr. Chairman.

Mr. ROE. Thank you, Mr. Raney.

Do any of the other gentlemen have any comments or testimony that they would like to give?

Mr. CHANDLER. I would just like to have Congressman Hammer-schmidt introduce me, that's all.

Mr. ROE. He is working that up now.

Mr. CHANDLER. I have nothing to say, thank you.

Mr. HAMMERSCHMIDT. And I would like to discuss with Don, if I may, Mr. Chairman, just briefly, from the benefit of your experience both in the Northwest District and nationally under NADO, several of the recently added EDA programs, such as title IX, and 302, and expand on your experience and give us any suggestions that you might have.

Mr. RANEY. Title IX, I think, will be an effective tool. I feel like though at the present time title IX is outside of the normal process and it can be brought into the normal process and be made a good planning tool. Again, as the chairman has said, the process of planning requires looking ahead and seeing the problem, and then we can use title IX to solve it. So we would like very much to see it brought into the process of normal economic development.

Mr. HAMMERSCHMIDT. How have they used section 302 grants? They have not been used exactly as our committee and Congress envisioned them.

Mr. RANEY. Well, 302-B, of course, could be used in our energy assistance programs, and it could be used in assistance to local government within the district to plan for the actual or expected developments, which would have a substantial impact on the district, as well as on a specific community. It could be used in connection with engineering and architectural assistance to prepare the preliminary estimates in connection with the development of priority plans. It can also be used as assistance to local governments to develop a system dealing with environmental assessments and those requirements that you need.

We realize this is a very new section and it is a hard one to understand. We do hope that with the guidance of the committee and Mr. Mizell and his staff that we will all be able to get a better handle on this program.

Mr. HAMMERSCHMIDT. Let me ask you about one more thing. Regarding title X, while I realize it was suddenly promulgated and administered, and thrust out there in a short timeframe, it nevertheless has been a regional mandate as to what EDA's function in title X has been. Can you comment on that?

Mr. RANEY. Well, of course, title X is throwing a tremendous burden on EDA. I am talking about the economic development administration, because it is then led to believe that they have all this \$125 million, and that they have all this \$375 million and when the pie is cut up, that is not so, as you heard the testimony this morning.

So it has not been fair to EDA. It has not been fair to the districts and the regional commissions who have tried to assist them, because we have got flak from every corner on it, and we realize that your committee realizes this.

Title X has proven one thing, I think, that the delivery system of economic development districts has provided good projects that are lasting projects, and as I grew up, the WPA signs are still up, and thank God for it, and I think throughout the districts which have had an opportunity of becoming involved in this, we are creating just the same good types of projects.

It also has proven that a good Federal agency like EDA can move when it needs to be moved.

Mr. HAMMERSCHMIDT. You know, every witness we had on that public works acceleration program on creating jobs, and you might say from the most conservative Republican Governor to George Meany, said we need projects on the drawing board. We had a lot of projects on the drawing board which would never have been there if it had not been for the Economic Development Act of 1965, and the ensuing activity since that time.

Mr. RANEY. That is very true, sir, very true.

And if your \$5 billion bill had gotten through or hopefully it might get through, we can fill that one full too with good projects.

Mr. HAMMERSCHMIDT. Thank you very much, Mr. Raney.

Mr. ROE. Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman.

Don, I thank you for a very fine presentation, and the usual outstanding job that you do for NADO, and your associates, particularly Bob Chandler, whom I have known for many years. We are very proud of the fine job that the development district programs have done in Minnesota, and of course, the leadership there given by Rudy—Escelot—who continues to be a topnotch professional in his field.

I think one of the strengths of the development districts program is that it is responsive to local elected officials, and the fact that the law requires the boards to be composed of 51 percent local elected officials gives you that responsiveness to local needs and concerns with local problems, and you don't get too far away from the needs of people just around the corner, because you have those kinds of folks serving on your board.

One question I have, well, first, I would say that I was very much interested in your comment about hearings soon to be undertaken on the surplus property story. That is a matter of very much concern to me, and I know that the area of regional development commissions may include use of that authority. We have worked with the Upper Great Lakes Regional Commission in helping the various communities throughout our territory to secure the property they need. I would personally be glad to work with NADO in retaining that authority.

I would like to focus on one issue and that is the relationship between the development district and the title V commissions in the very broad spectrum. How has that relationship worked out across the country? I recognize there may be differences from one commission to another, but are they coordinating with you and with your planning capability? Are they treating you like coequals, or just what is the relationship there?

Mr. RANEY. I believe I am the only director here that has a regional commission. I am involved in the Ozarks Regional Planning Commission, which our districts were formed under the late Governor Rockefeller, and from them we are now into our third Governor. We have enjoyed a very good relationship with them. In the past 7 months, a member of my staff, a director of my economic development program, has sat in regular meetings in planning the Ozarks regional strategy, which they are about to complete at this particular time.

The Ozarks Regional Commission supplemented funding, and the funding program has been a tremendous assistance to our small entities of government who under no circumstances could come up with

50 percent of their projects, and the answer to your question is yes. We have had an input into the Ozarks Regional Commission, and I hope that we will all see the day that we do, because it is a very necessary thing for our district, and for our entities of government.

Mr. OBERSTAR. One other question relating to the title X, our Arrowhead Development Commission has been very closely involved with reviewing title X projects. Has this been the case with other districts across the country?

Mr. CHANDLER. Jim, our district does; yes, we review them all.

Mr. OBERSTAR. Has that worked out well so far as—you know there is an awful lot of competition among the communities for those few dollars, and have they responded well to your review system?

Mr. CHANDLER. We have had the process, of course, and we have been the A-95 review agency also, and we handle that responsibility and have many years, and we have reached the point that the process is refined as much as A-95 can be refined, and it works as well as it can work. We have some problems with A-95, but that is not what you are talking about.

The title X thing, as far as we are concerned, with A-95 works well, and we think it should be a part of the process.

Mr. OBERSTAR. Thank you.

No further questions, Mr. Chairman.

Mr. ROE. Mr. Nowak.

Mr. NOWAK. Mr. Raney, you have had a broad base of experience as we mentioned here before, and I wonder if you could tell me where you are finding the greatest economic dislocation or problems within your general area? What type of entities have in the last 3 or 4 years had the greatest problems?

Mr. RANEY. Well, I guess I would have to say we are reversing ours. They are leaving the cities and going to the counties, and this is where we have our problems, as unpaved country roads, unpaved city streets, water and sewer systems, only inside of the core of the larger cities, and consequently being a rural nine county area, our problems are reversed. And the fact that now without very much of a tax base, on a population base, we are facing problems with trying to provide those people with services and also providing them with jobs.

Mr. NOWAK. And you say it is shifting. Are you saying that the suburban areas around your metropolitan areas have a higher unemployment base?

Mr. RANEY. No, our central cities, because this is where the major industries are, are still right now experiencing the higher unemployment rates, yes.

Mr. NOWAK. How about the tax exempt properties? Where do they occur?

Mr. RANEY. Well, our tax exempt, of course, is all throughout our district in the form of what is known in Arkansas as title IX, and we are being able to stay within those because most of the industries that we have are below the \$5 million level in expansion or the new plants, but financing is a problem, but we are seeing help through the Farm Home Administration, and through the Small Business Administration, but if this \$5 billion is removed, why it is going to bring industrial expansion to a halt, yes.

Mr. NOWAK. Now, how about the—what would you guess would be the poverty level within the metropolitan area as against that in the suburbs surrounding that metropolitan area? Where would the heaviest poverty occur?

Mr. RANEY. Well, our heaviest poverty is in our rural counties. I am talking about a country 5,000, 7,000 or 9,000 people. There is pockets of poverty in our larger cities which is 30,000 and 20,000 and 12,000, but most of it is still in the rural areas of our district.

Mr. NOWAK. What is the largest city you have in your district?

Mr. RANEY. 30,000 people, but of course it is backed up by another one which is 20,000 right beside it, and then four other cities, their boundaries are within this, so we end up with having a central city of somewhere in the vicinity of about 65,000 people that is stretched out down one highway.

Mr. NOWAK. I see. Thank you. I have no further questions.

Mr. ROE. Well, we thank you, Mr. Raney, and your colleagues Messrs Chandler and Skutt for your splendid testimony. We will be calling on you again in the very near future. Thank you.

Mr. RANEY. Thank you, sir.

Mr. ROE. If it is satisfactory with the next witnesses, I would like to request that they participate as a panel with Mr. Patton, who is president of the Real Estate Board of New York; and Mr. Foley, who is general partner, Everest Corp., representing the Council for Urban Economic Development; Mr. Paul N. Zimmerer, executive director of the Mayors' Committee for Economic and Cultural Development, Chicago, Ill.; and Mr. Ronald C. Kysiak, director of comprehensive development, Department of City Development, Milwaukee, Wis.

If you gentlemen would gather together, we welcome you all. You may summarize your testimony, and if there is no objection your full statements will be placed into the record.

[Statements referred to follow:]

STATEMENT OF D. KENNETH PATTON, PRESIDENT, NATIONAL COUNCIL FOR URBAN ECONOMIC DEVELOPMENT

My name is Kenneth Patton and I am President of The National Council for Urban Economic Development. I appreciate this opportunity to address your Committee today.

Political observers, surveying the American terrain during the past decade and a half, compartmentalized a certain set of dilemmas, which they named "the urban crisis." Both their perspective and their definition have proven incorrect. What is wrong with our cities today can no longer be separated from what is wrong with our nation at large. Despite their misperceived un-American image, cities tend to be harbingers of what every other place in our country will inevitably confront. America's economic calamity has resulted, in great measure, from ill-conceived federal policies. The greatest burden of that calamity is now borne by municipalities. However, the rest of America would be gravely mistaken in regarding its urban centers as a collective shield from economic catastrophe. Unless the federal government revitalizes our cities with public works programs to re-build the urban infrastructure, all America will surely inherit a grim destiny as our competitive economic position declines, our environment deteriorates and our society betrays its egalitarian principles.

In the summer of 1967, a somewhat isolated and nationally unknown section of Los Angeles called Watts burst at its seams. The streets of Watts, blazing on our television screen, came to symbolize the consequences of chronic urban poverty. Today, entire American cities suffer from indices of under- and unemployment that are equal to, or worse than those afflicting Watts eight years ago.

The federal administration predicts high national unemployment for the next five years. Unemployment is estimated to remain at about 7% through 1978, declining to 6.2% in 1979, and 5.5% in 1980, according to the Office of Management and Budget. But these national expectations mask even more dire prospects for America's cities. The contrast between unemployment statistics for the national population compared to those for residents of urban poverty areas reveals how grievously federal policy choices have injured the inner city. For example, in 1974 according to data based on Census Quarterly Surveys released by the Bureau of Labor Statistics, nationwide unemployment stood at 5.6%, but poverty areas in central cities registered a 10.6% unemployment level. However, although national teenage unemployment reached a sorry 16%, central cities experienced an unthinkable 31.2% unemployment index. Most observers agree that Black teenage unemployment has probably reached the 40% mark by now. The social implications of this situation are both obvious and ominous. How can we repair the hopes of a generation subjected to so cruel an initiation? How will we rescue the human talent desperately needed to solve the problems of an increasingly complex society? How can we allow millions of Americans to languish in despair and bitterness?

Recent federal policy has become a primer in counterproductive national behavior. Cities offer the greatest promise in achieving economic recovery, environmental reform, energy conservation and social equality. Yet, it would seem the cities are being systematically debilitated by Washington. Washington lets cities carry the burden of welfare, while granting public works hardware to the suburbs. Suburbs get highways, while city streets are left to deteriorate. Housing subsidies provide shelter for the revenue-producing rich in the suburbs and for the tax-consuming poor in the cities. Money from urban deposits has been drained off to electrify the hinterlands, support farm prices and bail out managerial ineptitude in corporations hither and yon. Federal agencies have moved hundreds of thousands of jobs out of urban centers. Railroads that serve cities have been allowed (in some cases, intentionally) to go bankrupt while we have all drifted through a 20-month long oil crisis without an energy policy.

The nationally self-destructive aspect of federal indifference to urban economies becomes manifest when one examines specific domestic policies in terms of the energy crisis. Results produced by development incentives that lure capital away from downtown provide a case in point. The suburban land use format is not readily adaptable to mass transit arrangements. Yet, although the price of gasoline skyrockets, America persists in emphasizing suburban and sprawl-type developments.

This trend has made us an increasingly auto-dependent society. The demand for gasoline escalates as its supply contracts in the face of emerging geopolitical conditions. The Aspen Institute for Humanistic Studies reports that the percentage of our domestic consumption of petroleum coming from oil imports rose from 15% in 1960 to approximately 40% in 1974. Yet, this is only half the dilemma. Currently, we are forced to buy gasoline by exporting enormous quantities of agricultural products, a practice whose inflationary effects are felt daily at every American dinner table. The Aspen Institute also notes that, in 1972-1973, American farmers depended on foreign markets to absorb 72% of their wheat, as compared to 58% in the years 1963-1967. Significantly, almost 36% of America's arable land lies within Standard Metropolitan Statistical Areas, the very real estate ravenously eaten up by Spread City. Sprawl development simultaneously heightens our dependence on gasoline while reducing our ability to pay for it. Therefore, federal policies fostering suburban growth at the expense of the cities—that whole panoply of highway subsidies and insured home mortgages are providing inimical to our national economy.

Caught in the crossfire of inflation and recession are those minority citizens stranded downtown in the wake of corporate and industrial outmigration. They can't afford the reverse commute, much less the suburban mortgage. Their plight becomes ever more desperate as employment moves out of their reach. Their fate is the city's fate, too. As tax consumers come to outnumber tax producers, the urban decline accelerates.

The concentration of assets assembled in the urban infrastructure is irreplaceable. Only cities offer affordable job access to all categories of the workforce via mass transit. In fact, cities which enjoy a variety of connecting public transportation modes, go to work on a teacup of energy. Such cities are as much as 50% more energy efficient than auto-dependent localities, according to The Regional Plan Association. Cities also act as conservation devices. By cluster-

ing residential, commercial, cultural and industrial functions, we can protect open spaces around the urban ring for recreational and agricultural activity. Land proximate to population centers would become havens for all of us with air free of exhaust fumes and vistas safe from the incursions of Spread City. This protection would ensure high standards of environmental quality for much of our country.

Concern for the environment spurred us to re-examine the disposition of our resources. We were permitting mountain ranges worth of usable material to collect as waste, crowding us out of our own turf. Acknowledging that we could spare neither space nor material, re-cycling centers were organized to give our previously discarded output a second and, perhaps, even a third or fourth life.

The cityscape is one of our nation's most impressive products and it must not be squandered. The principles of re-cycling apply to urban economic planning. We cannot save land and energy, elevate environmental quality or live up to our democratic heritage unless cities are given another chance to do their precious, inimitable work.

Federal investment in urban public works can re-cycle the city's assets and generate proportionately impressive returns. America is now compelled to invest its way out of a systemic decline that has compromised our efficiency and reduced our international economic competitive position. The funds necessary to accomplish this goal are available, but they have recently been allocated in precisely the wrong fashion. We are spending billions for tribute to the under- and unemployed, and not one cent for the defense of our battered economy.

The largest single increase in the federal budget this year has been for unemployment insurance, which currently carries an annual price tag of \$20 billion. The recent \$22.8 billion tax cut, designed to stimulate consumption of less than essential products, combined with unemployment insurance, add up to almost \$43 billion in potential federal revenue, which could finance 5 million public works jobs. We can afford to put people to work meeting the meaningful challenge of re-building and re-newing the aging urban infrastructure. We can cure unemployment and close what Walter Heller has called, "a yawning chasm of \$200 million a year between what the U.S. economy is producing and what it could be producing."

I believe four major approaches should shape the agenda of a national urban economic development program.

First, all relevant federal expenditures that have an impact on the economy should be examined with a view toward establishing a comprehensive, coordinated investment strategy targeted at the needs of distressed cities. Public transportation, rail freight, and credit assistance are among the programs relevant to such a strategy. The House Public Works Committee tentatively took up this idea a few years ago. I suggest that deliberation on a comprehensive federal investment strategy would benefit from a review of similar efforts at the state level in Ohio and New Jersey. An effective working relationship between state and federal programs promises accelerated benefits.

Second, much more federal funding should be earmarked for urban areas that are underproductive. Critics of poverty programs created during the 1960's travel through urban slums today asking where the billions went. Those monies were not, for the most part, invested in making poverty-impacted areas more productive, but in maintaining the lives of poor people at a sustenance level. A refurbished economy—including first-rate rail service, incentives for plant construction, sewerage and all the other elements of a sound physical setting—would attract private investment to fund jobs for these decaying communities. Citizens who now depend on government revenue to survive would then become contributors to, rather than dependents on, public resources. The ensuing prosperity and social stability, attained through long-term, privately financed employment, could decisively improve government's presently precarious fiscal position.

Third, our current experience with the seemingly immutable tides of inflation and recession should have taught us that America's economy cannot be successfully managed by manipulating fiscal and monetary instruments from Washington. We must set about resolving those structural problems whose adverse influence is most acutely felt by localities. The United States will not harness its latent economic power unless the issues of energy conservation, plant efficiency, manpower development and distribution of activity are conclusively addressed. We must get the most out of our systems and ensure that employment opportunities are delivered to the people who need them. The previously mentioned

national comprehensive urban economic development strategy should be formulated to meet the requirements of those centers of production whose well-being is the cornerstone of our nation's economic strength.

Fourth, the broad range of federal tax policies should be closely scrutinized to root out any disincentives to investing in cities. In reality, money leaking out of municipalities is power ebbing from our domestic economy. Excessive tax depreciation allowances on inner city building encourages the deterioration of potentially productive facilities. We must take the profit out of urban decline. As mentioned earlier, suburban mortgages and highway subsidies extended by the federal government draw investment off the urban turf. Mechanisms must be created to make the cities equally attractive to private investment.

In the course of these remarks, I have stressed the undercompetitive nature of America's economy, a stunning reversal from our once-unassailable dominance on the international scene. The conditions of global commerce have been radically transformed in only the past few years. Changes in monetary management and newly-apparent natural resource scarcities have widened the field and made the track quicker. France, Japan and Germany are now planning the kind of multi-billion dollar national public works programs I have outlined today to elevate the efficiency of their economic systems. We are now living through a watershed period in history. America can realize its potential—and a vast potential it is—by uniting technology and talent to achieve productivity, prosperity and social justice. Conversely, we can retreat from our national promise and become a society sunk by the burdens of unspeakable human and material waste. The choice is ours and it will reveal both our fate as a country and our character as a people. Thank you.

STATEMENT OF EUGENE FOLEY, PRESIDENT OF MONTROSE INVESTMENTS,
NEW YORK, N.Y.

Ladies and Gentlemen of the House Economic Development Sub-Committee. My name is Eugene Foley. I am a partner with the Everest Corporation located in New York City. Perhaps even more relevant to these hearings is the fact that from August 1965 to November 1966 I had the honor, as the first Assistant Secretary of Commerce for Economic Development, of heading up the brand-new Economic Development Administration.

My work of late has brought me into daily contact with the problems of urban economic development from the private sector perspective and I can endorse without reservation the comments of Mr. Patton before me.

Even in good times, economic growth is a difficult proposition in most central cities. The economic disadvantages of cities result from a combination of basic economic forces and unanticipated consequences of past federal policies. The development incentives and federal assistance packages serve only to *help* even the competitive balance between center cities and suburban communities—many of which, by their own estimation, are growing too fast—so that center cities can become economically viable.

This is an important *national* goal. The high levels and numbers of unemployed, and poor people who reside in central cities and the outrageous cost of continuously investing in new industrial and other economic development infrastructure in consistently more remote areas, suggest that government at the local, state, and federal levels, should be concentrating efforts on economic preservation and redevelopment of central cities.

But, as you know, quite the opposite is true. Far from concentrating economic development assistance in core city areas where the unemployed reside and where much of the economic infrastructure such as streets, sewers, utilities, transportation access and the like already exist, the urban areas have received a pittance, certainly, compared to the need, but even compared to the federal funds available.

No one need remind me of the rural concept which prevailed when the Public Works and Economic Development Act was enacted in 1965. By then the poverty program was in place, the Elementary and Secondary Education Act was almost in place, and the economy was booming. We knew there were concentrations of poor people in cities but the War on Poverty coupled with greatly expanded federal aid for education were expected to take care of that.

Our economic development concerns then centered on rural areas across the country where out migration of the young labor force together with inadequate economic infrastructure prevented growth. And we have done much, largely

through assistance under EDA programs, to rectify this situation. The State of Arkansas, I believe, is a testament to the accomplishments of the Economic Development Administration in rural areas.

As it turned out, of course, the poverty program, the Model Cities program and others which concentrated on social symptoms of economic distress failed even in combination to "solve" the urban crisis because, I think, they failed to address the root cause—deteriorating urban economies. Even though EDA was viewed as a rural program and even though resources were scarce, we took on that root cause during the early days of EDA in several cities with, I believe, notable success.

When the Brooklyn Navy Yard closed, for example, we recognized the severe impact that action would have on an already depressed portion of the city. Conversely, we recognized the positive impact that a redeveloped facility could have for local residents. Similar situations prevailed in Chicago where we concentrated EDA resources on industrial development of the stock yards and in Oakland where we provided funds for resources modernization of the port, park development of an industrial park, and construction of access highways to the port and to the industrial park.

As rural economies have begun to improve through changing economic factors and through the intervention of EDA, and as the inherent weaknesses in urban economies have become more apparent especially during the national economic decline which began in the late sixties and accelerated disastrously in the past year or two, the level of federal economic development assistance directed to cities has not increased to reflect that shift.

On a cumulative basis over the period 1966 to 1975, EDA has directed only 12.3%—less than one-eighth—of its public works, business development, technical assistance, and economic adjustment resources to the nation's 90 largest cities with populations over 150,000 people. In 1970, 24% of the U.S. population resided in these ninety cities. Fifty of the ninety cities had 12.5% or more of their families living below the poverty line in 1970. And in March, 1975, the unemployment rates in 66 of the 79 labor market areas for these cities were over 6.5% and one-third showed unemployment rates over 10%. Yet, the cumulative dollar amount of EDA assistance to these same economically distressed urban areas comes to only \$280,650,000 over ten years—just under one-tenth of HUD's community development allocation in one year. In 1975 only 53 of the 90 largest cities in the nation received any EDA assistance at all, and only 58 of these cities have received funds from EDA during the ten years the program has been in existence. Even under EDA's much broader definition of "urban entities" which includes any community located in an SMSA of 250,000 population or more and not located in an economic development district, only 20.6% of the agency's public works, business development and technical assistance and planning resources, or \$38,425,000, will be directed to such "urban entities" in FY76.

It seems to me, then, in discussing federal assistance for urban economic development, that an old and familiar theme must be re-stated. Cities are receiving too small a piece of far too small a pie. And yet while the theme is familiar, the orchestration is now somewhat different. In program after program, the categorical maze of the sixties has been replaced by the block grant approach of the seventies placing more decision-making responsibility at the local level. And those block grant programs have been well funded. The national allocation of HUD's community development program in FY76 was \$2,450,000,000. The Department of Labor's on-going manpower development program funded under Titles I and II of CETA was funded at \$2,175,791,337. In the same year, ERDA's total appropriation was \$246,950,000 not including the special funding for the anti-recessionary Title X Job Opportunities Program.

Thus in cities across the country, where an awareness for the need to treat the causes of poverty and unemployment has been growing for years and is now nearing full bloom, local officials are ready to move with development programs that use the existing infrastructure, that emphasize the advantages of energy-efficient urban locations, and that leverage private sector investment. They have the community development piece, they have the manpower training piece, and they have the local flexibility, but they lack the keystone—economic development assistance.

The contrasts are dramatic. Atlanta, Georgia is receiving \$18,780,000 in FY76 for community development, has received \$17,216,815 under CETA in FY75, and has received in FY75 only \$91,376 from EDA for economic development. For the same years Pittsburgh, Pennsylvania is receiving \$14,415,000 for community

development, \$17,198,243 for manpower, and nothing for economic development. And Baton Rouge, Louisiana, a somewhat smaller community, is receiving \$1,993,000 for community development, \$5,572,046 for manpower, and nothing for economic development. This pattern is repeated in city after city. It is not surprising that mayors and other city officials, even with strong support of the local business and financial community, are staggered by the prospect of redeveloping the economic base of their cities in the absence of effective federal assistance, are befuddled by the inability of the federal legislative and executive branches to provide a coordinated domestic assistance program for cities, and are too often forced to return to treating the symptoms of economic distress instead of its causes.

The best way that I believe this Sub-Committee can move economic development out of its step-child position and into an equal partnership with community development and manpower training is to consider some major revamping of the Public Works and Economic Development Act of 1965. Times have changed since that program was established a decade ago, and so must the program.

One key aspect of the program which I feel is due for re-consideration is the designation procedure. There is, in my mind, no doubt that federal economic development assistance should be targeted to economically distressed areas. But the current arrangement, developed in bits and snatches over a period of many years, too often denies assistance to areas with real economic distress because they statistically fail to meet the complex and rigidly set federal criteria, forces local communities to adapt their economic development programs to fit arbitrary geographical boundaries established by the legislation, and leaves cities at the mercy of the Department of Labor which persistently refuses to provide up-to-date unemployment data for areas smaller than labor markets. The result is that cities are rarely designated to receive EDA assistance. To date, only 50 urban or city designations have been made, and only 24 of the 90 cities with population of 150,000 or more are designated at all.

The federal legislation and supporting regulations should set journal standards for economic distress measured on the basis of a variety of indices. Communities meeting all or even some of those criteria should be eligible to receive federal assistance—period.

This Sub-Committee should join with Congressman Daniels' Sub-Committee on Manpower, Compensation, and Health and Safety and with your Senate counterparts to require the Department of Labor to provide accurate and timely unemployment data for cities. It is my understanding that the CETA legislation passed in 1973 instructed DOL to fill this critical data gap, but that the Department of Labor has not abided by that portion of the Act.

Furthermore, it should be a local option whether economic development in any particular area is best pursued on the basis of the city, the county, a group of counties, or whatever, and that decision should be made on the basis of how other major programs underway in the area such as community development, manpower or transportation are organized, and on the nature of the local economy. Programs should fit problems—not vice versa.

Let me outline two proposals which this Sub-Committee might consider. They alone would not accomplish the long range goal of opening economic development assistance to all areas in need, but would increase the possibilities especially for urban areas to be designated.

One proposal is to reduce the municipal population floor of 250,000 stated in Sec. 401(b) (4) of the Act. At this time counties, labor market areas, or cities with populations over 250,000 can be designated. Cities with populations under 250,000 can be designated under Sec. 401(a) (4) but must show a more abrupt and substantial rise in unemployment rates than generally occurs in cities. Parts of the city can be designated under Sec. 401(a) (6). But the entire moderate size cities with often severe but chronic economic distress are out of luck. Reducing the population minimum to 50,000 would enable the EDA program to fit well with the Department of Agriculture's Rural Development Program which provides assistance to communities up to 50,000 population and would open EDA designation to the 340 cities with populations between 50,000 and 250,000.

My second proposal is designed to facilitate the development and implementation of city-wide economic development strategies in cities where pockets of economic distress occur. Specifically, I propose that a new "impacted cities" designation be established under which urban areas having pockets of severe economic distress can secure designation for the entire city. It is now possible under Sec. 401(a) (6) for EDA to designate only the specific pocket areas where

the economic distress is especially severe, but that designation imposes limits on the city's ability to locate economic development projects outside the designated area and may limit the city's access to Title I public works assistance. In addition, the procedure for obtaining special impact designation under 401(a)(6) has historically been more lengthy and complex than designation under any other categories. The proposed "impacted cities" designation would avoid these problems.

Another step which I feel must be taken by this Sub-Committee in order to make economic development a major component of our nation's domestic program is to extend more flexibility and decision making to the local level.

Let me hasten to point out most emphatically that I am a firm believer in the need for the federal government to maintain ultimate accountability for the use of federal funds. Let me also stress that with the possible exception of general revenue sharing, federal programs should be designed to achieve national objectives. However, I feel that the best way for the federal government to achieve these goals is to establish clear programmatic objectives and performance standards, to provide meaningful technical assistance to local practitioners, and to conduct relevant, program-oriented research—not to set down arbitrary regulations which often have the effect of hampering rather than encouraging effective local programs.

EDA's public works and business development programs offer key examples of this sort of counter-productivity. Because of the rigid and sometimes contradictory definitions of what are not allowable activities and because of the unduly extensive application procedures required, local officials often feel compelled to pursue less than optimum programmatic approaches in order to qualify for federal EDA assistance or forgo federal assistance all together.

This kind of waste could be avoided if the federal government concentrated its efforts on firm definitions of program objectives and performance standards and on adequate monitoring and technical assistance leaving specific decisions on priorities, problem definition, program design, and implementation to the local officials.

The precedents for this kind of approach are there. This Sub-Committee created EDA's Title IX economic adjustment program fashioned along these lines. Decision-making for community development, manpower, and to a large extent transportation already is focused at the local level. For economic development not to follow the same pattern is to severely restrict the ability of local governments to move ahead with coordinated development programs designed to meet local needs.

The need for a federal economic development assistance program which is relevant to the problems of urban areas and available for their use has existed for many years. The job rests largely with the members of this Sub-Committee under the leadership of its very capable chairman, to meet that need.

STATEMENT OF PAUL N. ZIMMERER, EXECUTIVE DIRECTOR, MAYOR'S COMMITTEE FOR ECONOMIC AND CULTURAL DEVELOPMENT, CHICAGO, ILL.

Mr. Chairman, I want to extend my gratitude to you and to this Committee for giving me the opportunity to present testimony regarding your consideration of the Public Works and Economic Development Act of 1965, (as amended). It is my intention to focus my remarks to you on Title II of the proposed legislation. Before doing so, with your permission, I would like to review the record of this legislation briefly in terms of its effects on cities and urban areas. We, in Chicago, began our experience with predecessor legislation, the Area Redevelopment Act of 1961 and have been heavily involved in EDA programming since 1965. Chicago has received nearly \$30 million under all EDA titles in total and has utilized these funds to create major industrial parks, a Skill Center, and community based industrial conservation programs. I have personally had an opportunity to witness very substantial shifts in the focus of this program from nearly exclusive funding of rural areas to a considerable involvement in cities. Despite this greater interest in urban areas, the period FY '66 to FY '75, as I am sure has been pointed out to you, the Nation's 90 largest cities have received *less than 12 percent* of Title II appropriations. As the Nation suffers continuing economic crisis, large cities and their constituent populations have tended to suffer a disproportionate share of unemployment. We cannot lose sight of the clear evidence that establishes that basic building blocks of this Nation's economy continue to be geographically located in major metropolitan areas. Moreover, we must remain aware that the central city in each of these

areas contains pivotal economic functions which are crucial to this Nation's economic health.

Total appropriations to the Economic Development Administration programs have never been large as federal programs go, but the effects on a permanent basis of revitalizing the private sector in areas where conditions have caused weakness have been very major. In Chicago, permanent jobs have been created on an average investment of \$1,500 per job. When compared with the alternative, public cost of supporting unemployed or underemployed populations, this is a remarkable investment. Even more important, the jobs created have permitted people to sustain dignity and hope and have created socio-economic mobility for large numbers of people in cities. Clearly, a major shortcoming of economic development programs in Chicago has simply been that there has not been sufficient resources to do more of it. The Stockyards industrial park initiated in Chicago in 1968, is well on its way to completion. A similar industrial park in Chicago's Midwest Impact Area, the site of Civil Disorders in 1968, is on the brink of success. This second project was conducted under Special Impact Programs and has heavily utilized community economic development vehicles.

Chicago, perhaps unlike many other areas, has tended to heavily utilize EDA's business loan program, as set out in Title II. In retrospect, I believe that business loans are potentially the most important of the tools available in the EDA program. The loan program leads directly to the private sector participation which is essential to the success of any EDA project. An inhibition to more extensive use of Title II loans has been the lengthy and separate application procedure to EDA which frequently is not coordinated with the balance of project planning. In Chicago, we have tended to overcome this problem to some extent because the EDA Regional Office is located in our city and we have had exceptionally good cooperation in the processing of EDA loans. Even so, a three to six month lag time has resulted in the loss of many businesses which simply could not hold off for such a period on a location decision.

In our Stockyards project, we have had eight business loans, the largest of which has been approximately \$2½ million to a variety of companies which form the core of the industrial park. The business loan program is most important in the early stages of an economic development project when it is vital to demonstrate that businesses can operate successfully in an area which had been perceived as economically distressed. Consequently, most of the loans in Chicago's Stockyards were made between 1968 and 1970, when the project was getting off the ground. Subsequently, as companies saw other successful companies operating conventional loan programs became more important to the ongoing success of the project.

During 1972, Mayor Richard J. Daley formed a Council of Manpower and Economic Advisors. This Council integrates research planning and development activities of the City Planning Department, the Mayor's Office of Manpower, and the economic development arm of Chicago. On the Council, where I have the pleasure of serving as Co-Chairman, there are included major business leaders, many university economists, representatives of relevant public agencies and citizens. The Council is responsible annually to provide an analysis of Chicago economic conditions, to create a long range economic plan and to prepare an annual integrated economic development and manpower program for the City. In preparation for my appearance before this Committee, I have asked the Council staff to estimate the demand annually for business loans of the kind available under Title II. Staff has estimated that Chicago could utilize as much as \$10 million in business loans per year, based on contacts with Chicago companies which have requested loan assistance. In addition, the loan guarantee program available under this Title would have a substantial effect in leveraging additional private investments. One of the major subjects considered by the Mayor's Council of Manpower and Economic Advisors, during the past year has been formation of a Chicago Economic Development Authority with powers to assemble land and issue industrial revenue bonds. With EDA business development funds, such an Authority could substantially move forward. Chicago's plans to consolidate Port administration, modernize the Port, develop an accompanying industrial conservation program targeted by the Council. I expect that within the month that the Council will have transmitted a favorable recommendation to the Mayor regarding creation of such an Authority in Chicago. The fact that the Council has focused on the creation of industrial revenue bonding powers to supplement and augment lending capabilities is direct evidence of how our local economists

and businessmen view the importance of loan programs to our own economic development projects.

I have noted with interest that a growing number of states have begun to capitalize on urban business development programs by providing direct business development assistance. Some states have guaranteed tax abatement powers to local jurisdictions and with EDA technical assistance support, we in Chicago are currently studying a number of tax incentive programs and intend to forward our results to the Illinois State Legislature for consideration. In fact, currently before the Legislature is a proposal to implement tax increment financing which we believe will substantially enhance Chicago economic development programs.

More specifically, Congressman Roe's own State of New Jersey has the following business development programs: partial state guarantees of privately-placed loans for both industrial and non-industrial uses in high unemployment urban areas; state guarantees of local revenue bonds; construction and working capital loans to small urban businesses. In fiscal year 1975, under authority granted by the Business and Incentive Loan Act of 1969, New Jersey's Urban Loan Authority committed almost \$2 million in 27 direct loans and loan guarantees to inner-city businesses.

I do not want to take an excessive amount of time before this Committee which has such a heavy schedule, but I would like to suggest briefly two (2) alternative mechanisms which I believe would require some legislative change to increase local flexibility in the use of EDA programs. The objective here is to provide local governments or quasi-public development authorities with assured multi-year EDA support for Title II eligible projects otherwise acceptable to EDA. Given such support, local government could leverage a much greater degree of private sector participation in its economic development program than is now possible. I suggest these alternatives in order of preference. These are as follows:

1. EDA capitalization of urban economic development corporation or authorities with the power to make or guarantee business loans; in this approach, EDA would be delegating certain of its authorities to local units in the interests of improved program performance. Local performance could be subject to post-audit.

2. EDA commitment of a dollar amount to approved local corporations or authorities. The commitment, as suggested above, would be for a period of years, perhaps four to five years, and would commit EDA to support projects otherwise acceptable, after the normal EDA review process. The commitment would be formal and binding.

Extending these considerations to their impact upon cities emphasis should be given in making urban economic development self supporting. Without change in the mechanism many of the proposals can be directed into support for joint ventures between public and private sectors. Economic development generally rates a lower priority in city resource allocation. Cities also need to become activists as well as participants in economic development. Self supporting joint ventures can give an edge to economic development proposals.

Thank you again for this opportunity to present my point of view. I am available to you or to your staff to provide considerably more detail than I have here with regard either to our own direct experience or to the 2 recommendations which I hope you will consider in undertaking your responsibility on this legislation.

STATEMENT OF RONALD C. KYSIK, DIRECTOR OF ECONOMIC DEVELOPMENT,
MILWAUKEE, WIS.

Mr. Chairman, Honorable Members of Congress. This is the first time I have had the opportunity to formally discuss with a Committee of Congress, one of my greatest concerns and my livelihood, the economic life of Milwaukee and other central cities like it. Milwaukee, like most cities east of the Mississippi, was founded on a heavy industrial base and drew to it many thousands of immigrants from Europe, who manned its machine shops and built its industries. In time it became a major transportation and population center similar to Detroit, Pittsburgh, Baltimore, St. Louis and Boston. Though its character, its people and its culture are different, it is the same as all of the other cities in that its economy was based primarily on manufacturing and industry.

As new technology took the place of raw labor needs, as the freeways encircled and ultimately cut through its central core and provided immediate mobility to much of its population, and as blue and white collar families began looking for the so-called "better life" in less congested suburbs and exurbs, and resulting exodus of business and industry in Milwaukee was little different than similar dislocations in Boston, Detroit, Cleveland, St. Louis, Chicago and other big cities. Older, multi-story industrial plants could no longer compete with modern one story facilities on the outskirts of central cities, or with the lower labor cost of the south, across our border in Mexico or over the seas in Taiwan or Italy. As the jobs were moved out of the central cities, across the country and across our borders, the once employed labor force remained, filling the unemployment rolls and welfare lists.

In 1965 Congress passed the Public Works and Economic Development Act which, for the first time, provided specific federal assistance to economically depressed areas of this country. Though this act was primarily aimed at rural economic development—as a particular response to the situation in Appalachia—central cities such as Milwaukee found themselves in similar economic straits, but discovered little urban sensitivity in the Economic Development Administration. Over time, this problem has been somewhat corrected and Milwaukee, like other major central cities, obtains small but important amounts of direct EDA financial and technical assistance. However, when, out of the entire EDA budget, only \$32 million was available last year for urban area economic development—and \$38 million set aside for this year—the slices of pie are very thin indeed.

As the recession deepened in 1973 and 74, and as inflation began to make it more and more difficult for lower income workers to make ends meet, the weakened industrial base of central cities began to deteriorate even faster. This same scenario, on a smaller scale, also occurred in a number of rural areas where major industries began to shut down out-moded facilities and to move their production closer to their markets and to centralize manufacturing centers to the south or overseas. It was in response to this economic situation that Congress amended the Economic Development Act, through the addition of Title IX, which provided emergency economic development assistance to areas showing a major dislocation of their economy through major plant shutdowns, federal facility closings or environmental problems.

In March of this year the City of Milwaukee hopefully filed its Title IX application with the Economic Development Administration. Our application showed that during 1974 the City of Milwaukee lost approximately 2,200 permanent manufacturing jobs through business terminations. In addition, an additional 6,200 manufacturing jobs were lost through indefinite layoffs. Of the 2,200 jobs lost permanently in the city, over 1,800 of them were concentrated in a 15 square mile area of our central city, our designated EDA redevelopment area. Most of the job terminations were in the leather goods industry, electrical machinery manufacturing and paper processing. Our unemployment rate in January of 1974 stood at 10.9% and our redevelopment area unemployment was estimated to be twice that much.

We knew that some of these jobs, such as those lost by the Globe Union Company, Ambrosia Chocolate Company, Marquette Cement, Ozite, Sorgel Electric, St. Regis and Wisconsin Leather Company could not be saved because the reasons for their discontinuation had little to do with the central city itself, but rather national and international economic conditions which put tremendous economic pressure on leather processors, paper makers and electrical machinery manufacturers. Overseas plants of foreign competitors and even our own American Corporations dictated that much of this kind of manufacturing process be moved out of central cities and overseas. At the same time, these low margin, labor intensive industries found great difficulty operating within a central city location because of high property taxes—in the City of Milwaukee's case, a levy of nearly \$40 for every \$1,000 of full valuation. But there wasn't much the city could do since these property taxes were necessary to feed and educate the poor which had been collecting in cities for the past five decades. And, as more people became unemployed in our central cities, the higher the taxes went and the more industries which found it uneconomical to operate there picked up stakes and moved across our city, state or national borders. This vicious circle has cost Milwaukee over 14,000 manufacturing jobs in the last ten years and, though some new employment in the service sector has helped replace those jobs, the difference in net take-home pay has been substantial to those individuals affected.

With most of the closed down industries located in our redevelopment area—an area which contains approximately 81% of the city's Black population, most

of the city's Latin population and most of the city's poor white population—it became obvious to us that manufacturing jobs must be found to replace those lost. Not only could those recently unemployed not follow their jobs down to Tennessee or to Tiawan, but many could not afford the travel cost of following them even so far as 30 miles away to the suburban industrial parts. The answer then was not to keep what we could not keep, but rather to bring in industries which required a large labor pool and which could employ the thousands of unemployed willing to work but unable to find a job. In order to do this, it was necessary to make central city industrial sites economically competitive to not only the overseas and southern manufacturing areas but to the suburban industrial parks which continuously raided our city for new development.

But the primary difference between city and suburban location we found, is the availability of cleared and available land. Cleared suburban industrial park sites sell for approximately \$15,000–\$20,000 an acre in the Milwaukee area, whereas in order to make a central city location available to locating industry, acquisition of old industrial buildings, run down housing and remnants of land; plus demolition, clearance and some new infrastructure; pushed our per acre cost upwards of \$100,000. There was no way to compete without subsidy, and the city's resources were—and still are—so terribly stretched that it was impossible to provide this subsidy from property taxpayers' pockets.

It was with this situation in mind that we applied under Title IX to the Economic Development Administration. Added to the 1974 termination of over 2,200 permanent jobs in a number of industries and an additional 6,200 people on indefinite layoff during 1974 are new losses in the first six months of 1975. In the past half year Milwaukee has lost an additional 350 permanent jobs and has seen another 6,800 of its workers put on permanent layoff. Though some of these workers have been called back, our unemployment rate in the City of Milwaukee as of August 31 stands at 10.1% and our redevelopment area's unemployment rate is estimated to be approximately 17.4%.

Not only have these layoffs and terminations occurred in many small businesses, which have sunk under the weight of double-digit inflation and recession, but larger industries have cut employment back drastically. Such companies as General Electric, Globe Union, Wisconsin Motors, Hot Point, Delco Electronics, Koehring Company, Grede Foundries, Simplicity Manufacturing, Briggs & Stratton, Master Lock, Harley Davidson, International Harvester, Sorgel Electric, Allen Bradley, Marquette Cement and A. O. Smith have all either terminated or laid off workers indefinitely during the first six months of this year.

Most of the city's unemployment is concentrated in manufacturing jobs which are the source of 32% of the city's total employment and 45% of the city's total payroll. This case was set before the Economic Development Administration with the proposal to use EDA funds to acquire, demolish, clear and prepare 60 acres of industrial land within our Menomonee Valley industrial area, a heavy industrial spine which runs the length of the city from east to west.

In addition, we proposed new access points to the adjacent freeway system, a generic or "all encompassing environmental impact statement for the entire industrial area, tie-ins to existing job training programs and a business loan development corporation; a program we considered practical, creative and fiscally responsible. Total federal cost was estimated at \$5,000,000. Total jobs created or retained, was estimated at 2,000.

The Menomonee Valley industrial area sits smack in the center of our EDA redevelopment area. It is adjacent to the largest proportion of our unemployed who can reach this area by public transportation, or even by foot. It was our intention to revitalize this three square mile manufacturing area, which now contains 15,000 jobs and which once supported 45,000 jobs a number of years ago—as a close-in, energy-efficient employment center for many out of work unskilled and semi-skilled workers.

The application was turned down. The reason? Because we did not have a major dislocation in one gigantic industry. In other words, a company the size of Allen-Bradley would have to terminate 2,000 workers before we could even get in line for Title IX money. It made no difference that 2,200 people were, in fact, permanently out of work. It made no difference that, in fact, 6,200 people were on indefinite layoff with little or no hope of ever returning to their source of employment. We were looked upon as a big pond which lost some small fish and it made no difference that the small fish, added together, created a tremendous gap in our ability to provide work for our citizens.

The intent of Title IX was to assist economically distressed areas which had major unemployment problems. Central cities like Milwaukee have had major unemployment problems for the past decade and they are getting worse. Our situation in Milwaukee is not critical, but one only has to look at the situation in Detroit or New York to get a feel for the magnitude of the problem.

Where did Title IX assistance go? Primarily to small cities and small towns which had major industries which folded up their tents and moved out. New industrial parks were created, new creative unemployment subsidy programs were produced to help them get over the hump. And these new industrial parks, from where will they draw their business; from cities like Milwaukee, Detroit, Cleveland, and so on. Meanwhile, the central cities, already the honey-pot for exurban and suburban raiders, see the very assistance programs that they had counted on so heavily used as an additional weapon against them.

This is not to say rural areas and small towns should not receive EDA Title IX assistance—we think they need it to solve their own very real economic problems. However, that same assistance should be available to central cities so that they can creatively meet complex long term economic problems in a fiscally responsible way. In addition, some of the companies which move out of the cities do not go to the suburbs or to the small towns, but rather leave the country entirely because they can no longer afford to operate within central cities because of lack of room, poor transportation, or because their facilities are too old to be economically efficient.

If financial subsidies had been provided to some of these companies to enable them to move to an adjacent piece of inner city land, many of them, I believe, would have stayed. But, as I previously mentioned, the cost of developing inner city land for industrial development is so high that there is no way that industries can afford what is, in effect, a surcharge for staying close to our major areas of unemployment and deterioration.

One further point, and an important one. When industries move out of central cities they leave behind them millions of dollars of sewers, water mains, streets, gas pipes and other utility lines. When they move out to exurban and suburban parks those same sewer, water, gas, and utility lines, along with new roadways, must be constructed to service these new industries. These new facilities cost many times more than the original infrastructure costs in the central city. This massive public investment, coming on the heels of private investment, drains a large amount of money from the national capital pool—a capital pool which we are told will already fall short of our investment needs in the future.

Yet many inner city sites, which are already served with sewer, water, gas, electricity and other basic utilities, need only a minimal investment to make them competitive with outlying areas, and in some cases overseas plants. With the new and very important emphasis on energy and the environment, can we afford to have programs which promote dispersal of our industrial base, construction of new sprawling areas of development which require greater and greater amounts of rapidly dwindling resources, and the location of industry farther and farther away from the major source of labor and current unemployment?

Title IX, as it stands, does not provide help to all economically depressed areas of our country, particularly our central cities. We do not, under the present law have an equal chance to apply for necessary financial subsidies to create or hold the jobs central cities need in order to survive.

Under the current Title IX, major dislocation of a local economy is critical for federal assistance, but we must look at major dislocations realistically. A city should not have to wait for 20% of its employment or a major portion of its industrial base to disappear before it can ask for federal help. In many cases the application of EDA Title IX assistance can prevent this very kind of dislocation before it occurs. A quick example again, is our Menominee Valley where there now exists over 20 acres of under-utilized or vacant land. Yet, except for one piece of land which the city now owns, none of these sites measures more than six acres and few industries wish to go through the grief of acquisition, demolition and site preparation because of both economic and time constraints. How can we tie these pieces of land together to create a new industrial environment, complete with a skill center transportation improvements and business loan assistance Access to Title IX funding.

Milwaukee and other central cities' employment rates have always been high, with pockets running three and four times the national average. Yet, to qualify for many federal assistance programs, especially EDA assistance which is spe-

cific to a certain geographical area in a city, we have no means of acquiring either city-wide or partial city unemployment statistics. If Congress is going to require high unemployment as a criteria for EDA or other federal funding, allow cities to use a number of sound unemployment estimating procedures to meet that criteria. Department of Labor or state statistics very seldom go beyond the SMSA stage. Such information is worthless to cities which have most of their unemployment problems relegated to small areas within decaying neighborhoods. But you cannot fight national and international economic conditions solely with local property tax money. We are willing to do our share and to make a reasonable investment, but we need programs such as Title IX to give us an even chance of success. Your support and your understanding of our problems is a first necessity to changing the economic trends in our cities. Thank you.

TESTIMONY OF KENNETH PATTON, PRESIDENT, REAL ESTATE BOARD OF NEW YORK, INC., AND EUGENE P. FOLEY, GENERAL PARTNER, EVEREST CORP., REPRESENTING THE COUNCIL FOR URBAN ECONOMIC DEVELOPMENT; PAUL N. ZIMMERER, EXECUTIVE DIRECTOR, MAYORS' COMMITTEE FOR ECONOMIC AND CULTURAL DEVELOPMENT, CHICAGO, ILL.; AND RONALD C. KYSIK, DIRECTOR OF COMPREHENSIVE DEVELOPMENT, DEPARTMENT OF CITY DEVELOPMENT, MILWAUKEE, WIS.

Mr. PATTON. Mr. Chairman, we are no longer groping for answers to questions of substance in this act. I think the techniques of economic development are now well understood. Today, all of us have cause for optimism. We see representatives of both the cities of America and our rural areas agree that this issue's time has come. For the first time, we see the Conference of Mayors favorably regarding the potentials for economic development. Yet, when we recognize the upwelling frustration across the country and the need to do something about job creation, the lack of a policy to deal with the endless array of transfer payments, welfare and all the other substitutes for those benefits of a vital economy forces us to wonder how this gourd of errors can be snipped. How can we establish a national program for economic recovery that adheres to elementary principles?

In terms of cities, America's economic situation is best described by recalling a somewhat isolated and previously unknown place in Los Angeles called Watts, which suddenly erupted on our television screens in the summer of 1967. The riots that scarred Watts gave birth to a new term in the American lexicon—the urban crisis. Today, if you took all the large cities in America, lumped them together and measured their unemployment, their underemployment and their discouraged workers, the resulting aggregate profile would be slightly worse than an economic profile taken of Watts in 1967.

Although I don't believe them, let us apply the administration's projections for the period from now until 1980 as the basis for estimating near-term future unemployment in our cities. According to administration figures, the next 7 years will be worse for American cities than any recession we have experienced since the war, except for the one we are in now. By 1979, the cities will be worse off than they were in 1948 or 1951 or 1971. Those are the economic conditions which we are asked to accept in our urban centers.

The cities of America, then, will live with Watts-like conditions for the foreseeable future. The Federal response to this national economic

emergency comprise a primer in counterproductivity, a reversal or inversion of the words of the patriots in 1811, when they cried, "Millions for defense, but not 1 cent for tribute." The contemporary version of this statement seems to be, "Billions for tribute, but not 1 cent for defense." We pay tribute to the unemployed with extended transfer payments, but allocate relatively infinitesimal funds for the defense and repair of our wounded economy.

We have funneled out some \$20 billion in unemployment benefits and elongated the benefit term to 69 weeks. The result of this strategy has been to create a new welfare population consisting of former blue collar workers in the middle class, who now think nothing of going to Orlando, traveling about and looking for opportunities without making any genuine, serious efforts to find work.

We have given the public \$22.8 billion in tax credits to promote the purchase of hairdryers, beer, and automobiles with the idea of stimulating the economy and we have increased transfer payments. These two policies have placed us at the brink of a \$75 billion Federal deficit—a situation which serves as an argument against our spending money for development hardware.

America has eliminated its urban housing construction program, replacing it with a device for renting housing called section 8, which, once again, has been paid for by people who live in urban centers. Simultaneously, the administration grants a \$2,000 tax credit on single-family home purchases that provide an incentive for wealthier people who move out of the city. All this self-destructive programming comes about when we have allowed, or even caused railroads that serve central cities to go bankrupt. The proposed solution to that bankruptcy seems to be massive abandonment, combined with an incredible super merger of mergers into some enormous bureaucratic monstrosity, which is doomed to failure before it begins functioning. The disarray of our railroads is but one byproduct of the Federal ineptitude that had left us after a 20-month-long oil crisis without an energy policy.

How can we deal with this situation and break this gourd? If one reads the current estimates and studies, it becomes clear that public opinion is ripe for shaping by enlightened leadership. There have been few instances when the public was as close to understanding what should be done as it is now. The public wants hardware, not welfare. In fact, the public wants the hardware to get off of welfare. This is essentially the case in our urban centers.

Since this economic development program was instituted, we have set about to aid our rural centers and achieved success with minimum means. We have also done something to help our urban centers, but the places that have been most successful in taking business or intercepting it from both are the suburbs. Sprawl has been the word most mentioned today, and I think this term has to be placed in a national context. Sprawl means jobs moving away from people who need them most. Sprawl means a doubling of the per capita need for gasoline and oil to do business. Sprawl multiplies the cost of infrastructure development by 2.5 times the price of investment requirements for similar construction in cities at a time when the need for capital information for productive enterprise is greatest. The most ominous current threat to the private sector is a phenomenon called crowding-out. The money needed by the Federal administration to carry out its goals is being

siphoned off from the marketplace by a host of policies which deprive the private sector of capital.

Just this week, the Treasury Department unexpectedly reentered the bond markets. Uncertainty reigns more and more throughout the private sector. I am not sure crowding-out would occur to a significant degree if the private investor and the bond market knew where the economy was going, but the twofold conditions of uncertainty and lack of a coherent national economic policy for the foreseeable future make it likely, in my view, that public borrowing will preempt other forms of borrowing.

Question: Will private investment force the Government toward wasteful and unproductive investments, or will public investments guide private investment in a most productive way? The current condition is the one I described first. By allowing the present situation to persist, we add to our Federal and local budgets and increasingly socialize and nationalize our economy. Practicing the theology of conservatives always produces nationalization. These practices are, I think, fatal to our system. We must convince the people who should know better, that the converse theories should be applied. Public investment must be matched up to private investment schedules in such a way as to keep the system alive and restore it to some degree of health.

In conclusion, I would suggest we look at France which is spending \$5 billion this year on upgrading infrastructure elements, capping a 15-year program with this goal in mind. Although the United States has indicative planning, regional planning, and the sort of program that we are proposing to initiate, it is France that moves forward to restore her economic vitality with a \$5 billion program.

For us to talk about \$1 billion and be pleased and relieved to see another digit added to our horizons in this program is to ignore the trillion and a half dollar scope of our economy and to minimize the problems we have.

The cities contain more than half the poverty in America and more than half of its unemployment. Yet, since that day in 1967 when Watts blew up, cities have received but 12 percent of the Federal Public Works and Economic Development Act's budget. We consider it a blessing—indeed we are grateful that perhaps this year we can get this share up to 25 percent. We attend to the fact that residents of rural areas and suburbs worry about the cities and consider them to be millstones around their necks and tax base, even though urban centers have exported some 40 to 50 percent of their own funds to create employment elsewhere, while jobs left downtown areas in droves.

For reasons of energy conservation, land conservation, because of what Commissioner Hoffman said, for food chain sustainment, because, as David Meeker pointed out at our last conference, over a third of our domestic agricultural production takes place in SMSA's, we must reinforce the urban infrastructure. Urban sprawl undermines our productive capacity with respect to agriculture, as well as other outputs.

With all these issues confronting us, we think the country cannot save its way out of this depression, or just blind its way out of calamity. America must invest its way out of this crisis by rehabilitating rural centers and the effective utilization and reuse of mature urban centers. Thank you.

Mr. ROE. I think you made a splendid presentation on the point of providing hardware for welfare. There is nobody from the rural or urban area sitting on this committee that doesn't understand that. In fact, in all due candor, this committee has fought like dogs on that bill from the very beginning, not this one, but I am talking about the \$5 billion local public works capital development and investment bill.

On the other hand, the brothers who must decide have decided that the quarrel is that we may overinvest or arouse competition for capital and there is no way that we can get these public works projects built. You realize this is the last package of economic recovery legislation that is pending before the Congress at all at this juncture.

What we are trying to get at is to convince the people and the politicians of this country that, look, if we don't make this investment in the public sector right now, there is no way we can expand the economic base in our urban areas for many reasons. Without belaboring this discussion, the infrastructure is such that industry and commerce cannot expand and build modern plants in many of our cities because public works such as water, sewer, and drainage facilities are not available to accommodate the needs of industry and commerce to expand in the private capital sector—which happened to be Mr. Fitzsimmons' point of view. Most of the economists who have testified from the administration believe that this economic vitality will occur, in effect, if we do nothing, which I obviously do not agree with.

Now, the point I am trying to make—and I think Commissioner Hoffman from New Jersey testified in that regard—is that this is only the beginning. Anybody who believes that we are going through a phase adopted by some economists as accepted principles for recession cycles and readjustment periods, just doesn't know what is happening, and what's going to happen, and that's what I think you are saying.

But somehow we have to convince the people, in priority thinking, that if they go the route of CETA, if they go the route of unemployment compensation, and other similar Federal assistance programs based upon a fundamental premise accepted by the administration and part of the Congress that 5 months from today or 6 months from today these kinds of short-range measures are going to turn our whole economy around, they are draining the treasury of billions of dollars every year that are not being productive or creating the capital investment that you are talking about.

Mr. HAMMERSCHMIDT. Mr. Chairman, I want to commend Ken for his helpful statement. We all know of your long-term experience and expertise in New York City and working in the area of economic development.

And I want to thank you for your very helpful testimony, but there was one statement you made which I think I should correct for the record. I noticed you mentioned that, and critically, the administration's proposal on the \$2,000 tax exemption for new house purchases—I want to remind you that that was not an administration proposal, and the tax bill was almost vetoed over that provision. In fact, it was put in the legislation, as I recall, on the other side of the Hill, and by a Member of the other side of the aisle. I just wanted the record to be clear.

Mr. ROE. Mr. Foley.

Mr. FOLEY. Thank you, Mr. Chairman, members of the committee. You have my statement and I would just add a few comments very briefly on the urban-rural, I gather, controversy, or difference of opinion. I would just like to make a couple of comments.

I was in the Kennedy administration at the beginning of the Area Redevelopment Administration in 1961, which was the first economic development program in our Government. That was created, I can state from personal experience, having worked on the program, primarily for rural areas, the mined out and farmed out areas of the country, that had developed for a variety of reasons; one, the growth of oil and natural gas in this country to replace coal as a source of fuel. Now, all of us know what has happened in the last several years. You go to most of the coal-producing areas of the country and employment is fairly good, and certainly you compare it to 15 years ago, the unemployment in those areas has drastically lessened. That is just one comment.

The same is true, of course, in northeastern Minnesota. I was born in a small town in Minnesota and in fact I was the city attorney of a town of 2,500, which I think is characteristic of probably Mr. Hamerschmidt's district, and I know some of those problems, but Northeastern Minnesota, for instance, was one of the outstanding persistently high unemployment areas in the country, Mr. Oberstar's district, and now because of technological changes and also international changes, foreign iron ore is not coming in from overseas like it used to, and employment is fairly good in that area.

So in the meantime we had drastic changes in our urban areas in the last 15 years. For one thing, two major programs of the Federal Government financed the exodus of industry from our large cities; one was of course the highway program which made transportation access to the suburbs and as well to outside urban areas much easier, and replaced railroad transportation. The second thing was our tax program, our doubly claimed balanced methods of depreciation and the like make it far easier, and made it far cheaper to locate a new building on one level out in the areas where there is cheaper land, and there wasn't in the city.

So this contributed in large part of the exodus of the jobs from the city. So as contrasted to 1961 where the persistent long-term unemployment was in the mined out, farmed out areas of our country, it has drastically changed. I was chairman of Governor Carey's Task Force on Unemployment. In May of 1975—a little bit more than 45 percent of the unemployment in New York State was in the New York City area alone. In the 90 largest urban areas in the country, the unemployment—the total unemployment in the country is about 50 percent. Nevertheless for next year these urban areas only got 3 percent of the business loan funds, and they only got 12 percent of the overall funds. So just on that ground, I think that historical changes in the distribution of EDA funds justifies a greater attention to these urban areas.

In addition to that—in more recent years there has been a huge rural loan or rural development program. I call your attention to the fact that—by the way, in my business, I'm an investment banker in New York, and I raise money for small, and middle-sized companies, and there is no capital market, you know, in New York. You cannot

take a company public in New York. I mean you would be just misleading somebody to say that you could. I don't have the statistics, although I think the staff might find it interesting in this whole—I want to point out this whole capital shortage area here in a minute.

If you contrast in 1969 and 1970 whereas that by September of those years you'd have 700 or 800 public offers, and I wouldn't doubt there would be less than 500 right now. There is no place to get money. In order for my clients to get—for me to get money for my clients I have to go to the Small Business Administration, Economic Development Administration, or to Farmers Home, and I am just getting a program, by the way, for Rocky Face, Ga., for a new company, a \$750,000 loan from the Farmers Home Administration.

Now, the Farmers Home Administration has a \$300 million business loan program, and that contrasts with the EDA last year of \$16 million for the entire country. So the rural areas are not—the rural areas are not going to get—are not getting any short suit at all.

So I want to comment on some technical areas here that I would like to bring to your attention that I don't think this committee has dealt with, and I must say I do not mean that in any condescending way, because frankly when I was in these various Government programs I didn't think of them either, so I just had to learn. All of us have to learn through the years, and so these technical problems are rather new to me as well.

But I think they are important, and I think you should keep them in mind, and I just thought I would mention them to you.

First of all, and I am not going to go on in a great way, but I do want to call your attention to the current issue of Business Week, the September 22 issue of Business Week which is on the capital crisis. They are estimating in the next 10 years that \$4.5 trillion—incredible amounts of money we're talking about—and yet you will see that the revolving loan fund, and I understand this committee asked the Assistant Secretary this morning about it, and why the Office of Management and Budget is sitting on it is an absolute mystery to me. I would just suggest while it would be nice to see EDA get another billion dollars in appropriations—looking at something that might be reasonably attainable if you had to direct your fire, that is, I just cannot understand why they are sitting on this fund of money. That \$150 million, by the way, leverages probably at least four times, and let me explain that for the record in case some of you are not clear on that.

Take a small business loan, one by the Small Business Administration—and let me just say this again for the record, I am the only person that was both Administrator of the Small Business Administration and also Administrator of the Economic Development Administration, so I have had experience with both programs.

Some years back the SBA program was a direct lending program, and when you made a \$100,000 loan, \$100,000 came out of the Treasury, and later on it became a participation program where the Government would go for \$10,000 and the bank would—pardon me, the Government would go for \$90,000 and the bank would go for \$10,000. So you could make a few more loans under the participation program.

When I became Administrator of the SBA in 1963, we emphasized the guaranteed loan program, and a lot of friends of mine who are my

political—can disagree on this, but I think the guaranteed loan program has certainly justified itself over the years because of its leverage.

Under that program the \$100,000 is put up entirely by the bank and the SBA reserves 10 percent as a loss reserve, so obviously you can make 10 times as many loans under the guaranteed program than you do under the direct lending program.

Last year the EDA increased its loss reserve on EDA business loans from 10 percent to 25 percent, and I think wisely so. I don't mean this as any criticism. They make riskier loans, but they are still getting a leverage factor of 4 to 1 under the guaranteed loan program.

So if this \$150 million were released from that revolving loan fund—

Mr. ROE. We are on a quorum call, and will have to leave. We will hurry back.

[Short recess.]

Mr. ROE. The hearing will reconvene. We were hearing from Mr. Foley.

Mr. FOLEY. Mr. Chairman, I was commenting about the system of leveraging the Government loan funds, and in SBA that leverage is a factor of 10 to 1, because of a 10 percent loss reserve, and in EDA it is 4 to 1, because of a 25 percent loss reserve.

What I wanted to do is address myself again to the rural-urban matter and call your attention to the fact that in the Farmers Home Administration there is a rural development program with a business loan feature. Now, they have \$300 million in that program, and that contrasts to the EDA program last year of \$16 million, and probably between \$30 and \$60 million this year. Now, that \$30 to \$60 million is divided in turn between urban areas and rural areas, and last year it was divided at a factor of 97 percent for nonurban and 3 percent for the urban.

So there is plenty of money here for rural areas, and I just want to state one more thing in that respect. I would hope that your committee staff might take a look at this, but in the Farmers Home Administration program, first of all, they don't have a revolving loan fund; and, second, believe it or not, they don't even have a leverage factor. When they make a \$1 million loan in the FHA, guaranteed, and going through a bank, the bank puts up all \$1 million, and 90 percent guaranteed by the FHA, and instead of having set a loss reserve of 10 percent or 25 percent, they have a loss reserve of 100 percent. So what you are talking about now in reality is this potential; in the Farmers Home Administration program utilizing the EDA leverage of 4 to 1, rather than the SBA of 6 to 1, you would have, conservatively speaking, a \$1.2 billion loan program, using the EDA leverage factor of 4 to 1. Also, using the \$150 million to \$600 million, and that in turn would have to be divided between urban and rural areas. Really, I do not know what is holding it up in the FHA, unless it is all tied up with the Office of Management and Budget in some extraordinary fear of inflation in the area where there is no inflation.

If you will read the Wall Street Journal daily, for instance yesterday, talking about the steel industry, the durable goods area, the capital goods area, there is no demand. Demand is way down, and there isn't going to be any inflation in that area, and that is where these programs and this money goes.

If you really wanted to be sure what you could do is say this money should only go for working capital and plant equipment and not for refinancing, although I would not urge that, but, if that were one thing that had to be done, it could be.

Mr. ROE. I think EDA takes the position that you have stated here.

Mr. FOLEY. They have to permit some refinancing. You just have to because that gets into my next comment. That has to do with the fact that these guaranteed loans are made through banks.

Now, banks, by and large, are short-term lenders, and they don't like the paperwork associated with long-term lending and let me just tell you the SBA and EDA people's work is no more onerous than any other long-term lenders, it is only redtape so-called because of the nature of the loan. It is a long-term loan, and there are just too many variables you have to try to anticipate.

The banks do not like it. They do not like that. That is one factor. Another factor is banks are in trouble in this country. I just—if you think I am being outrageous on this let me just call your attention to a couple articles in this week's Wall Street Journal.

Tuesday, September 16, 1975, Chase Manhattan Bank Real Estate Investment Trust, and, if I could just say ad-libbing here, God bless Mayor Beame, you know, he went on the television last week and he said, well maybe he had to share some of the blame for the city's problems, and I just think it might be time for some of these big bankers to do the same thing.

Now, here is the Chase Manhattan Bank, the third largest bank holding company in America, and they have got a real estate-investment trust of over \$1 billion. I'm quoting from this article, "The trust hasn't reported results yet for its fiscal year ended May 31. It has a 30-day extension until September 30 from the SEC. Most recent figures show on May 31 that \$502 million or more than 50 percent of the trust's loan portfolio wasn't accruing interest, or was in foreclosure, or foreclosed." This is just one bank. Now, most major banks in this country have a REIT.

Now, let me just show you the results of that in terms of a lending program. I have here figures which I could submit for the record, if you'd like, and for the SBA loan guaranteed program for 1973 in New York State. In that year \$100,798,280 through the SBA loan program was made through New York State banks, and let's say \$100 million. The following calendar year, \$33 million. Now, what happened?

Well, what happened is related to what I was just telling you, and that is part of Mayor Beame's problem frankly, is the fact that the banks have overextended themselves in their real estate investment area and this is not the real estate industries fault, but it's all part of the recession.

The banks do not have the money, and this relates to the EDA program because on this guaranteed program you—it is fine theoretically to go through the banks because you do get a leverage factor, and you do get local management and supervision, but, if the banks are not going to make these loans, nothing is going to help.

So what I want to do is call the committee's attention to the work being done in the SBA. And they have been working on this for a year and half, and that is called a non-bank-lending program, and what I

mean by that is they are prepared to license companies that are not banks to make long-term loans. Now, they have done tremendous work on this, and there is a lot of technical intricate problems, and it is not an easy thing to set up, and the SBA is being very thorough on it.

But I call your attention to it because I am a believer in that program and I mentioned to the staff I wish I had thought about it when I was Administrator and I didn't.

But the time has come and what it really means is a new financial institution in America; namely, a long-term debt financing institution for small- and middle-sized companies which cannot get long-term loans, other than those related to the Government.

Now, another technical problem you have to be aware of, related to this non-banking-lending program, is the nature of the guaranty. Now, these are highly technical things but you just have to know about these in order to make these programs work. Historically the SBA guaranteed the 90 percent, and is 100 percent guaranteed by the Federal Government and you would think that that guarantee with the full faith and credit of the U.S. Government would have the same value in the marketplace as the U.S. Government bond, but it does not, and the reason it does not is that there are some circumstances in which the SBA will not honor the guarantee, and although the odds of that happening are like 1 out of 25,000 at the most, and it is more like 1 out of 50,000, nevertheless, in the marketplace people are not going to take a chance.

I'll give you an example: Let's say a loan was made in Spokane, Wash., and guaranteed by the SBA, and I mentioned the SBA here because these technical programs relate to the EDA loan guarantee program. Let's say a loan made in Spokane, Wash., and the bank somehow or another was in collusion with the borrower, and in the course of the marketplace eventually it—a trustee in a bank for a widow's account in North Carolina buys this and thinks it is a nice thing and puts it in her account, and later the loan is in default, and the SBA finds out that the banker was in collusion. They will not honor that guarantee, and for the trustee in North Carolina to bear the expense of going to Spokane, Wash., and prosecuting the thing it just makes it unmarketable, and now the SBA is working on this.

I have called it to the attention of the staff of the EDA and they are working on their guarantee. You know, their guarantee program is new as of this year, and I have also called it to the attention of the Farmers Home Administration, and I will find out tomorrow just what the status of these are.

The Farmers Home Administration—not only myself, there are other people that are aware of this problem, and others have called it to their attention, but the Farmers Home Administration had a proposed regulation which if it is adopted will be—will make their guarantee perfectly marketable.

If the staff would like an example of a guarantee that is 100 percent marketable, the Maritime Administration loans are perfectly marketable. Now, I have got a loan in a small town in Georgia, a \$750,000 loan in a town of about 1,500 people. Now, that bank just can't handle that \$750,000 loan. But because I have presold the guarantee to the insurance company which won't by the SBA guarantee, but will buy the Farmers Home Administration guaranty, we can make that loan be-

cause the local banker down there can afford \$75,000 but can't afford \$750,000. So I call this to your attention because these are some technical problems that you should be aware of in order to make these loan programs effective.

In conclusion then, I want to mention one more thing about the banks before I conclude. Here's an article from today's Wall Street Journal, and getting back to the capital shortage problem, now here is the Bankers Trust Co., the seventh largest bank holding company in America, and it says here as follows: "The banking industry's own borrowing difficulties were emphasized yesterday when a leading member resorted to a rare and costly sale of preferred stock in raising \$75 million in public funds."

Well, I will not read the whole article, but I could submit it for the record here, but what I am pointing out is in this capital shortage problem, these are not just small companies, these are just not inefficient companies, these are not either rural or urban companies, but these are all companies in America and the Business Week article is an excellent one if you are to get a review of this. But when they hold on to this \$150 million in that revolving loan fund, which could be leveraged to \$600 million, and by their own admission they are talking about a \$4-trillion capital shortage, it just doesn't make sense.

Then when you think that this rural development program, the Farmers Home Administration, could be leveraged into a \$1 billion loan program for the rural area, and when I note from my own experience, because I have been in this field for the last couple of years trying to set up a non-bank-lending program at the SBA, if that were also extended to the EDA and the Farmers Home Administration, there is a lot of capital in this country which would go into that, and that is tied up then with the nature of a guarantee. In order for that program to work the guarantee has to be marketable, see.

So what I am saying then in conclusion is I do not think that there is any reason to make a distinction between rural and urban areas, because without any legislation whatsoever these programs could be funded with their present appropriations simply by using in the one case the revolving loan fund, and in the case of the Farmers Home Administration, the—advising them that they do not have to set a 100-percent loss reserve for every loan they make. And my final comment is that EDA just needs staff help. They do not have enough help. There is a fellow in—one of the State or local fellows who is called the economic development representative, and there is one man for the whole State of Connecticut, and he also covers New York City and Long Island, one man. He doesn't even have a secretary. He can't handle the workload, and he has an answering service. He doesn't even have anybody to take his messages. He has to hire an answering service.

Now, they need more help, and I don't know whether you could get them an increased appropriation or not, but the one thought that I did have—again, just trying to offer some practical suggestions, and the SBA is not about to like what I am going to say, but there is no reason why they couldn't at least offer him a desk in the SBA office, and somebody to handle the phone calls and somebody that he can dictate his reports to, or maybe even detail a guy from the SBA. By their own admission they will tell you in the Newark office that their

workload is down, but I have not seen anybody get lopped off there.

Well, as long as their workload is down, why cannot they help out the EDA? I know that is heresy in the Federal Government to help out another agency, but I don't know why it couldn't be done if somebody wanted to do it.

With that I will conclude my statement.

Mr. ROE. That was a good conclusion.

Mr. Zimmerer.

Mr. ZIMMERER. I do not have too many comments because Mr. Foley with his expertise has basically taken all the key elements that I wanted to discuss; however, I would like to take a different viewpoint for a moment which relates to my own experience, and that is a viewpoint for the local urban area, the city, that has to deal with basic problems of economic development.

My feeling is that cities like Chicago are the economic center points for the Nation. We have been involved with ARA and then we became involved with EDA in 1965. During that period of time we have accumulated in all of our programs approximately \$30 million for economic and technical assistance. We have used it rather wisely, I believe, to the point where we have been able to get people employed at a cost of about \$1,600 per job.

What I am driving at though is that during those 10 to 15 years we have been coming to Washington to see what program is being offered currently—I have come to the conclusion, based on our own experience, and based on our own knowledge in Chicago as well as some other cities I am familiar with, that there has been a greater emphasis placed upon the initiative of the local authority or local government for solutions to urban economic problems.

The concept now is being put together in Chicago and in other cities where you establish a local economic development authority, and there is one in Minneapolis, and you have heard of the one in your own State, Mr. Chairman, and there are a number of others, but I think the key element in all of these, based on all the years of experience I have had in Chicago, and there are some other cities, that there is not enough initiative and EDA has got to provide greater initiative and greater opportunities to meet the market as the market changes.

We are faced with changing conditions, and by the time those changing conditions are rectified through EDA and its regulations or through Congress we are into the problem and we have got another major problem that we have to try to solve. I think there is needed a certain amount of initiative. If there are some ways in which the city agency through an authorized established city agency which states they can buy land and they can sell land, and they can develop land which is not an unusual thing these days, but also play an activist role in the market where you can actually negotiate with private enterprise aspects so that you can negotiate with the developer, and the insurance company, and negotiate with the firm, and the most important thing, quickly. You cannot wait months and months and months until you get a reply saying that this particular loan is OK, or this particular project is OK. You must be in the position to act more or less immediately, because not only is there a matter of competition, but it is a matter of just plain pure economics within the firm. They have to make certain decisions and they have certain com-

mitments that they have and we have to follow them. I think the local government has the responsibility for taking into consideration that they should be given more opportunity to buy the land, negotiate with private sectors, and by that I do not mean necessarily that every single city in the United States should try to re-create a land development operation because that would be foolish, because there are too many experts in most of the cities who know this very well, and know their own areas very well. It is a matter of cooperation, joint ventures. It is possible, for example, that if moneys were available through—to accumulate land, that there is no reason why, if the government has the land available and it is under their ownership from whatever program, that it put that into the joint venture system with a private investor.

Now, that private investor would have then less money to invest and possibly to the extent where he might be able to duplicate his investment. In other words, if he were interested in one particular park with a certain amount of land there, he might be able to do two of these if the city was able to come in with a certain amount of land area which would reduce the amount of investment, the funding of money.

Second, if the cities can get into the tax abatement programs so that they can also reduce the amount of land or tax that has to be paid. In many instances it is the ownership which is in city hands and of course there are no taxes. There is a cost in lieu of taxes, but there are not taxes. And again it helps the developer on a joint venture basis, and then you have another problem and that is you deal directly with the industry, and you first deal with the land developer, and then you deal with the industry itself to attract them into the area, and that is where the revenue bond programs come in. That is where certain kinds of tax abatements over a long period of time might come in.

In these instances you are dealing with two different markets and I think that you can only deal with them effectively if you have the mechanics and the ways in which the industry itself operates. You have got to be able to operate on their level at their time with them. And the city has to become an activist. It can no longer sit back basically and say, "Well, we may be able to do this if we can get this money, or be able to do this if we can get this money," and try to find moneys wherever they can and community development money, or whatever, because a city usually has so many problems that by the time economic development comes in it says we would like to have a certain amount of money set aside for this, the other programs, the other needs of the community are so great, and peoples needs are so great that you could become second in line, or third or fourth. I think that EDA has the power and should be able to accumulate that power in the future to allow cities, through an economic development facility, to take on a more activist role, and perhaps this might be a bit of heresy, but I think that economic development over a period of time might even become self-supporting.

If the joint venture system works, where you can take industry or a developer with the Government, there is no reason why some of the proceeds, some of the profits, if you want to call it that, that come from this kind of development, if you are successful, and you should be because it is also a way of evaluating the productivity of the particular authority as it is in private industry, if it is successful, then

that money can be reserved so that we can go into those areas where there is a high risk investment, and if you want to reduce the investment for the individual investor, so you can take that money, and instead of taking and asking for more money and more money, you could take some of the money which you have made in terms of this kind of investment.

I think that high risk questions, as Mr. Foley indicated are one of the key problems that investors face in cities, and I know it very well. We have been under the gun in Chicago many times for—where an individual wants to invest but they cannot find anyone that is willing to take on after EDA has used all their funds for our region. I cannot find anyone to take on that investment, and this is, I think, one of the more important elements as far as the loan program and as far as everything I think that has been said so far, and I hope that somewhere in the future, perhaps in the near future, we can work ourselves into that kind of a program where cities can take a greater initiative, assume a greater responsibility and actually take a greater responsibility in terms of self-supporting or self liquidating kind of operations.

If you have any questions I would be more than happy to answer them.

Mr. ROE. We are going to get them all at one time. Thank you, Mr. Zimmerer.

Mr. Kysiak.

Mr. KYSIAK. Mr. Chairman, I guess one of the disadvantages of being last is that pretty much what you had to say has been said already a number of times, but maybe I could just focus my comments on something that hasn't been discussed perhaps in detail, and that is the situation regarding title IX.

When title IX was passed last year we in Milwaukee were very excited about it, and it looked like we had an opportunity for the first time to take a look at some of our complicated economic development problems in the city, and perhaps apply some sophisticated solutions to them. Title IX allowed a whole range of activities and encouraged you to come up with something new, something different. This approach offered, as opposed to the normal EDA process, an integrated, multi-level program. The old approach goes like this: you thought you had a transportation problem in your industrial area you would go after a title III planning grant, which would take a year; and then after you found out that, by golly, you did have a problem, you would get a technical assistance grant for another year to plan the road; and then, when you got the road planned, you would then apply for title I which would take another year to build it; and then, after that was done, you would then go and ask for help under title II for a guaranteed business loan to get a company in your new road serviced site.

Title IX, however, dispensed with a lot of that. It said, in effect, look, if you have a complicated problem, go on in and on a complicated basis try to solve it any way you think is best. It wasn't until later we realized that the criteria for title IX restricted our participation as a big city simply because: First, we had to have had either a large governmental operation moved out—and we have no such operation in Milwaukee—or, we had to have a major environmental closing of one

of our plants—and that has not as yet occurred, thank God—or, that there had to be a particularly large or sudden rise in our unemployment through the shutdown of a major corporation.

When you have 100,000 industrial jobs in the city, as we have in Milwaukee; to get a major dislocation you would have to lose probably what, 10 percent, I suppose, and there isn't any one industry in the city that has that many jobs. As a matter of fact, I would doubt that there is any one particular kind of industry that supports that many jobs.

And very honestly, if one of these large industries were to close, that decision probably was made some 1 to 2 years in the past. Such large sized operations have very sophisticated management people who determine whether or not a particular plant is going to stay in operation long before we hear about it.

So that large dislocation criteria, in effect, ruled us out. But what title IX criteria didn't take into consideration is that we had been having in Milwaukee, and in other central cities, a long, continued period of overall economic deterioration. These are not the large companies, primarily, but the smaller companies, the incubators, the type that we can produce best; and they have up to 50 to 75 employees, when they had to expand they suddenly realized that they had no room around them. A housing development had grown up around them, or perhaps the transportation was not adequate, or perhaps the labor supply wasn't there when they needed it, and in most cases those decisions to move were made in a matter of 1 or 2 months. These people didn't have a lot of sophisticated analysis, and they didn't have a real estate man aboard, and they suddenly ran into a production crunch, and they got a new order and they had to move in a hurry, and there we were, the city with its tools of renewal which took a year at least, EDA which took a year or more at least, and right on the outskirts, of course, waiting, was the suburban industrial park.

Ironically, because of the extra costs involved in staying where they were, through purchase of adjacent land which had been built up with old housing, the cost of demolition, clearance and rehabilitation, we were actually charging these businesses a surcharge to remain close to our area of unemployment, and with that double-barreled negative they simply fled.

Now, it seems to me that title IX is really an urban title and by that I mean it allows a very creative, multifaceted approach to solving complicated problems.

Many major cities have had a great deal of experience in urban economic development, and in Milwaukee we have been in business for 14 years since our mayor, Henry Maier, established us. One of the earlier questions was "what have you done," "what is your commitment?"

We have put \$4 million into buying land and developing it for industrial purposes, and we have spent between \$200,000 and \$300,000 a year of city money for an economic development staff. We have gone as far as we can go, we have reached the end of our tether.

We know pretty much what we can do. We have the sophistication and we have tried most of the things that development people are just beginning to try now. We, of all people, could probably utilize title IX to much greater effect than anybody else, and yet arbitrarily we

were removed from any chance of that assistance. Instead we are left with a patchwork EDA bill which, in effect, was primarily rural oriented, and was slowly restructured here and there to allow cities to get a piece of the action, but still a piece of rural legislation. I am in no way here inferring that rural areas should not have EDA assistance. I think they need it as much as anybody.

But I do not think we are looking for a bigger slice of the pie. We are looking for a bigger slice of a bigger pie, because if you are just going to go and take the pie and say, well, let's let cities have more of what is there, politically there is no way in hell we are going to get that through, and we know it, and we admit that.

But title IX, I believe, has the basis to become probably the new approach to urban economic development, and if not through EDA, then perhaps through some other agency, I do not know. But if we can apply our expertise, our experience to a multifaceted and multidimensional problem with the assistance of a multidimensional bill and funding source, I think we can do some good. We will not be able to turn our cities around with just that type of assistance, but we can do a lot more than we have done now.

The one other point I would just like to make, and it has been bothering me personally for a long time, is EDA's and other Federal agencies' approach to designating areas. I have no real quarrel with the designation procedure up to a point, since we worked for 3 long years to put an OEDP together, and now that we have it done, I suppose we feel protective about it. But the primary requirement for a designation, as you mentioned, Mr. Chairman, was unemployment, and I believe, as you also mentioned, it does not have a lot to do really with economic development problems.

However, in order for a city to be designated or a portion of a city to be designated, you have to have the unemployment data for that portion. And the Department of Labor does not require unemployment data to be gathered in any other form except on an SMSA basis. And if you go to the State of Wisconsin, for example, and say, gentlemen, would you help us find out what our unemployment rate is in the city? And they will say, well, we can give you an estimate. Now, we know the State keeps unemployment data at least by Zip code. It would not take a major program reshuffling to get the Department of Labor to say, for example, to the State, "From now on, when you give us unemployment data, give it to us by census tract. It is a simple coding problem, that is all." And with that information, not only would we be able to better determine where pockets of unemployment were, and in effect, be able to fill out various Federal applications, but we would learn something by it.

We would find out, for example, what kinds of people are out of work, and in what neighborhood. How many were black, how many were young, how many had disability, et cetera. We do not know that now, and all we get now is estimates, and every time we take an estimate back to EDA, we have to go and fight the whole battle again with DOL.

So that is a personal aside, but it bothers me and it has bothered me for a long time, and I would like to see something done about it.

And that pretty much ends what I have to say. Thank you.

Mr. Roe. Thank you very much, Mr. Kysiak.

I think it is heartening to us and I want to make the point very clear that the Public Works Committee is a very unique committee. We are fairly well balanced in urban and rural representation and in both political parties. We are unique in that we have no quarrel amongst ourselves, and we have been able to, with a great deal of effort on everyone's part, generate substantial, comprehensive, complex legislation with the full support of varied interests.

But that just did not happen out of the blue. That took an enormous amount of energy by the members of this committee. I think in all due fairness we have to say that I don't want to rehash the history of EDA and the whole bit, but I administered part of this program at the State level in New Jersey before I came here, and so I am quite familiar with what you are talking about. I think what has happened is that there is a recognition beginning to evolve that the economic development legislation is not just another Federal Grant-in-Aid Act. The theory 10 years ago was that if you throw enough money out at the problem, it resolves itself, and that is just sheer nonsense. If you then add 9 million regulations to carry out congressional intent and purpose of the act, there is no way you could administer the program in the first place.

At the moment we are faced with a most complex parliamentary situation on the Local Public Works and Capital Development Act. The House-passed bill was amended in the Senate which tacked on the so-called Talmadge amendment changing the formula for allocating funds for the construction of waste-water treatment works under the Federal Water Pollution Control Act and the countercyclical amendment providing Federal funds for general local government use other than public works.

We are trying to bring a semblance of strength, if you will, to our thrust on this EDA legislation that we are evolving today. We do not expect it to be a cure-all, but we do expect to be able to incorporate some of the varied concepts we have discussed at these hearings that will strengthen and improve the current EDA law to make it more responsive to our Nation's economic development needs.

We do not have to quarrel with the rural areas. We have been able to demonstrate that, and that's No. 1. They totally agree with us.

But we have to be able to get enough votes in on that House floor, and that is the name of the game; that is how the democracy works or doesn't work. We must be able to provide legislation that explicitly specifies what this committee is trying to do and fully exemplifies that the direction which we are going is the right way to go at the right time. And if there ever was a time, the right time is here now, in my judgment.

We must provide a dynamic, equitable piece of legislation for economic development oriented toward a national policy where the people would come back and say, well, OK, this is a viable vehicle that will do what we want to do.

We must also depend upon you folks, and the people who have been in economic development at all administrative and governmental levels, to carry the message to the people and to your Representatives on the merits of the legislation to get the votes on the House floor. It is time to make the fundamental decision: either this EDA bill, or are we going to continue to spend billions of dollars in unemployment com-

pensation and billions of dollars in CETA money which is going nowhere and is a nightmare to a mayor that has 200 or 300 temporary personnel for 6 months with no next step to go to. That is why all the police were down here from New York, lobbying.

Ms. ABZUG. They want to get \$1 billion.

Mr. ROE. We have urban representatives—and I come from an urban State—pulling in different directions over the popular countercyclical funding legislation for general government use other than public works projects, on one hand, and the Local Public Works Capital Development and Investment Act, on the other. The title V regions want to latch on to the Appalachian Region Development Act and give up their benefits under the EDA legislation. They do not belong in the Appalachian bill; and if they stay there, their economic development programs are going to suffer because the title V regions are not going to have the 31 Governors and all the representatives of Appalachia backing them up.

So I admired your presentation. There is one thing that is interesting about this Congress that I found out, some people say that the Members are either doers or they are not with it, but Congress reacts to the will of the "consent of the governed." Make no mistake about that.

If the cities are going to run all over the lot and cannot focus on one thing, looking for what pot to grab from, and I do not mean that unkindly, there is no way we can forge in this legislation the type of program you are looking for because of the veritable makeup of the congressional institution with jurisdictions scattered among the many committees, et cetera.

The fact that this committee was able to put together an enormously complicated piece of legislation called the Federal Water Pollution Control Act, get it funded in the amount of billions of dollars, put it into the jurisdiction of one committee, and make it work is a great step forward. We are not going to rewrite every nitty-gritty detail in this bill, that would make it impossible to achieve within the jurisdiction of one committee and get it through the floor of the House and Senate, but if we can redirect this legislation to include an urban mechanism, we will have taken a veritable giant step in working toward its authorization and appropriation by the middle of next year. That is where we need your help.

Ms. ABZUG. Yes; I do have some questions.

If I may ask Mr. Zimmerer, are you proposing that we set up an amendment to the statute on the authorization for setting up a capital formation corporation?

Mr. ZIMMERER. That among other things, many other things. And many of the things I am talking about do not require too much in terms of changing the legislation. It is a redirection in terms of policy. I think the key here is to recognize that cities have the capability for doing it, and if you recognize that, then you can share what you already have in a more direct way with cities, giving them more responsibility so they can react more quickly.

Capital formation, yes, would be something, but it would not require that much legislation, and I think it could be done along the line that you already have in mind, just redirecting it as the issues come up.

Ms. ABZUG. Do you think it could be done under title IX?

Mr. ZIMMERER. I do not know. I would hesitate to answer. I would have to sort of allow Ron here to give an answer to that. I do not think so, but then again I haven't studied it clearly enough. It is possible.

Mr. ROE. Unless you have a very succinct mandate, I do not think you can go by a policy decision. That is why the city is not eligible because the mandate did not include the necessary criteria of eligibility. We have a half dozen cities in New Jersey right now where unemployment is 20 percent and they are not eligible because they are not within a redevelopment area or economic development district designation as provided for in the legislation. We do not have the mechanism in the urban cities.

In other words, as I understand it, the economic development districts emanate from a redevelopment area. One redevelopment area can create that mechanism and establish an economic development district whereas the cities per se are not currently eligible to do so.

Ms. ABZUG. I would like to ask, of course, I do not know you gentlemen as well, so you will have to forgive me, but I do know Mr. Patton and Mr. Foley, and they are two of our most outstanding contributors to the development of economic development concepts or thoughts, and I have had the occasion to work with both of them. You know, everything you have said is very important in my judgment, and makes a most important case for creating some meaningful change in EDA to deal with the realities of today. But you also are very much involved in knowing what our other ills are; governmental structure or what Congress can do, and what the executive branch can do. And the Congress is worrying about the veto, and things like that. Personally I don't worry about that. I think we should keep presenting the programs we want and ultimately he will have to stop vetoing it because he won't even get 10 percent in the election if he keeps vetoing every program. It may not look that way right now, and I do not mean to be political, I am just indicating my view of how I think the congress should act.

But what I am interested in is, if you had two things, you thought we could mobilize this committee and then the House and then the Senate around, to really try to move this thing off dead center, because we are pretty much there with all due deference to those who have talked about their little projects here and there—New York, Sea Train, and the Industrial Park. I was told that by Mr. Mizell, my secretary this morning, and with all due deference to all of the projects in Boston, and Georgia, and in Mr. Hammerschmidt's area, it is really a drop in the bucket. And we have these rigid categories and we cannot get ourselves under them. You are proposing that we now set up special impact areas, and we have the impact in the cities, which is great. I agree with it. I agree with all of it, and I have to agree that we have to move off that center line and make it a multibillion dollar program. But you know, we are now going to mobilize the committee, and we are going to mobilize the House, and we're going to mobilize the Senate, and what two things would you say are key that would make a difference, and at least move us off that center, that we should stress? This I think is very important for our guidance.

Mr. PATTON. Since I spoke I have been grappling with the fact that, I think, as I began—we know and appreciate that we think alike

happily in the business transition, and it could be summarized; one, that perhaps more attention should be paid to impact of poverty in the cities, and two, if we add that to our agenda we still don't have enough money, and as you said, we have a tiny bill to do a gigantic job. And then we talk about having escaped that box knowing the political realities, so one of the solutions we propose is to further leverage the budget to lever the private sector to do more.

The nature of the EDA legislation now is that it is the very versatile bill to do a lot of public things. In many areas, to make the private sector come in, so we're always looking toward the private sector to leverage it, and if I were to do one thing knowing we are going to hit some ceiling as to how big the EDA bill could be, I think I would look the other way, and say, what can we do to use the EDA bill to leverage the existing Federal programs. Schematically, and I am not going to draft language or anything here, but what that would mean is that the areas we designate as places where we want to bring in public money using EDA designation and so forth could also be given a preferential treatment with respect to other programs, transportation, sewer and water, labor, loans, SBA and the other rural loans and so forth, so that we could use in some way this EDA money to provide a handicapping system to the other Federal programs so that if the town needs a road to get into an industrial park it faces the choice of whether EDA money should be spent to do something that the DOT was otherwise willing to do—

Mr. ROE. Can you hold on that point? The framework of our Local Public Works Capital Development and Investment Act bill provides exactly what you are talking about, funds for capital improvements, supplemental grants, and a balanced percentile between the rural and the urban areas.

In the Senate the bill has pretty well held those provisions and that mechanism is being borne.

Mr. PATTON. I personally think that in realistic terms that would be the one that I would argue for, because if that can be sustained so that this \$5 billion could be seen as seed money to induce another \$15 billion into the project, we'd be talking about the kind of numbers we need.

Mr. HAMMERSCHMIDT. We have two criteria in that bill, if I remember correctly and both of them speak to the unemployment situation. That would meet a lot of needs but it still does not go to the general theory of long-term economic development. It would be very helpful. Now, I am all for the bill, but we are talking about two different things.

Mr. PATTON. Yes.

Mr. FOLEY. If I could respond to that, my advice would be to the release of this \$150 million revolving loan in terms of something that could be done and make some kind of dramatic start. My advice would be to pressuring the White House to release that \$150 million revolving loan fund, and it doesn't require any appropriations, and it has no effect on the budget, you know, and it is already included and that could be done, you know, and could be a dramatic increase right away in our urban as well as rural areas.

The second thing, as I think Mr. Zimmerer has suggested would be urban economic development corporations funded through title II

as well as title IX, but I think under title II they could use those loan funds to lend to urban economic develop corporations, which in turn would lend locally.

If I could just comment on that. In my experience in the Federal Government and I get criticized by some of my old bureaucratic friends, but in the administration of these programs it is extremely important to have some type of local discretionary authority. I—when I was Administrator of the SBA, among other things, we rehabilitated Alaska after the earthquake, and I can tell you about disasters. I have been in hurricanes, tornadoes, floods, and fires and everything else, but rehabilitating Alaska after an earthquake is a heck of a lot different than rehabilitating Florida after a hurricane. For one thing you have a short building period in Alaska.

And I only mention that in that this country is so huge that you cannot run these programs imaginatively out of Washington. There has to be local discretion and that is coming from one who is a self-proclaimed liberal Democrat.

The other thing that I might mention to you, Bella, on this is in the State of New York, and I hope I won't bore the rest of you, but the State of New York has a peculiar constitutional provision which prohibits loans by the State to private corporations, so the State of New York unlike Georgia or Arkansas and the Southern States generally—I want to make a comment on that, they have done a marvelous job in economic development. They have been leaders in this country in this field.

But the State of New York has a constitutional provision against that, however, there is an attorney general's opinion in the State of New York that says that Federal money when advanced to the State, it is all right for the State to in turn relend. So there is no provision about that.

I might say, Mr. Hammerschmidt, I think it was Arkansas, when I first was in the Government in an executive capacity, I was surprised, you know, of the tremendous amount of planning done in the southern communities, economic development planning, and good. There is no question about it, the best economic development planning was done in the south, and I commented, and I might have been at Mountain Home, I think we put in an Ozark—

Mr. HAMMERSCHMIDT. Well, the one that drew all the flak was the gas bill, and I think that was ARA.

Mr. FOLEY. Well, I was not there then.

But I said to the mayor there, you know, I said, I am really surprised at the southern mayors, and he said what are you surprised about, Paul? I said, You know, I had the impression that you southern mayors are kind of against the Federal Government and all that, and he said, Mr. Foley, down here we're against socialism, and we're against bureaucracy, and we're against the Federal Government, but just to show you we can be friends, you just keep that money flowing.

Mr. HAMMERSCHMIDT. If I might make a personal comment, in a little town which has used EDA authorizations extensively, they put in a plant that employed 2,500 people, and it has expanded once, and they are going to expand facilities to employ another 1,500 people in this community, and largely through EDA leverage.

Mr. FOLEY. You see, there is a good comment to be made here, and I would like to begin to develop it if you don't mind. We're going through a tremendous period of historical change, as we all know with these last 15 years, and I have touched on it very briefly in my earlier comments, but you see historically the large cities had endless, unremitting growth, and the problems in our large cities were to manage that growth so that there could be some kind of intelligent coordination of all those parts.

So as a result of planning that was done in large cities, and this was physical planning, and they were school planners, and they were highway planners, recreational planners, health planners, and there wasn't any need for economic planners because there was unremitting growth, and in small towns, however, as I mentioned earlier, I was the city attorney of a small town, and I come from a rural area of Minnesota, but there the problem was how the heck do you stop decline, and the way to stop decline was through planning, and the South saw that much earlier than they did anyplace else. That is why the economic development planning was the best in the southern communities.

So I think the release of that \$150 million, while it is not a lot compared to what the capital shortage of America is over the next 10 years, the thing is that if that money was made available to our large cities through the corporations of Mr. Zimmerer, it will bring to the attention of our mayors in our great cities all—it will bring new resources to do things that they have never been able to do, or haven't thought about before.

Mr. ROE. Are there any other questions?

Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman. I find Mr. Foley's testimony very enlightening and very, very helpful, and it is so refreshing to have witnesses, four of you, coming up here and testifying from your fund of knowledge, rather than reading a written prepared statement which may or may not have been done by the individual himself. I really find that a very, very refreshing way of doing things, and is very helpful to the committee.

But I would like to address myself to this problem of funds for urban areas. This goes back over a period of time, and going back to 1965 when the growth of Federal programs was started, EDA was ARA then until August 1965, and it was an experimental program, and it had been tried out for 4 years and had been vetoed twice in the Eisenhower administration and cast out and rejected as a means of developing the country and it didn't come into its own until the early 1960's under Kennedy and Johnson. At that time the view of those in the cities was that their needs were much different than economic development, and so we had OEO which was really aimed at the poverty problems of the cities, and we had model cities, and we had the urban renewal program, and we had massive housing programs, and generally the Congress and the administration and probably the cities themselves greatly overlooked their—what has now become their central need, and that is, urban economic development programs aimed specifically at holding growth or creating growth in the core area.

And now this committee is confronted with the problem, and there is a misunderstanding, I think, among many members of Congress who criticized EDA, saying that it hadn't put any money in the cities, and

the fact is true, the background of the fact is that EDA wasn't structured in that way, and it was a recognition of the need. So now we recognize that need and what we need really is more money, and the EDA program, I think, should largely be tailored to serve the needs of urban areas within its existing framework, and it is going to take a hell of a lot more money than we have got in EDA today to respond to the needs of the urban areas.

Gene, I would like to ask you to respond to this. I think EDA was, and rightly so, industrial oriented in its business loan program, and it wanted to see smokestacks, and wanted foundries, and we wanted close tolerance machine tool operations, and we wanted—like we have a radiator core assembly and manufacturing plant in our district, and the manufacturing of computer components, and EDA stayed away from recreational developments, and they realized finally in New York that we probably ought to take a look at those, and now we are looking at retail development, something that is very new.

Do you see that as fitting into the EDA scope, and do you see that as a possible way for revitalizing the core of cities and these large urban areas?

Mr. FOLEY. Mr. Oberstar, I agree. There is no doubt about that. I have always strongly believed that there is an element to economic development that is kind of immeasurable, and I call that—and I am not alone, others call it, too—*esprit*, community *esprit*.

I was commenting about community *esprit*, and I am getting back to your question, but I want to give you an example of it. It is hard to measure the item, but if you have been in this field very long you certainly recognize it.

Let me give you a good example. Norwich, Conn., was a textile town and they lost a tremendous amount of employment, and they had great local leadership, and they have done marvelously by these Federal programs, and so now the community believes it can do something, and they want to do something.

Other businessmen are attracted to it, and they have a great sense of self-esteem. Now, as a result they are kind of coming out of their problems. They have got a ways to go, but they are doing something. Duluth, Minn., back in the old ARA days—remember Jim—they put in the auditorium, and all of a sudden it picked up downtown. Now, you couldn't calculate the number of permanent jobs, but in terms of a community all of a sudden dolling itself up so to speak and becoming something, and assuring itself that it had a future, and that it was worth people to do something to make an investment in the community, and that really was a classic example.

If you have ever been in a community that has all of a sudden got a major league baseball or football franchise, you can see the change immediately overnight where the business community, and everybody in the community, all of a sudden cares because they are a big league community, and that is what I call community *esprit*.

Well, it is the same thing with the retail section, retail-type loans, a shopping center, or whatever it might be, or even recreational. They seem to be very valuable beyond their measurable job creations.

Mr. OBERSTAR. You had experience early in EDA with the revolving fund. What was—would you describe for the committee as you saw it

then, what was the original or initial intent and was it being returned to EDA for capital investment and what should be do to react to it?

Mr. FOLEY. Under the revolving loan fund of EDA the chairman of the Appropriations Subcommittee at that time was a gentleman whose esteem for Mr. Foley was of the lowest, and you don't know him like I know him, and Mr. Rooney did not care to have Mr. Foley's hands on that revolving loan fund, and we didn't have the authority to use that. That's only been recently that that money has been made available.

Mr. OBERSTAR. Well, could it be revived as a useful tool?

Mr. FOLEY. Well, sure; now there is no legislative restriction on it at all. It is just the Office of Management and Budget, that is all. It would be spectacular with me. I think it would be one big shot in the arm to this whole program if they could get that.

Mr. OBERSTAR. One thing that you commented on, you took over EDA from its predecessor agency, and you in looking over their business loan portfolio, I recall you remarking that ARA's loan failure was less than 20 percent.

Mr. FOLEY. I do not recall.

Mr. OBERSTAR. Something like that, and you said, "If they are going to be in the business of loan risk venture capital program, they ought to have a higher failure rate than that," not that they should lose money, but what you were saying was that they should be taking more risks. Do you think that they have done that with the EDA program in the years since you were administering it?

Mr. FOLEY. Yes, I think they have administered the program very well within the limitations of their funds. Just bear in mind now, just since last year, they have had authority to get into a loan guarantee or a lease guarantee program. They never had that before. I think the program is well administered. I think Bob Podesta—I am just sorry to see the administration lose him. I thought he was a superb administrator, and a great public servant, and I thought he did a great job.

Mr. OBERSTAR. In the other body there has been a proposal which would authorize an interest subsidy of up to 4 percent on loans for working capital. How do you think that would be received, as compared to a substantial direct business loan program?

Mr. FOLEY. Well, my experience in the private business market, there is no question that any subsidy is desirable. They have it all built into the housing program, you know. There is a \$2 billion Emergency Housing Act last year that they are hoping for \$5 billion this year that utilizes a subsidized interest rate of 7.5 percent, and there is no question that it is effective, and whether you can get that through without a veto or not is something else.

But the heart of the problem is the availability of capital, that's the heart of the problem. These companies just cannot—look here, Bankers Trust, seventh largest bank holding company in America can't raise money, incredible. The seventh largest bank in America—the most costliest way for a company to raise money is a preferred bond, preferred stock, because the interest, or the coupon that they pay on that, that comes out of net earnings, not out of gross earnings, and they have to do it because it is the only way they can raise money.

And the availability of capital, that is the big thing. Even if you have to pay above prime interest rate, if I had my choice I'd say give

me the money even if I have to pay through the nose for it. I'd rather have the money.

Mr. OBERSTAR. Well, that is nice. I am glad to hear you say that, because that is what I see is the shortcoming of the EDA program with the loan guarantee and the lease guarantee and the working capital guarantee, and we just aren't getting people into the redevelopment areas because the banks cannot loan the money. They have not got the money, and if they do have it, they are not interested in that kind of long-term loan.

Mr. FOLEY. My testimony earlier about the banks, the banks in the last couple of years have gotten into considerable trouble and the reason why they are not making these loans isn't because they do not have the money, they have got the money all right, but they have had to increase their loss reserves because of their disastrous real estate investments, and you may not have heard my comment, Bella, about that earlier, but take for instance the Chase Manhattan Bank, they have—pardon me, in February of this year, in the same month that the State of New York could not get the banks in the State of New York to pick up a \$200 million UDC loan, and in that same month the Chase Manhattan had to organize a group of 41 banks to develop a \$700 million loan to just one real estate investment trust—theirs. They had to organize 41 banks to raise the \$700 million for them, but they couldn't get the \$200 million for the State of New York, and the reason for it is that their REIT is in a disastrous shape. That is because of the recession.

Mr. PATTON. I would like to interject. The number, the 20 leading banks have a cloud over their assets that represents 51 percent of their underlying capital in REIT loans alone, and our statistics show that the rate of foreclosure, knowing the convention, non-REIT ventures are in trouble, has not gone up. Now, what that says is that the banks are not exercising their prerogatives in lending because they are up to here, but they are rolling over conventional real estate debts, add that to it, and a few other potential defaults, and you have a situation where the banks of America are technically absolved.

Mr. FOLEY. That is right.

Mr. PATTON. And that situation is underlying this whole question you are putting forth; how do you get that capital out to people who are in a position where they cannot take anything more, and where the larger banks, incidentally, have better than half of their action overseas right now. They are increasingly internationally involved. So you have the very serious problem.

Mr. OBERSTAR. Well, that will be one of the central issues facing the committee. I will close on this remark. I appreciated Mr. Foley's comments on the need for additional staff for EDA which have been held back and held down. I think this committee ought to use its influence to beef that up. You talked about one man covering Connecticut and New York City, we have got one county that is as large as the whole State of Connecticut and one EDA field representative covering an area bigger than New England.

Mr. ROE. Any other questions?

Mr. NOWAK. Mr. Chairman, if I could just make a comment to Mr. Kysiak.

I have showed you the amendment to title IX, which I filed in the House the other day, and hopefully this committee will be looking at this bill. I'm wondering, you have had a few minutes to digest it, would this hit the problem that you had mentioned with title IX?

Mr. KYSIAK. I think, Congressman, it specifically addresses itself to the question of long term economic deterioration. Because of my haste to not spend too much time in my presentation a further point was not made. A lot of businesses and industries are, because of international economic conditions, marketing conditions, and a number of reasons, slowly phasing out of cities and going overseas. For example, the electrical machinery industry, the leather industry, and a number of the others.

We cannot keep them here, so title IX isn't going to help keep them here. But we have to replace those jobs and that is what title IX is supposedly all about. Long-term economic deterioration exists in Milwaukee and in the last year alone, for example, totally removed 2,200 jobs from the city, and put another 6,200 people on permanent layoffs. If we would have had one company that would have laid off or terminated 2,200 jobs we would have qualified for title IX, but instead we had 20 companies that in effect got rid of 2,200 jobs. So that long term economic deterioration is a fact of life in central cities, especially in central cities each of the Mississippi River.

But what you have proposed here, which in effect, specifically uses the term "long-term economic deterioration," will go a long way in at least giving us a way to get in the door.

But as I mentioned before, once we get in the door all we've got, in effect, is a brass cup instead of money, and I don't believe we are going to be able to do much good with it.

Mr. NOWAK. This amendment, I believe, will at least qualify all of these types of situations which every one of you have talked about in one term or another, to make the bill eligible for a multiple faceted type of program, instead of jumping from one to the other, as you had mentioned in your remarks.

One other question, if I may, couple of times it has been mentioned here about the need for capital, and there are before the Ways and Means Committee many programs to raise capital and give corporations tax relief and give dividend holders the tax exemption, and so forth. I have also included in the Ways and Means bill a bill to grant additional investment tax credit a 15-percent tax credit to any core area which has just about the same criteria as this bill, I was just wondering, if you thought that would be an added inducement in the total economic area we are talking about here?

Mr. KYSIAK. If I could just comment on that quickly, as I mentioned earlier there is the surcharge on extra cost in doing business in the center of cities; there is no doubt about it. Anything that can be done to make up the difference between doing business in the city and going out to an inexpensive piece of suburban land is going to have to help, and I think we are going to have to go to that—some form of subsidy, whether it be in land, in job training, or in financing, or, in this case, the tax credit area.

Mr. NOWAK. But you know if you go to the land, you are talking about reduction in tax revenues and you are servicing those areas without receiving the revenues and you have got another offset on the

other side, whereas the Federal Government would be, in effect, supplementing that company.

Mr. KYSLAK. I guess if they would be willing to meet that subsidy we would love to see it.

Mr. NOWAK. Thank you.

Mr. PATTON. We are very much for it, and we have always advocated a differential tax credit. We think it is deployment should be increased without regard to its impact on our problems, so that a guy in Greenwich, Conn., gets a tax credit for a chauffeur driven limousine and the same as a guy gets in putting a lathe in a Watts or Bedford-Stuyvesant or some impacted area.

Mr. NOWAK. Yes.

Mr. PATTON. It is a form of leveraged revenue sharing. What it does, of course, is to create rateable impact bases within cities and rural areas that wouldn't otherwise been there by having Federal Government yield some of its tax authority back to the localities, and of course the company has to be strong enough to take advantage of it, but it conceivably is one of the most powerful tools that we have.

Mr. NOWAK. Yes. Well, this is for plant and equipment, so they could readily take advantage of it if it was going to fall in that direction.

Ms. ABZUG. Would the gentleman yield? I just want to get the understanding of what the answer to the question is. You are not suggesting that every tax shelter and tax credit that is given in this economic development program on that basis that he indicated is necessarily a correct or a useful thing to do at this time, are you?

Mr. PATTON. What I am suggesting is that to the extent the Ways and Means and the Congress is going to grant a higher rate of investment credit to the tax loss, that there could be some differential established between the various areas that need it most, rather than those that need it least.

The direct impact on cities is as follows of an investment 10-percent credit; much of the small industry in cities lease space, and we therefore are in the position where they are not eligible to take advantage of that for the plant that they occupy. They are in a position to take advantage of the equipment that they use. If they move to another location and doing exactly what I hope we don't want to do, they then must subsidize for the Federal Government to move out, and the process works exactly in that direction. It is not so germane to rural areas, but it is—particularly since rural areas tend to use revenue bond financing more, which eliminates that advantage to the company, and gives it to them in the form of a pass through with the tax free bonding authority.

But how it works with respect to urban centers is to exacerbate our problem by taking the occupants of leased space and encouraging them to go build their own plant elsewhere.

So what we are suggesting in terms of even a preferential relationship is more in the nature of an offset to deal with that bias that is built into it.

So we always have felt that it should be pointed in the direction of areas of greatest need.

Mr. FOLEY. If I could just comment to Bella on this a little, perhaps tangential to this.

My own personal judgment on tax shelters is that they are not bad, but they have been used for the wrong purposes. If they are directed, if the preference were directed toward this sort of thing—developing employment in urban areas as opposed to transferring the facilities of professional sport franchises, you know, I do not see it at all in the latter case.

So, it is not a question of the mechanism. I think the tax shelters are marvelous if used for purposes that are important.

Mr. NOWAK. When we are talking about this whole field of tax credits, there have been many statements made and we look at why managers of these corporations go one place or another. We are faced really with a larger problem and I hope that the Ways and Means Committee will address it, because it is going to have greater impact probably than anything else that we do in this Congress, and that is make it less attractive for the large multinational corporations to move, their small plants—you say they are small plants, but there may be 20 of these plants that are moving outside to Thailand or southern France or wherever they may be, just because of the tax exemptions of this provision and the foreign tax credit which was put in the law to encourage expansion overseas.

Well, 20 years later we see a great amount of outflow of capital to make that production possible overseas and the problems we are facing here, saying we cannot do anything about employment for 10 years perhaps, and now we are struggling here within our own little confine and say, there is little capital. What happened to the capital that was here 20 years ago?

But nobody seems in the Congress to have that control over what goes overseas and why the managers are so anxious to go over there, besides the very simplification of those changes of a tax or the lower labor cost.

Ms. ABZUG. Will the gentleman yield?

We have a big problem with multinational corporations, and it is because they get various tax breaks and other benefits. They can use labor abroad that is cheaper and then come back here. It is not because we do not give them enough tax incentives. They want more.

Mr. NOWAK. I am saying that the Congress gave them too much over too long a period of time.

Ms. ABZUG. If we were to put some brakes on what they are able to do abroad taxwise, they would not go abroad so much.

Mr. NOWAK. That is the point I am making.

Mr. PATTON. One economic reality to that is that inflation is worldwide.

One reason for productivity is that if people can constantly agree to places where they can substitute capital for labor, they keep moving to less efficient production sites until the day comes when some other factory—transportation costs, makes the goods coming in that much more expensive and then we end up paying for it at the super-market.

Mr. FOLEY. I think there is another plight of this capital overseas. What is it, about 50 percent of the lendable funds of the major banks are going overseas?

Mr. NOWAK. Do you have a figure on that?

Mr. FOLEY. I think I have some material on that that I could give you.

Under our system of banking in this country, we make a decision between commercial banking and investment banking.

Commercial banking is strictly debt financing. Investment banking is equity financing.

We are the only country that makes that distinction. Banking in Europe is both Wall Street and commercial banks and so when you form a bank corporation in New London or Paris, wherever it is, get involved in both debt and equity that you cannot in this country and they find it more profitable.

Mr. NOWAK. Thank you very much.

Mr. ROE. We appreciate your testimony a great deal, gentlemen. You were splendid.

Mr. PATTON. May I say just one thing?

Mr. ROE. If it is nice.

Mr. PATTON. It is nice about my colleagues.

In response to Mr. Oberstar, in around 1965, it was proven insidiously, the main allocation of Florida and so forth went to Model Cities and so forth that we talked about. In 1965, more or less, it began almost a fugitive movement in cities which we are all part, to bring economic development up in cities to the same priority of housing, city planning, all the rest of it. That process, I guess, really materialized around 1970 and 1971.

The organization that we are all a part of, spent more time in the last 5 years in trying to develop that confidence in cities and elevate the competent people to positions of authority. Whatever you do with respect to size, although it is still imperfect, we'll find a much more confident center of recipients in the cities to deal with it. You will always find cities that by and large have acquired the power to assemble the land, acquire the ability to make decisions, cut redtape and acquire some control over other aspects of capital budgets to put in their own local public works and things like that.

So, in addition to all of the other auspicious elements around today, one of them is that the cities and now lately the mayors have finally turned on to this particular subject.

Mr. ROE. Thank you, gentlemen.

Our next witness is Hon. Doris Flythe, who hails from Georgia, the mayor of Springfield, Ga.; she is representing her community, and the National Association of Regional Councils.

In view of the fact that her representative is here, Mr. Bo Ginn, the Chair will defer to him for the formal welcome and introduction of Mayor Flythe.

Mr. GINN. Thank you, Mr. Chairman.

Since I am not a member of the Economic Subcommittee, unfortunately, I appreciate the opportunity to allow me to present Mrs. Flythe to the subcommittee. She is a valued friend and a valued constituent of mine.

As you pointed out, she is a distinguished mayor of a small world community of Springfield, Ga. She is an immediate chairman, or chairperson, of the Coastal Area Planning and Development Commission. She is presently serving as vice chairman of the Georgia Association of Area Planning and Development Commission.

I understand that in addition to all those things, she is here on behalf of the National Association of Regional Councils. Since the hour is late and she has asked that I not make this flowery, may I just simply present to you a fine public servant from Georgia, a lovely lady.

Mr. ROE. That is very fine. I never saw a southern gentleman that could not say anything that was not flowery.

Mrs. Flythe, we welcome you. The full text of your prepared statement will appear in the record at this point.

[The statement referred to follows:]

STATEMENT OF MRS. GRADY P. "DORIS" FLYTHE, NATIONAL ASSOCIATION OF REGIONAL COUNCILS

Mr. Chairman, Members of the Committee: It is a great privilege for me to testify before the distinguished members of this subcommittee. I am the Mayor of Springfield, Georgia and former Chairman of the Coastal Area Planning and Development Commission. I also serve as the vice Chairman of the Georgia Association of Area Planning and Development Commission.

Let me begin with some introductory comments about our organization. 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.

Regional councils for the most part are areawide organizations of general purpose local governments which encompass a total regional community. They exist in both metropolitan and rural areas. Prime purposes of regional councils are to increase communication, cooperative decision making, and coordination among local and state governments; to review and comment on certain federal grant applications; and to develop policies and programs to meet mutual problems and guide orderly development.

Over 625 such regional councils have been established to deal with areawide problems. Council governing bodies are composed primarily of local government elected officials. In the last few 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 a basic coordinative function 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 before the application is submitted to the federal funding agencies. This review process saves taxpayers an estimated \$450 million a year.

NARC is a membership association of over 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 key regional council concern is the balanced and orderly development of our metropolitan areas and rural regions. This has also been a continuing major concern of both Congress and your subcommittee. The Public Works and Economic Development Act of 1965 was an initial step in providing national policy on growth and development. In fact, it was this Act which encouraged the use or establishment of at least 150 regional councils (i.e., development districts).

When I refer to a regional council or development district, I speak of a multi-county organization created under state law or by local government agreement to accomplish regional coordination, planning and decision making. Regional councils generally 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 period provided in H.R. 9398.

Mr. Chairman, just as the pending bills recognize economic development as a necessary activity at all levels of government, there is a distinct need to insure that economic development planning and policy formulation is not made in a

vacuum. Prudent economic development is the lifeblood of our state and local governments. To remain viable, a community must have a balanced tax base; and an integral part of such tax base is business and industrial development. But our experience has shown that such economic development cannot be separated from the other physical, social and environmental decisionmaking of government. Rather, it is an essential part of such public decisions.

While competition for business and industry will probably always be a part of our economic system, local governments must cooperate together in order to insure that such competition does not cause a severe imbalance in a metropolitan area or region. To cope with this issue we must establish balanced development and growth policies, and states, regions and local government must be directly involved in such a process. We have found from our past mistakes that unilateral action of local governments cannot produce adequate policies for comprehensive planning and development. At the same time, the national government has an accompanying responsibility. Federal policy and decisionmaking must be put into a proper context if we are to have a rational system at the state, regional and local levels. Our association believes that the development of a balanced national growth policy can be the framework for such decisionmaking. We are aware that Congress has taken some initial steps in this direction. Congress should continue to build on the successes of the Economic Development Act. In the future, Congress should review and consider a national public investment policy directly associated with our national, state and local goals and priorities for growth and development. Moreover, we must focus on the planning, management and operational structure at all levels of government needed to undertake sound responsive and efficient programming of public investments to bring about sound growth and development.

NARC has adopted a set of principles and policies which reflect, in our opinion, the sentiments of the majority of elected officials that participated in our member regional councils.

We would hope in future legislation Congress would incorporate these provisions:

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. For the most part these councils have been organized throughout the country. Well over 100 of these councils have been designated development districts.

Congress must provide adequate funding for these districts both old and new. Seven million is not adequate, at least 13 to 15 million is needed so that regional councils may be designated for economic development planning and coordination.

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 local communities and regions 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.

As we have stated previously, economic development must be integrated into overall public decisionmaking on growth development, employment and regional goals. This is generally accepted and recognized by most of the economic development districts that have been established pursuant to the Public Works and Economic Development Act of 1965 and the Appalachian Regional Development Act. Most of these districts as regional councils participate in other federal programs and are engaged in comprehensive areawide planning.

The participation of a district in these various federal programs, however, has been made difficult because of the lack of uniformity among federal agencies on questions involving organization and structure of regional agencies and districts. For example, the requirements for the composition of the district's governing body vary. We believe that in the future such differences in individual federal agency requirements can be avoided if legislation merely establishes performance standards to be met by the regional councils (development districts) receiving federal planning grants.

Since districts involve and affect local government, we believe that the majority of their governing bodies should consist of general purpose local government elected officials. In several instances state law dictates governing body membership districts organized with local elected officials should, nevertheless, be required to demonstrate that they have effectively involved citizens in their planning process ; and the lack of performance in this respect should be a basis for the district to lose future economic development planning grants.

Finally, we would like to comment on proposals for anti-cyclical funding programs. Our Board supports anti-cyclical programs to remedy economic problems resulting from high unemployment. But in supporting such a measure we believe it should be a part of a total on going national growth policy. Also such a measure should not be adopted as a replacement or substitute for general revenue sharing or other public works programs which are other techniques or tools involved in implementing a national growth policy.

Thank you for the opportunity to present this testimony.

TESTIMONY OF HON. DORIS FLYTHE, MAYOR OF SPRINGFIELD, GA., REPRESENTING THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS

Mayor FLYTHE. Mr. Chairman and members of the committee, I come from a State of 4 million. I represent a planning area of 300,000 and I am mayor of a town less than 1,500. So, if anybody who is from grassroots, I guess I am.

All of us, even my little town, have experienced the benefits of Economic Development Administration. Therefore, it gives me great pleasure and honor to testify before you here today.

Let me begin with some introductory comments about our organization. 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.

Regional councils for the most part are areawide organizations of general purpose local governments which encompass a total regional community. They exist in both metropolitan and rural areas. Prime purposes of regional councils are to increase communication, cooperative decisionmaking, and coordination among local and State governments ; to review and comment on certain Federal grant applications ; and to develop policies and programs to meet mutual problems and guide orderly development.

Over 625 such regional councils have been established to deal with areawide problems. Council governing bodies are composed primarily of local government elected officials. In the last few years, the continued growth of regional councils has been encouraged by the actions of the States. Forty-four 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 a basic coordinate function 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 before the application is submitted to the Federal funding agencies. This review process saves taxpayers an estimated \$450 million a year.

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A key regional council concern is the balanced and orderly development of our metropolitan areas and rural regions. This has also been a continuing major concern of both Congress and your subcommittee. The Public Works and Economic Development Act of 1965 was an initial step in providing national policy on growth and development. In fact, it was this act which encouraged the use or establishment of at least 150 regional councils; that is, development districts.

When I refer to a regional council or development district, I speak of a multicounty organization created under State law or by local government agreement to accomplish regional coordination, planning, and decisionmaking. Regional councils generally have governing bodies composed of at least 51-percent 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 period provided in H.R. 9398.

Mr. Chairman, just as the pending bills recognize economic development as a necessary activity of all levels of government, there is a distinct need to insure that economic development planning and policy formulation is not made in a vacuum. Prudent economic development is the lifeblood of our State and local governments. To remain viable, a community must have a balanced tax base; and an integral part of such tax base is business and industrial development. But our experience has shown that such economic development cannot be separated from the other physical, social, and environmental decisionmaking of government. Rather, it is an essential part of such public decisions.

While competition for business and industry will probably always be a part of our economic system, local governments must cooperate together in order to insure that such competition does not cause a severe imbalance in a metropolitan area or region. To cope with this

issue, we must establish balanced development and growth policies; and States, regions, and local governments must be directly involved in such a process. We have found from our past mistakes that unilateral action of local governments cannot produce adequate policies for comprehensive planning and development.

Mr. GINN. Could I interrupt you? In a couple of minutes, we are going to have to vote. Since your statement is going to be included in the record in full, and before the subcommittee has to leave, rather than to have you wait longer, would you like to take a minute or two and summarize?

Mayor FLYTHE. Yes; I could do that.

I think the points that we expressed, if you might consider those, that economic development must be considered as a vital component of national growth policy which is the product of an intergovernmental process; 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. Congress must provide adequate funding for these districts, both old and new. And \$7 million is not adequate; at least \$13 to \$15 million is needed so that regional councils may be designated for economic development planning and coordination. How many more minutes do I have?

Mr. HAMMERSCHMIDT. May I interrupt for a minute to express my personal appreciation for your patience and to tell you how much we think of your fine Member of Congress here. I hope you are patient and understanding with the circumstances under which we have to operate.

I want to thank you very much, and I will complete reading the rest of your statement.

Mayor FLYTHE. That is what I would like to emphasize, if each of you gentlemen can complete reading it.

Mr. ROE. Can I ask you a question? Is this the first time you ever testified here before Congress?

Mayor FLYTHE. Yes, sir.

Mr. ROE. I remember the first time I testified. I did not believe that anyone ever read or heard what I said.

Mayor FLYTHE. Do you?

Mr. ROE. Yes; we do. We will read and review it. The substantive points you are making bring excellent suggestions and ideas based on your experience in the urban and metropolitan areas because you have that kind of relationship, and you are making it work.

Mayor FLYTHE. Yes.

Mr. ROE. That is what we are going to try to write as a national policy if we can get everybody to agree with that.

Mayor FLYTHE. This, all in its entirety, will be included in the record?

Mr. ROE. We will read it.

Mayor FLYTHE. Very well, then I will not wait until you get back.

Mr. ROE. Thank you very much. We appreciate your testimony, and again we apologize for your having to wait so long to testify.

The subcommittee will stand in adjournment.

[Whereupon, at 6:12 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

TO AMEND THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 TO EXTEND THE AUTHORIZATIONS FOR A 3-YEAR PERIOD

TUESDAY, SEPTEMBER 23, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
OF THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:13 a.m. in room 2226, Rayburn House Office Building, Hon. Robert A. Roe (chairman of the subcommittee) presiding.

Mr. ROE. The hearings will reconvene. This morning we welcome our colleague and very personal friend, the Honorable Jaime Benitez, who represents Puerto Rico. We are delighted to have you with us this morning and welcome your testimony.

TESTIMONY OF HON. JAIME BENITEZ, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. BENITEZ. Thank you very much, Mr. Chairman and members of the subcommittee. I appreciate greatly this opportunity to present the views of the Commonwealth of Puerto Rico on a proposed amendment to title V of the Public Works and Economic Development Act of 1965.

My testimony, Mr. Chairman, and other documents, have been submitted, and if I may, I would like to have it, then, in the record and summarize my position.

Mr. ROE. If there is no objection, so ordered.

[Prepared statement follows:]

STATEMENT OF HON. JAIME BENITEZ, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. Chairman, I am grateful for your extending me the opportunity to present the views of the Commonwealth of Puerto Rico on a proposed amendment to Title 5 of the Public Works and Economic Development Act of 1965, as amended.

I have watched with great interest the work that has been done in the Appalachian area of the United States under the auspices of the Appalachian Regional Commission. I have also watched the beginnings of similar programs undertaken by other regions of the United States under the terms of Title 5 of the act before you.

By and large, these regional efforts have been designed to provide those regions with better tools to promote a well planned economic development effort. While the Title 5 commissions have not been funded in an amount anywhere near that provided to the Appalachian Regional Commission, they have, nevertheless, been able to significantly advance the planning capacity of the Title 5 regions so that sound economic development has been made much more possible. They have also

begun projects, some experimental, that have contributed greatly to the economic health of their respective regions.

And under the terms of Title 2 of the Appalachian Regional Development Act, it appears that significantly increased program funds will now be available to those areas.

No region of the United States is more in need of such assistance than the Caribbean region comprised of Puerto Rico and the Virgin Islands. Our per capita income continues to fall far below that of the poorest mainland region. In most instances, our unemployment rate is double and sometimes triple that of any other region in the country.

All of you are aware of the great strides which both Puerto Rico and the Virgin Islands have made in recent years to improve the life of their people. The region has been transformed from one which was once dependent almost exclusively on agriculture and tourism to an integrated economic entity in which industrial and commercial enterprises provide the bulk of employment for its residents.

However, much more remains to be done. We believe that the resources which can be provided under the terms of Title 5 would be of immeasurable benefit in allowing us to move forward. Both Puerto Rico and the Virgin Islands have given a good deal of thought as to how they would proceed under designation as an economic development region. The results of that though are contained in the application, submitted to Secretary Morton, requesting regional commission status. I would like at this point to insert a copy of that application in the record so that members of Congress could review what I believe are the very practical and yet far-sighted programs which Puerto Rico and the Virgin Islands would implement once they were designated as an economic development region.

As you will note, these programs focus primarily upon the expansion of the public infrastructure necessary for the development of industrial and commercial activities. They project a heavy emphasis upon transportation facilities, vocational training institutions, water and sewage treatment capacity, technical education facilities, and a housing effort that would help meet the needs of an expanded employment base.

In order for us to achieve economic commission status, several ambiguities in the present language of the basic Act must be removed. Specifically, we ask that the definition of the term "state" be so written as to clearly include Puerto Rico and the Virgin Islands. There are countless precedents for that definition in past legislation. We also request that the term "contiguous" be defined so as to not bar eligibility simply because the boundaries of Puerto Rico and the Virgin Islands do not physically meet, a requirement clearly impossible for island communities.

Given the present economic status of the people of Puerto Rico and the Virgin Islands, it is our judgment, and certainly our hope, that the Congress will not wish to exclude us from such a designation and from the benefits that would follow from such a designation.

I thank you again for your kind attention.

Mr. BENITEZ. Thank you, sir. I have with me a request by the Governor of the Commonwealth of Puerto Rico, Hon. Hernandez Colon, and the Governor of the Virginia Island, Hon. Cyril King, addressed to the Secretary of State, whereby they inform him that the Commonwealth of Puerto Rico and the Territory of the Virgin Islands of the United States intend to seek designation as an economic development region under the terms of section 501(a) of title V of the Public Works and Economic Development Act of 1965, as amended:

We would make the preliminary observation that our proposed Caribbean Regional Commission is comparable, from the standpoint of population, to other regional commissions previously established. The combined population of Puerto Rico and the Virgin Islands at present is over three million.

This population is, again, half as large as that served by the four corners regional commissions and approximately the same as that served by the Upper Great Lakes Regional Commission.

We assure you of our deep commitment to the concept of regionalism and our intent to quickly comply with all of the Act's requirements and Department of Commerce regulations.

Our formal application for designation will be delivered to you in the near future.

Now, I think that this objective of creating a regional economic structure which would encompass Puerto Rico and the Virgin Islands is probably one of the most imaginative and hopeful possibilities of the implementation of the basic objectives of this precise legislation.

Puerto Rico has been historically, as well as in many ways the Virgin Islands, isolated communities, which in the last 30 years have become significantly incorporated into activities, programs and developments of the mainland.

However, they have had insufficient communication and collaboration among themselves, and both appreciate—particularly Puerto Rico, for whom I speak—the enormous advantages and desirabilities of joining on some mutual problems of health, of education, of transportation, of communication, of economic underpinning of their several activities and problems.

It is therefore with hope and with excitement that we move in this direction, in spite of a number of basic difficulties that we hope this committee will appreciate and will clarify and rectify.

The first one is that in the language of the Senate bill, there is reference to the seven economic regions. There is no such reference in the bill as approved by the House. And we hope that the House version will prevail so that the limitation to the existing seven regions should not serve to exclude this possibility of regionalization between Puerto Rico and the Virgin Islands, which both governments regard as highly desirable.

There is, again, another difficulty which I also wish to point out to you—and it is the interpretation of the expression “contiguous.” There is, as you know—one of the provisions is that these regions be contiguous. Now, what is contiguity in this context? Does this mean masses of land that are joined one to the other or does it mean, as some dictionaries would describe it, and as, in fact, is the closest proximity. We have that the interpretation of proximity be valid and the fact that there is this sea separation or this sea communication be not regarded as disqualifying, even within the present language—in any case, if it were to be so regarded, it should be clarified and straightened out. Obviously, as in Hawaii, let’s say, you accept that all the islands that constitute the constellation of islands which form the State of Hawaii are contiguous in spite of the sea lanes in between.

This is equally so in Puerto Rico—and has been so interpreted—in relation to the island of Vieques or the island of Culebra, which is much better known in the States because of its naval activities. Incidentally, all of you are invited to come to Culebra on the 18th of October when we will be celebrating the termination of the firing practices.

Mr. ROE. We have to travel over that sea.

Mr. BENITEZ. There will be transportation facilities provided by the Army, which is joining us.

But what I am trying to say is that this—river separation, for instance, the Mississippi, or this sealane separation as in the case of the islands of Hawaii or in the island of Vieques and Puerto Rico or Culebra and Puerto Rico, have not been regarded as disqualifying the essential unity. And, in this case, we hope that a similar approach can be taken.

In any case, I certainly commend to you the initiative of these two Governors and these two communities which are disposed to cooperate with each other, and with the Federal Government, in solving mutual problems and making strengths of their own internal and essential weaknesses.

And we have prepared language which also, I trust, can be made part of my testimony, endeavoring to clarify these basic objectives and giving to them the blessing of this subcommittee, should it regard blessing as legitimate and convenient, and facilitate in the future the articulation of this economic region. And I ask that the draft language be included.

Mr. ROE. If there is no objection, so ordered.

[The document referred to follows:]

DRAFT LANGUAGE FOR CONFERENCE REPORT RELATING TO PUERTO RICO—VIRGIN ISLANDS ELIGIBILITY FOR TITLE 5 DESIGNATION

On line -----, page ----- of the Senate passed bill, the word "seven" has been struck. The Conference Committee wanted to make clear, by this action to strike, that it did not intend to limit the present designation of Regional Commissions to the existing seven. Other areas of the country may wish to seek such designation, and we encourage such action.

We are aware that the Governors of Puerto Rico and the Virgin Islands have already expressed their intent to the Secretary of Commerce. We know that there are several impediments to such a designation in the present wording of Title 5. We intend to clear up the problems created by that wording when we consider amendments to the basic Act later in the 94th Congress. In the interim, we request that the Secretary of Commerce take those actions necessary to enable the Commonwealth of Puerto Rico and the Virgin Islands to proceed with their plans and preparations to achieve status as an "Economic Development Region," under Title 5 of the basic Act.

Mr. ROE. A fine presentation, I think you have made a strong case. Are there any questions?

Mr. HAMMERSCHMIDT. Mr. Chairman.

Mr. ROE. Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. I want to thank our colleague for his very fine statement, and am pleased that he let the committee know his position, even though what he seeks is really under the Secretary's authority, of course.

I note that in the past under section 501(a) of title V of the Economic Development Act, that we have made exceptions for Hawaii and Alaska. I feel sure that it would be the consensus of the committee that the same could be done for a regional commission in Puerto Rico and the Virgin Islands.

If you are successful in establishing this commission down there, I predict it will be one of the most inspected regional commissions we have. [Laughter.]

Mr. BENITEZ. I hope that will be the case. We have discovered that visits from our colleagues in Congress help enormously in mutual understanding and a felicitous approach to problems.

Mr. HAMMERSCHMIDT. In a more serious vein, I know that you have a valid case just by looking at the EDA counties, if that is what the subdivisions in Puerto Rico are called. Every one of your counties, are designated counties, from the standpoint of underemployment or unemployment.

Mr. BENITEZ. Yes; we have now, unfortunately, in Puerto Rico officially 19-percent unemployment. I have refrained from going through the litany of our problems and just mentioned the possibilities, because it seems to me that it is high time we start looking to the future with better, realistic approach of—future achievements.

Mr. ROE. Are there any other questions? We thank you very much and we will give your observations and recommendations the fullest consideration.

Mr. BENITEZ. Thank you, sir.

Mr. ROE. Our next witness this morning is the Honorable Roscoe Bobo, chairman of the Wayne County, Mich., Board of Commissioners, representing the National Association of Counties.

We welcome you again, Mr. Bobo. You are no stranger to us. We always appreciate your participation. We are delighted to have you with us this morning. I would defer to my colleague from Ohio.

Mr. HARSHA. Mr. Chairman, thank you for yielding to me. May I ask unanimous consent that I may insert in the record a statement of Mr. Richard T. Schisler, who was to be a witness here before the subcommittee this morning, but unfortunately he had some emergency business requirements that prevented his presence here.

But I do have his statement and I would like to make it part of the record.

Mr. ROE. No objection, so ordered.

[The statement referred to follows:]

STATEMENT OF RICHARD T. SCHISLER

Mr. Chairman and members of the subcommittee, my name is Richard T. Schisler, and I am a practicing attorney in Portsmouth, Ohio. Appearing with me today is Larry Atkins, Manager of Industrial Relations for the Empire Detroit Steel Corporation, also of Portsmouth, Ohio. We appreciate the opportunity to appear before you today to urge your consideration of an amendment to the Public Works and Economic Development Act which would provide the authority for an interest rate subsidy program. More specifically, we are encouraging you to amend section 202(a) of the Act by adding a new paragraph which would authorize the Secretary of Commerce to pay to private entities amounts sufficient to reduce the interest paid by such private firms on loans which are secured from private sources for purposes which are consistent with the Act and for which the Secretary is authorized to make loans or loan guarantees under the Act. We recommend this amendment to you in the sincere belief that the result would be a proper use of Federal money, that it would clearly be in keeping with the spirit of the Act, that it would minimize the expenditure of Federal dollars, that it would encourage business to attempt to solve their own problems, and that it would diminish the direct role of the Federal government in assistance programs, thereby encouraging more participation by the private sector.

To illustrate what we feel is the legitimate need for such an amendment, I would like to discuss the economic conditions in our home county in Ohio, and particularly to discuss the role which the Empire Detroit Steel Corporation plays in that community. We live in Scioto County, a rural county of approximately 100,000 people in Southern Ohio. At the present time the county's unemployment rate is 14.8% as opposed to a statewide unemployment rate of 8.2%. One year ago the county's rate of unemployment was 8.2% while the statewide rate was 4.8%. So as you can see our current economic picture is far from a bright one.

Our condition becomes even more perilous when you consider that until May of this year 10% of our work force was employed by one employer, the Empire Detroit Steel Corporation. At that same time the annual payroll at the mill represented 24% of the total payroll in the county. This carbon steel mill was built on the banks of the Ohio River in 1912, and until last spring it consisted of a coke plant blast furnace and open hearth furnace and rolling and finishing mills. Even though improvements have been made and efficiencies increased since its original

construction, the mill was still an old and, therefore, troublesome facility. Because of their age, the rolling and finishing mills were the source of pollutants entering the Ohio River, while the furnaces emitted pollutants into the atmosphere. The equipment at the facility is also very energy inefficient. Faced with impending antipollution enforcement actions as well as a genuine concern about the overall efficiency of the mill, the company retained a consulting engineering firm to undertake a comprehensive study of the plant, and they concluded that if the facility was to remain a viable competitive entity that a complete modernization of the plant would be necessary.

The cost for such a project was estimated at 120 million dollars. Of this amount approximately \$12 to \$14 million would have been earmarked for pollution abatement equipment, while the balance would have been used to make improvements upon the rolling and finishing mills and to replace the existing open hearth furnaces with basic oxygen or BOF furnaces. The BOF furnace is far cleaner environmentally, is far more energy efficient and is far more productive than the old open hearth. For example, a BOF furnace can make the same quantity of steel in one hour that it takes an open hearth six hours to produce.

The \$120 million dollar package was considered by the company's board of directors and it was ultimately their determination that the cost of financing such a project would be prohibitive, and that in the absence of some type of governmental assistance the modernization efforts would have to be abandoned. Because of the then existing economic conditions in the community, the dependence upon the mill and the fact that the county was within an EDA redevelopment area, we were hopeful that some type of assistance from EDA could be forthcoming. Now I want to make it clear at this point that we were not suggesting that the entire amount be loaned to the company or that a loan guaranty be negotiated for that amount. But it did seem to us that because of all of the economic factors involved, and because of the amount of governmental money which would come into the area if the mill closed down, that some sort of governmental assistance was in order and an interest subsidy made the most sense to us. It was attractive first of all because the company would be negotiating the loan with a private lending institution at the going commercial interest rate. Thus, a government loan program would not be in competition with our banking industry.

Secondly, the idea made sense because the amount of federal money being spent when compared with direct loan or loan guarantee programs, would be minimal. Also, in discussions which we had with the State of Ohio economic development people, they expressed an interest in their initiating a program for the payment of a portion of the interest on certain qualified loans.

Thirdly, the funds, if obtained, would be used for the modernization of an existing facility, and such a project would involve the construction of new furnaces and thereby provide additional jobs during the period of construction.

However, any form of interest subsidy cannot be carried out unless the act, more particularly section 202, is amended.

Because of a number of factors, including the prevailing interest rate at the time, the decision was made not to go forward with the modernization, and in mid May, the rolling and finishing mills were permanently closed down. As a result of this action the total work force at the mill was reduced by nearly one-half and the unemployment rate in the county rose by nearly four percentage points. Consequently, governmental funds, both federal and state, have come into the area in increasingly large amounts. Welfare payments, food stamp participation and unemployment compensation payments have increased significantly. This money has been expended for mere subsistence alone, and while its humanitarian nature cannot be faulted, the government will receive no return on these funds.

In these times of economic turmoil and uncertainty, massive amounts of federal dollars are being spent to help those unfortunate individuals who are presently without work. This 94th Congress has already appropriated almost \$6 billion for emergency unemployment purposes. Other measures have been introduced which would authorize at least \$1 billion for emergency unemployment health benefits. With this staggering sum being spent on those who are the victims of our economic conditions, wouldn't it be refreshing to authorize federal funds to help prevent future economic chaos?

Is it not proper to ask whether or not some form of federal assistance should be available to a major employer, in an area already plagued with high unemployment, which is willing to attempt to pull itself up by its own bootstraps?

It would seem to us that a subsidization of interest payments, either in their entirety or of a given percentage, would provide the government, and the people

with a most efficient use of the federal dollar. Such a program, as opposed to a direct grant or loan program, would allow the governmental dollar to be stretched much further, and hence more individuals and communities would be able to benefit directly from the governmental expenditure.

We urge the Committee to give serious consideration to adopting an amendment which would provide for interest subsidies under certain specific conditions. One such condition would, of course, be the requirement that the firm or community would otherwise be eligible for assistance under the Act.

Mr. Chairman, that concludes my prepared statement that at this time we would be happy to answer any questions which you might have.

Thank you.

TESTIMONY OF ROSCOE L. BOBO, CHAIRMAN, BOARD OF COMMISSIONERS, WAYNE COUNTY, MICH., ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES; ACCOMPANIED BY JOHN MURPHY, STAFF MEMBER, NATIONAL ASSOCIATION OF COUNTIES; AND RON M. LINTON, LEGISLATIVE REPRESENTATIVE FOR WAYNE COUNTY

Mr. Bobo. Mr. Chairman, I have with me this morning Mr. John Murphy, staff of National Association of Counties, and Mr. Ron Linton, legislative representative for Wayne County.

My name is Roscoe L. Bobo, chairman of the Board of Commissioners in Wayne County. I appreciate the opportunity today to testify before this distinguished subcommittee on behalf of the National Association of Counties. We in county government have a high regard for the work of this subcommittee and for your continuing attention to the economic development needs of the Nation.

My testimony will deal principally with three matters:

1. An extension of the Public Works and Economic Development Act of 1965 when it expires next year.

2. The need for a prompt House-Senate conference on H.R. 5247, emergency public works legislation.

3. Problems encountered by counties in the implementation of the new title X job opportunities program.

Let me take a moment to familiarize the subcommittee with the current economic situation in Wayne County. Located in southeastern Michigan, Wayne County contains 2.6 million people residing in 43 communities. The largest of these communities is the city of Detroit with 1.4 million people.

Chief among our problems is unemployment brought about by the current recession.

Countywide, our unemployment level is slightly over 16 percent. Even in the best of recent times, unemployment in our county has persisted at 8 to 10 percent. Within the city of Detroit, and within the core of Detroit, these percentages have been twice and three times the countywide figure.

I stress these grim facts, Mr. Chairman, to point out the tremendous need of Wayne County and its citizens for Federal assistance.

As for the matters pending before this subcommittee, I now address the issue of extension of the Public Works and Economic Development Act of 1965.

The National Association of Counties supports the proposed 3-year extension of this act. The grant and loan program for local economic

development provides a proven and successful approach to the problem of persistent and substantial unemployment. It ought to continue without change.

Wayne County has participated in the Economic Development Act program for some time. Our county formulated a countywide overall economic development plan. This plan has served as the basis for application for Economic Development Act funds by Detroit and smaller communities. Through county planning, we have been able to approach economic development on a comprehensive, regional basis.

Regarding emergency public works legislation, we wish to strongly urge prompt consideration by a House-Senate conference committee of H.R. 5247. The House version of this legislation authorizes a \$5 billion program of grants to State and local governments to combat unemployment through the construction of needed public facilities.

The Senate amended H.R. 5247 to provide \$3.85 billion in anti-recession assistance. This would include \$2.125 billion for public works activities and \$1.7 billion in antirecession grants to State and local governments with unemployment rates in excess of 6 percent.

County governments believe it is essential that the Congress promptly approve a package of public works and antirecession assistance to help them to cope with the current emergency.

A public works program would greatly assist in creating jobs.

The antirecession, or countercyclical, assistance program would save jobs in the public sector and minimize local tax increases or service cuts.

In Wayne County, we need public works funds to assist us in the construction of a county jail program that will cost about \$30 million. We are required to build this jail by court order. Construction of this jail could begin within 90 days. Unless Federal assistance is forthcoming, the only way we can comply with the court order is to reduce other services, such as support for our county general hospital.

Wayne County is projecting a deficit for this fiscal year of approximately \$10 to \$12 million. We have already transferred nearly \$4 million from our capital fund to offset this deficit.

We desperately need the \$8 million to which the county would be entitled under the antirecession proposal. We therefore urge that any final public works bill include a provision for an antirecession, or countercyclical, grant program.

Finally, regarding implementation of title X job opportunities program, counties are concerned over the manner in which this is being implemented. The purpose of this program, as the subcommittee knows, is to combat unemployment with labor-intensive activities. Under the program, the Department of Commerce is authorized to fund projects submitted by other Federal agencies.

The latest round of funding for the program included the release of \$375 million in August. The Economic Development Administration administers the program. The Economic Development Administration set up an extremely tight time frame. Together with the lack of written instructions and procedures, this time frame made it nearly impossible for counties to apply for these funds.

On August 19, Economic Development Administration notified other Federal agencies that funding under title X was available and that applications must be received by EDA by September 15. The

agencies in turn were to notify their clients—counties, cities, and States—that funding was available.

You can imagine the time needed to transfer this information to State and local governments as well as the internal agency deadlines needed for the Federal agencies to comply with EDA's September 15 deadline. What resulted was that counties had only a few days with which to prepare and submit applications, if they could do so at all. All of this leads us to question whether the administration is serious in spending these funds to fight the recession.

Let me say in closing, Mr. Chairman, that the recession as it affects counties is not over. We desperately need Federal assistance.

We need emergency assistance such as that contained in a combined public works-countercyclical program to help us deal with the current situation of excessive unemployment.

We also need Federal assistance embodied in the basic economic development program to help stem persistent structural unemployment.

We urge your prompt consideration on these matters.

Mr. ROE. Thank you, Mr. Bobo, for your fine testimony. How is it going in Detroit? We are hearing about the turnabout in our economy. Do you think this is really beginning to take effect? Is there an upturn in your area in Michigan?

Mr. BOBO. I would say that they are beginning to turn to some extent. There are a few people being called back to work and things of this nature. But we still have serious unemployment problems there.

Mr. ROE. It can also be that if they get called back to work, your physical infrastructure is such that you don't know the source of funding, basically, right?

Mr. BOBO. Basically you are right.

Mr. ROE. Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Mr. Bobo, we appreciate your testimony. I recall when you were here before on the local public works bill and your fine testimony at that time.

Mr. BOBO. Thank you.

Mr. HAMMERSCHMIDT. On title X, do you have Wayne County projects accepted under the title X applications?

Mr. BOBO. Yes, we do have.

Mr. HAMMERSCHMIDT. Do you know whether any jobs are actually in place on these projects?

Mr. BOBO. Mr. Linton was just telling me that the applications have just been filed. We just barely met the deadline.

Mr. HAMMERSCHMIDT. Under the last \$375 million release of funds?

Mr. BOBO. Right.

Mr. HAMMERSCHMIDT. Well, I think, you will recall with me, that this committee did not write that particular title. It came as a result of a Senate amendment that later was resolved in conference in the Education and Labor Committees of the House and Senate, and then was incorporated into the Economic Development Act.

We are concerned and realize there are many problems with it.

I notice in your testimony that you mention that the Economic Development Administration is setting up rigid time frames. I think actually title X is being administered by the Department of Commerce rather than by EDA—jointly with the Department of Labor. And I

for one, suggest and I am sure that many here on this committee agree with me, that there are a lot of problems with the way title X is being administered. We agree with you and sympathize with your problems here. And perhaps if we continue title X, we can find a better way for it to be administered.

If you have any other suggestions along that line, I know the committee would welcome them, whether today or later in writing.

Mr. BOBO. Thank you. I would be glad to submit something in writing along those lines.

Mr. HAMMERSCHMIDT. I notice you have asked for the Economic Development Act to have no change. We have had considerable discussion during these hearings about the need for urban areas to have better access to funds through the Economic Development Administration. And I wondered about your experience in Detroit.

Do you think that under the present law there are enough mechanisms to give Detroit full consideration for their urban problems?

Mr. BOBO. In my conversation with some of the officials of Detroit, they say not. Now, just what point they are concerned about, trying to get change, I am not familiar with.

Mr. HAMMERSCHMIDT. As county commissioner, you speak—the rural area outside the urban area?

Mr. BOBO. Yes, because the city of Detroit is a prime sponsor within itself and they go after their own funds. We have an awful large urban area in the county that we have to answer to.

Mr. HAMMERSCHMIDT. Are you able to get funds into those urban sections?

Mr. BOBO. Oh, yes, we have been quite successful in doing that.

Mr. HAMMERSCHMIDT. You have some designated areas within the urban area?

Mr. BOBO. Right.

Mr. HAMMERSCHMIDT. Thank you very much.

Mr. ROE. Any other questions, gentlemen? Jim.

Mr. OBERSTAR. Thank you, Mr. Chairman. I, too, recall your testimony earlier this year, Mr. Bobo, and you did a very fine job, and I also note that you still haven't built that county jail.

Obviously, if you had been able to keep on that House timetable and get that legislation passed, you would be underway with something over there, at least in line. That bothers me.

I would like to ask your further comments on the countercyclical program proposed by the other body. How do you envision that working and how would you see the mechanics of that kind of program?

Mr. BOBO. That, to be frank with you, is something that I have thought a lot about. But I have not come up with anything that I believe could be of any benefit in changing, that it would meet the guidelines. I really don't know. I think it needs to be studied, clearly studied, and some thought put into working that out a little differently.

Mr. OBERSTAR. Well, this is not necessarily a new idea, it simply has got a new name. It was a concept initiated some years back under F. D. R. and revived under President Eisenhower. A study group in the White House, called the Bragdon Committee—General Bragdon headed it up—they called it a standby capital improvements program to go into effect when the economy turned down. It never was sub-

mitted to Congress as a legislative proposal. It was revived in 1962 under the Kennedy administration, though without the administration's support—public support, at any rate—it was tacitly backed by the administration—and then again shelved in favor of an immediate accelerated public works program.

The testimony in our committee, the House Public Works Committee at that time, by Leon Keyserling, who is former Chairman of the Council of Economic Advisers under President Truman, and testimony by George Meany, indicated that a kind of standby program simply wouldn't work. They needed something fast and big and they felt that by the time a program like that would be in place, you would already be under the gun.

So this committee has, in its wisdom, and the previous Congress, adopted an amendment which is now in place to the EDA program, so-called title IX, which gives a little different approach. Instead of waiting till after the disaster hits, it anticipates problems and it provides funds to help communities, counties, local government units, to respond to an economic tragedy before it happens or at least while it is in the process of happening.

It seems to me that that is a better approach. And I would like you to give that some thought. And maybe you could—do you want to respond now or respond later to the committee.

Mr. BOBO. Mr. Linton and Mr. Murphy have asked if they could respond to that.

Mr. LINTON. Congressman, the difficulty that we face at the county level that prompts our interest in what we call the antirecession funding from the Congress is that at a time of high unemployment, where our tax income is dependent upon the very people who are out of work, we have a declining tax base. The Congress of the United States sets a national policy to counter unemployment through the expenditure of public works funds and various other programs.

We find ourselves at the county level in a position of offsetting national policy by either having to raise taxes, which generally doesn't work, because people out of work don't have the additional money to pay, or to terminate programs, and usually these are the very public works programs which the Congress has put money into to beef up.

So that we find that what is happening is that we have to actually withdraw the expenditure of public funds at the local level at the very time when the national policy is to increase expenditures. So we are really operating in a counterapproach to what the Federal Government's activity is.

I think, as the chairman pointed out in his testimony, we are facing right now a \$12 million deficit in the budget for the coming fiscal year which is directly attributable to the decline in tax revenues that resulted from high unemployment rates in the county. We need some kind of assistance to offset that in order to take advantage of all the other Federal programs.

Mr. OBERSTAR. That is why we have the 100 percent funding approach in the local public works and—what do we call it?—accelerated public works program that we passed earlier this year, which provides you 100 percent Federal funding of those projects you determine to be of the highest priority. And, in addition, we recognize—Chairman Roe has often and eloquently spoken of this need of a multifaceted approach

to the problem of economic—there is no one single tool that is going to do the job.

Mr. LINTON. That is correct.

Mr. OBERSTAR. We need several things. We need this regional economic development approach. We need the local multicounty development districts—by “regional” I meant multistate development commissions—

Mr. LINTON. Title V.

Mr. OBERSTAR [continuing]. Multicounty development districts, local planning effort, the accelerated public works program to provide 100 percent Federal funding, and something to anticipate problems so that we could respond a little ahead of time.

Well, I would like to go on to another question that comes up, and that is the eligibility criteria. This change in the manner of reporting statistics on unemployment, the change that has been instituted just the past year by the Bureau of Labor Statistics, has caused many areas serious problems with their CETA funding and now with title X of EDA.

I am just wondering if you experienced those problems in Wayne County.

Mr. BOBO. To some degree, but not to a great extent really. We haven't had too much difficulty.

Mr. OBERSTAR. We have had counties in my congressional district, and I know of others who have had the same problem, that were eligible for title X or CETA funds, then when this new program came along, the new method of compiling statistics, they found that their unemployment rate dropped 50 percent—overnight. They didn't have any more jobs today as they had yesterday.

Mr. LINTON. Congressman, in our county, when the rate drops 50 percent, we are still eligible. [Laughter.]

Mr. OBERSTAR. So are we. Thank you very much.

Mr. ROE. Any other questions? We want to thank you very much for your testimony and we appreciate your taking the time to come.

Governors of various States have submitted statements expressing their views and thoughts relating to this legislation; and without objection, I will include these statements in the record at this point.

[Statements referred to follow:]

STATE OF MINNESOTA,
OFFICE OF THE GOVERNOR.
St. Paul, September 16, 1975.

Hon. ROBERT A. ROE,
Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR REPRESENTATIVE ROE: It has come to our attention that on September 23, 1975, your sub-committee will consider the following legislation:

H.R. 9898—The Administration proposal asking for a simple three year extension of EDA and the Title V Commissions programs as now constituted.

H.R. 5261 (Rep. Melcher of Montana) and H.R. 8632 (Rep. Roncalio of Wyoming) A bill identical to the original Mansfield Bill S. 1189.

H.R. 4073—The Appalachia/Title V bill by the Senate in late July.

I have been involved in the Upper Great Lakes Regional Commission program for five years and find that it has been an extremely positive tool in providing

much needed aid to the Upper Great Lakes Regional Commission area which has suffered high unemployment for many years.

I feel that four essential points should be brought to your attention concerning your September 23 hearing. These points are as follows:

1. That I do endorse a three year extension of EDA, Title V, and Appalachia programs as requested in Administration proposals.

2. That I do endorse a continuation of EDA, but as a separate and complementary program to the Appalachian/Title V program, so that EDA may have more freedom to develop programs that can help reconstruct our urban areas.

3. That I support the ideas embodied in the Melcher and Roncalio bills, which were companion bills to the first Mansfield bill.

4. That I give a strong endorsement of H.R. 4073, the Mansfield bill as passed by the Senate and now before the House. This bill brings the Title V Commissions part of the way to parity with Appalachia, puts them in the same legislative cycle. This portion being our first priority as a State's Co-Chairman for the Upper Great Lake Regional Commission.

It is clear that the State—Federal partnership founded in regional commissions has worked and will continue to work.

It is my hope that you and members of your committee do concur with my thoughts.

With warmest personal regards.

Sincerely,

WENDELL R. ANDERSON, *Governor.*

[Telegram]

VANCOUVER, WASH., *September 19, 1975.*

Representative ROBERT A. ROE,

Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

H.R. 4073 has our full mutual support. By placing the title V commissions in better alignment with similar programs and by strengthening the Federal/State partnership, H.R. 4073 will allow us to move quickly and directly to meet urban and rural development needs unique to this region.

We agree with the administration that title V commissions and EDA should be extended for three years and we believe the most effective program will recognize that EDA is complimentary to but completely separate from regional action programs.

CECIL D. ANDRUS, *Governor of Idaho.*

STATEMENT OF HON. JERRY APODACA, GOVERNOR OF NEW MEXICO

Mr. Chairman, I am very pleased to present testimony to you today on H.R. 4073 and related bills to amend the Public Works and Economic Development Act of 1965. Since their inception ten years ago, the Title V Commissions have played a vital role in the economic development of New Mexico as well as the other states making up the Four Corners Regional Commission. Without the supplemental grant funds from Four Corners, many important projects in our region would never have become reality. If the Title V Commissions have been adequately funded from their beginning in 1965, even more progress would have been accomplished.

Congress and especially the Economic Development Subcommittee is to be congratulated on the approach contained in H.R. 4073, the Regional Development Act of 1975. This bill would raise the Title V Commissions to virtual parity with the Appalachian Commission, a goal long sought by the Title V states.

While not diminishing the economic problems of the Appalachian Region, I would like to remind the Subcommittee that New Mexico ranks 49th among the states in per capita income. We have economic problems rooted in centuries of neglect for our sizable Indian and Spanish-American populations. The Title V Commission and the Economic Development Administration have done much to attack these problems, despite low funding levels.

All the members of Congress for our region support the increased efforts contained in H.R. 4073 to bring the Title V Commission on par with the

Appalachian Commission and to adopt the same legislative cycle. As you know the Senate adopted the bill by a vote of 92 to 1.

Of special concern to us in the West is energy development. Several months ago, ten western governors joined to form the Western Governors Regional Energy Policy Office. I was selected as the first chairman of the organization, and funding for our activities was forthcoming from the Four Corners Regional Commission on the Old West Regional Commission.

While this organization will do much to help the Nation and the West meet our energy demands, much more is needed. In order for us to develop our energy potential in a rational and effective way, long term planning and funding is needed to meet the ensuing problems of energy boom towns facing severe social and economic impacts. As a result, the ten Governors of the Western Governors Regional Energy Policy Office endorsed the Mansfield-Melcher bills to provide substantial impact assistance through the Title V Commissions. I was glad to see that some of the provisions of that bill were included in H.R. 4073, but much more needs to be done. If the Nation is to meet its energy needs through development of the great energy potential of the West, we need national assistance to meet the severe impact of that development.

We are convinced that the \$200,000,000 provided in H.R. 5261 is sufficient to meet the community needs which will result from the anticipated energy development. But its adoption would be a step in the right direction. I urge the Subcommittee to give H.R. 5261 its favorable consideration.

Once again let me express my appreciation to the Commission for this opportunity to express the views of New Mexico and for the fine work it has done in this area of vital concern to my state.

STATE OF FLORIDA,
October 3, 1975.

HON. ROBERT A. ROE,
Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR CHAIRMAN ROE: Since the Economic Development Subcommittee of the House of Representatives is considering economic development legislation that will have a direct impact upon Florida, I would like to make my views known to the members of the Committee.

I strongly support the passage of House Bill 4073 (Senate Bill 1513) in the same form as it was passed by the Senate. Although Florida has only recently become a member of the Coastal Plains Regional Commission, I recognize the value of this coordinated regional effort to address common problems associated with economic development.

This regional approach, even with the limited funding that has been available to Title V commissions, has proven successful.

In my estimation the bill before you, providing for a three-year extension of the Appalachia and Title V commissions and providing for an increased level of funding for these commissions, will greatly enhance the capabilities of these commissions to address common problems.

The areas served by these commissions are essentially economically less developed; have experienced long-term economic stagnation; and, in short, have manifested most of the characteristics of the area included in the Appalachia Regional Commission. In spite of this, funding for these commissions has remained at an extremely low level. Thus I would point out that HR 4037 provides an excellent opportunity to at least begin to bring some of the needed resources to other less developed areas of the United States.

I think it appropriate to also clarify my views on the relationship between the programs of the Economic Development Administration and those of the Title V commissions.

Coordination between these development efforts is essential. This coordination is currently being achieved through the Title V commissions and through the efforts of the individual states. I endorse the continuation of the Economic Development Administration, but I also believe that because of the much broader scope of activities of the Title V commissions, these two programs must remain separate or the multi-faceted approach employed by the Title V commissions will be lost. I would also suggest that the coordination is and has been more a function of willingness than a function of administrative structure. It is my judgment that in Florida and in other states involved in the Title V com-

mission, the willingness to coordinate has been demonstrated and has achieved positive results.

It is my sincere hope that my comments will be useful in your consideration of the proposed legislation.

Sincerely,

REUBIN ASKEW,
Governor.

STATE OF OKLAHOMA,
OFFICE OF THE GOVERNOR,
September 23, 1975.

Hon. ROBERT A. ROE,
Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR MR. ROE: I regret that my schedule does not permit me to travel to Washington to testify on funding of the Title V Regional Commissions. However, Mr. Chairman, there is no way in which I can over-emphasize the value of the Title V Commissions and their contribution as a vehicle for creative joint local, state, and federal efforts for the betterment of the various states and the nation as a whole.

The quality of life in individual communities and in the State of Oklahoma has been greatly enhanced by the work of the Ozarks Regional Commission through projects dealing in many needed areas including industrial development, energy, and water.

I recommend that the Title V Commissions such as Ozarks be given the same status as the Appalachian Regional Commission, which is not so closely tied to the Department of Commerce and has the potential for much more beneficial activity than that afforded under Commerce Department regulations.

I wish to go on record as endorsing House Resolution 4073 and urging its immediate passage.

Sincerely yours,

DAVID L. BOREN.

OFFICE OF THE GOVERNOR,
Phoenix, Ariz., September 19, 1975.

Hon. ROBERT A. ROE,
Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR REPRESENTATIVE ROE: Due to my participation in the Western Governors' Conference the week of September 22 I will not be able to personally appear to testify before your committee September 23. This letter will serve as my statement.

As Governor of the State of Arizona and as the Arizona member on the Four Corners Regional Commission, I urge you to adopt H.R. 4073; the Appalachia/Title V bill passed by the Senate 92-1 in late July. The coming together of the Appalachia Commission and the Title V Commissions is a step that is overdue. This unification will enable the efforts in the area of Economic Development to be more productive in the coming three years.

The changes embodied in another bill before your committee, H.R. 9398, promote a long range continuity which is desirable. The important element lacking in this proposal is that the Appalachia Commission and the Title V Commissions need to be united under one authorization. The functions of these two entities are identical, therefore, unification seems to be the logical step.

Thank you for allowing me the opportunity to present my views to you in this manner.

Sincerely,

RAUL H. CASTRO, Governor.

[Telegram]

BATON ROUGE, LA., September 22, 1975.

Hon. ROBERT A. ROE,
Chairman, Subcommittee on Economic Development, Committee on Public Works and Transportation, Rayburn Office Building, Washington, D.C.

DEAR CHAIRMAN ROE: I regret that I will be unable to appear before the Subcommittee on Economic Development of the House Committee on Public Works.

My inability to attend these House hearings, however, should in no way be interpreted as a lack of interest of support for the programs of the Economic Development Administration or the title V regional commission programs.

You are aware that as a Congressman I strongly supported the concept of multi-state regionalism and as Governor I have developed even stronger feelings since I served as state co-chairman of the Ozarks Regional Commission last year and have seen its success first hand.

The administration's bill (H.R. 9398) providing for a simple three year extension of the Public Works and Economic Development Act is a welcome change in direction. The Economic Development Administration program should be continued, especially the economic development district program. We have developed a system that coordinates the substate districts with the Ozarks Regional Commission. Through this program we have compiled a complete listing of public investment needs. The continuation and future funding of both EDA and the title V commission program will enable us to undertake both the needed public works and technical assistance projects.

I have previously indicated my support for S-1189, which is comparable to H.R. 5261 and H.R. 8632. I understand that the significant provisions of these bills have been included in H.R. 4073. As far as the regional commissions are concerned, I strongly favor H.R. 4073. There can be no question that the title V regions are as much in need as the Appalachian region. H.R. 4073 brings the title V commissions part of the way to parity with Appalachia.

In Louisiana the regional commission and the sub-state district program form a valuable partnership which should be continued and strengthened. I seek your support in favor of H.R. 4073 as amended, as well as significant extension amendments for the Public Works Act to provide for the continuation of the EDA and the sub-state district program.

Sincerely,

EDWIN EDWARDS,
Governor, State of Louisiana.

STATE OF SOUTH CAROLINA,
Columbia, S.C., September 22, 1975.

HON. ROBERT A. ROE,

Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR MR. ROE: It is my understanding that the Economic Development Subcommittee of the House Public Works Committee will hold hearings on September 23 on H.R. 4073 and the two House bills that are companions to Senator Mansfield's S. 1189, these two being H.R. 5261 and H.R. 8632. As Governor of the State of South Carolina, and therefore also a member of the Coastal Plains Regional Commission, I welcome the opportunity to express my thoughts concerning the legislation under consideration.

Without extensive elaboration, I am outlining the following points for your consideration:

1. The Regional Commission mechanism has provided the member states through its chief elected official, a voice in the formation and execution of a very important economic development program. The maximum effectiveness of the Title V Commissions relies as much on the independence of the Federal Cochairman from any single agency or department as it does on that of the Governors. Thus, in order to strengthen the partnership, the Title V Commissions should be placed under the Executive Office of the President, similar to the Appalachian Regional Commission. As I recall, 28 of the 31 Title V Governors endorsed H.R. 4073, which brings the Title V Commissions partial parity with Appalachia and places them in the same legislation and legislative cycle.

2. The Regional Commissions should be extended in increments of three to five years to provide for better medium to long term planning and project execution. In the past, the Commissions have been hampered by their inability to develop effective multi-year action plans and to implement long term program development.

3. I endorse a multi-year extension of the Economic Development Administration as a separate and complementary program to the Appalachian and Title V programs. Cooperation and coordination between the Regional Commission, EDA and the Economic Development Districts is accomplished and is workable.

4. A more adequate level of funding for Title V Commissions is supported

and urged together with a broader grant and funding authority than they now possess.

This is needed so that the Commissions may meet social, economic or environmental impacts resulting from natural resource development or utilization. Significant changes in Federal Government policies, programs or regulations must be dealt with, as well as possible shifts in employment opportunities. Any proposed legislation should permit the Commissions to achieve long-range Regional Economic Development Objectives identified in their comprehensive Regional Economic Development Plans.

In summary, the States, through the Regional Commissions have, even with the limited funding available, demonstrated their ability to consolidate the resources of the Federal, State and Local Governments in a coordinated effort to solve multistate economic problems. The basic principle of the Regional Commissions, that of shared responsibility and control by the State and Federal partners, has proved sound and effective and should be continued. The program authorities of the Commissions should be enhanced through a longer term extension, a more adequate level of funding, a true Federal/State partnership independent of a functional department, and a broader grant and funding authority.

It is my hope that these comments will be useful in establishing a strong and effective Regional Development Program.

With warmest regards,

JAMES B. EDWARDS, *Governor.*

[Telegram]

SEPTEMBER 19, 1975.

Representative ROBERT A. ROE,

Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

H.R. 4073 has our full mutual support. By placing the title V commissions in better alignment with similar programs and by strengthening the Federal/State partnership, H.R. 4073 will allow us to move quickly and directly to meet urban and rural development needs unique to this region.

We agree with the administration that title V commissions and EDA should be extended for three years and we believe the most effective program will recognize that EDA is complimentary to but completely separate from regional action programs.

DANIEL J. EVANS,
Governor of Washington.

WYOMING EXECUTIVE DEPARTMENT,
Cheyenne, Wyo., September 23, 1975.

Hon. ROBERT A. ROE,

Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR CHAIRMAN ROE: These remarks on the Title V of the Economic Development program are addressed to you since it is my understanding the matter of extending the Title now rests with your Subcommittee once again.

I wish to convey to your Subcommittee members my very enthusiastic endorsement of the Title V program and my hopes that you will adopt legislation now before you which will expand the funding and management base for the Title V Commissions.

No one who has witnessed the response of the Old West Commission to our many perplexing local, State and regional problems created by the sudden and overwhelming interest in northern great plains coal, can be less than emphatic about the value of the commissions to regional action planning.

Time and again the Old West Commission has responded to unforeseen socio-economic and environmental problems which are having a profound and immediate impact upon our people. In most cases we would have had no source for assistance had it not been for the Commission.

This personal note is to emphasize the important role which I feel the Title V Commissions can and do play in our regional economic development efforts. I want to endorse any and all legislation before you which will prolong and strengthen the operation of the commissions.

Among the measures which I understand your group is considering is the one passed virtually unanimously by the Senate to combine the Title V Commission program with that of Appalachia and expand the authority of the former commissions so that it approximates that of Appalachia. It is my understanding this was the original promise of the Congress when the commission concept was first enacted, and I call upon the Congress to deliver on that promise at this time.

The concepts embodied in bills which have been submitted by Representatives Melcher and Roncalio are also supported as is the Administration's request for a three-year extension of the current Economic Development program. But the bill which I would really like to see emerge from the House is H.R. 4073 which would combine the Title V Commissions with Appalachia and give them additional authority which they can so well use.

With best regards, I am

Yours sincerely,

ED HERSCHLER, *Governor.*

STATE OF MONTANA,
OFFICE OF THE GOVERNOR,
Helena, Mont., September 18, 1975.

Hon. ROBERT A. ROE,
Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR CHAIRMAN ROE: It is my understanding that Congressional consideration of legislation affecting the future of the Title V Regional Economic Development Commissions has moved back to the House of Representatives, so I am addressing my views to you as Chairman of the Subcommittee on Economic Development.

I want to urge your Subcommittee and House to adopt the bill which passed the Senate by a vote of 92-1 and which will provide the Title V Commissions with increased funding authority and broader program authority. These two developments will in turn increase the value of the commissions to those of us Title V states, a course which I personally endorse.

One of the most reassuring factors which has developed in our region's troublesome energy situation has been the ability of the Old West Commission to help our energy-impacted states begin to cope with the environmental and socio-economic problems which have beset us. Our Commission has given us a recourse which has been invaluable.

The indispensable contribution which the Commission is making to our current economic problems is my reason for writing you to urge a stronger program still for the Title V Commissions. The Senate saw the wisdom of providing greater funding authority and a broader program base for the Title V Commissions, and it is my fervent hope your Subcommittee and the House itself will concur.

I believe the best possible legislation before the Congress at the moment is H.R. 4073, the version of the original Mansfield bill which was passed by the Senate in such overwhelming manner. Congress promised other commission states in 1965 that ultimately their commissions would be granted authority and funding levels similar to that of Appalachia. It is not unexpected that we grow impatient for the program which was promised.

I urge enactment of H.R. 4073 as the best step which can be taken by the Congress at this time to assist in economic development and specifically the best step which can be taken to help solve the energy development problems in Old West states.

While I certainly endorse the several other measures I understand are before your Subcommittee to extend the life of the commissions, I believe the most sensible way to proceed is to combine the Title V Commission with the Appalachian Commission in one bill and extend the EDA authority in a separate but complementary measure.

Sincerely,

THOMAS L. JUDGE, *Governor.*

STATE OF SOUTH DAKOTA,
EXECUTIVE OFFICE,
Pierre, S. Dak., September 19, 1975.

Hon. ROBERT A. ROE,
*Chairman, Economic Development Subcommittee, House Public Works and
Transportation Committee, Rayburn Office Building, Washington, D.C.*

DEAR CHAIRMAN ROE: I am writing to you because I understand that you and the members of your Subcommittee are now or soon will be considered legislation on the Title V Commissions.

The Title V Commissions are one of the most successful factors in our national economic development efforts. I endorse the work which the Commissions have accomplished to date and I ask your Subcommittee to consider greatly expanded authority for them so that their contribution to our progress can be expanded proportionately.

I sincerely believe the economic progress of our state will best be served by approval of H.R. 4073 which gives Title V Commissions authority and flexibility somewhat similar to that currently enjoyed by the Appalachian Commission. The provisions of H.R. 4073 will go a long way to achieve the "parity" which I feel should exist among all Title V Commissions and the Appalachian Regional Commission.

If anything to date has inhibited the success of the Title V Commissions, it has been the legislative restrictions which have somewhat confined their areas of operation. These restrictions have not been suffered by the Appalachian Commission and I believe the Title V Commissions have now reached a maturity so as to merit the same authority which the Appalachian Commission possesses. The adoption of H.R. 4073 would place all regional commissions on the same legislative and funding cycle and is, therefore, the action most likely to achieve the equality between Commissions which was the original intent of Congress.

Please know that I do endorse the Administration's proposal to extend the life of the Commissions and EDA for three years. However, to underscore what I have said previously, the concept encompassed in H.R. 4073 of combining Appalachian and Title V Commissions while maintaining EDA as a complementary program is far more preferable.

As Governor of South Dakota, I serve as a member of the five-state Old West Regional Commission. I am proud of that membership and I think you will find that the Governors of Montana, Nebraska, North Dakota and Wyoming are in solid accord as to the value of the Commission program. With only one or two unavoidable exceptions, our Commission meetings have always attracted the presence of all five Governors. I and my fellow Governors devote close attention to OWRC matters and programs because we feel the Commission is an effective tool in furthering economic development not only on a regional basis, but also on a state-by-state basis.

While I support any measure which extends and strengthens the Commissions, I respectfully request that you and the Subcommittee members give special attention and support to H.R. 4073 as the measure which will enhance the effectiveness of the Commissions more thoroughly than any other measures currently being considered.

I thank you for your consideration of this matter and wish you every success in your deliberations. With every best wish, I remain

Sincerely,

RICHARD F. KNEIP, *Governor.*

STATE OF COLORADO,
EXECUTIVE CHAMBERS,
Denver, Colo., September 18, 1975.

Representative ROBERT A. ROE,
*Chairman, Economic Development Subcommittee, House Public Works and
Transportation Committee, Rayburn Office Building, Washington, D.C.*

DEAR CHAIRMAN ROE: I regret that I am not able to be there personally to tell you and members of the Subcommittee how strongly I feel about the importance of the legislation you are considering. In May I wrote to Senator Mansfield endorsing S. 1189. I now urge you to give favorable consideration to H.R. 4073.

I feel it is extremely critical that the Title V Commissions be given a three year extension and made a part of the same legislation which deals with the Appalachian Regional Commission. The programs funded by the Four Corners Regional Commission (FCRC) in Colorado have produced positive results. With the new challenges facing Colorado and other western states with respect to energy resource development, it becomes even more critical that we have time for program planning and execution.

The Economic Development Administration (EDA) plays an important role in meeting the economic development needs of the states but their relationship is generally directly with local and district developmental problems. EDA programs should be continued but as separate and complementary to the programs of the Appalachian Regional Commission and the Title V Commissions. Title V Commissions enable the Governors to work together on multi-state problems which, of course, are critical to the future and well being of the entire United States.

Passage of H.R. 4073 will serve to strengthen Federal, state, and local relationships by developing significant dynamic and imaginative programs for the benefit of all concerned.

I strongly urge your support for this critical program.

Sincerely,

RICHARD D. LAMM, *Governor.*

STATE OF NORTH DAKOTA,
EXECUTIVE OFFICE.

Bismarck, N. Dak., September 18, 1975.

HON. ROBERT A. ROE,
Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR CHAIRMAN ROE: I am concerned about the Economic Development program as it affects the Title V Commissions. Now that the Senate has enacted an extension of the Commission program which encompasses greatly increased authority, it is my understanding the Commissions' future is now with your Subcommittee.

Speaking as one Governor who takes a very active role in my own Title V Commission, Old West, I want to urge your Subcommittee to recommend legislation similar to that adopted by the Senate to strengthen the Commissions and enlarge their role in our national economic development program.

Our own Commission has already become an integral and indispensable part of the economic progress in the Old West states. Many of the problems peculiar to our area lend themselves ideally to regional solutions. This is one of the reasons why we value our Commission program so highly.

I would like to be listed with your Subcommittee as endorsing any and all legislation which extends the Title V program. It is my understanding the Administration has requested a three-year extension. I endorse that position, but would prefer to see the Title V program combined with the Appalachian program, with EDA continued as a separate and complementary program.

My strongest endorsement is reserved for HR 4073, the Mansfield bill as passed by the Senate. It is clear from the record and it is my recollection as a member of the Congress that the original intent of the Congress concerning Title V Commissions was that they should one day have parity with Appalachia. That action was taken and that promise made ten years ago. In the interim, the Title V Commissions have proven themselves to be valuable contributors to our economic progress. I, therefore, agree with the Senate that it is time to give them equal status and authority with Appalachia.

While I welcome any action taken by your Subcommittee to prolong the life and extend the authority of the Commissions, it is my hope that you will endorse legislation similar to that enacted by the Senate, giving Title V Commissions the tools to expand their contribution to their states to a scope similar to that enjoyed by the Appalachian Commission.

Thank you for the opportunity to present these views. With best regards,

Sincerely yours,

ARTHUR A. LINK, *Governor.*

STATE OF WISCONSIN,
OFFICE OF THE GOVERNOR,
Madison, Wis., September 23, 1975.

Hon. ROBERT A. ROE,

Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR REPRESENTATIVE ROE: With your permission I would like to offer my support for various bills affecting federal economic development policy. These measures are before your subcommittee and are under consideration at this time.

As a member and state co-chairman of the Upper Great Lakes Regional Commission, I would like to endorse H.R. 4073 as it creates the Regional Development Act and as it relates to the Title V commissions. I would also like to endorse H.R. 9398, which extends the Title V commissions and Economic Development Administration for three years. I prefer H.R. 4073 which would allow the commissions to improve upon the accomplishments they have achieved even under difficult funding circumstances.

The Regional Development Commission concept, especially when it fosters face-to-face discussions among numerous governors, has substantial merit. In the case of Wisconsin, Minnesota and Michigan—all Upper Great Lakes States—it has allowed three governors to meet on a regular basis to discuss common problems and, in some cases, appropriate funds to resolve those problems. A case in point is the cooperative efforts our states have undertaken to restore or maintain rail passenger and freight service to our region.

I would like to bring to your attention, however, one continuing difficulty I think most Regional Commission governors have had with the existing program. While we often have worked well together, and cooperated fully with the Washington presence or President's Representative on our respective commissions, we have found there is insufficient respect for and identification of our regional efforts within the Department of Commerce. Because we do not have, nor do we want, a substantial bureaucracy associated with our regional partnerships, the commissions generally have taken a back seat in Washington to efforts such as the Economic Development Administration. Progress is being made, particularly on a regional level, in improving upon the past; but roadblocks continue because of the present act. Accordingly, enactment of H.R. 4073 or similar legislation is necessary. I believe the substantial support which numerous governors have given to similar legislation pending in the Senate substantiates my feeling.

Finally, inasmuch as your hearings deal with several pieces of federal economic legislation, I would like to suggest both a strong Appalachian Regional Commission (ARC) and EDA.

Sincerely,

PATRICK J. LUCEY, *Governor.*

STATEMENT OF WILLIAM G. MILLIKEN, GOVERNOR OF MICHIGAN

I welcome this opportunity to be able to express the concerns of Michigan regarding legislation which is before you and, in my opinion, is of the utmost importance to our nation.

Because of the severity of unemployment in the State of Michigan, it is absolutely essential that all available tools of federal, state and local government remains in place and intact to fight this crisis. The valuable programs of the Economic Development Administration and the Title V Regional Commissions have been and should continue to be primary factors in alleviating the economic problems of Michigan. We, therefore, support the Administration's proposal under H.R. 9398 to extend the Public Works and Economic Development Act for three years.

The flexibility which the Title V Commissions offer to regional development problems is the principal reason why I endorse H.R. 4073 as passed in the U.S. Senate. This bill would properly place all Regional Commissions of the country in one bill, and would give additional and much needed authority to the Title

V Commissions and the Upper Great Lakes Regional Commission, or which I am a member. The passage of this bill, along with an extension of the Economic Development Administration, would provide vitally-needed tools for Michigan to make adjustments in this severe cycle of unemployment. While the Upper Great Lakes Regional Commission and the Economic Development Administration have had and continue to have a strongly coordinated program, only about 30% of our Commission's program is operated in concert with EDA, the remainder being devoted to the complementary problems of energy, transportation, and natural resources which are coordinated with other federal agencies.

In FY 1975 the appropriation for the Title V program was set at \$42 million. This is the same level of appropriations as the past several years; however, the Title V program has greatly expanded in these years, adding two new commissions—the Pacific Northwest and the Old West—and expanding the areas of the Four Corners Commission, the Ozarks Commission, and the Coastal Plains Commission. As a result, the Upper Great Lakes Regional Commission is receiving less and less of the appropriation for the Title V program. I would also urge, therefore, that the appropriation for this program be increased to provide at least a level of support for each Commission to allow each to accomplish its primary goal.

H.R. 4073, the Regional Development Act of 1975, would provide the added authority and funding levels necessary to accomplish these tasks. I join with 28 of my fellow Title V governors in endorsing this bill.

As a member of the Upper Great Lakes Regional Commission for the past five years and as Chairman of the Rural and Urban Development Committee of the National Governors' Conference, I have supported—and will continue to support—the federal-state partnership concept of Regional Commissions under Title V of the Public Works and Economic Development Act and the Appalachian Development Act.

The continued role of the Upper Great Lakes Regional Commission and its contribution to the improvement of our region are all the more essential now in view of the current problems of our economy, energy supply and transportation systems.

I am a strong believer in practicing budget restraint, especially when faced with mounting federal deficits. However, I can think of no higher priority today for America than in creating new jobs which are necessary to reduce our current unemployment and to build a healthy economy for the future. Proven Job Development programs, such as EDA and the Regional Commissions, should be bolstered, and not weakened, if we hope to reduce the severity of unemployment which now is prevalent in Michigan.

I strongly urge this committee to follow the lead of the Senate in supporting increases in appropriations to allow Regional Commissions and EDA to carry out their vital work.

EDA and the Regional Commissions have proven without doubt that they can create permanent employment positions.

They have proven effective in helping to save jobs that are threatened.

EDA and the Regional Commissions need your support to help carry out the critical fight against unemployment.

Again, I would like to remind this committee of the policy statement regarding National Economic Development which I helped to draft and which was approved unanimously by my fellow governors, both Republicans and Democrats, at the National Governors' Conference in New Orleans.

The governors, in that statement, concluded that it was essential that the Appalachian Regional Development Act as well as the Public Works and Economic Development Act, including provisions for Title V Commissions in their present form and structure, simultaneously be extended for four additional years.

Also, I think it is important that there be no misunderstanding on what kind of legislation the states want regarding Regional Commissions.

Earlier this year, in response to a discussion paper sent to me by the U.S. Department of Commerce, I replied that any changes in the Title V legislation should be considered only if they will give the Commissions greater flexibility, broader program authority and an increased appropriation so they can perform at their fullest authority.

I again want to speak out against any change that would bring the federal cochairmen within the Department of Commerce and especially disagree with any suggestion that the Title V Commissions be placed under the direction of a single Commerce Secretarial Officer.

A major strength of the current Title V structure—and one of the reasons why the Upper Great Lakes Regional Commission has been highly successful in my state—is that Commissions can act quickly and decisively as various crises emerge.

If the Commission was placed under Commerce, I fear that this quick-response and of governors, who have elected to participate in a true federal-state partnership which the current Title V legislation represents.

Public Law 89-136 provides that the Secretary shall supervise and direct the Economic Development Administration. It also provides for the Secretary to "coordinate" the federal cochairmen of Regional Commissions. This distinction is vital and was wisely placed in the statute by the Congress. It also has proven to be effective and workable.

The Commerce proposal to "formally include federal cochairmen within Commerce . . . under the direction of a single Commerce Secretarial Officer" in fact is a rejection of the new federalism which the current administration supports. Its net result, if this change is allowed to be approved, would be Commerce review, evaluation and decision on every project formulated by governors and federal cochairmen acting together in Regional Commissions.

Another strong point of our Commission also lies in its relationships with other federal agencies besides EDA. These include Farmers Home Administration, HEW, BOR, HUD and others. In fact, as I stated earlier in this Testimony, a majority of Commission projects and programs are non-EDA funded.

The essence of the Title V program is to provide a true partnership between the states and the federal government, so that the different and varying needs of various regions of the country could be handled in the most flexible manner. The present Title V Commission programs are sometimes aimed at completely different priorities—e.g., two of the Commissions are presently involved in the development of energy resources, another has been concerned primarily with marine resource development, while still another has concentrated on transportation development—all in line with regional objectives.

The tightened organizational pattern which the Commerce paper recommended partially was based on the mistaken assumption that Title V Commissions and the Economic Development Administration are involved in the same programs and are in conflict or overlap with each other. There is no evidence that such overlap or conflict exists.

My position regarding the possible changes was similar to that voiced by a great number of other governors.

The Title V Commissions have proven conclusively that they provide a most effective delivery system to dispense immediate anti-recession remedies.

In my state alone, an investment by the Upper Great Lakes Regional Commission of \$2.5 million in Fiscal Year 1975 was directly responsible for helping to save 930 employment positions that were threatened with elimination. In addition, the funds provided by the Commission assisted in creating 900 immediate new jobs and 3,000 more which are assured for the future.

The Commission's other activities, including a substantial investment in manpower programs which helped to establish more than 10,000 new vocational learning positions, also have proven to be of invaluable assistance at a time when economic progress was difficult to achieve.

The thousands of residents in my state who are served, and depend on the special help which Title V provides, are looking for a commitment from the administration, and from Congress, to continue this vital assistance beyond this year in its present form.

The continued effectiveness of this program in Fiscal year 1976 will play a substantial role in how fast Michigan recovers from the depressed economy which has dealt my state one of its worst economic hardships in recent times.

I also urge this committee to guard against two recently proposed steps that would weaken the Title V program.

The Regional Commission's authority to acquire and disburse federal excess property has provided my state with much valuable vocational education equipment to allow expansion and improvement of our career education programs. This would not have been possible without this authority which Congress wisely gave the Commission last year and which some are now attempting to rescind.

Any attempt to redirect the Regional Commission's priorities to place an increased importance on multi-state planning and demonstration projects and a secondary importance on supplemental programs should be vigorously opposed.

The suggestion that Title V supplemental grant authority should be restricted

is based on the false assumption that the Regional Commissions should be involved only in rigidly defined multi-state projects. The rationale for this premise is that projects which are situated in individual localities are not multi-state in nature. On the contrary, Commission investments are by law directed to be in line with comprehensive long-range development plans which, while having a local impact, are selected and approved on the basis of their relevance to regional strategies approved by the Commission. As an example, certain Commissions have adopted, as part of their long-range plans, systems of vocational education facilities or airports, etc. which are built and funded individually but governed by a regional strategy endorsed by the Commission, the states concerned and, often, by the substate districts.

Also, many of the supplemental projects which may appear through superficial listing to be merely local in nature are often undertaken as demonstration projects which are later replicated in other areas and other states based on a regional demonstration strategy and long-range plan. Such a process, which concentrates resources and avoids duplication, can only be fully implemented by a federal-state organization such as the Regional Commission, which provides for selection of projects with the greatest benefit for the region and the collective votes of the states and a federal member.

It would appear then to be more consistent to add a Title IX type authority to the present Title V to increase the flexibility of the Title V program rather than restrict Section 509 and eliminate the valuable tool which allows the Commissions to concentrate the resources of other federal agencies with those of the Commission and local organizations.

The greatest danger in restricting the supplemental grant authority is the resulting separation of the investment decision from the planning process. Experience has shown that effective planning can only be assured if the decisions and resulting investments are made through the same organization and authority. Indeed, the separation of these functions would aggravate the potential problem of overlap and lack of coordination.

In addition I would like to bring to your attention an issue which is of great economic importance to my state. I strongly urge this committee to reject the Talmadge-Nunn Amendment to Senate Bill 1587 (H.R. 5247) which would change the distribution formula for previously allocated water pollution construction funds.

States with critical unemployment problems—like Michigan, where seven counties have unemployment of 20 percent or more and 50 others have double digit unemployment—have been counting on these funds to help ease the jobless crisis.

Michigan will lose \$279 million under the new formula. The state is already in the beginning stages of distributing these funds. Some of this money is earmarked for projects which will allow construction of new industries, motels, shopping centers and other job producers. Denying Michigan these funds will hold up these projects at a time when they are most needed.

In addition, Michigan will lose more than 17,300 construction jobs by the reduction of these funds.

The revision action, if finally enacted into law, will seriously erode our pollution control efforts and drastically reduce employment opportunities for our citizens.

I urge non-concurrence in the Senate amendment and call for a maximum effort to reverse the Senate's highly disturbing action.

Related to this I would also urge your early consideration and approval of legislation equivalent to the Cleveland-Wright section of HR 9560. The early commitment of funds now available under PL 92-500 will provide for needed jobs in the construction industry and even more important lead to an early achievement of our clear water objectives. The Cleveland-Wright proposal will provide a means whereby the Federal government and states can maximize the utilization of existing manpower resources for moving this program forward, and in addition provide a source of increased funding to the state program for carrying out the additional requirements mandated by PL 92-500.

There are other positive provisions in Senate Bill 1587 (H.R. 5247) which should be carefully considered, however. The concept of countercyclical assistance is particularly attractive. It would permit funds to flow rapidly to those localities who most need it when it is most needed. Flexibility in the use of the funds by the local community to aid in employment generating efforts is also a positive feature of this approach.

Urban areas are experiencing extreme pressures as a result of unemployment. Perhaps a method could be developed by which the EDA efforts would be broadened, through a countercyclical concept, to aid urban areas as well as relatively nonurbanized areas which are the primary beneficiaries of the current EDA programs. I urge this concept be given serious consideration.

In conclusion, I want to remind this committee that Michigan's more than 584,800 unemployed and many other citizens who are concerned about their jobs are depending on your committee for positive action to help all of us during this time of economic uncertainty. I thank the committee for this opportunity to express my views.

STATE OF ARKANSAS,
OFFICE OF THE GOVERNOR,

Little Rock, Ark., September 23, 1975.

Representative ROBERT A. ROE,

Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

DEAR CHAIRMAN ROE: I am pleased to have this opportunity to provide a statement in support of pending legislation relating to the Regional Commission and Economic Development Administration programs. Previous commitments coupled with recent developments prevent my presenting these recommendations to the Subcommittee in person.

As the current State Co-Chairman of the Ozarks Regional Commission, I have become familiar with the history, current status and potential of the Regional Commissions approach.

I am sure the committee is aware that the Ozarks Commission was the first to be organized under the original legislation. Its creation in 1966 was hailed as a major step toward improving the educational and occupational opportunities of the people of an area heretofore omitted from America's economic progress.

While significant gains have been made, the Commission has been unable to reach its full potential due to inadequate funding and lack of support from previous Administrations. I, along with the other members of the Commission, am aware and appreciate that the Congress, and the Public Works Committees specifically, have provided the leadership to see that the programs of the Public Works and Economic Development Act have continued.

The President's support for a simple three year extension of the Act is appreciated and is recognized as a significant change from the position taken by the previous administration. However, the Regional Commission programs have progressed to the point where they are capable and ready to implement programs and projects in a wide range of activities and to move ahead into new areas of interest and responsibility.

For example, the Ozarks Commission is currently working on programs dealing with rail transportation, energy supply and consumption, scheduled air service for smaller communities, and increased exporting of goods and services.

In addition to these programs of current regional significance and national interest the Commission is funding and administering job producing programs under the new Title X of the Act. Naturally, we also are continuing to provide supplemental grant funds for high priority projects through the Region. This important facet of the Regional Commission program has provided over \$34 million to Ozarks state and local governments since 1968. In turn, this investment has enabled construction of facilities having a total cost of about \$163 million, the balance being shared about equally by local and state governments and basic grant agencies of the Federal government.

The supplemental grant program continues to be an important tool in the Region's economic development strategy and its utilization has widened to include almost all basic grant-in-aid programs. Initially, the major utilization of this type assistance was in cooperation with EDA grants, however, last fiscal year only 22 of the 62 supplemental grants were for EDA projects. This shift is indicative of the Commission's evolving awareness of the total economic development process where emphasis is placed on environmental enhancement, natural resource utilization, transportation services improvement, and human resource development as well as direct job producing activities. Thus, while the Economic Development Administration programs remain extremely important to the Region, they do not adequately reflect the scope and magnitude of the Regional Commission program.

I believe Regional Commission's have developed a capability to effectively deal with the persistent problems of lagging economic areas. Further, they have demonstrated an ability to rapidly respond to emerging situations. The latter can be seen in their performance in administering Title X funds, developing energy programs and providing assistance to areas hit by floods, tornados, or other natural disasters.

The time has come for Regional Commissions to receive adequate funding and legislative authority to implement the plans and programs that have been developed. These programs are clearly in the national interest and deserve your continued support. I urge you to deliver a favorable Committee report on H.R. 4073 as amended and to provide for the continuation of the Economic Development Administration activities relating the public works facilities and substate district programs.

Sincerely,

DAVID PRYOR, *Governor.*

STATEMENT OF UTAH GOVERNOR CALVIN L. RAMPTON

I wish to take this opportunity to again express my support for the Title V commissions. My views on this matter are included in testimony before numerous congressional committees, so I will limit my comments this time to the specific bills now under consideration.

I have previously submitted testimony in favor of S-1189 and that complete testimony would now, of course, apply to HR-5261 and HR-8632. I have also submitted testimony on S-1513, now HR-4073, along with the Western Congressional Caucus endorsement.

I believe it is important to put the Title V commissions on the same legislative cycle as Appalachia, with the same attention and prestige that Appalachia has enjoyed. This program, functioning as the Four Corners Regional Commission in our state is working well, and with the same funding level Appalachia has experienced, could accomplish even greater tasks. It could go a long way toward financing solutions to a major part of the problems that are being brought on by our energy development program in Utah—a program that is in response to the national policy of working toward energy independence.

I favor a three-year extension of E.D.A. Title V and Appalachia. It is very important in planning programs of any kind to be able to extend beyond the end of a fiscal year.

In endorsing E.D.A., Appalachia, and Title V, I do not want to leave the impression I am in favor of combining all the programs. I favor combining only Title V and Appalachia, and having the E.D.A. program as a separate, companion, and complementary resource. Cooperation between the Four Corners Regional Commission and E.D.A. has been excellent in jointly financing projects for the benefit of the people in our state and I see no reason to alter that arrangement.

In conclusion, I believe that Four Corners Regional Commission funds have been the most flexible and responsive federal monies that are available to me as a Governor.

This program has a record of successful projects, quick and responsive actions and very little bureaucratic red tape. As a result, the Four Corners Regional Commission has an excellent reputation in my state.

I add to that the overwhelming support of the U.S. Senate, which voted 92-1 in favor of H.R. 4073. There was also the endorsement of 61 Senators from the Title V states in written form to Jennings Randolph in June of this year and unanimous backing of the members of the Western Governor's Conference. I urge you to support and continue this program.

[Telegram]

SEPTEMBER 19, 1975.

Representative ROBERT A. ROE,

Chairman, Economic Development Subcommittee, House Public Works and Transportation Committee, Rayburn Office Building, Washington, D.C.

H.R. 4073 has our full mutual support. By placing the title V commissions in better alignment with similar programs and by strengthening the Federal/State partnership. H.R. 4073 will allow us to move quickly and directly to meet urban and rural development needs unique to this region.

We agree with the administration that title V commissions and EDA should be extended for three years and we believe the most effective program will recognize that EDA is complimentary to but completely separate from regional action programs.

ROBERT W. STRAUB,
Governor of Oregon.

Mr. ROE. Now, our next witness is Mr. Richard Helmbrecht, who is the director of the Michigan Department of Commerce, representing the Honorable William G. Milliken, Governor of Michigan.

VOICE. Mr. Chairman, he has not arrived yet.

Mr. ROE. All right, we will wait a minute. What about Jim Stanton, is he going to testify? Would you call him?

VOICE. He is expected to be here at 11:30.

Mr. ROE. In view of the circumstances, if there is no objection, we will recess until 11:15.

[A brief recess was taken.]

Mr. ROE. The hearings will reconvene. We are pleased to have with us this morning our distinguished colleague and member of the full committee, the Honorable James V. Stanton from the great State of Ohio. You may proceed with your testimony under your own time frame.

TESTIMONY OF HON. JAMES V. STANTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. STANTON. Mr. Chairman, I deeply appreciate having again the opportunity to appear before this subcommittee to testify in behalf of H.R. 2751, the Urban Employment Act, and to urge again that the Economic Development Act be greatly expanded and reshaped, so as to make it a major source of assistance for the large cities of this Nation.

Mr. Chairman, speaking as a Representative of one of the great cities, and as one who was an official in its government for 10 years, I cannot overstate how important I believe a comprehensive, well-funded program of economic development assistance would be to the cities. The budgetary crises which have stricken many of the major cities in the past several months—bringing with them municipal strikes, and the threat of further cutbacks in essential services—are only the most recent and most shocking indication of a more serious problem in the cities—a problem which is more deeply rooted, and has been festering far longer, than the red ink on today's municipal ledgers would indicate.

That problem is the gradual and continuing erosion of the economic base of the cities, and erosion which is most evident in the flight from the cities of taxpaying businesses and workers, and in the idling of valuable resources of land and labor in the cities. To mayors and city councils in the urban areas, the decline in the wealth of cities has meant declining tax revenues and a constant battle to seek to equalize income and expenditures. To many others in the cities, plant closings and industrial migration have had a far more personal effect in terms of the loss of a cherished job, the loss of seniority, and perhaps the loss of a pension. To young people, just entering the labor market, it has meant that the struggle to find one's first job has become even longer and harder.

Congress has enacted a number of programs intended to reduce joblessness, and assist local government in meeting their financial obligations. All of these programs, including those for vocational education job training, public service employment, and general revenue sharing, serve real needs and must, in my view, be continued.

Yet none of these address what I consider to be the basic need of ending the erosion of the cities' economic base, and restoring the foundation of a thriving local market of commerce and industry on which all else is built. Let us be very frank. If private industry does not stay in the cities, and expand there, all efforts to reduce depression-level unemployment in the urban areas, and place the cities on a self-supporting financial basis, will certainly fail.

Thus the proceedings of this subcommittee as it considers proposals to extend and amend the Economic Development Act, the sole Federal program which seeks to strengthen local economies, are of extreme importance to the cities. I must add that what this subcommittee does to assist the cities should be of concern to all people, including those who live in the rural and suburban areas of our land. For, again, as has been shown most clearly by recent events, when cities encounter financial difficulty, they must turn to the State for assistance. In this situation, the assistance which the State provides comes from revenues raised from all parts of the State, urban and nonurban alike.

A further consequence is that the credit rating of the State may well suffer too, thus increasing the amount of interest it must pay to borrow money. We can best insure that neither the States nor the Federal Government will ever again have to "bail out" a city by acting now to assist the cities in rebuilding their economic strength.

And, Mr. Chairman, I wholeheartedly believe that the Economic Development Act provides an excellent framework for offering that assistance. The fundamental change in the act that I believe is necessary is illustrated by the Urban Employment Act, on which this subcommittee adduced much testimony in the hearings of April 1974. Basically, I propose that a new title be established in the Economic Development Act, containing its own, separate authorization of assistance, for which the large cities alone will be eligible. By establishing such a separate title, we will guarantee that the cities will, for the first time, receive an adequate share of the economic development moneys.

The proposed Urban Employment Act focuses on one type of development activity now underway in many cities. The establishment of land banks, which enable the cities to reverse the tide of industrial migration by offering suitable businesses a desirable parcel of land on which to expand, and offering it at a reasonable cost. There are of course other types of redevelopment activities worthy of assistance, such as the building of roads, sewers, and other facilities, and the subcommittee may want to draft the urban aid provisions in a manner that gives the local officials maximum discretion in choosing the approach best suited to their individual area. Finally, these provisions should include long-term, low-interest loans, and loan guarantees for businesses which undertake worthwhile building, expansion or modernization projects in the cities.

Mr. Chairman, considering the needs of our cities, and the state of our national economy today, I believe this subcommittee, as it authors the economic development program of the Federal Government for the coming years, has a very great responsibility.

A program for the cities such as I have described will, I believe, start us on the road to full and wise use of the resources of our urban areas, and prosperity for both the people and the governments of the cities. I look forward to working with you to these ends.

If I may make one final comment, Mr. Chairman, the financial problems are so immediate and so pressing, that I would also urge immediate action on some form of "countercyclical" antirecession aid to hard-hit State and local governments. The Senate has already acted on such a measure, and House conferees hopefully will soon have the opportunity to examine the Senate's work.

As we attempt to deal with the worst recession and the highest unemployment since the great depression, we should keep in mind that the sector of our economy which provides basic services to our citizens has been dealt a double blow by inflation and lost revenue. Governmental units around the country—small as well as large—are faced with the dilemma of either raising taxes or reducing basic services, and that means laying off workers.

This can only result in further revenue decreases for both local government, declining sales and profits for private industry, and finally, an increase in Federal costs for unemployment payments and other support for the laid-off Government workers.

Mr. Chairman, we ought to design and write into law a carefully targeted, finely triggered program of aid to these State and local governments to see them through the recession. I think we should move quickly on this and make it part of a total public works—jobs and economic development package.

Mr. ROE. One thing we would enjoy your participation in, Jim, is the discussion we have been having on establishing a framework within EDA for the urban centers. We feel there has got to be a definitive methodology of designation, because we don't only look at this—as you are pointing out in your statement—as being recovery mechanism. We are talking about establishing economic policies for our urban centers. One of the thoughts that has been projected is to literally designate, for example, cities with populations from 25,000 or greater as urban economic areas, rather than have to go the route of constantly being designed by SMSA districts and those types of broad encompassing statistics.

Our judgment is, and it seems to be catching fire as far as the Members are concerned, that this is a way that we can start to open up this legislation, to make it a national economic policy for the whole country.

What are your thoughts in that direction?

Mr. STANTON. My thoughts are that the application of the act ought to take place in the areas where you have outward industrial migration, where you have the destabilization process occurring.

And I think it is necessary to take a test pattern first, because I don't think that this administration, frankly, is going to accept anything more than a test—if they accept that much.

Mr. ROE. Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. I want to thank Jim, Mr. Stanton. You are one of our hard-working, very interested colleagues on the full committee. I recall in April of 1974, you came to testify and at that time you brought some industrialists and labor people from Cleveland—

and I am sure that the record that was made will also reflect your concern and the committee's consideration of this very similar bill you have introduced today. I want to thank you, Jim.

Mr. STANTON. Thank you very much. It is consistent with our prior efforts.

Mr. ROE. Any other questions, gentlemen? Mr. Howe.

Mr. HOWE. Congressman Stanton, I had the pleasure of being assigned to Cleveland when I was in the service at the close of World War II, so I had an opportunity of getting acquainted a little bit with the area that you serve in the Congress, and I must say this is an opportunity for me to begin to see what some of the problems were of urban life that I really hadn't been exposed to as I grew up out in the West.

I am interested what really the experience has been in Cleveland—it has suffered, I am sure, some of the general problems that all urban areas have in terms of urban decay and unemployment and the inner core of the city being kind of on a downward trend.

Has EDA been able at all with its programs to assist and help in a piecemeal way in the past?

Mr. STANTON. Not in any practical terms. We have turned around the downtown area of Cleveland in terms of the urban development program. We just finished opening an 800-room hotel, the Bond Court Hotel. There have been four or five major office complexes built in the last year. And Cleveland is—the downtown area is coming back rather nicely.

The difficulty that we have as an older industrial city, much the same as Buffalo, which Mr. Nowak represents, and other industrial cities, is that these plant facilities are 100 and 150 years old, and you have the problem of large capital expenditures.

Management teams in large corporations decide oftentimes to leave a general industrial area because they see no economic benefit to remaining, and they shift. And that shift causes all kinds of problems—social problems, difficulty for the communities—and if they had economic incentive to stay there and redevelop their property, it would lift up the total community.

I see this as an answer for not only the industrial complex, but for the stabilization of these communities.

Mr. HOWE. I see in your statement, Jim, that you propose a new title be established in the EDA Act containing its own separate authorization for assistance for which the large cities alone would be eligible.

Mr. STANTON. That is correct.

Mr. HOWE. You see a separate designation category for major cities that would be somewhat different than the usual kind of criteria following the criteria that we have presently in the act?

Mr. STANTON. I think you have to, Mr. Howe. I think as a practical matter, if we are going to address the problem, we have to address it directly. And I can't see any other approach.

I realize that it is going to be rather rough sledding for this type of approach, but I think that unless we address ourselves to this question, then we are going to continue to slide downward in terms of unemployment in this country, in terms of shifting population.

If one were to draw a line from New York and run it across the country toward the Southwest, one would see a continuing migration

pattern of industrial development that comes down and runs toward; frankly, new land and new territory. And nobody is reclaiming that old property, that old land. And there are many resources that are still valuable there.

We have the redevelopment of Lake Erie and we are proud of the fact that Lake Erie has gained in the last few years in terms of its viability as an inland waterway and in terms of the quality of the water, and we have made large steps—industry has made large commitments to redevelopment.

But the time has come when we have got to help industry in terms of stabilizing their economic needs in these industrial areas.

Mr. HOWE. I certainly say that I concur with you and, thinking about that subject, I want to say one other thing for the record. In my work with regional development work in the Four Corners region, I found that we learned a very valuable thing in drawing the boundaries of where we stimulated the development. Originally, the boundaries of a commission included only the rural areas of the counties that were involved; excluded all of the urban centers—Denver, Salt Lake City, Phoenix, Tucson were all outside the regional area—we had Albuquerque in in the State of New Mexico.

But you know what we found when we really started the rural stimulation and development work? It was that the rural areas were tied very closely to the development in the urban centers, that if Denver was having trouble and problems, it had a rippling effect throughout the whole rural area in Colorado and even broader, the service areas that those industries within the center part of Denver serve.

So I would agree with what you are saying. Within the whole purview of economic development work in this country, we must look at what is happening to the cities. It has a direct effect to what is happening in some of these rural areas that we have been more concerned about; frankly, in EDA up to this point than we have the urban centers.

Mr. STANTON. Well, we have had a need to address ourselves to the rural areas in terms of the EDA program, but that doesn't mean that we have to neglect the blight or the erosion of the tax base in industrial cities which causes a loss of revenue.

And with the shifting of the industrial base, you see this constant loss of revenue. This was one of the reasons that Congress tried to aid local governments with revenue sharing in 1971. And we did that because we knew this tax base was eroding.

But I think a way of bolstering up the tax base is for the Government to be a partner with the business and industrial complex of this Nation in fostering economic growth in the cities.

Mr. HOWE. Thank you, Mr. Chairman.

Mr. ROE. Mr. Oberstar.

Mr. OBERSTAR. Thank you. A fine statement that focuses in on one of the subjects of the continuing hearings that this subcommittee has had.

I would like to get your reaction—you know, EDA, which you are familiar with, has focused largely on economic development projects through the business loan program, what we might call smokestack projects, that is, boundaries, machine tool plants, computer processing or computer manufacturing parts, manufacturing kind of thing, and

EDA has until just recently not gotten itself involved in downtown development type projects.

And I gather from your statement that that is what you are looking at—that is one of the things that EDA can do with new authority, is loan guarantee?

Mr. STANTON. Yes; but it is not within the downtown area as described by an office complex—it is industrial development. The Cleveland downtown area is very viable and it is coming back.

But one of the difficulties we have is a region running along the Cuyahoga River. There, the equipment and the plant facilities for manufacturing are obsolete, and there is no commitment upon the part of industry to reinvest in their plant facilities, in most cases. In some cases, there is a commitment. Republic Steel has made a very substantial commitment in terms of investment of capital to the tune of about \$60 million in the last 2 years.

But there is going to be an ongoing need from all of these industrial complexes for governmental assistance. Low-cost loans to help the industrial development in these areas is a way of not only triggering jobs but aiding and assisting the stabilization of these communities, whose tax base is eroding because of the loss of jobs.

Mr. ROE. Would the gentleman yield for a minute? What you are saying, Jim, basically, that does not only refer to outmigration, because that is not really what the problem is, because the people can't outmigrate. Where are they going to outmigrate to?

Mr. STANTON. Here is one of the problems. I will give you an example. One of the problems is, you get a company that, well, we will take a company like Copperweld, which is in Ohio—and it is a very competitive company. The corporation cannot go out and get capital. Yet they have large assets, they have productivity. And they are taken over on a merger by a corporation. Currently Copperweld is in that position. A French corporation is trying to take them over. And they are trying to take them over for their assets, because they are a specialty manufacturing company.

Mr. OBERSTAR. You are talking about revitalization of existing industries to a large extent as well as attracting other new industry with your land bank proposal.

Mr. STANTON. Right, it is a combination. It is a combination of land banking and investment in capital equipment. I think you need the double approach because only in that way can you get people committed to redeveloping these older structures in these older industrial cities.

Mr. OBERSTAR. Have you got any estimates of cost, amounts of money?

Mr. STANTON. Well, obviously, if we were going to redevelop all the industrial areas in the United States, it would be billions of dollars.

But we are talking about a small modest program for major urban areas. You know, it isn't as if there were no return for this. For every job you create this way or stabilize or increase through this type of development, you are going to help the Government function, too—you are going to increase the productivity of this country and—

Mr. OBERSTAR. There is no question about that. We have had the experience from the ARA and the EDA business loans program. In fact, one project in my own district, where a business venture failed through

a combination of problems, but even though it went under, there was more money paid out in payroll and in payroll taxes to the Federal Government and State government than the amount of the original EDA loan.

So, you know, it kept the county alive—I have no problem with that. I just think we ought to take a look at the amount of money and whether you would look at this as a direct loan or a loan guarantee program. And I am referring now to the testimony we received last week from Gene Foley, former administrator of EDA, who discussed the farmers home loan programs for business development in rural areas and the EDA loan program and the amount of capital reserved against the loan failures and how much could be put into reserve.

And what his suggestion was, he said you can stretch the available dollars through a guarantee program and a very small amount of money you could set aside.

Mr. STANTON. I think that is correct.

Mr. OBERSTAR. One last question. What eligibility criteria would you establish for bringing urban areas into EDA purview? That is one of the problems that this subcommittee has been wrestling with, is how do you establish criteria that would apply equitably and, second, along with that, is—the concern of rural areas is that once you bring the big urban areas in—New York City alone would soak up the EDA budget and they wouldn't even miss it—I think that is a clerical error up there, New York City.

Mr. STANTON. I think you have got to have separate authorities for the urban areas.

Mr. OBERSTAR. Thank you.

Mr. ROE. Mr. Nowak.

Mr. NOWAK. Thank you very much, Mr. Chairman. In looking at your bill, I think you have hit upon an area that if we don't make attempts to find a way to recycle this industrial property you are talking about, very soon we are going to find ourselves in such an intolerable position, as you have stated here, in which we won't be able to compete.

I was wondering, Jim, if you could tell me if your area or county or city has an industrial bonding capacity, for industrial bonds within the county government or within the framework of the city government?

Mr. STANTON. Yes, we have within the county and within the State a bonding authority and industrial authority, but, you know, the simple fact of the matter is that they don't have the economic clout to be of assistance to major industrial complexes. Their programs are limited to rather small manufacturing corporations, so they can't really be of major assistance.

And that is why we need separate funding for these industrial complexes. With the separate funding we don't get into this competitive aspect of vying with rural areas in terms of the EDA program. We have a separate funding program, we fund it for industrial complexes and we go ahead and address the problem.

Mr. NOWAK. That thought occurred to me, but I am under the same impression you are, that whenever we turn to the industrial bonding authority, they did not have the capacity—and now, of course, they are running into another situation with the viability really of those local

bonds, to put them on the market, which may be another strong impetus to move in the direction of your proposed legislation here.

So far as the EDA, this has been brought up several times, the rural versus the urban problem here—and I have to agree with you that perhaps in 1965, when this EDA Act occurred, there was a different problem in the country. There wasn't the exodus from our urban areas that we have had in the last 10 years—or at least that has been very prominent in the last 10 years.

Certainly your bill, I think, would serve a very, very useful purpose, if we could include, even, as you say, a small portion of it for some targeted areas which would prove the truth of the conclusions that we are drawing here.

I just want to talk about the recycling problem, the older plants that we have—and I think it is not only true in Cleveland, but in the whole Northeast, the whole—the older industrial communities as well as many in the South that have been existing for years, in mills and so forth, that have problems now with trying to modernize their plants and equipment.

And I was wondering what your thought was on—besides the bill you have here—some other measures in the Ways and Means Committee, which have been talked about to raise capital and to actually try to accomplish some of the objectives that you are aiming at here in this bill, to attract the managers of these corporations to recycle and to invest in communities which have deteriorated over a long period of time?

Mr. STANTON. I honestly believe that the Government has got to become a partner with major corporations in this country in terms of economic growth of the cities. That might not sound like free competition, but it in effect is.

Mr. NOWAK. I have tried also, at least attempting to, within the same area here, to do something about this so-called recycling problem and find a way to make it attractive for managers to stay within the urban areas.

Along these lines, I have also submitted an amendment to our EDA Act here, title IX, which, as you know, calls for economic help, total very broad participation by the Federal Government by EDA in areas which have been drastically affected. For example, a one-plant town or a Government installation is pulled out completely and leaving 2,000 or 3,000 out of the 5,000 people in the town unemployed. And that has seemed to function very well.

I was wondering whether you had any comment on my thought to include funding in title IX, very broadly include title IX funding for areas which have had long-term deterioration rather than the one-short heavy loss of a facility or an installation?

Mr. STANTON. I believe that such a modification to title IX could be very useful. But I believe we must keep in mind the importance of helping businesses that are presently going and occupied, rather than going back and trying to revitalize a business that is already dead.

Mr. NOWAK. Well, I certainly join with the other comments that have been made here in support of your bill and will be very interested to work with you further on it.

And I think you have hit upon an area, I believe title IX could also help prospectively—and I don't think I am referring to the loss, when

the industry is going, to try to do something about it. I think I am trying in combination perhaps with your proposition here to go into an area which has deterioration, and look at the facilities that are there and existing and giving them the capital and giving them the economic help that we can through EDA, perhaps some seed money for redevelopment of land which is contiguous to their operation.

Mr. STANTON. I think that is consistent with what the thrust of this legislation—and that is that if you have got a business, for example, and they are manufacturing metal fasteners, take for example—and they need to expand, and in order to expand in that area you give them a low-interest loan, and then they acquire additional land in that area for their plant facilities.

I think that is the thrust of what you are talking about and it is consistent with what I am talking about here.

Mr. NOWAK. Thank you very much.

Mr. ROE. Thank you, Mr. Nowak. Thank you, Mr. Stanton. You have done a splendid job and contributed to our thought pattern, a lot of which I agree with.

I appreciate your being with us this morning.

Before concluding, I wish to place into the record the statement received from our colleague, Mr. McFall, and a statement from the American Public Power Association.

[The statement referred to follow:]

STATEMENT OF THE HONORABLE JOHN J. MCFALL, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

As a former member of the Public Works Committee I, once again, find myself speaking in support of the Public Works and Economic Development program. Over the years, I have watched this committee develop one of the most unique and flexible development programs in Congress. The Committee has developed a mechanism, the Economic Development Administration, with few rivals.

For example, the Public Works Impact Program was created in 1971 to provide immediate construction jobs for the unemployed and underemployed. Approved projects under P.W.I.P. must start up within 3 months and be completed within one year. Although greatly underfunded, it has been responsible for the delivery of many badly needed public facilities throughout the country.

Testimony has shown there are tens of thousands of similar projects still needed and that local governments cannot afford to undertake.

What experience has shown is the necessity to fit a permanent public works program into a balanced employment and manpower policy. Public works programs belong not only as an effective anti-recessionary measure but also as an important permanent tool of employment and manpower policy.

The Economic Development Administration has not only survived but has also accomplished a great many things despite Administration opposition and inadequate funding. They have proved by their accomplishments their own right to exist and are well deserving of our continued support.

STATEMENT OF AMERICAN PUBLIC POWER ASSOCIATION

American Public Power Association, which represents 1,400 local public power systems in 48 States, Puerto Rico, Guam, and the Virgin Islands, supports enactment of H.R. 9398, to extend the Public Works and Economic Development Act of 1965 for a three-year period, with amendments which would delete from the Act Section 101(e) of Title I, Grants for Public Works and Development Facilities; Section 201(d) of Title II, Other Financial Assistance; and Section 704(e) of Title VII, Miscellaneous.

All three of these provisions have the effect of preventing or restricting ability of local public power systems to play a part in implementation of the goals of the Public Works and Economic Development Act, to the detriment of national economic and energy objectives, and should be eliminated as unreasonable obstacles contrary to the public interest.

Sections 101(e) and 201(d) of the Act deal with grants and loans, and provide that (except for Congressionally authorized projects) financial assistance shall not be made available for "any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake."

It is clear that the concept of protecting privately owned electric utilities against competition is inconsistent with other Federal statutes, including the public policies embodied in antitrust laws. In fact, Congress and the courts have explicitly recognized that the reverse is true, i.e., that active enforcement of principles contained in Federal law is necessary to curb the predatory practices of private power companies. In 1970, for instance, Congress approved legislation aimed at insuring that large private power companies did not succeed in monopolizing nuclear power, the development of which was heavily funded by taxpayers through the Federal government in order to, among other things, "make the maximum contribution to the general welfare." As a consequence of that action, applications for license to build nuclear power plants are subject to an anticipatory antitrust review by the Department of Justice and the Nuclear Regulatory Committee to determine "whether the activities under the license would create or maintain a situation inconsistent with the antitrust laws . . ."

However, that argument aside, there does not exist today a concern about possible construction of competing facilities in the energy field, but a growing recognition that all elements of the electric industry will be taxed to the utmost to supply essential and economic services to homes, businesses, and industries in the face of a multitude of serious problems including those associated with siting, regulatory requirements, environmental procedures and litigations, jurisdictional conflicts of governmental agencies, equipment deliveries, inflation, and capital expenditures. This fact is so apparent that it is patently ludicrous to retain in the Public Works and Economic Development Act language directing State or Federal utility regulatory agencies to determine whether it is true.

The best evidence that the views of private power companies on this question have changed from 1965, when the Act was originally passed, is the actions of the companies themselves. In many parts of the nation, privately-owned electric utilities are actively seeking partnerships with municipal and other publicly-owned power systems for the planning, construction, and operation of major transmission and generation facilities. Whatever philosophical posturings on the question of "competition" still exist are gainsaid by this practical response to the possibility of a shortfall in capacity required to meet projected electrical loads.

In the current environment, it is obvious that a test which calls for a determination that "in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing [privately owned] public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake" is entirely outdated and, indeed, archaic. Private power companies, which proclaim in national advertisements and frequent presentations to Congress their concern about ability to add facilities at a rate demanded by anticipated power needs, are hardly in a position to object when local public power systems, which currently supply 10% of the country's generating capacity, seek to carry out projects which will help alleviate this potential problem. In fact, many companies do not take this tack, but instead encourage and solicit public power systems to enter the field of generation, even though they may have heretofore been only wholesale customers without power production facilities of their own, arguing that the capacity which may be built independently or in cooperation with other utilities—will represent a valuable addition to total United States energy capability.

No public power system has an incentive to build facilities unless there is "a need for an increase in such service". The variety of problems encountered today in construction of generation, transmission, and distribution plants is in itself a deterrent to initiation of new projects, but a more compelling reason to avoid unnecessary building by publicly-owned electric utilities is the fact that the sole basis for their existence is to serve consumers with an adequate, reliable

supply of electricity at reasonable cost consistent with public economic and environmental objectives. They are non-profit institutions with no vested interest in piling up rate base to expand their volume of earnings. Efforts to act otherwise would meet a quick response from consumers, who are also the owners of the system.

Section 704 (e) flatly prohibits Federal assistance under the Act "to finance the cost of facilities for the generation, transmission, or distribution of electrical energy . . ." unless specifically authorized by Congress.

Current economic and energy problems point up the unreasonableness of this provision, and its inequity is emphasized by Federal funding for private power companies.

Expressing inability to finance, private power companies are currently seeking significant Federal subsidies through amendment of the Internal Revenue Code, in addition to Federal financing help from which they may presently benefit.

Through use of investment tax credits, rapid tax writeoffs, and liberalized depreciation, major private power companies have decreased their total Federal income taxes to 1.3% of their revenue in 1974 compared to 14.7% 20 years ago. Yet their rate of return on common equity in 1974 average 10.8%—the same return they enjoyed two decades ago—and their net, after-tax profit last year was 12.6% of their revenues. In 1973, 50—or 23%—of the 217 major private power companies (those with annual electric operating revenues of \$1 million or more) paid no Federal income taxes; they accumulated tax credits totalling nearly \$56 million. In 1974, 76—or 35%—paid no Federal income taxes; they accumulated tax credits totalling in excess of \$218 million—an increase of 291%.

Private power companies are also the beneficiaries of the proceeds of municipal bonds issued to finance their pollution control facilities.

In 1974, out of a total of \$1.6 billion in pollution control bond sales reported by the *Daily Bond Buyer*, \$928 million were issued for the benefit of private power companies. The paper reports that: "In 1974, electric utilities were the most frequent and largest users of the IDBs. Of the 114 reported transactions, 47 were for electric utilities or 41.2%. They consumed 56.3% of the total dollar amount." While the private power companies' share of such financing is down in the first half of 1975 (17.3% of the financings and 24.2% of the dollar total), it still totaled \$240 million. In addition, a list of pending pollution control issues published by the *Daily Bond Buyer* shows that private power companies would be the beneficiaries of nearly \$2 billion in additional tax-exempt pollution control bonds—a sum almost twice as large as all the revenue bonds issued by municipal electric utilities in 1974. Private power companies are also seeking to convince the Internal Revenue Service that safety and production features of nuclear power plants should be defined as pollution control facilities, despite the fact that such an interpretation is contrary to Congressional intent. "At stake are billions more in potential pollution control financing," the Municipal Finance Officers Association has pointed out.

Secretary of the Treasury William Simon has told Congress that the proliferation of pollution control issues is a prime factor in increasing "drastically" the interest costs on municipal bonds for units of state and local government such as municipal power plants.

Private power companies are currently seeking new and expanded Federal financial aid, including a permanent increase in the investment tax credit to 12%. Secretary Simon has pointed out that: "The increase in the investment tax credit will be a cash contribution by the Federal government for the construction of additional electric power plants."

In view of the present energy situation we face and their own requests for public aid, private power companies can hardly offer a convincing argument that local public power systems—which are subject to many of the same difficulties—should be denied an opportunity to take part in Public Works and Economic Development Act programs designed to aid in solving the same national problems they cite.

The Public Works and Economic Development Act is specifically aimed at assistance to public agencies and non-profit organizations—both of which definitions describe public power systems. It is both unreasonable and discriminatory to impair the opportunity of these units of local government to take part in programs available under the Act.

There is not only no supportable rationale for retention of these three sections, but there is a real reason for their elimination because they work in a negative fashion against the entire thrust of the Public Works and Economic

Development Act, including the 1974 amendments which seek to combat unemployment. Unquestionably, economic problems are intertwined with energy needs. Energy is required to power recession recovery and construction and operation of power facilities provide significant numbers of jobs, both on site and in manufacturing centers. Local public power systems are planning an investment of about \$2,350,000,000 in 1975, but in a recent survey a sample of 122 publicly-owned systems showed 44 have experienced problems because of a shortage of working capital and 29 have postponed or cancelled installation of plant or equipment for financial reasons. As pointed out in the findings in Section 2 of H.R. 5247, the Local Public Works Capital Development and Investment Act of 1975 approved by the House of Representatives earlier this year, "the current economic decline has been accompanied by extremely high interest rates, which have brought communities across the Nation to a point at which it is simply no longer possible for them to finance needed public facilities, thereby threatening the health, safety, and general welfare of their citizens."

Mr. ROE. If there is no other witness here, the hearings will conclude, and the record will be left open for 5 days for anyone wishing to place anything further in the record.

[Whereupon, at 11:58 a.m., the subcommittee adjourned.]





