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S. 1378 AND H.R. 5698: ASSISTANCE PAYMENTS TO
ANDERSON COUNTY AND ROANE COUNTY, TENNESSEE

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HEARING

BEFORE THE

SUBCOMMITTEE ON COMMUNITIES

OF THE

JOINT COMMITTEE ON ATOMIC ENERGY

CONGRESS OF THE UNITED STATES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1378 and H.R. 5698

TO AMEND THE ATOMIC ENERGY COMMUNITY ACT OF 1955
TO AUTHORIZE THE ENERGY RESEARCH AND DEVELOP-
MENT ADMINISTRATION TO MAKE ASSISTANCE PAYMENTS
TO ANDERSON COUNTY AND ROANE COUNTY, TENNESSEE

MAY 9, 1975

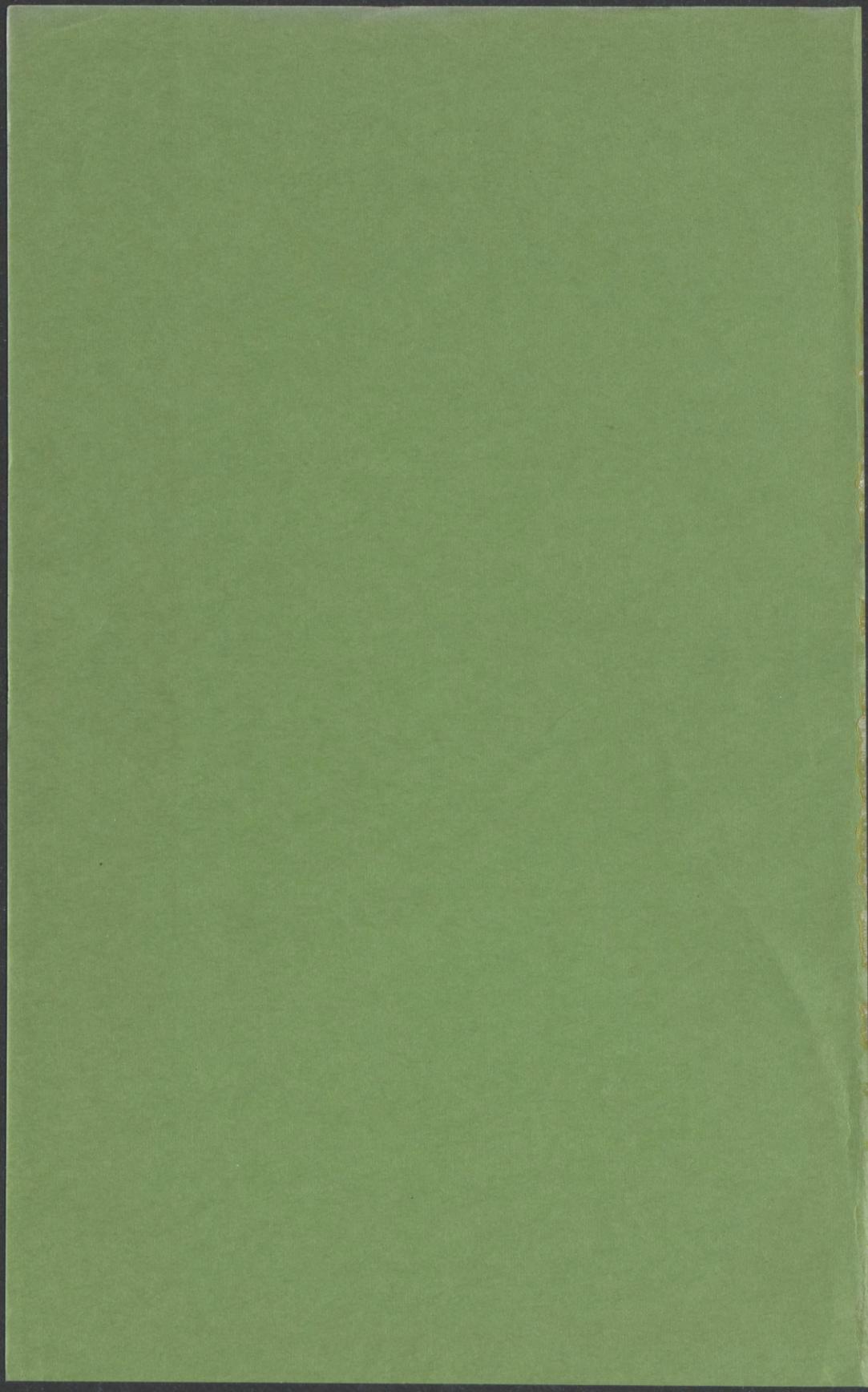
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CONTENTS

HEARING DATE

	Page
Friday, May 9, 1975, at Oak Ridge, Tenn.....	1

STATEMENTS BY MEMBERS OF SUBCOMMITTEE

Young, Hon. John, chairman Subcommittee on Communities: Opening remarks.....	1
Closing remarks.....	70
Baker, Hon. Howard H., Jr.....	4
Closing remarks.....	69

WITNESSES AND STATEMENTS

Brock, Hon. William E., III, a United States Senator from the State of Tennessee.....	6
Prepared statement.....	8
Lloyd, Hon. Marilyn, a U.S. Representative from the Third Congressional District, State of Tennessee.....	10
Closing remarks.....	70
Keto, G. J., assistant for economic and community affairs, Energy Research and Development Administration at Oak Ridge, Tenn.; accompanied by R. J. Hart, manager, and John Hill, chief counsel, Oak Ridge Operations Office.....	14
Slusher, Albert B., Administrator, Anderson County, Tenn.....	22
Brewer, Hon. S. Wallace, executive, Roane County, Tenn.....	24
Prepared statement.....	26
Jolley, Robert L., chairman, Tax Study Committee, Anderson County; accompanied by Robert W. Peelle, chairman, Subcommittee on Payments in lieu of taxes to Roane County; and Bill Mee and Jerry George, members, Roane and Anderson Counties Courts.....	37
Prepared statement.....	38
Hill, Tom, president, Roane-Anderson Counties Economic Council, and publisher, Oak Ridger.....	55
Wells, Horace V., Jr., vice-president, Roane-Anderson Counties Economic Council, and publisher, Clinton Courier News.....	57
Joyce, Eugene L., attorney, Oak Ridge, and executive committee chairman, Roane-Anderson Counties Economic Council.....	59
Prepared statement.....	59

ADDITIONAL MATERIALS

BAKER, HON. HOWARD H., JR.:	
Letter dated April 30, 1975, to Hon. James T. Lynn, director, Office of Management and Budget, from Hon. Robert C. Seamans, Jr., administrator, ERDA, with enclosure.....	18
Enclosure: Proposed letter to Chairman Pastore, JCAE, with ERDA comments on S. 1378.....	19
BREWER, HON. S. WALLACE:	
Letters in support of S. 1378 [H.R. 5698]:	
Roane County Farm Bureau: Paul Regan, president.....	25
Roane County Chamber of Commerce: Don L. Patterson, president, and Viola Taylor, executive directress.....	25
City of Kingston, Tenn., James M. Henry, mayor.....	25
Roane County Industrial Development Office: Russell E. Simmons, chairman.....	26

	Page
JOINT COMMITTEE ON ATOMIC ENERGY:	
Press release No. 809, May 6, 1975: Announcement of hearing and list of witnesses.....	2
S. 1378 [H.R. 5698].....	3
JOLLEY, ROBERT L.:	
Letter dated May 13, 1975, to JCAE from E. E. Williams, superintendent, Roane County Schools relative to percentages of impaction under Public Law 874.....	49

APPENDIXES

1. Correspondence between Senator Howard H. Baker, Jr., and Hon. Robert C. Seamans, Jr., administrator, ERDA.....	73
2. Correspondence: JCAE, ERDA, and GAO.....	77
3. Letters of support for S. 1378 and H.R. 5698.....	79
4. A study of the impact of the Federal Government in Roane and Anderson Counties, Tenn.....	148
5. "The Current Fiscal Position of State and Local Governments," a survey of 48 State governments and 140 local governments, prepared for the use of the Subcommittee on Urban Affairs of the Joint Economic Committee, Congress of the United States, May 6, 1975.....	456

**S. 1378 AND H.R. 5698: ASSISTANCE PAYMENTS TO
ANDERSON COUNTY AND ROANE COUNTY, TEN-
NESSEE**

FRIDAY, MAY 9, 1975

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON COMMUNITIES OF THE
JOINT COMMITTEE ON ATOMIC ENERGY,
Washington, D.C.

The Subcommittee on Communities of the Joint Committee on Atomic Energy met at 9 a.m., pursuant to call, in the auditorium of the American Museum of Atomic Energy, Oak Ridge, Tenn., with Hon. John Young (chairman of the subcommittee) presiding.

Present: Representative John Young and Senator Baker, members of the subcommittee; Hon. Marilyn Lloyd, a U.S. Representative from the Third Congressional District, Tennessee, and Hon. William E. Brock III, a U.S. Senator from the State of Tennessee.

Also present: William C. Parler, committee counsel.

OPENING REMARKS OF HON. JOHN YOUNG

Representative YOUNG. The U.S. Congress Joint Committee on Atomic Energy, Subcommittee on Communities, is now in session. The committee will come to order.

I might say at the outset, that it is indeed a pleasure and a privilege for me to be here personally, for many reasons. I am delighted to be here in the congressional district of our new and very charming and able Member of the House, Mrs. Lloyd; and to be here with our two distinguished Senators. Bill Brock has served with me in the House, and now it is my honor and pleasure to serve with Howard Baker on the Joint Committee on Atomic Energy which, as you know, is composed of the Members of the House and Senate. In addition to that, it was my pleasure to serve for some three terms or more with his distinguished father when he was a Member of Congress, and we lament his passing to this day.

My first committee assignment in the Congress of the United States was on the Post Office and Civil Service Committee, and I had the pleasure and privilege then of serving under Mr. Tom Murray from over here at Jackson.

Joe Evins, whose name is out here on this plaque, I suppose has done more for my congressional district in Texas, with my deepwater ports and other problems—and maybe you all are not too used to it here, although I do know that you have navigation here—than any other person in the Congress.

And I count myself privileged to serve with Jim Quillen just up the road here, who is making a fine record in the House of Representatives as the ranking member of the Rules Committee, of which I am also a member, and we are very honored and pleased.

But with all that, I want to say that one would be hard pressed to find in all of the Congress a committee, a delegation from the State that would even begin to surpass your delegation in the Congress of the United States. As I said earlier today at the breakfast, and last night, if it weren't for Tennessee, there wouldn't be a Texas. So, I am just overwhelmed with the pleasure and the privilege of being here with you.

At this point in the record, I will include, without objection, the Joint Committee release of May 6, 1975, announcing this hearing.

From the Office of the Joint Congressional Committee on Atomic Energy.
Press release No. 809 for immediate release May 6, 1975.

JOINT COMMITTEE ON ATOMIC ENERGY ANNOUNCES WITNESSES FOR PUBLIC HEARINGS ON ASSISTANCE PAYMENTS TO ANDERSON AND ROANE COUNTIES, TENN.

A tentative list of witnesses to present testimony on proposed legislation to amend the Atomic Energy Community Act of 1955 (S. 1378 and H.R. 5698) was announced today by Senator John O. Pastore, Chairman of the Joint Committee on Atomic Energy, and Representative John Young, Chairman of the Subcommittee on Communities.

The hearings on the legislation will be held in the auditorium of the American Museum of Atomic Energy, 300 South Tulane Avenue, Oak Ridge, Tennessee, 37830, before the Subcommittee on Communities, commencing at 9:00 a.m. on Friday, May 9, 1975.

The identical bills being considered at this hearing were introduced in the Senate by Senator Howard H. Baker, Jr., for himself and Senator William E. Brock 3d, and in the House by Representatives Marilyn Lloyd, for herself and the remaining members of the House of Representatives from Tennessee. If the proposed legislation is enacted, the Energy Research and Development Administration (ERDA) would be authorized to make financial assistance payments to Anderson and Roane Counties Tennessee, under the criteria in the Atomic Energy Community Act of 1955.

Representative John Young, Chairman of the Subcommittee on Communities will chair the Hearings. Senator Baker, the ranking minority member of the United States Senate on the Joint Committee, and a member of the Subcommittee, will attend.

Senator William E. Brock, 3d, and Congresswoman Marilyn Lloyd from the 3rd Congressional District are also expected to be present and to make a statement at the beginning of the hearing. Following their statements the tentative list of witnesses in the expected order of appearance is as follows:

G. J. Keto, Assistant for Economic and Community Affairs, Energy Research and Development Administration, Oak Ridge, Tennessee—accompanied by R. J. Hart, Manager, Oak Ridge Operations Office

Albert B. Slusher, County Administrator, Anderson County, Tennessee

Judge S. Wallace Brewer, Executive, Roane County, Tennessee

Squire Robert L. Jolley, Anderson County, Tennessee; and Chairman, Tax Study Committee of Anderson County

Squire Robert W. Peelle, Roane County, Tennessee; and Chairman, Subcommittee on Payments-in-Lieu of Taxes to Roane County

Tom Hill, President, Roane-Anderson Economic Council; and Publisher, Oak Ridger, and

Horace V. Wells, Jr., Vice President, Roane-Anderson Economic Council; and Publisher, Clinton Courier

Eugene L. Joyce, Attorney, Oak Ridge, Tennessee; and Chairman, Executive Committee, Roane-Anderson Economic Council

For further information, contact Mr. George F. Murphy, Executive Director of the Joint Committee on Atomic Energy, Room H-403, U.S. Capital, Washington, D.C. 20510.

Representative YOUNG. I want to say, before I pass this to my distinguished colleague, Senator Baker, for his comments, that as a county Judge and a person from a district where we have a lot of Federal installations, that we have found a long time ago that while we all appreciate the economic impetus that a Federal—a big Federal operation imparts to the economy of the area, we learned a long time ago that—I am going to coin this new phrase—but all that glitters is not gold. And with that economic impetus, which we all recognize and appreciate, there are some real problems that are created. We are here to look into those problems today. Your very able Members of the Congress have been working for a long time in recognition of the need to do something about the impact on Roane and Anderson Counties. Our two colleagues here from the Senate have joined with me on the Senate side, and Marilyn Lloyd has headed up the leadership in the House, and she has a bill on the House side in which all the Members of the Tennessee delegation have joined.

We will include S. 1378 as introduced by Senator Baker, at this point. It is identical in every respect to H.R. 5698, which was introduced in the House the same day, April 8, 1975, by Representative Marilyn Lloyd.

[S. 1378, 94th Cong., first sess.]

A BILL To amend the Atomic Energy Community Act of 1955 to authorize the Administrator of the Energy Research and Development Administration to make assistance payments to Anderson County and Roane County, Tenn.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 91 of the Atomic Energy Community Act of 1955 (42 U.S.C. 2391) is amended—

(1) by striking out "Commission" each time it appears and inserting "Administrator" in lieu thereof;

(2) in subsection (a) (2), by striking out "atomic energy" and inserting "Energy Research and Development Administration" in lieu thereof;

(3) in subsection (d), by striking out "its";

(4) in subsection (e), by striking out "itself";

(5) at the end of the first sentence of subsection (a), strike out the period and insert in lieu thereof the following: " : *Provided further,* That the Administrator is also authorized to make payments of just and reasonable sums to Anderson County and Roane County, Tennessee." ; and

(6) in subsection (d), by inserting immediately after "Richland School District", but before the closing of parentheses, the following: " ; or not less than six months prior to June 30, 1986, in the case of Anderson County and Roane County Tennessee".

SEC. 2. Section 92 of the Atomic Energy Community Act of 1955 (42 U.S.C. 2392) is amended—

(1) by striking out "COMMISSION" in the catchline;

(2) by striking out "COMMISSION" the first time it appears and inserting "Administrator" in lieu thereof; and

(3) by striking out "Commission" the second time it appears and inserting "Energy Research and Development Administration" in lieu thereof.

SEC. 3. Section 93 of the Atomic Energy Community Act of 1955 (42 U.S.C. 2393) is amended by striking out "Commission" and inserting "Administrator" in lieu thereof.

SEC. 4. Section 94 of the Atomic Energy Community Act of 1955 (42 U.S.C. 2394) is amended—

(1) by striking out "COMMISSION" in the catchline;

(2) by striking out "Commission" each time it appears and inserting "Administrator" in lieu thereof; and

(3) by striking out the final period and inserting in lieu thereof the following " ; and in the case of Anderson County and Roane County, Tennessee, shall not extend beyond June 30, 1986.".

Representative YOUNG. So, with no further delay, this is a non-partisan effort to recognize what might have been a wrong that has been going on for sometime in this area.

With that then, I would like to yield to my distinguished colleague, Senator Baker.

STATEMENT OF SENATOR HOWARD H. BAKER, JR.

Senator BAKER. Mr. Chairman, thank you very much. I hope the warmth of your welcome last night and today clearly conveys to you our appreciation of your interest in this problem, and the general welfare of this region. I personally am very grateful to you, as I know my colleagues are, and as I believe the citizens of these two counties are, for your willingness to bring this subcommittee to Tennessee and Oak Ridge, to hear firsthand the difficulties, the unfortunate and unintended consequences of this enormous Federal installation's location in this area. Oak Ridge has been a great national asset, and this would not be the appropriate forum or the proper time for me to recount those contributions.

In a look around the audience here, I see that most of you now are too young to remember the things that I remember, when Oak Ridge was still building, and it was still Black Oak Ridge, when it was still surrounded by a chain link fence, with guard posts at the entrances requiring identification if you weren't a resident of the community before you could enter—the searches, and the diligence of security. It was indeed then a supersecret Federal installation, and it is indeed still consumed with the need for secrecy and national concern in many of its endeavors.

But beyond that, it has grown into a bustling community, with outstanding citizens, who are well educated, sensitive, aware, and concerned, and who are seeking their proper place in the sun—in terms of their civic endeavor and their full participation in the public affairs of this region. Unfortunately, they do not have full participation in the sense that they do not have the access to the revenue sources they should have, in my view, from this Federal installation, Mr. Chairman. So, it is my great pleasure to welcome you and to join with you in the nostalgia that you indicated in your previous relationship with Jimmy Quillen, John Duncan, Marilyn Lloyd, and the other members of the House delegation to whom you refer, and to Bill Brock. It struck a note of responsiveness for me particularly, however, as you might anticipate, when you mentioned my father's participation in the Congress of the United States.

My staff reminds me that it was on June 10, 1955, when other hearings were held in the Jefferson Junior High School, which played a major role in laying the groundwork for the enactment of the Atomic Energy Communities Act which established the financial assistance program for the city of Oak Ridge. And the hearings today really are an extension of those originally taken, those originally conducted in 1955. For as those hearings resulted in legislation which provided financial assistance for the city of Oak Ridge, it is my sincere hope and wish that these hearings will take the next logical step in providing financial assistance, and the full participation by the two counties most directly involved; that is, Roane and Anderson Counties.

Today, our interest and concern lies with these two counties in which these major installations of ERDA are now situated. These are the two Tennessee counties out of which a large Government reservation was carved, the two counties that bore the brunt of a swift transition from private to Government ownership, and which have borne the development of this vast industrial complex. These are the counties which, together with the city of Oak Ridge, provide the educational and other governmental services to the majority of the employees of the largest employer in the State of Tennessee, the Federal Government's Oak Ridge complex.

Over the years, Anderson and Roane Counties have experienced the transformation of their rural, agricultural character into an urban environment under the impact of the atomic energy programs here in Oak Ridge. For each county, Oak Ridge represents its largest city, both in population and in area. The benefits of the location of numerous Government facilities in these counties have been accompanied by a number of fiscal problems, as the counties struggled to meet their service obligations to the citizens who reside there.

Anderson County possesses the highest county tax rate in Tennessee, with Roane County ranking only a few counties behind. Citizens in Tennessee counties industrialized with the tax paying private industry, pay far less taxes than the residents of Roane and Anderson Counties.

For these reasons, on April 8, my distinguished colleague, Senator Brock, and I in the Senate, and Congresswoman Marilyn Lloyd in the House, introduced identical bills to amend the Atomic Energy Community Act. Our purpose in introducing this legislation was to correct inequities which have long existed, because of the loss in tax revenue and the burdens placed on those counties by the Oak Ridge nuclear installations which are tax-exempt. The effect of these bills is to bring Anderson and Roane Counties within the Community Act and provide authority to ERDA to make just and reasonable financial assistance payments to the counties on much the same basis as to the city of Oak Ridge. The bill proposes to do this by specific inclusion of these particular counties in section 91 of the Community Act just as Oak Ridge, Los Alamos, and Richland, and the Richland School District are named in this section. The term of 10 years is provided for the period of assistance following the precedent established by the local government in the act. At the end of 10 years, provision is made for congressional review.

Today, these hearings are intended to provide representatives of Anderson and Roane Counties with an opportunity to explain the need for this legislation. They will, I am sure, also offer evidence of the financial liabilities and burdens placed on the counties by the presence of the ERDA tax exempt Government plant facilities within their boundaries, and by the presence of the numerous employees and their families for whom the counties provide essential public services, considering the historical development of the Federal installations in Oak Ridge, the objectives of the Atomic Energy Community Act, and the continuing burden of governmental activities on Roane and Anderson Counties.

The conclusion is to me inescapable, that the Community Act should be amended to authorize assistance to the counties. Such an amendment

would be very much in keeping with the legislative history of the Community Act, as well as with the way Congress has generally dealt with specific inequities that have arisen as a result of Federal operation.

Mr. Chairman, I look forward to these hearings, to the testimony of the officials who have spent so much time and effort over these last several years to this problem, and to the presentation of their factual analysis of it. I commend to you, Mr. Chairman, not only our colleagues at this table, who will no doubt give excellent statements and to whom I look forward to further cooperation, but to the quality of the testimony you are about to hear. Because, you see, in addition to the other merits that are so obviously possessed by Oak Ridge, it is also possessed, I believe, by a group of the most public spirited and intelligent public servants I have ever known. So, I commend them to you, and I thank you for the opportunity to make these remarks.

Representative YOUNG. I certainly thank you, Senator, especially for the very excellent presentation.

Now, Senator Brock has a problem with regard to transportation. We understand that, Senator, and so without any further ado, I am going to call on you so that you can meet your schedule. I believe you will have to take one of those microphones over there, Senator.

STATEMENT OF HON. BILL BROCK, A UNITED STATES SENATOR FROM THE STATE OF TENNESSEE

Senator BROCK. I appreciate the opportunity to testify, and particularly your understanding of my own scheduling problems, Mr. Chairman, and in order to preserve your time, as well as mine, with your permission, I will insert my full statement into the record.

Representative YOUNG. Without objection, so ordered. Your prepared statement will appear after your opening remarks.

Senator BROCK. And I might like to add further, I am particularly grateful to Congresswoman Mrs. Lloyd for being kind enough to let age precede beauty on this particular occasion. Thank you so much.

Just in summary, Mr. Chairman, I was sort of taken by your comment that all that glitters is not gold. You are familiar with the problems with defense installations in your own area, and I was sort of reminded of the story that I am quite sure has gone around in Texas, just like it has in Tennessee, about the man who, having received a light dose of tar and feathers, was—as they say here—being “rid” out of town on a rail. And when they asked him what he thought about it, he said, “Well, if it weren’t for the honor of the thing, I would just as soon have walked.”

I think sometimes that’s the situation we find ourselves in here in Anderson and Roane Counties. We are very proud, and very grateful that Oak Ridge was selected as the site for the laboratories in World War II, and I honestly believe, and I think most people here believe, that this community, these counties, and this State have made a marked contribution to this country of ours, and its national security with the work that was done here over these 30 years. We have a very aggressive, progressive, intellectually acute area. And I was interested in Senator Baker’s comments of a complimentary nature to the community, to show you how serious we are. I am the one that is running

next year, not Senator Baker, and yet, I think we mean it. We are very proud of what this areas represents, and the people that compose it.

I think illustrative of our desire to work in developing this Nation's energy program, we sought aggressively and were selected to have the site for the LMFBR here. Most of us happen to believe that that's the program that has great merit and needs our continued support. It does reflect an attitude in this community of national concern and interest, and of support for our national programs.

But with all of that, we come to the point of these particular hearings, and that's the burden that our communities carry as they meet what is in effect, a national responsibility. Anderson and Roane Counties are remarkably good counties. They are progressive, they are very aggressively seeking more progress, more opportunity for their people.

But with all of their efforts, I think it is important to note that here in Oak Ridge, we have the highest tax burden of any county anywhere in the State of Tennessee. In Anderson County, the property tax is higher than in any other county in Tennessee. We don't have an income tax in the State, thank the good Lord, and the property tax carries the major burden, along with the sales tax. And that incidence, I think, you can judge the effect of this burden in its real terms on the people of the area.

What we seek is not special treatment, not special payment that has not been earned. All we ask is that the burden that is placed on the community be reconized by the Government, and that in lieu of taxes payment be made to our local governments, so that we may meet the needs of the people who compose these counties, those who work in the industries, and those who do not, that are peripheral thereto.

When you look at the way AEC had designed their formula based upon the valuation of the land 30 years ago, I think you have to understand what a difficulty that poses. It simply is not realistic in today's world. If we were to turn it around, and base the value on what would be the case were this a private enterprise pending taxes, and reduce that by in lieu of tax payments that are currently being made, then you would come to a much more realistic assessment of what the true burdens are on the people of this area.

And for myself, I would simply like to say, we are very grateful for your giving us consideration, considering the problems. We very much need help, and will be desirous and willing to work with you in any way possible to achieve a long-term resolution of the problem. Senator Baker and I have worked each year for another stopgap answer just for one more year to bail us out. Every year we run into the Office of Management and Budget, and they have different problems. What we seek now is something more permanent, a 10-year program that will establish the precedent for an honest sharing of the burden between those who benefit from it or bear it locally and those who benefit from it on a national basis. And I think that it is an absolutely logical and feasible approach.

I hope that the committee will give it early consideration. We have tried every other alternative. We have not been successful with the Office of Management and Budget, and as a consequence of their view, ERDA will now express their view later on, I am sure. But as a con-

sequence to that, there is no alternative other than the acts of the Congress itself, and really, that is where it ought to be anyway, to determine an essentially fair, continuing formula for the future.

So, I am very grateful to you for the hearings, and grateful to you for the leadership you have taken in this entire area. And to the extent that we can work with you and help you in any way, I would like to volunteer to do so. Thank you very much.

Representative YOUNG [presiding]. Senator, I thank you for an excellent statement. I would like to comment—correct me if I am wrong—along with the quick appreciation that I have had for the sincerity and the fairness of the approach of you and your colleagues in this matter, as well as the local citizens, I think the State of Tennessee is unique in its tax structure. It has a uniform statewide property evaluation system, which we don't have in some other States, and we can play around a lot with those values, you know, and you can't do it here, apparently, so you have a pretty tight bind.

Senator BROCK. We changed this because they were playing around with it a little bit. I think we have done the right thing. I will be honest with you. You can argue about the percentage ratios, but we do have a uniform valuation program, and I think it is fair to the people of Tennessee. But it does pose the problem, very clearly.

Representative YOUNG. I think I just want to say this. Senators Baker and Brock both have referred to the early days of the atomic effort here, the Manhattan project. I say this before Mrs. Lloyd comes on, because she is not old enough to remember this, you know. But, of course, I don't know anything about the Manhattan project. I did know I was sitting on a big navy fleet tanker with 110,000 barrels of gasoline, aviation gasoline, off Okinawa getting ready to go into Honshu on the invasion of Japan proper. And I don't know what happened, but something stopped that war pretty fast. And in stopping the war pretty fast, of course, we realize more of the things about that now, but actually what was done here and what was done there, in my judgment, saved literally millions of lives on both sides. And had we gone into the invasion of Japan, and we were all set to do it, there is no telling how many people would have paid with their lives. I thank you very much, Senator.

Senator BROCK. Thank you very much, Mr. Chairman.

[Prepared statement of Senator Brock follows:]

PREPARED STATEMENT OF SENATOR BILL BROCK

Senator BROCK. I want to express my gratitude to the committee, to congressman Young and Senator Baker, for the opportunity to testify today on the measure to make assistance payments to Anderson and Roane Counties. I thank the chairman for holding these hearings in Oak Ridge so that the people most directly affected will have a better opportunity to present their views.

This measure is very simple. It corrects a wrong that has been a burden to the citizens of these two counties for 30 years. The measure is to the point—it will provide in lieu of tax payments to the two county governments to offset potential revenue lost due to Federal Government land ownership. It would provide payments each year for a period of ten years.

Mr. Chairman, this is far from the first time such a request has been made to Congress. In fact, Senator Baker and I asked for in lieu of tax payments for these two counties last year.

In fact, the situation that you will hear about today is very old and involved. In March of 1963, officials of Anderson and Roane Counties asked the Atomic Energy Commission for assistance. On March 22, 1963, that request was denied

by the local AEC office. An April 23, 1963, the AEC headquarters denied the same request. In 1970, the AEC told the counties that a requested study into uranium enrichment as a tax source was illegal. They were told it was illegal for the Federal Government to spend funds for a study that might result in requiring the Federal Treasury to pay money to a local government. Even so, the attempts contained through 1971, and finally the University of Tennessee was contracted to make a study. That study, completed and reported on June 30, 1973, substantiated Anderson County's study and request for financial assistance. At this moment, it is still a happenstance situation.

Added to this, we must also remember that it took the city of Oak Ridge some nine years to achieve a measure for incorporation, and that had to be done by Congress. Incidentally, it took the Congress only three months to approve what is now Public Law 221. In nine years, the AEC had not acted. That was in 1955.

Today, Anderson and Roane Counties still face the same situation. For a number of years, the AEC has made payments in lieu of property taxes to the counties, but limited them to the *value* of the AEC land in the condition in which it was acquired. I bring attention to the fact that the purchase was made 30 years ago.

Section 9(b) provides that the AEC would "be guided by the policy of not making payments in excess of the taxes which would have been payable for such property in the condition in which it was acquired, *except in cases where special burdens have been cast on the Commission, the Manhattan Engineer District, or their agents.*"

Mr. Chairman, the Anderson County studies completed in 1971 have proven beyond a doubt that the presence of the AEC operations imposed burdens far in excess in benefits to the area.

However, the University of Tennessee study concluded that the AEC facilities are largely self-sufficient and receive little services from the two counties. The U.T. study was based on criteria. House Report 1402 on the Atomic Energy Community Act of 1955, prepared by the Joint Committee on Atomic Energy, states:

Under normal industrial situations the plants would be paying taxes . . . which would normally carry a large part of the load. That the plants are owned by the Federal Government should not exempt the Federal Government from recognizing the burden which those plants necessarily impose on the local governments . . . this principle has already been recognized in the Atomic Energy Act of 1954 . . . in section 168 . . . The Commission, so far as is known to this committee, has failed to recognize that it has thrown special burdens on any local government despite the wording in the present statute.

The U.T. study ignored the findings of the JCA. It ignored clear implications in the Atomic Energy Community Act that the AEC plants result in burdens that justify payments in lieu of property taxes in amounts greater than the property taxes due on the AEC land in the condition in which it was acquired.

In essence, the net special burden to Anderson and Roane Counties is the amount of tax revenues which would be realized if the AEC facilities were privately owned, less the school funds and AEC payments in lieu of taxes now made to the counties.

Added to the situation is the recent ruling from the Office of Management and Budget which deleted payments to the counties.

Mr. Chairman, clearly the measure which is being considered today must be approved. Legislation is the only means left with which to achieve the necessary relief for the people of the two counties. This is certainly a unique problem, but there is no question that it is a problem and that relief should be forthcoming. The people of Anderson and Roane Counties are not footballs. It is not fair to kick them around in the manner that has been done for many, many years. There are additional burdens imposed by the presence of ERDA, and we can correct the wrong through this legislation.

I strongly urge that this committee quickly approve this legislation and send it to the floor for speedy approval. Not knowing is one of the worst burdens that we have to endure as human beings. We must correct this wrong. Apparently there will be no relief from the agencies involved, and thus the Congress must act.

I thank the committee for the opportunity to speak in favor of this measure. It is certainly my hope that it will approve the measure with haste.

Representative YOUNG. Now, we will have the pleasure of hearing from our distinguished colleague, the very able and lovely Representative from the Third Congressional District, the gentlewoman from Tennessee, Marilyn Lloyd.

STATEMENT OF REPRESENTATIVE MARILYN LLOYD, A U.S. REPRESENTATIVE FROM THE THIRD CONGRESSIONAL DISTRICT, TENNESSEE

Representative LLOYD. Thank you very much. Chairman Young, Senator Baker, I want to thank you for the opportunity to appear before the Joint Committee on Atomic Energy in support of H.R. 5698, which I introduced in the House, and S. 1378, which Senator Baker introduced in the Senate. As you know, all the Tennessee Members of the House have cosponsored H.R. 5698. And I also want to thank you for being here with us today. We are all very grateful to you.

H.R. 5698 and S. 1378 are identical bills amending the Atomic Energy Community Act of 1955 to authorize the Energy Research and Development Administration (ERDA) to make annual assistance payments of "just and reasonable amounts" to Roane and Anderson Counties to compensate for the loss of tax revenues and the special burdens placed on these counties' services by the operation of the Oak Ridge nuclear facility.

In a way, the amendments represented by these bills could be called technical amendments, although they serve much needed and worthwhile purposes.

I refer to the amendments as technical because the financial burdens on Roane and Anderson Counties already have been recognized. Last year, the Congress included funds in AEC's fiscal year 1975 appropriation for this purpose, based on the recommendations of the Joint Committee on Atomic Energy, and the AEC. Just 2 weeks ago, the JCAE reported out ERDA's fiscal year 1976 authorization bill and again included funds for additional payments to Roane and Anderson Counties to cover the special financial burdens imposed on the counties.

These special authorization and appropriation actions have been necessary because the Atomic Energy Community Act, at present, authorizes annual assistance payments to the city of Oak Ridge but not to the counties; although both the city and the Government-owned Oak Ridge plants are located in Roane and Anderson Counties.

In 1974, the AEC concluded that its Oak Ridge operations resulted in special financial burdens on Roane and Anderson Counties. Since it had no authority under the language of the Atomic Energy Community Act to compensate the counties for these burdens, AEC resorted to the only alternative available—a special authorization and appropriation.

The Baker-Lloyd amendments to the Atomic Energy Community Act provide a clear, statutory basis for annual assistance payments to the counties of just and reasonable sums thereby eliminating the inequity in treatment between the city of Oak Ridge and the counties of which the city and its residents are a part. They also enable ERDA

to utilize the same criteria for determining the amount of assistance payments to the counties as it now uses for determining assistance payments to the city of Oak Ridge, to Los Alamos, and to Richland, Wash. Providing ERDA with the necessary authority to make annual assistance payments to the counties will facilitate efficient planning and budgeting by the counties by eliminating the uncertainty which now exists. With appropriate payments, the counties can continue the kind and level of governmental services required to recruit and to maintain personnel required for the Government-owned facilities at Oak Ridge.

The county representatives here today have done a thorough job in documenting the extent to which the Oak Ridge nuclear complex has brought about major and permanent changes in the counties, and has resulted in increased demands for more and improved governmental services. Their study, which will be submitted to this committee, clearly and uncontradictably shows the tremendous tax efforts now being made by the counties.¹ The present unequal, unfair, and unconscionable tax burdens imposed on private, residential, farm, and small business properties in Anderson and Roane Counties is the result of the Government-owned, largely industrial nuclear complex at Oak Ridge being exempt from local ad valorem property tax.

The Government-owned Oak Ridge facilities, while operated by private industry, are exempt from county ad valorem property taxes. The ad valorem tax is the primary source of local revenues for counties under Tennessee law. And this is the basic reason for the unusual and severe financial burden that Roane and Anderson Counties have had for so many years.

The Government-owned nuclear facilities at Oak Ridge employ over 15,000 persons. Approximately 62 percent of these employees reside in Roane and Anderson Counties. The facilities have a net book value of approximately \$813 million. In fiscal year 1975, the Federal Government realized more than \$126 million in revenues from sales of products and services from the Oak Ridge facilities.

In fiscal year 1974, the annual "tax loss" payments to the counties by AEC were less than 3 percent of the ad valorem property taxes paid to the counties by private property owners. By way of comparison, Mr. Chairman, private industry in two comparable counties in Tennessee with substantially fewer employees, and smaller capital investments, paid more than 30 percent of the property taxes collected by these counties.

The Federal Government, through ERDA and TVA, owns and controls more than 16 percent of the total land area of Anderson County—

Representative YOUNG. Excuse me, will you repeat that figure?

Representative LLOYD. The Federal Government, through ERDA and TVA, owns and controls more than 16 percent of the total land area of Anderson County and 20.9 percent of Roane County. ERDA, directly and through its contractors at Oak Ridge, is the largest employer in the State of Tennessee. These facts have significant adverse impacts on both counties. First, the Federal land holdings eliminate most of the land in the counties that is suitable for large, privately owned industrial development. And second, the size of the Government-owned industrial complex at Oak Ridge includes requirements

¹ See appendix 4, p. 148.

for housing, schools, and labor, and this virtually excludes the possibility of attracting large, privately owned industry to either county. In summary, the Federal Government has been responsible for not only increasing the demands for county governmental services, but also it has restricted the property tax base needed to pay for governmental services.

I want to emphasize two things. First, the situation at Oak Ridge is very unique. It is not the same as, or comparable with, a Federal post office or court building in a city, or even a large, essentially self-contained military base. The nuclear complex at Oak Ridge resulted in the establishment of the city of Oak Ridge, and it is now the ninth largest city in the State of Tennessee, within the geographical boundaries of Roane and Anderson Counties. It has brought about permanent changes in the economy and life style within the counties that are very similar to those one would expect from any large scale, privately owned industry.

Second, the failure of the Federal Government to contribute a fair share to the costs of county governmental services has resulted in excessive tax burden on private taxpayers in relation to their ability to pay. The Roane and Anderson County effective tax rates are substantially higher than those in comparable counties with large, privately owned industries. The counties' property tax rates are among the highest in Tennessee. The combined city/Anderson County tax rate is the highest in Tennessee. And both counties have a significant number of families whose annual incomes are below the recognized poverty level. When the City of Oak Ridge is excluded, the profile of both counties is still typically Appalachian. And yet the counties are expected to provide levels and types of governmental services that make employment at Oak Ridge plants attractive and compare with those available in the city of Oak Ridge, which, properly, receives very substantial assistance payments from the Federal Government.

It is my firm opinion that the Federal Government has a moral responsibility to contribute a fair share of the costs of governmental services provided by Roane and Anderson Counties. Also, it is my equally firm opinion that the counties can no longer bear the entire burden of the costs that are necessary to maintain the types and the levels of services required to support the important ERDA programs conducted at Oak Ridge.

H.R. 5698 and S. 1378 do not commit ERDA to a specific payment or formula; and, in my opinion, Mr. Chairman, ERDA should not be so committed. I recognize that the counties now receive payments under Public Law 874 for school children whose parents work at the Oak Ridge plants. In addition, Roane County collects some taxes on tangible personal property used by the contractors operating the Government-owned plants. At the same time, the counties are barred, apparently, from collecting taxes on the uranium supplied by ERDA customers for enrichment; and from assessing a gross receipts tax on the revenues received by ERDA for enrichment services. They also receive, in lieu of tax, payments from TVA; although TVA sales of electricity to the Oak Ridge plants are excluded from the computation. All of these matters can change and, therefore, I think it would be unwise to fix the amount or method of calculating payments. I believe it is sufficient for Congress to authorize payments to the counties and

for the amounts to be determined in accordance with the same standards and criteria that is used for the city of Oak Ridge.

In this connection I believe it is important to note two aspects of these amendments. First, the criteria of section 91 refers to burdens imposed on the "community" as defined in the act and to municipal services. With regard to Oak Ridge, "community" means a geographic area that is less than the incorporated boundaries of the city and excludes all three of the Government-owned plants.

In applying the criteria to the communities it should be understood that references to "community" means Roane and Anderson Counties and municipal services includes governmental services that are furnished by the counties. While the bills could have amended the criteria in these respects, it is my view that they are satisfactory as written if properly understood.

Second, it should be clearly understood that the additional payments to Roane and Anderson Counties last year, and those proposed this year, do not necessarily represent the "just and reasonable" amounts contemplated by section 91a. The additional amounts paid and proposed were arrived at by AEC, ERDA, and the Congress without regard to the provisions of section 91a. Moreover, the counties were not consulted by AEC and ERDA as to whether the amounts were just and reasonable. It may be that ERDA will arrive at approximately the same figures under the criteria set forth in section 91a. However, I don't want to foreclose ERDA or the counties in this regard. I believe it is very important that ERDA and the counties have enough flexibility—which I think the criteria provides—to analyze the needs, discuss their points of view, and negotiate the amounts to be paid. Under the statute ERDA has the final say as to what constitutes a just and reasonable payment subject to the oversight responsibilities of the JCAE and the Congress.

It is my hope that given the latitude permitted by the Baker-Lloyd amendments, ERDA and the counties can reach contractual agreements for annual assistance payments that parallel the present agreement between ERDA and the city of Oak Ridge.

I thank you so very much.

Representative YOUNG. Mrs. Lloyd, thank you for a most excellent presentation. And let me commend you for the work you have done in organizing the House side of this matter, and joining with their very able Senators from Tennessee.

Representative LLOYD. Thank you very much, Mr. Chairman.

Representative YOUNG. Your presentation has been most impressive. There is one aspect of this matter that has troubled me, and that is that as a person who at one time was responsible for formulating county budgets and that sort of thing, no matter how much Congress would appropriate annually, unless it is on some sort of a systematic basis of assurance, I don't know what the local administrators would be able to do with it. It might be feast one year, and famine the next, and the sheer uncertainty, I am sure, would be a problem.

Representative LLOYD. Mr. Chairman, that is the problem. They can't plan their school budget, or work with their teachers—the teachers contracts—as they should. It has just been so piecemeal that they couldn't go ahead with any definite planning. I do think it is very necessary that we realize that we must attract the people into our

counties that we want, the qualified people. And certainly, these families moving into our area do want first-rate schools for their children, and they have every right to demand them.

Representative YOUNG. Thank you very much, Senator, you have anything?

Senator BAKER. Mr. Chairman, only to say that I think that Congresswoman Lloyd has done an outstanding job in summarizing the problems and identifying the solution, and I take this opportunity to commend her for mobilizing the bipartisan support of the entire Tennessee House Delegation in support of this measure, and I am pleased to cosponsor it with her. Mr. Chairman, I would hope that she might be able to join us at the committee table here for the rest of the hearing.

Representative YOUNG. Yes; I would be very disappointed if she did not.

Representative LLOYD. Thank you.

Senator BAKER. I might also acknowledge the presence of the distinguished attorney and citizen of Oak Ridge, Mr. Gene Joyce, who is with Congresswoman Lloyd.

Representative LLOYD. He has certainly worked hard on this for us.

Representative YOUNG. Thank you; we thank both of you.

Senator BAKER. Thank you very much.

Representative YOUNG. We will proceed with our list of witnesses, and the next order of presentation will be from the departmental sources. I will call on the witnesses in a minute, but before I do that, I have noticed that we have quite a group of students honor us with their presence here, too, this morning, and I want to welcome all of you, and tell you that I think it's just fine that your superiors have given you the opportunity to come here. And I would like to meet and visit with you, if time permits, at the end of this session.

Now, I call on Mr. G. J. Keto, assistant for economic and community affairs, Energy and Research Development Administration of Oak Ridge, Tenn., accompanied by R. J. Hart, manager of the Oak Ridge Operations Office. Are these witnesses available?

STATEMENT OF G. J. KETO, ASSISTANT FOR ECONOMIC AND COMMUNITY AFFAIRS, ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION AT OAK RIDGE, TENN.; ACCOMPANIED BY R. J. HART, MANAGER, AND JOHN HILL, CHIEF COUNSEL, OAK RIDGE OPERATIONS OFFICE

Mr. KETO. Yes, sir. Good morning. I have also at the table, Mr. Chairman, in addition to Mr. Hart, Mr. Hill, who is the chief counsel of the Operations Office here. We appreciated very much hearing the views of Senator Brock and Congresswoman Lloyd, and we look forward to discussing this very important question with you this morning.

I don't know of any issue in intergovernmental fiscal affairs that is more sensitive than the question of attainment of substantial equity between the Federal taxpayer and the local taxpayer in local jurisdictions where the Federal Government has large and important activities. Certainly the members of this committee, and certainly the Energy Research and Development Administration do not want to impose burdens upon the local taxpayers as a result of the substantial govern-

mental activities here in Oak Ridge. On the other hand, none of us want the Federal taxpayers to support an unwarranted subsidy here. We appreciate very much the opportunity to talk with this committee of these questions. Community affairs are best resolved by open and frank discussions between the Congress and the members of the community, and the executive branch that happens to be responsible for the program at the moment. So, we appreciate very much this opportunity of meeting with you this morning.

S. 1378 and H.R. 5698 amend the Atomic Energy Community Act of 1955 to authorize the Administrator to make financial assistance payments to Roane and Anderson Counties. The amount of the payment would be determined by the criteria set forth in section 91 of the act. The Administrator would be authorized to enter into a 10-year contract with the two counties without regard to section 3679, of the Revised Statutes. After the expiration of the 10-year period, the Energy Research and Development Administration then would have to make a recommendation to the Joint Committee as to whether these payments should be continued. If no further legislation were passed at that time, payments would be authorized subject to appropriations.

Mr. Chairman, these bills are not in accord with the President's and the administration's policies, and we would not support their enactment. This judgment is based on three factors.

First, authority does exist in section 168 of the Atomic Energy Act of 1954, as amended, to make payments in lieu of taxes to the two counties.

Second, the Federal Government now does provide funding to the communities as a result of the presence of the Energy Research and Development Administration.

Third, we believe that the addition of these two counties to the Community Act would not be consistent with the objective of the Community Act to terminate or to reduce the assistance payments at the earliest practical time.

In your opening remarks, Mr. Chairman, you commented not only on the ability and the hard work of the Tennessee delegation, but the bipartisan nature of these bills; it would not be inconceivable that these bills would become law. Therefore, I would like to take a few moments now to comment on how we would interpret these bills if they would be enacted into law.

First, although S. 1378 and H.R. 5698 add two counties which are not within the Community Act's defined community areas, and which did not receive former Atomic Energy Commission municipal installations, we believe that the congressional action would permit the Administrator to make financial assistance to the counties under the bill. With regard to the criteria upon which the payments would be made, we believe that the use of criteria in section 91a(1), which relates to Government property within the community, will not be an important factor in determining the amount of financial assistance payments, since the value of the Federal plants is not within the community as defined by the Community Act.

The legislative history of the Community Act indicates that this is a deliberate exclusion by the Congress. The Energy Research and Development Administration believes that the plants should continue to be excluded, even if the definition of community were changed to

include the counties, since the values do not affect the local governmental burdens with which the act deals.

Therefore, we would request that the committee, by appropriate means, reaffirm the congressional intent that the values of the Federal plants should not be a factor in determining the amount of the payments to the counties.

With regard to the payment itself, in determining a just and reasonable payment we would consider the amount of the assistance payment added by the Congress to our fiscal year 1975 budget, and the amount of payments that may well be added to our fiscal year 1976 budget, as providing general guidance as to the levels of any future payments that would be made to the counties under these amendments.

In addition, we would strongly urge that the authority of the Administrator to enter into contracts with Roane and Anderson Counties, be limited to June 30, 1979, the date the existing 10-year period expires for the city of Oak Ridge. This appears to us to be reasonable for several reasons.

First, such an amendment to S. 1378 and H.R. 5698 would enable the Congress and the Energy Research and Development Administration, and the local governments, to review the situation in the counties at the same time we look at the city of Oak Ridge.

Second, we would be reluctant to enter into a long-term contract, committing the Federal Government to assistance payments to the counties. We would like to review the situation on a yearly basis, but we would be willing to enter into a contract until June 30, 1979.

In closing, I would like to reaffirm our continuing commitment that all entities receiving assistance utilize all reasonable available means to achieve financial self-sufficiency so that the assistance payments under the Community Act be reduced or terminated at the earliest practical time.

Mr. Chairman, this concludes our prepared statement. We would be very pleased to respond to any questions that you may have.

Representative YOUNG. Bob, John, and Charles, it is nice to have you here.

Mr. KETO. Thank you.

Representative YOUNG. We don't agree with you, but [laughter] I know why you said it, and we are going to take that under consideration. What would be your view of how this relief to these two counties would work without such a bill as this? Would you—well, this may not be a fair question, I don't know. But obviously, these counties are in trouble. They need some help. If we keep going back just on sort of a willy-nilly basis, which we have done, maybe it has been more willy than nilly, I don't know which, but it is not the sort of thing that an administrator can count on. I don't mean to argue with you as a witness, of course, but it seems to me that nothing could be more eminently fair and reasonable and practical than to have the executives of ERDA set down with the affected local officials, and discuss their problems and impacts, and what they need, and what their needs are, and how best we can help meet them.

Mr. KETO. Of course, Mr. Chairman, at this time the Energy Research and Development Administration has authority to make payments to the two counties only under one statute. That statute is section 168 of the Atomic Energy Act. That is a payment in lieu of tax

statute. We do make payments, as Senator Brock stated, on the basis of the land that was withdrawn from the counties at the time that this establishment was initiated. So, we do compensate them for that withdrawal. In addition, as a result of the ERDA presence, the counties do receive Federal funding. I believe that in 1974, the Federal payments amounted to about \$600,000 or \$700,000. Now, of course, that does not include the funds that were added by the Congress in 1975.

Representative YOUNG. In line with what I am saying about the unpredictability of these payments, I notice in 1959, I suppose this might have been some sort of a lump sum catchup, but there was \$127,000. In 1960, it was \$9,000. That is a big difference.

Mr. KETO. Well, I think that that first payment—

Representative YOUNG. That was Roane County, and Anderson County didn't get anything, apparently.

Mr. KETO. Well, what happened was, when the counties applied for in-lieu-of-tax payments, there was a retrocative payment, and that number you are referring to, I am sure, is a result of the payments for back taxes, or a tax loss payment from 1946 to the date that you mentioned. After that, I think you will see a little more consistency in the payments, and a general rise in the payments.

Representative YOUNG. I don't mean for this to be facetious, but I think they are consistently low. [Applause.]

I think we have the support of the audience.

Mr. KETO. Mr. Chairman, all I can say is that I am glad that we have a different procedure than they had in the days of the ancient Greeks. I understand that in those days, that the messenger of bad news was a little bit on the spot [laughter], and since I am, I think I prefer this to that.

Representative YOUNG. As I remember the Greek history you are referring to, at least in part, there was only one survivor. I hope we can improve it in this case.

Senator BAKER. Mr. Chairman, thank you very much. I know Mr. Keto, and I have a high regard for him and for his competence, and I, too, regret that he must be here today to oppose the bill that is before us. I don't mean to drive a wedge between Keto and his boss, but I think this record ought to reflect what I believe to be the case, and that is, that Mr. Keto works for ERDA, and that ERDA recommended to OMB that they support this bill. And I very much wish that that had been a contrary and different situation.

I also know Jim Lynn, who is the Director of OMB, and Jim is a very, very capable young man. He took the job of Director of OMB, as he put it, knowing full well that he would be cast in the role of the inevitable no-man, and that is what he frequently is. He has to say no on occasion to things that I suspect even Jim Lynn would prefer not to say no to.

But in any event, in this case, I think we have agreed to disagree, and I have the full expectation that the Congress will consider this matter, and I have great hopes that it will pass it. And I even further hope that the President may sign it.

Mr. Chairman, if you have no objection, and if there is none from Congresswoman Lloyd, I would like to introduce into the record—and if Mr. Keto has no objection—a letter to the Director of the Office of Management and Budget, from Dr. Seamans, the Administrator of ERDA, expressing their reasons for why they support this bill.

Representative YOUNG. Without objection, it will be so ordered.

Senator BAKER. And there is also attached to that letter, a proposed letter from Dr. Seamans to Senator Pastore, who is the chairman of the full Joint Committee on Atomic Energy, and which I really rather wish Mr. Keto had been able to read. He did not, since OMB took a contrary view. And I would like to ask that that be included in the record, too.

Representative YOUNG. Without objection, that is so ordered.

[Documents referred to follow:]

U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION,
Washington, D.C., April 30, 1975.

Hon. JAMES T. LYNN,
Director, Office of Management and Budget.

DEAR MR. LYNN: Enclosed for approval is a draft letter to the Chairman of the Joint Committee on Atomic Energy (JCAE), setting forth Energy Research and Development Administration's (ERDA) position on S. 1378, a Bill introduced by Senator Howard H. Baker, Jr. of Tennessee to amend the Atomic Energy Community Act of 1955 to authorize the Administrator of the Energy Research and Development Administration to make assistance payments to Anderson County and Roane County, Tennessee. ERDA supports the enactment into law of S. 1378.

Presently, only payments to Oak Ridge, Tennessee; Los Alamos, New Mexico; and Richland, Washington, entities are authorized under Section 91. of the Community Act. S. 1378 proposes to amend Section 91. to authorize, but not require, the Administrator to make payments to Anderson and Roane Counties. The amount of the payments would be determined by criteria set forth in Section 91. The Administrator would be authorized to enter into ten-year contracts with Anderson and Roane Counties without regard to Section 3679 of the Revised Statutes. After expiration of the ten-year periods, recommendations must be presented to the JCAE as to the need for future payments. In the absence of further legislation at that time, assistance payments could continue under the Act, but the amount would be subject to availability of appropriations.

A copy of S. 1378 is enclosed, together with S. 1378 in the form of a comparative bill so that changes can be easily identified.

Our understanding of the reasons for the introduction of S. 1378 is that the legislation is intended to compensate Anderson and Roane Counties for burdens placed on county services by the Oak Ridge Federal nuclear installation. These installations are exempt from State or local property tax. The amount of the assistance to the two Counties would be determined under Section 91. of the Community Act which is the present basis of authority used for determining the amount of assistance payments to the City of Oak Ridge, Tennessee.

The reasons for the introduction of S. 1378 are generally consistent with the reasons for the Atomic Energy Commission's (AEC) recommendation for additional funding for Anderson and Roane Counties in FY 1975 and ERDA's recommendation for such funding in FY 1976. While authority does exist under Section 168 of the Atomic Energy Act of 1954, as amended, to render financial assistance over and above the "tax loss" payments now being made to Anderson and Roane Counties, the Commission, after review in 1974 of several studies, was unable to find an adequate basis to quantify "special burdens" imposed upon the Counties by activities of the Commission within the meaning of the Statute.

Nevertheless, the Commission believed that the presence within the Counties' boundaries of the AEC operations at Oak Ridge, including the construction, ownership, and management of the Federal community that is now the City of Oak Ridge, resulted in peculiar fiscal problems for the two Counties. The City of Oak Ridge receives assistance payments under Section 91. of the Atomic Energy Community Act of 1955, as amended, and as the Commission believed that the financial problems of the City of Oak Ridge and the two Counties were substantially similar in nature, it concluded, based on equitable principles, that Anderson and Roane Counties should receive additional financial assistance. We do not believe that any significant changes have occurred in the situation at Oak Ridge since the Commission's conclusion, and we agree that the Counties should receive additional financial assistance on the same basis as the City of Oak Ridge. S. 1378 would enable ERDA to provide the additional financial assistance.

Further, S. 1378 appears to be generally consistent with the Congressional basis for authorizing Section 91. payments in the original legislation. In 1955, the JCAE in reporting out the Community Act stated that while it would be unfair for the Federal Government to pay taxes on the Atomic Energy plants at Oak Ridge, Los Alamos, and Richland as if they were privately-owned, the Government should recognize the burdens imposed on the local entities for which the local entities do not obtain other adequate revenues.

We also believe that S. 1378 is consistent with the historic development of in-lieu-of-tax payments in that, it is a Congressional attempt to alleviate a specific inequity.

Should S. 1378 be enacted into law, ERDA anticipates a request by both Anderson and Roane Counties for assistance payments. Although S. 1378 adds two counties which are not within the Act's defined "community" areas and which did not receive former AEC municipal installations, we believe that the Congressional action would permit ERDA to determine just and reasonable assistance payments on the Act's criteria. We believe that the use of criterion of Section 91. a.(1), which relates to government property within the community, will not be an important factor in determining the amount of financial assistance payments since the value of ERDA plants is not within the "Community" as defined by the Act. The legislative history of the Act indicates that this is a deliberate exclusion by the Congress, and ERDA believes that the plants should continue to be excluded (even if the definition of "Community" were changed to include the Counties) since such values do not affect the local governmental burdens with which the Act deals. We have indicated in our letter to the JCAE that we would expect the Committee by appropriate means to reaffirm its intent that the value of ERDA plants would not be a factor in determining the amount of payments to the Counties.

In determining a just and reasonable payment we would consider the amount of assistance payments added to the ERDA FY 1975 budget for the two counties by the Congress and the amounts, if any, that may be added to the FY 1976 budget as providing general guidance as to the levels of any future payments to be made to the Counties.

Should you have any questions, we will be pleased to answer them.

Sincerely,

ROBERT C. SEAMANS, Jr.,
Administrator.

PROPOSED LETTER TO THE CHAIRMAN, JCAE—RE S. 1378

By letter of April 14, 1975, Mr. Murphy requested the Energy Research and Development Administration's (ERDA) comments on S. 1378, a Bill introduced by Senator Howard H. Baker, Jr. on April 8, 1975.

S. 1378 would amend Section 91. of the Atomic Energy Community Act of 1955, as amended, to authorize, but not require, the Administrator of ERDA to make payments to Anderson and Roane Counties, Tennessee. The amount of the payment would be determined under the criteria in Section 91. a. of the Atomic Energy Community Act of 1955, as amended. The Administrator would be authorized to enter into ten-year contracts with Anderson and Roane Counties without regard to Section 3679 of the Revised Statutes. After expiration of the ten-year periods, recommendations must be presented to the JCAE as to the need for future payments. In the absence of further legislation at that time, assistance payments would continue to be made under the Act, but the amounts would be subject to the availability of appropriations.

ERDA believes that Anderson and Roane Counties are faced with peculiar fiscal problems by reason of the construction of the national defense installations in Oak Ridge. The ERDA reservation, which at one time included the Federally-owned Community which is now the City of Oak Ridge, was carved out of the boundaries of Anderson and Roane Counties. The City of Oak Ridge receives financial assistance under Section 91. of the Atomic Energy Act of 1954, as amended, and as ERDA believes that the financial problems of these local governments are substantially similar in nature, Anderson and Roane Counties should receive additional financial assistance on the same basis as the City of Oak Ridge.

S. 1378 proposes a legal basis for such payments in a manner that is satisfactory to ERDA.

Further, S. 1378 appears to be consistent with the legislative history of Section 91. of the Atomic Energy Community Act of 1955, as amended. It is

also consistent with the approach of the Federal Government to matters relating to payment in lieu of tax matters in general by providing by Congressional action relief to specific situations.

Should S. 1378 be enacted into law, ERDA anticipates a request by both Anderson and Roane Counties for assistance payments. Although S. 1378 adds two counties which are not within the Act's defined "community" areas and which did not receive former AEC municipal installations, we believe that the Congressional action would permit ERDA to determine just and reasonable assistance payments on the Act's criteria. We believe that the use of criterion of Section 91.a. (1), which relates to government property within the community, will not be an important factor in determining the amount of financial assistance payments since the value of ERDA plants is not within the "Community" as defined by the Act. The legislative history of the Act indicates that this is a deliberate exclusion by the Congress, and ERDA believes that the plants should continue to be excluded (even if the definition of "Community" were changed to include the Counties) since such values do not affect the local governmental burdens with which the Act deals. We believe that the Committee should by appropriate means reaffirm the Congressional intent to exclude the value of ERDA plants as a factor in determining the amount of assistance payments.

In determining a just and reasonable payment we would consider the amount of assistance payments added to the ERDA FY 1975 budget for the two Counties by the Congress and the amounts, if any, that may be added to the FY 1976 budget as general guidance as to the levels of any future payments to be made to the Counties.

The Office of Management and Budget has advised that there is no objection to the presentation of these comments from the standpoint of the Administration's program.

Should you have any questions, we will be pleased to answer them.

Senator BAKER. Now, I understand. I have been in the Congress 8 years, and I am a realist. And I know that OMB has to sit at the crossroads and make their determinations. And I have agreed with them, and I have disagreed with them. But their fundamental responsibility is to coordinate the several expenditures and responsibilities to the Government. I believe this is more important than many other expenditures, and that OMB ought to reconsider it. But be that as it may, and with that behind us, I would like to move on to another point or two. The provisions under which presently in lieu of tax-payments, some of the provisions under which payments are presently made, to which you refer, Mr. Keto, and to which I believe Bill Brock referred, is this—is section 168. What does that section provide? What is the range of the limitations of that section? How do you qualify for payments under it, and how does it differ from the proposal for the amendment to section 91 of the Communities Act, which is now before us?

Mr. KETO. Well, section 168, Senator Baker, is a very unusual payment-in-lieu-of-tax statute. The Congress of the United States in the case of the atomic energy program, and in the case of the energy program, has recognized the principle that although the taxation of the Federal plants as if they were privately owned, would be unfair, the Federal Government should recognize the burdens that are imposed upon the communities by the Federal installations. This is generally the structure of section 168. It has two basic provisions. One is the provision which enables the Federal Government to make payments to local jurisdictions, to compensate them for the tax losses as a result of the withdrawal of the land. The statute also recognizes that this does not compensate the local governments for the structure of the huge Federal installations, and as a result, there is a second provision, which enables the Federal Government to make payments

for special burdens that have been cast upon the local governments as a result of the Federal operations.

Senator BAKER. Is it true that the in-lieu provision must be on the basis of the value of the land for tax purposes at the time it was acquired by the Federal Government?

Mr. KETO. That is the general policy followed by the Energy Research and Development Administration, but we do make exceptions.

Senator BAKER. It is not required then?

Mr. KETO. It is not required, and we do make exceptions, that payments would be on the current assessed valuation and the current tax rate, you are right. That is correct.

Senator BAKER. I don't think I ought to prolong the questioning now. I wish simply to say, I thank you for your testimony. I would have much preferred OMB would have let you mail the letter you prepared, and not the letter you had to bring with you today. But we are happier here, anyway.

Mr. KETO. Thank you, sir.

Representative YOUNG. Thank you very much, Senator. John, it is just such a pleasure to be with people like you and your colleagues there that know how to disagree without being disagreeable. And with that, then, I am going to ask my distinguished colleague, Marilyn Lloyd, if she has a question.

Representative LLOYD. Thank you, Mr. Chairman. I assure you that you are nice people to disagree with this morning. Back to section 168, which refers to the section for hardship cases and which you indicated that you have made hardship payments under in the past. Would it not be so, that since these payments have been made, we have already established the priority that this is a hardship case? Therefore, since we have already established this pattern, wouldn't it be better to authorize the payments in section 91.a., so that the counties would be recognized as a part of a community?

Mr. KETO. Well, in this area, Congresswoman Lloyd, the Congress generally does take the initiative in matters relating to the community and ad valorem taxes on the Federal installations. Certainly, you are right, that the Congress in 1974 expressed a strong view these counties are faced by peculiar problems. And I understand that this year, in the 1976 budget, that the authorization bill also recognizes this fact, so I think as far as the Congress is concerned, that is true. And I believe that as far as the administrator of the Energy Research and Development Administration is concerned, that is true. I think as far as the Office of Management and Budget, as Senator Baker has said, they are faced with different problems. They look at the landscape a little differently, and I think that that is basically the situation.

Representative LLOYD. Thank you very much. Thank you, Mr. Chairman.

Representative YOUNG. You are welcome. Gentlemen, I want to again say to you most sincerely, we appreciate your being here, and I particularly appreciate some of the constructive suggestions that you have made with regard to the amendments that we might consider in connection with the implementation of this matter. And I am very, very hopeful that a truly constructive result of these hearings and

the efforts of our very distinguished colleagues in bringing this legislation forward, will certainly result in a program that we can all live with satisfactorily, and be helpful locally, and that it won't send the Bureau of the Budget up the wall. I thank you very much.

Mr. KERO. Thank you.

Representative YOUNG. Now, I would like to—we now will call on the local witnesses. And the first witness that I will call on is Mr. Albert B. Slusher, County Administrator of Anderson County, Tenn. Mr. Slusher, will you come up and take your place? And Judge Brewer, the Executive of Roane County. Gentlemen, we are very pleased to have you here as witnesses today, and we know you have a problem, and we want to be as helpful as we can. With that, please proceed with your presentation.

STATEMENT OF ALBERT B. SLUSHER, ADMINISTRATOR, ANDERSON COUNTY, TENN.

Mr. SLUSHER. Mr. Chairman, distinguished members of the Joint Committee, and fellow citizens. It is with a sense of profound humility that I extend to you the greetings of the people of Anderson County, and express to you our sincere gratitude in the interest in our problems which you show by being with us today.

I am not going to consume very much of your valuable time or insult your intelligence by engaging in a long drawn out discussion of economical ethics, and I am fully aware, as you are aware, that inflation, the population explosion, urban growth, pre-emption of tax bases by the Federal and State governments, the increase of crime, and the demand of the public for ever expanding services have placed local governmental units all over our country in a condition of severe financial stress.

Anderson County, and our friendly neighbor, Roane County, have, however, suffered not only from the urgent demands most local governments are encountering, but face also the added and more unique fiscal difficulties which have arisen as a direct result of the locating of vast Federal sponsored installations in our area. From these installations we have received many benefits, for which we are grateful, but along with the benefits have come financial problems which have increasingly impaired our ability to provide the multiplicity and quality of services necessary for the current minimum needs of the people.

For this reason, I am today urging your approval and individual and collective support for Senate bill 1378, sponsored by Senator Baker and Senator Brock, and H.R. 5698 bill sponsored by Representative Marilyn Lloyd in the House, and to amend the Atomic Community Act of 1955 to authorize the Administrator of the Energy Research and Development Administration to make assistance payments, in lieu of taxes, to Anderson and Roane Counties for a period of 10 years. Under these bills, the amount of assistance would be determined by the ERDA Administrator under existing criteria currently in use for similar payments to the city of Oak Ridge, Tenn.

In so urging you, I am reminded of the advice given by an elderly lawyer to a younger lawyer just beginning practice, that "If you have a good case, stick to the facts. If you have a poor case, stick to the law. But if you have no case at all, lambast the district attorney."

Gentlemen and Mrs. Lloyd, I have a good case, in the matter under discussion, one in which I can confidently stick to the facts.

Prior to the coming of the Tennessee Valley Authority in 1933, and the Oak Ridge Development in 1942, Anderson County was an agrarian community, with only one major industry, a large textile plant, located in Clinton. Public officials and area businessmen knew nearly everyone in the county by name, demands for public services were few, and government was carried on at a minimum of expense. The majority of the people lived on their own farms, engaging in a family subsistence farming with enough left over to supply the townspeople.

With the coming of the TVA during the Great Depression, and the AEC during the War Years, the population of Anderson County doubled and tripled, and over the years, the demands and requirements of a vastly more crowded, as well as more sophisticated, population for county governmental services have continued to grow by leaps and bounds. This is reflected in all types of services such as: Road and highway construction, educational facilities, solid waste disposal, health, rehabilitation and mental health services, utility extension, recreational facilities, environmental improvement and county-wide urbanized law enforcement procedures.

Ground between the pressing necessity for increased public expenditures, and a substantially decreased tax base, the people of the two counties have a population which demands more public services, yet we recognize that on the present tax base there is a financial burden in providing increasing public services through local taxation.

Currently, Anderson County, with a population of 60,300 people, in its struggle to keep abreast of its minimum financial needs, has accumulated a bonded indebtedness of over \$8 million, and with a tax rate of \$5.71 per hundred dollars of assessment, has the highest tax rate in the State of Tennessee, with Roane County not far behind. Assessments in Tennessee, incidentally, are based on a state-wide appraisal. We are not subject to variance by local authorities.

The principle of in-lieu-of-tax payments to local governments affected by ERDA's operations at Oak Ridge was recognized in the Atomic Energy Act of 1955. However, as now worded, that act authorizes payments to the city of Oak Ridge, Tenn., but not to Anderson and Roane County. In 1974, Congress, in recognition of the special financial burdens impacted on Anderson and Roane Counties appropriated \$545,000 in-lieu-of-tax payments to the counties. I understand the JCAE has recommended an appropriation this year for the same purpose. The authorization included in the Baker-Brock Senate bill, and the Lloyd House bill will simply make possible a predictable amount to be determined each year under the criteria contained in the Atomic Energy Act; thus making it possible for the counties to include a predetermined exact amount in their budgets, and for ERDA to accurately establish budgetary costs.

In presenting to you distinguished members of the committee our feelings on the matter of the in-lieu-of-tax support requested, may I say in all sincerity that if we did not receive one cent of our request, we would still exert ourselves to the best of our ability and financial limit to supply every needed service to the people of this area. We are a proud and honest people here in east Tennessee, ac-

customed to standing on our own two feet and meeting every challenge as it arises, with no plea to others for help in doing what we can do for ourselves. But we have exhausted these means and now we are calling for help.

Under the existing circumstances, however, as we have touched upon them here, we do believe that we have a fair and just basis for requesting the financial assistance which would be authorized under the provisions of the pending bill.

The money is needed, and the extent of the need has been engendered and multiplied by these factors which have resulted in the development and acceptance of the principle involved in the provision and implementation of in-lieu-of-tax payments wherever made.

Members of the committee, with the utmost respect for your fairness, your devotion to the principles of equity and justice, and your proven ability in the service of our country—I will leave the matter in your hands.

Chairman YOUNG. Mr. Slusher, that was an able presentation, very convincing, and I think thoroughly borne out by the physical facts. I am particularly impressed by the combination of the uniform evaluation that you have in the State, plus having the highest tax rate in the State. It shows that you folks haven't been lagging back, that you have been doing the best you can with the tools at hand, and it looks to me like you need some help. Are there any other questions?

Senator BAKER. Mr. Chairman, I don't have any questions. I think the statement was comprehensive and a credit to Mr. Slusher and to his county government. I think it will be very helpful to us, and I thank you.

Mr. SLUSHER. Mr. Chairman, I have here with me, a book of letters written by the various people in the county to substantiate our case, the heads of government organizations, the residents et cetera, and lay members. They are good people. They are honest people. People with integrity, and I think it would have a great bearing in this case, and I would like to submit them for inclusion.

Chairman YOUNG. Oh yes, without objection, it will be so ordered. [See appendix 3 for letters referred to.]

Representative YOUNG. Mrs. Lloyd, do you have any questions?

Representative LLOYD. I have no questions, Mr. Chairman. I just want to commend Mr. Slusher on his very fine testimony, and the very fine work he is doing. Thank you, sir.

Representative YOUNG. Thank you very much, Mr. Slusher. Judge Brewer, Judge Wallace Brewer, I will be happy to hear from you at this point.

STATEMENT OF HON. S. WALLACE BREWER, EXECUTIVE, ROANE COUNTY, TENN.

Mr. BREWER. Mr. Chairman, we are certainly pleased on behalf of Roane County to second those welcoming remarks made by Chairman Slusher. Roane Countians have worked together over the past couple years with Anderson County on a rather intensive basis, and we have come to know each other a great deal, and I am very pleased to see a number of local officials and citizens are here in addition to those students in support of this effort on the part of Roane and Anderson Counties, to obtain just and reasonable assistance payments. I particularly would like to express our appreciation to Senator Baker, to Con-

gresswomen Lloyd, and all the members of the Tennessee delegation who have made this joint bipartisan effort on behalf of both of our counties to see that this hearing today becomes a reality for us. We have had many people in both of these counties spending a great deal of time together over the past several weeks, and past several months, in preparing a document which shows the results of the study that our committee has done.

Mr. Chairman, at this time, I would like to submit into the record of this hearing, a copy of that study that was done.

Chairman YOUNG. Without objection, it is so ordered.

[See appendix 4 for study submitted.]

Mr. BREWER. Also from Roane County, we have some supporting letters from our Farm Bureau, from the Chamber of Commerce, from our Industrial Commission, and also from the city of Kingston in support of this legislation, which I would also like to have entered into the record.

Chairman YOUNG. Without objection, so ordered.

[Letters referred to follow:]

ROANE COUNTY FARM BUREAU,
Kingston, Tenn., April 29, 1975.

Judge WALLACE BREWER,
County Judge of Roane County,
Kingston, Tenn.

DEAR SIR: The Roane County Farm Bureau consisting of 1775 families in Roane County requests that you present to the Joint Committee of Atomic Energy our support of the Baker-Lloyd amendment.

We feel that our county should receive more money in lieu of taxes.

Sincerely yours,

PAUL REAGAN,
Roane County Farm Bureau President.

ROANE COUNTY CHAMBER OF COMMERCE,
Kingston, Tenn., May 1, 1975.

Chairman,
Joint Committee on Atomic Energy,
Washington, D.C.

DEAR SIR: The Roane County Chamber of Commerce Board of Directors endorse and support the Baker-Lloyd Amendment Bill to Public Law #221.

Sincerely,

DON PATTERSON,
President.
VIOLA TAYLOR,
Executive Directress.

CITY OF KINGSTON TENNESSEE,
April 29, 1975.

HON. WALLACE BREWER,
County Judge,
Courthouse, Kingston, Tenn.

DEAR WALLACE: I have just been informed of the amendment to public law 221, introduced by a Representative, Marilyn Lloyd, of the joint Committee on Atomic Energy.

It is my opinion that the amendment to the law, would not only be beneficial but be extremely helpful; particularly here in our own area; where of course as you know, we are so involved in the production of Atomic Energy. With the development of the Watts-Bar Nuclear plant, the Oak Ridge facilities, and the development of the new Breeder-Reactor now being developed on the Clinch River.

On behalf of the people of the City of Kingston; I whole-heartedly support the bill and the amendment thereto.

Very Respectfully,

JAMES M. HENRY.

ROANE COUNTY INDUSTRIAL DEVELOPMENT OFFICE,
Kingston, Tenn., May 2, 1975.

*Chairman,
Joint Committee on Atomic Energy,
Capitol Hill, Washington, D.C.*

DEAR MR. CHAIRMAN: The Industrial Development Board of Roane County, charged with the responsibility of soliciting new industries to this area for the purpose of providing jobs and broadening the tax base of Roane County, has been concerned for some time about the inadequacy of the in-lieu-of tax situation as applied by ERDA.

Therefore, the Board of Directors does unanimously support and urge passage of the Senator Baker-Representative Lloyd Amendment Bill to Public Law #221, giving Roane County a stable ten (10) year period of in-lieu-of tax payments.

Sincerely,

RUSSELL E. SIMMONS,
Chairman.

MR. BREWER. And further, Mr. Chairman, as my official statements, I would like to have the written document that I previously submitted to the committee, given as my official statement, and I would like to just make a few summarizing comments to the committee in the way of my statement of opinion—

Representative YOUNG. The statement will be entered into the record without objection.

[Statement follows:]

STATEMENT OF JUDGE S. WALLACE BREWER, EXECUTIVE OF ROANE COUNTY

I. INTRODUCTION

Congressman Young, Senator Baker, Members of the Staff and distinguished guests, I am pleased, on behalf of Roane County, Tennessee, to add to the welcoming remarks made by Chairman Slusher of Anderson County, our firm appreciation for the Committee's appearance here in Oak Ridge for the purposes of hearing our arguments on behalf of amending the Atomic Energy Community Act of 1955 to authorize the Administrator of the Energy Research and Development Administration to make assistance payments to Anderson County and Roane County, Tennessee. This public hearing is the culmination of at least two years intensive efforts and many other years beyond made by officials of both Roane and Anderson Counties with the goal in mind of obtaining assistance payments to Anderson and Roane Counties in just and reasonable sums of money on an annual basis founded upon congressional authority upon which our counties may rely for local budgeting purposes in the years to come.

Roane and Anderson County efforts have, over the past several years, been at times fragmented and at other times concerted. An intensive co-operative effort has been made during the past two years by the formation of a Joint Legislative Committee with a membership from both Roane and Anderson Counties. We have at this hearing today a representative group from that local Legislative Committee who I would now like to introduce to you: Mr. Robert Jolley, Squire of the Anderson County Court; Mr. Robert Peelle, Squire of the Roane County Court; Mr. Tom Hill and Mr. Horace Wells, local newspaper publishers, Mr. Hill being also the President of the Roane-Anderson Economic Council; Mr. Eugene Joyce, private practicing attorney in Anderson County. I would also like to introduce to the Committee the members of our staff who prepared the document which we are going to present to the Committee today by way of written justification for the amendment to the Atomic Energy Community Act that is being requested; Mr. Roy Bowen of Roane County, and Mrs. Katherine Hoskins and Mr. Gene Collins of Anderson County. The complete membership of our

combined Committee is shown in our Committee's report, and we wish to express our sincere appreciation for all the work done by all the members of that Committee and for their contributions made toward the report of the Committee. A summary of the Committee's report will be presented at the conclusion of my testimony by Squires Jolley and Peelle.

We would, at this time, like to submit into the record of this hearing, the report of the combined Legislative Committee of Roane and Anderson Counties, Tennessee.

II. HR-5698 AND SR-1378 IN THE FIRST SESSION OF THE NINETY-FOURTH CONGRESS OF THE UNITED STATES OF AMERICA

Anderson County, Tennessee and Roane County, Tennessee endorse and support the legislation jointly introduced by Senator's Baker and Brock in the United States Senate, and by Congresswoman Lloyd for herself and for Congressmen Quillen, Duncan, Evins, Fulton, Beard, Jones and Ford in the United States House of Representatives, which Legislation would amend the Atomic Energy Community Act of 1955 to authorize the Administrator of the Energy Research and Development Administration to make annual assistance payments to Anderson County and Roane County, Tennessee. The entire Tennessee Delegation to the United States Senate and to the United States House of Representatives has joined in supporting this bill and our local governments of Roane and Anderson County are pleased to join with the Tennessee Delegation to the Congress in the overall support of this particular piece of legislation.

The ultimate effect of the proposed legislation will be to authorize the Energy Research and Development Administration to make annual assistance payments in just and reasonable sums to Roane County and Anderson County, Tennessee.

As the Chief Executive Officer of Roane County, and as a private practicing attorney, I found the Congressional Declarations of policy and the Congressional findings and the overall purpose of the Act to contain some very interesting language. The Act declared it to be the policy of the United States that government ownership and management of communities be terminated in a manner that would not impede the accomplishment of the purposes and programs established by the Atomic Energy Act of 1954, and that it was desired in each such community to facilitate the establishment of local self-government. The Congress made a finding to the effect that the continued morale of project connected persons is essential to the common defense and security of the United States. The Congress further set forth as the purpose of the Atomic Energy Community Act the maintenance of conditions which would not impede the recruitment and retention of personnel essential to the Atomic Energy Program, and to provide a means for the United States to fulfill its obligations to contribute to the support of municipal functions in a manner commensurate with the fiscal problems peculiar to the communities by reason of their construction as national defense installations and burdens imposed on the governmental entities at the communities by the United States in its operations at or near the communities. The purpose of the Act further acknowledged the opportunity for the residents of the communities to assume the obligations and privileges of local self-government.

While the local governments of Roane and Anderson Counties were in existence prior to the construction of national defense installations at Oak Ridge, Tennessee, which installations are now being heavily used for private enterprise-type activities, Anderson County and Roane County take the position that our counties have operational and fiscal burdens imposed upon them, comparable to the fiscal problems peculiar to the cities of Oak Ridge, Richland and Los Alamos by reason of the operations of the United States in our two counties.

The passage of this amendment to the Atomic Energy Community Act will not only authorize ERDA to make annual assistance payments to our counties, but will also utilize the criteria set forth in the Act for determining the amounts that constitute just and reasonable payments and will further authorize ERDA to make contracts with our counties obligating ERDA to make the payments. The criteria in the Act for determining just and reasonable payments are workable if it is understood by means of a clearly defined legislative history for the proposed amendment to the effect that the word "community" refers to the counties and further that "municipal services" refers to governmental services provided by the counties.

With the passage of this amendment to the Atomic Energy Community Act along with an appropriate legislative history setting out the intent of this com-

mittee to include the counties in the definitions of communities and municipal services, our counties will be in a position to move towards overcoming those fiscal problems and burdens that are comparable to those communities already defined in the Act.

We would like to thank Senator Baker and the other Tennessee Congressional members for the additional payment appropriations last year and for the proposed appropriations for this year for the annual assistance payments. These payments will go a long way in solving our county problems, but we would like to point out that the amounts of those payments were not derived using Public Law 221 criteria. The term "just and reasonable" payment under Public Law 221 would require ERDA consideration of the criteria and a discussion or negotiation with the counties of Anderson and Roane.

There are a number of factors that relate to the criteria of PL 221 that need consideration to arrive at just and reasonable payment amounts. The amount of and removed from private ownership and the ensuing loss of tax base potential for Roane and Anderson Counties is certainly one of the most important considerations due to the fact that both of our counties have as our main means of raising revenue the ad valorem tax upon real estate. Both of our counties have a heavy concentration of federally-related school children in our schools, and there exist special financial burdens to both of our counties attributable to the existence of the Oak Ridge complex and a creation of the City of Oak Ridge within the county boundaries of Anderson and Roane Counties.

III. JUSTIFICATION FOR ADDITIONAL PAYMENTS

An analysis of the detailed study made by our local Tax Committee, which has been made a part of the record in this hearing, clearly shows that Roane and Anderson Counties are adversely affected by operations of the United States in our counties. The primary reason for the adverse affects is the tax immunity of the governmentally-owned industrial complex at Oak Ridge. While the details of this study will be summarized by Squires Jolly and Peelle, I would like to mention just a few of the important points.

Both Roane and Anderson Counties have been converted in a relatively short period of time from predominately rural areas, to predominately urban areas. We have located within the county boundaries of Anderson and Roane, a relatively new city, the City of Oak Ridge. There have been large permanent increases to the population of both of our counties. The urbanization of our counties and the population increases have brought about severe demands for more and improved county governmental services. Roane and Anderson County governmental services are as important in recruiting and maintaining ERDA personnel at Oak Ridge as those governmental services provided by the City of Oak Ridge itself. Thirty-six percent of ERDA personnel reside in the City of Oak Ridge, and 25.5% of ERDA personnel reside in Roane and Anderson Counties outside the City of Oak Ridge. The county governments have legal obligations to provide governmental services required by ERDA activities as well as the city. We are unable to separate the city from the county since the city is an integral part of our counties and the residents of the City of Oak Ridge are all citizens of Roane and Anderson Counties.

The existence of the City of Oak Ridge within Roane and Anderson Counties, and the level of services that was initiated by the federal government and that has been sustained by annual assistance payments to the city, have generated pressures and demands for comparable services from the counties. These factors have put our counties in competition with the city with regard to county employees, salaries, standards of schools and other county facilities and services.

The tax immunity of the government-owned industrial complex at Oak Ridge, restricts our counties from developing a larger tax base to generate needed local revenue to pay for the increased expenditures resulting from the demands and pressures and competition that we have just referred to. The end result of the entire situation has been that the effective tax rates of Roane and Anderson Counties are the highest in the State of Tennessee. These tax rates necessitate property taxes on residential property, on farm property and on small business properties that are excessive when compared to other counties with similar levels of local governmental services. While our current tax rates are the highest in the state, the cost of operating our local governments will continue to rise on an annual basis. We are now engaged in our next fiscal year budget deliberations and that continuing cost increase is very evident. It is unfair and unconscionable for our counties to require our citizens to increase the pay-

ment of the taxes that they pay without EERDA paying its fair share of the cost of our local governmental operations.

The services provided by Roane and Anderson County to support the government-owned industrial complex at Oak Ridge, are the same type of services as those that would be required if the facilities in Oak Ridge were privately owned. The benefits are no different. There are additional payrolls, increased property values, and economic stimuli. The essential difference is that the private industry contributes a substantial amount of the local revenue required to provide the services, whereas, the United States Government does not provide comparable type payments. Our study shows that private industry in comparable counties pays 32% of the ad valorem property taxes collected while ERDA in-lieu-of tax payments, at least at the present, represent less than 3% of the property taxes collected by Roane and Anderson Counties.

Our counties do not have, and should not be expected to have the resources to meet the increased demands resulting from the activities of the government-owned industrial complex at Oak Ridge. Without Oak Ridge, our counties would not have the population size that we have, and we would not have the pressures to provide a higher level of county services with a diminished tax base resulting from land loss. The present situation requires our county taxpayers in Roane and Anderson Counties to subsidize the activities of ERDA operation in Oak Ridge and to further subsidize the private enterprise type customers of ERDA. For all of these reasons we strongly feel that our counties have fiscal problems peculiar to them by reason of the installations at Oak Ridge, Tennessee, and the rational of annual assistance payments now currently being made to the City of Oak Ridge under the authority of the Atomic Energy Community Act, is also applicable to Roane and Anderson Counties.

IV. AMOUNT OF JUST AND REASONABLE ANNUAL ASSISTANCE PAYMENTS TO ROANE AND ANDERSON COUNTIES, TENNESSEE

The proposed amendment to the Atomic Energy Community Act of 1955 does not fix the amount of just and reasonable payments. We would first of all assume that the payments made in 1974 to our counties and the proposed 1975 payments, while they do go considerable distance in solving our county problems, are not determinations of what the ultimate annual assistance payments will be.

We feel that the term "just and reasonable payments" requires a further analysis. For example, the proposed ERDA payment for 1975 represents a significant change from the 1974 payment, both in terms of total amount and in terms of the pro rata share of each county. While Roane and Anderson Counties are not fully informed of the basis for 1974 or 1975 payments, we are certain that the criteria of PL 221 were not exclusively used in determining those amounts.

Roane County has suffered the largest land loss of the two counties. Roane County also has a higher concentration of federally-connected school children, and while the principle for assistance payments should be the same, this does not mean that the amounts of payment should be the same for our counties. It appears from our study that Roane County is apparently being penalized because it has a local option sales tax, and we are further by reason of that tax subsidizing the ERDA activities in both counties.

Anderson County has more residents that are Oak Ridge connected and has 45% of its population in the City of Oak Ridge. Oak Ridge makes a greater use of Anderson County services and requires more county expenditures.

The objectives in deliberations moving towards the determination of just and reasonable payments to Roane and Anderson Counties should be to attain an effective property tax rate in both Roane and Anderson County that is closer to those of comparable counties. Such an objective will aid our counties in becoming more self-sufficient by reducing the deterrents currently existing to private industry locating in Roane and Anderson Counties, and will facilitate the sharing of future increased costs of county services between the industrial complex owned by the federal government and the private taxpayers of our counties on a fair and equitable basis.

Both ERDA and Anderson and Roane Counties would be bound by the criteria in the Community Act for determination of the amount of just and reasonable payments. Final determination lies within ERDA subject to the oversight of

the Joint Committee of Atomic Energy. The payment to Los Alamos, City of Oak Ridge, and Richland, were not fixed before PL 221 was enacted. The amount determined to be just and reasonable for each place was different in accordance with the local circumstances prevailing. For example, the Los Alamos payment appears to be \$208.00 per capita, while the payment to Oak Ridge appears to be \$50.00 per capita.

Although the data developed by the Roane and Anderson County Study Document, regarding comparable counties, would support higher per capita numbers than either Oak Ridge or Los Alamos payments we would expect Roane and Anderson County payments to be within the range of the Los Alamos and Oak Ridge payments. Our counties would further recognize that 874 payments made on account of the federally-connected school children would be a proper off-set against the determination under PL 221.

V. CONCLUSION

In summary, we believe that the amendment to the Atomic Energy Community Act of 1955 to authorize the administrator of ERDA to make assistance payments to Roane and Anderson Counties offers an appropriate and a fair solution to Roane and Anderson Counties' fiscal problems and other burdens imposed upon us peculiar to our communities by reason of the operations of the United States in what is now essentially private enterprise type activities in the communities of Roane and Anderson Counties.

We have confidence in the ERDA organization, and its understanding of our counties' problems. We support the concept of leaving the final determination of just and reasonable payments with ERDA, and we believe that ERDA and Roane and Anderson Counties can arrive at mutually acceptable amounts of annual assistance payments. Our counties understand our dependence upon the Oak Ridge Industrial Complex, and we wish to support it to the fullest extent possible. We wish to emphasize that our counties are not at all looking for a hand-out. We do believe, however, that it is unfair for our county tax-payers to bear the entire burden of cost of county services that are dependent on local revenues, when we have in existence in our communities the existence of the large industrial complex at Oak Ridge with its attendant economic consequences.

We wish to thank Senator Baker, Congressman Young, the Joint Committee on Atomic Energy, Senator Brock, Congresswoman Lloyd, and all the other members of the Tennessee Delegation for their consideration of the peculiar financial difficulties being currently experienced by Roane and Anderson Counties. We feel that the proposed legislation offers an entirely fair and equitable means of working towards the solution of those problems.

I would now like to turn our presentation over to Squires Bob Jolley and Bob Peelle for the review of our local committees' study.

Mr. BREWER. Mr. Chairman, our counties of Roane and Anderson, join in the support given by the Chair, and by our Tennessee delegation to the Congress, in the proposed enactment of this legislation.

In addition to being a county judge of Roane County, I am a private practicing lawyer, and I examined the Atomic Energy Community Act of 1955, and found in its overall scope, and its purpose, some very interesting language. The Congress set forth as the purpose of the Atomic Energy Community Act, the maintenance of conditions which would not impede the recruitment and retention of personnel essential to the Atomic Energy program. And further, as a purpose to provide a means for the United States to fulfill its obligations to contribute to the support of municipal functions in a manner that is commensurate with the fiscal problems peculiar to the communities, by reason of their construction as national defense installations and the burdens imposed on the governmental entities at the communities by the United States in its operations at or near the communities.

Now we certainly recollect, Mr. Chairman, that Roane and Anderson Counties were in existence prior to the community of Oak Ridge, this

new city that was carved out of both Roane and Anderson Counties, being even contemplated for its existence, and being brought about into existence.

But we take the position, Mr. Chairman, that our counties have operational and fiscal problems that are very similarly related to the problems experienced by the city of Oak Ridge. We do submit to this committee, that the criteria set forth in this act would be workable if applied to the communities, if by means of a clearly defined legislative history for this amendment, that when the word "communities" in the act is considered, that it be clearly shown by a legislative history that that word is intended to include Roane and Anderson Counties. And further, that when the word "municipal services" is used in the act, that it also includes those services rendered by the counties on behalf of all of the persons who live in both Roane and Anderson Counties.

If these definitions are clarified by means of a good legislative history, then we feel that our counties will be then in a position to move forward to a solution of our fiscal problems, that we feel, again, are comparable to those of the city of Oak Ridge.

We would like to again thank Senator Baker and Congresswoman Lloyd, and Senator Brock for those efforts that they have made in the last year for the one-time payment and for the efforts that they are making this year for the additional payment. But again emphasizing the remarks of the Chair a few moments ago, I would like to second those remarks. I know that the Chair has been a past county judge, and I am for the first year, going through the deliberations of a \$10 million budget, and I have a great deal of difficulty, not only as a novice county judge, but also a great deal of difficulty along with the members of our budget committee, knowing who we can budget for our local expenditures for how much money to spend on solid waste disposal, for ambulance service, for police protection, for the operation of all the services of our county, when we really don't know how much money we are going to be receiving in the way of revenues. It is difficult to set up a budget, expecting to have to spend a certain amount of money to attain a level of services that we have grown used to over a period of years, and at the same time, be completely unaware, or uncertain as to the amounts of payments that we will be receiving, and if, in fact, we will be receiving those payments.

There are some considerations that we feel that could be made in determining the amounts of just and reasonable sums, that we would expect as a result of this legislation, to be paid to our county.

I think, first of all, the very heavy land loss of our counties is a very, very important consideration, in view of the fact that our local budgetary needs are based by and large upon the ad valorem tax base of our county. We depend upon the presence of—the ownership of property in our county to pay for the burden of local government, and at the same time, in Anderson County about 9.35 percent is owned by the Federal Government in one form or another, either by TVA or ERDA, and in Roane County, that figure exceeds 20 percent. So, when it comes to the deciding of how much to assess our local property owners in Roane County, we are, in effect, supporting the operations of our local government in Roane County that we have had as a result of the urbanization of our counties from the existence of this plant.

We are having our homeowners, who have mortgages on their homes, and the small businessmen who struggle each day to make their living in their own way, and for the farmers who still own farm property in our county, to bear what we feel is an unfair share of the cost of local services, when we consider the fact that 20 percent of our land in Roane County, and 9.35 percent of the land in Anderson County is owned by the Federal Government.

We do respectfully point out to the committee, and urgently impress upon the committee, the point that we feel is extremely important. That is, that these counties of Anderson and Roane are just as legally obligated to provide governmental services for the people who live in our counties, as is the city of Oak Ridge. Thirty-six percent of the personnel who work at ERDA, or who are ERDA-related personnel, live within the city of Oak Ridge itself. At the same time, 25.5 percent of the ERDA-related personnel reside in the counties of Anderson and Roane. Further, this 36 percent of the ERDA-related personnel that live within the city of Oak Ridge, are all citizens of Roane and Anderson Counties. We can't take them out of the counties, they are an integral part of our counties.

We are very pleased to have these installations located in our counties. We are very pleased with the high level of wages, and the good life style that our citizens enjoy as a result of the location of this industrial complex. But at the same time, we have the same obligations as those communities specifically already defined in the act, to provide those services, and we feel that it would not at all be inappropriate, by means of a clearly defined legislative history, to include in the definitions of communities, the counties of Anderson and Roane.

The end result of the impacts of the plants in Oak Ridge, that is, the high land loss, the substantial increases in the way of permanent population, the large number of federally related school children who attend our schools, have had as their end result, the fact that Anderson County and Roane County have the highest effective tax rates in the State of Tennessee. Anderson County has the highest, and Roane County is not far behind. And adding to that our—

Chairman YOUNG. Would you repeat that point? We had some testimony from Mr. Slusher about the Anderson County tax rate. It is \$5.25, is that right?

Mr. SLUSHER. \$5.71.

Chairman YOUNG. \$5.71. Could you tell us offhand? The record, I am sure, will reflect it.

Mr. BREWER. \$4.73.

Chairman YOUNG. Yours is \$5.68?

Mr. BREWER. \$4.73. And then in Roane County, we also have the local option sales tax that our citizens further pay, that contributes towards the operations of our school system, and other functions of local government.

Also, Mr. Chairman, the cost, of finding out in our budget deliberations this year are going to increase on an every year basis, and we respectfully submit that it is unfair and unconscionable for our counties, that is, the homeowners with mortgages on their homes, and the average businesses—of the small business men, and the farmers, to pay what we feel is more than their fair share of the operational cost of government.

The services, once again, in our counties, are just as important as those provided by the city of Oak Ridge. We would, in our report, point out to the committee that in comparable counties, that is, counties who have as a part of their economic structure, a major industrial area, and we have carefully defined and shown those comparative figures in our document, in those counties, those major industrial plants that consume far less acreage, and have fewer employees, pay more than 30 percent of the entire ad valorem tax base.

While we realize that payments are made by the ERDA organization, those payments represent less than 3 percent of the property taxes in both Roane and Anderson Counties. So, 3 percent for federally immunized from taxation organizations versus a 32-percent payment by similar, or comparable, situations where private enterprise is involved, is a very important point that we would like for the committee to consider.

Now, as has been pointed out by several preceding witnesses, the amounts of the payments in lieu of tax assistance payments to be made after the practical authority is given to ERDA, is not clearly defined in the act. We feel that there are several of the criteria in the act that could be considered in determining the amounts of those just and reasonable assistance payments.

While the proposed payment to Anderson and Roane Counties for this year, as well as the payments for last year, on a one-time basis, do go a long way, and we hope that again the payments that we expect from this that have been approved by this committee, will be approved for the coming year. While these payments do go a long way toward solving our problems, they are not necessarily the complete answer. They are not necessarily the complete answer to the end payments that we would hope to receive after a series of negotiations with the ERDA organizations.

Our counties are not fully informed of the basis on which these payments were determined, the amounts of those payments, but we are relatively certain that the criteria of the Public Law 221, the Atomic Energy Community Act of 1955, were not, at least, exclusively used in determining the amounts of payment.

So we feel that while these payments do go a long way toward solving the problems, they are not necessarily the end answers that we are looking for. We feel overall, Mr. Chairman, that the objects to be obtained in trying to determine the sums of just and reasonable amounts, would be to allow both of the counties of Anderson and Roane to attain a tax rate in our counties, that would impose upon our citizens, our homeowners, our farmowners, our businessmen, that would be comparable to those of counties that have in those counties major industrial facilities comparable to those of the Federal Government that are owned by private enterprise. We feel that such an overall—overall objection would be in the best interest of the Government, and would be in the best interests of our counties.

The final determination, of course, of these amounts lies entirely within ERDA administration. We have confidence in that administration to sit down with our counties, to negotiate terms of payment to consider the factors that we consider to be important, to consider their own feelings about the matter.

We would point out to the chairman, and to the committee, that comparative type per capita basis might be a worthwhile consideration. Under the act, for example, the city of Oak Ridge receives about \$50 per capita for annual assistance payments from the ERDA organization for their part of the payment under this act, while the city of Los Alamos receives about \$240 per capita. The figures that our joint legislative committee has developed in Roane and Anderson Counties, would justify a higher dollar number than either those of Oak Ridge or Los Alamos, but we would expect that our payment would fall within the range between the city of Oak Ridge and the city of Los Alamos.

We would further recognize that 874, payments for the students that are ERDA-connected students, that is, who have parents that are employed and are these related ERDA personnel, would be a proper offset against any determination under Public Law 221.

In summary, Mr. Chairman, our counties certainly want to extend a continued support for the operations of the industrial complex, the governmentally owned industrial complex at the city of Oak Ridge. We recognize our dependence upon those facilities here in both Roane and Anderson Counties. We further recognize that our economy is dominated and controlled by the Federal Government by the many factors that I briefly mentioned, and by those factors that will be further explained by the other members of our committee, that will give some of the details of the study that we have done. And we would wish to emphasize to this committee, that our counties are not in any way asking for a handout. We are asking simply for our county taxpayers to be allowed to share jointly in the operations of our local government with those Federal facilities that are located in Roane and Anderson Counties, and that have a tremendous economic impact upon the economy of our counties. We are asking for just and reasonable sums, and nothing more.

We again thank the committee for its attendance today. We look forward to the other social occasions.

We would like to add that we are very pleased that Tennessee had a part in maintaining Texas, as a State, especially in view of Texas' being so ably represented by the Chair. And we certainly sympathize with the problems that you had in the past with being a county judge, and look forward to seeing you further today.

Chairman YOUNG. I want to say to Judge Brewer that we appreciate your statement, too, Judge, and hope when we get through with this very able legislation that has been presented here by our Tennessee colleagues, that your situation will be greatly improved. You said that you were just county judge for the first year?

Mr. BREWER. I was elected in August of last year, and took office in September.

Chairman YOUNG. I have got some sad news for you, Judge; it is never going to be real easy.

Mr. BREWER. I have the next 8 years to find that out for certain.

Chairman YOUNG. Judge, I think this point, among others, but I think this is abundantly clear, and that is that you just almost—I am not advocating this—but it would almost be better not to have any payment at all than to not have one you can rely on for budgeting purposes. And it seems to me that there is so much reason in these bills,

and so much work-ability in them, that I don't know what can be done. Do you have any questions?

Senator BAKER. I have a couple questions, Mr. Chairman. First, I would like to commend both these gentlemen and their colleagues in Roane and Anderson Counties who have pursued this for so long. It hasn't been just an ambition, an unfulfilled need, but it has been a coordinated effort. You have had a distinguished committee working on this for sometime, because I have had the opportunity to visit with them on more than one occasion, and to see their work product.

Judge, if some of them are here, and I do see some of them here, I wonder if you would introduce them, so the Chairman—

Mr. BREWER. I would be glad to. Mr. Bob Jolley of the Anderson County Court will be speaking to the committee in a few moments together with Mr. Jerry George. Mr. Bob Peelle is back-up in that direction. Mr. Peelle of the Roane County Court will also be speaking to the committee—Squires Pete Malmquist and Bill Mee of Roane County. We have many other members—Mr. Tom Hill and Mr. Horace Wells—who will be speaking to the committee. Both Mr. Hill and Mr. Wells are local newspaper publishers, and Mr. Hill is president of the Roane-Anderson Economic Council. Mr. Gene Joyce who has also been on the podium at one time, will be speaking to the committee. The entire membership of our committee is set out on the document on the first page of our document.

Mr. Chairman and Senator Baker, for this document we have three very fine hard working people to thank. And I especially would like to recognize them, since you give me the opportunity to do that. And that is Mr. Roy Bowen of Roane County, and Katherine Hoskins and Gene Collins of Anderson County. Without their dedicated hard work over the past few days, this document would not have been prepared. I understand, for example, it took all day long just to crank out enough copies on the Xerox machine to get the copies ready for the committee. They have worked hard and for a long period of time. Kathleen Emch of Roane County performed the invaluable service as report typist.

Senator BAKER. Well, I thank you for doing that, Judge, and my commendation to both Roane and Anderson Counties for this cooperative effort. I don't have extensive questions. I have one question that might help to put things in perspective, might be important.

Under the existing law, under section 168 of the Atomic Energy Act, Roane County, as an example, would receive what? \$65,000 is the amount I have.

Mr. BREWER. This year, it is between \$69,000 and \$70,000.

Senator BAKER. All right. Have you computed, or can you give me some estimate of what they would receive under section 91, as we propose to amend it?

Mr. BREWER. Mr. Chairman, I have not computed the precise amounts. We think that all the factors mentioned in our report should be considered, but once again, we would anticipate the most two important ones being a payment that would allow us to attain the tax rate of comparable counties, and second, a payment that would fall within the range of \$50 per capita to \$240 per capita. We are not asking for anything beyond which the Congress has already established as a just and reasonable sum.

Senator BAKER. Can you give me a dollar figure? What do you think that would amount to? Somebody has to decide some place. I know that is a nice range, but give me your estimate, what do you think it would be?

Chairman YOUNG. Better make it generous while you are at it.

Mr. BREWER. I'd like to keep it there.

Senator BAKER. The thought is running through the Judge's mind, I suspect, Mr. Chairman, how much can I say without startling those people too much. Give me a figure. We won't hold you to it, Judge.

Mr. BREWER. A few years ago, or 2 or 3 years ago, Anderson County asked for a sum in the amount of a million dollars. As a result of their studies, we have been receiving payments this year in the amount of \$396,000 to Anderson, and \$301,000 to Roane. Once again, Mr. Chairman, and not as an attempt to evade the question, we have not come to a complete determination of what those payments would amount to. Whether it would take a million dollars, or in excess of that, we are not certain; what we want to do, is to try to again not ask for anything that we don't feel that we should be paid, but be paid an amount to adjust our tax rate to a comparable county. I would like to give you a specific amount, but I simply am unable to come up with a specific dollar amount that I feel would be reasonable and just.

Senator BAKER. The essence of your position, as I understand it, certainly the essence of my position in this, is that whatever we do, we ought to regularize it, so you know what to expect.

Mr. BREWER. Yes, that is important, as pointed out by Mr. Young, that we are unable to accurately rely upon the amounts of payments in our budget deliberations, if we do not know with certainty what those payments are being forthcoming.

Senator BAKER. I won't take any longer, except to say that Judge Brewer is the county judge, and the chief elected official of the county from whence Sam Rayburn's family mostly came. And we gave him on loan to you, and never got him back. There were lots of Tennesseans who did that.

Representative YOUNG. I am so pleased about that. You know Mr. Rayburn was a remarkable person. When I went to Congress, I was 40 years old, and Mr. Rayburn, of course it was later then, and he had been a Member of Congress longer than I had been alive at that time. And he served quite a few years.

I am going to call on our distinguished Marilyn Lloyd. But before I do, I want to announce that in deference to our very able stenographic reporter, we are going to declare a 10-minute recess right after we finish with this witness.

Representative LLOYD. Thank you, Mr. Chairman. Judge Brewer, I just want to tell you that I appreciate the work and all the research that you gentlemen have done in preparation for this. You certainly have proven your point that something must be done, something should be done, and I know that you agree that if we could have this on a 10-year authorization, that it would be much easier in planning your budgets.

Mr. BREWER. One final remark that I might make, would be in determining the amounts of payment, that no amount, no specific amount for any of the other cities that are already included in the term communities, was determined at the time of the passage of this act, that

those determinations were made through the administrative processes upon which we place great reliance. And we would hope that a fair and reasonable payment would be determined in the same manner in which the previous payments to the cities of Richland, Los Alamos, and Oak Ridge have been determined, and we would be more than happy to work very closely with ERDA personnel to have the substantial amount of input into what we feel those payments would be, and we appreciate very much your support.

Representative YOUNG. The committee will now stand in recess for precisely 10 minutes.

[Whereupon, the committee recessed for 10 minutes.]

AFTER RECESS

[The hearing reconvened at 10:50 a.m. pursuant to recess, Representative Young, chairman of the subcommittee, presiding.]

Representative YOUNG. The committee now comes to Robert L. Jolley, Anderson County, Tenn., chairman, Tax Study Committee of Anderson County, and Squire Robert W. Peelle, Subcommittee on Payments in Lieu of Taxes to Roane County. Gentlemen, who is going to be first here? Mr. Jolley? You may proceed, sir.

STATEMENT OF ROBERT L. JOLLEY, CHAIRMAN, TAX STUDY COMMITTEE, ANDERSON COUNTY, TENNESSEE; ACCOMPANIED BY ROBERT W. PELLE, CHAIRMAN, SUBCOMMITTEE ON PAYMENTS IN LIEU OF TAXES TO ROANE COUNTY; AND BILL MEE AND JERRY GEORGE, MEMBERS, ROANE AND ANDERSON COUNTIES COURTS

Mr. JOLLEY. Chairman Young, Senator Baker, Congresswoman Lloyd, Mr. Keto, and committee and staff members of ERDA and Congress.

I am Robert Jolley, chairman of the Anderson County Group. Robert W. Peelle is chairman of the Roane County Group, and with us are Squires Bill Mee and Jerry George, members of the Roane and Anderson County Courts.

I wish to express our appreciation to you, and to the members of your committee for taking time away from your extremely busy schedules and many previous obligations to come to Anderson and Roane Counties and to Oak Ridge, as the Subcommittee on Community Affairs for the Joint Committee of Atomic Energy to discuss with us our fiscal problems. We are indeed appreciative.

This study we have presented for the record represents our efforts to pull together all the facts demonstrating the effects of the atomic energy complex on these counties. Our situation is indeed unique. We have located in these two counties an industrial complex which is one of the largest in the Southeast. The change this complex has brought about in Anderson and Roane Counties has been indeed dramatic, a major and permanent change. Our study speaks to this fact that the Federal Government dominates, through the sheer size of the ERDA complex here, the life style of the two counties. I would

like to submit as part of the record, our collective testimony, which has our names on it.

Representative YOUNG. Without objection, let it be so admitted.
[Statement follows:]

TESTIMONY BEFORE SUBCOMMITTEE FOR COMMUNITY AFFAIRS, JOINT COMMITTEE ON ATOMIC ENERGY, ON BEHALF OF ROANE AND ANDERSON COUNTIES: ROBERT L. JOLLEY, ROBERT W. PEELLE, WILLIAM T. MEE, AND JERRY A. GEORGE

Mr. Chairman: The Anderson and Roane County governments have entrusted a rather large group of elected officials and citizens of the two counties with the task of preparing documentation to support our request for financial assistance from the Energy Research and Development Administration. As you know, we have been several years at the task. The principal effort and preparation of the document this last month was delegated to:

Mr. Roy Bowen, Roane County School Department,
Mrs. Katherine B. Hoskins, Director of Accounts and Budgets, Anderson County, and
Dr. Gene Collins, Anderson County School Department.

They are present to assist us if appropriate. They, with the assistance of the committee members and Mr. O. S. Hiestand, Committee Counsel, have prepared this document entitled, "A Study of the Impact of the Federal Government on Roane and Anderson Counties, Tennessee," which we wish to submit for the record as the major portion of our testimony. The committee members all of whom worked diligently are listed in the document. Many others have helped. In particular the Roane-Anderson Economic Council has facilitated the working arrangement between our two counties.

We will attempt to cogently summarize many of the points in this document.

OVERVIEW OF STUDY

This Study represents our efforts to pull together all facts demonstrating the effects of the atomic energy industrial complex on the counties. Our situation is indeed a unique situation. We have in the two small counties one of the largest industrial complexes in the Southeast. The change this industrial complex has brought about in Anderson and Roane Counties has been dramatic, a major and permanent change.

In 1940 these two lovely counties were composed of peaceful farming communities. Anderson was 90% rural and Roane 66%. This was dramatically changed with the construction of the atomic energy installations, and today Anderson with 60,300 population is 56% urban, and Roane with 38,900 population is 53% urban. Today, 45% of Anderson County residents reside in the city of Oak Ridge and 4% of Roane County residents reside there. The rapid population increase of the counties caused by the atomic energy facilities is shown in Table III B1.

TABLE III B1. GENERAL POPULATION CHARACTERISTICS

Location and year	Total population	Number urban	Percent urban	Number rural	Percent rural	Median age (years)
Anderson:						
1940.....	26,504	2,761	10.4	23,743	89.6	NA
1950.....	59,407	33,921	57.1	25,485	42.9	25.5
1960.....	60,032	32,067	53.4	26,469	46.6	-----
1970.....	60,300	33,831	56.1	26,469	43.9	29.5
Roane:						
1940.....	27,795	9,601	34.5	18,194	65.5	NA
1950.....	31,665	13,547	42.5	18,207	57.5	25.0
1960.....	39,133	14,205	36.3	24,928	63.7	26.3
1970.....	38,881	20,788	53.3	18,093	46.5	29.6

The atomic energy related federal land holdings are now 13,300 acres (20.8 square miles) or 6.1% of Anderson County, and 23,800 acres (37.1 square miles) or 9.6% of Roane County. (TVA has also removed an additional 54.1 square miles from private ownership in the two counties.)

In 1940, about 20% and 40% of Anderson and Roane Counties' work forces, respectively, were employed in the construction, manufacturing, and chemical industries. Today, about 70% of each county's work forces are employed in such industries. About 62% of the total work force (15,000) at the Oak Ridge atomic energy industrial complex reside in Anderson and Roane Counties.

The impact of this federally controlled large industry on Anderson and Roane counties has been great as well as complex. To a large extent the potential for development of large privately owned industry has been eliminated. The large land area occupied and controlled by both ERDA and TVA has eliminated a large portion of the land in Roane and Anderson Counties suitable for large, privately owned industries. Other factors such as competition with Oak Ridge plants for labor and high tax rates are also significant factors.

A more subtle effect of the urbanization resulting from the presence of the atomic energy facilities is increased demand for more and better governmental services, particularly with respect to education. In recent years more and more Oak Ridge employees have been moving out of the city into other areas of the county. These employees desire a higher level of governmental services than the average or typical rural resident. Furthermore, because they tend to obtain positions of leadership they exert an influence towards securing higher level of services.

A major impact of the federally controlled industry is the inadequate tax base and tax revenues. The immunity of this large industrial complex from taxation results in high tax rates for residents of the counties. The *ad valorem* property tax is the dominant source of all local county revenues. As a result, Anderson County has the highest tax rate in the State of Tennessee, and Roane County has the third highest. This high tax rate falls on all private property owners; residents, farms, small business properties. It is particularly poignant that one out of seven families in Anderson County and one out of six in Roane County have poverty level or less income (\$3,000). In the city of Oak Ridge, one out of seventeen families has less than \$3,000 annual income. These high taxes may not severely hurt families with adequate incomes, but they have an exceedingly dramatic effect on the poverty stricken.

To graphically illustrate this point we have contrasted the impact of Alcoa Co. on Blount County and Tennessee Eastman Co. on Sullivan County with our local situation. In 1973 Alcoa with 5,000 employees paid \$1,152,000 to Blount County and \$834,000 to the city of Alcoa. Tennessee Eastman with 7,000 employees paid \$3,111,000 to Sullivan County and \$436,000 to the city of Kingsport. By contrast in 1973 the Oak Ridge industrial complex with 15,000 employees paid \$62,000 to Anderson County, \$69,000 to Roane County, and \$1,400,000 to the city of Oak Ridge (PL 874 totaled \$237,000 and \$177,000 for Anderson and Roane Counties, respectively).

At present ERDA has two statutory authorities for payments in lieu of taxes. The Atomic Energy Act of 1955 authorizes ERDA to make payments in lieu of taxes to local governments on the unimproved value of land removed from tax rolls, and to make larger payment when its operations improve "Special burdens" (Section 168). Currently (1973) under the former provision Anderson County is receiving \$62,000 and Roane County \$69,000 per year.

To date, ERDA and its predecessor, The Atomic Energy Commission, have never directly utilized the special burdens provision of Section 168. In 1970 Anderson County submitted an in-depth study requesting assistance under this provision. The AEC rejected the finding but contracted with the University of Tennessee to make a study. However, the criteria stipulated for the study were so narrow that if applied to a privately owned industry they would demonstrate it also had generated no burdens to the county or local government that would imply need for tax payments. Nevertheless, for fiscal year 1974-75, as you know because of your assistance in the matter, the Atomic Energy Commission paid \$250,000 to Anderson County and \$295,000 to Roane County because "of the special financial burden related to the Commission's operations at Oak Ridge."

Similarly this year, it is our understanding that \$396,000 and \$301,000 has been approved by the Joint Committee on Atomic Energy for Anderson and Roane Counties, respectively, for fiscal years 1975-76.

To place these assistance payments in perspective, in 1973 the PL 874 payment plus AEC in lieu of tax payment amounted to about 8% of the total real property taxes (Plus Payments) collected in Anderson County and 9% in Roane County. In 1974 with the increased AEC assistance payment, the percentages

were increased to about 14% in Anderson and 18% in Roane County. In contrast, similar smaller privately owned industries paid, Alcoa in Blount County and Tennessee Eastman in Sullivan County, paid 33% of the total ad valorem real property taxes (Tables VB4, VB5, VB6).

Thus, the major conclusion of our study is that the federal government because of the sheer size of the Oak Ridge complex dominates and controls the life style of our two counties. This change from rural to urban nature has been permanent in nature and dramatic in effect.

MAJOR POINTS OF STUDY

Land removed by ERDA from county tax rolls

ERDA holdings as of December 31, 1972 were 37,073 acres, of which 13,280 acres (20.75 square miles) were in Anderson and 23,793 (37.11 square miles) were in Roane. This represents 6.09 percent of Anderson and 9.58 percent of Roane. (TVA has removed 11.1% and 3.3% of the land area of Roane and Anderson Counties.)

ERDA facilities

The AEC facilities located in Anderson and Roane Counties are a unique national asset serving not only broad national interest but the rest of the world. In addition to the Oak Ridge Operations Office the federal facilities include three of ERDA's major production and research installations. These are operated for ERDA by Union Carbide Corporation, Nuclear Division.

The plant facilities initially cost in excess of 1.5 billion dollars and currently have a net book value (acquisition cost less depreciation) of \$813,132,000.00. The Y-12 plant in Anderson County at \$365,200,000.00, the ORGDP at \$312,758,000.00, and ORNL (Holifield) at \$135,174,000.00 make up this total.

ERDA work forces

A Payroll and Residence Information Report for the Oak Ridge Area for the year ending December, 1974, indicated total employment by AEC and CPFF Contractors totalled 15,034 employees, 36.1% of which lived in Oak Ridge, 13.0% in Anderson County, outside Oak Ridge and 12.5% in Roane County, outside Oak Ridge. The number of employees in Roane and Anderson Counties totalled 9,433 or 61.6% of the total work force. The city of Oak Ridge is contained in both Roane and Anderson County, while Anderson has the greater number and percentage of employees, Roane County contains the major AEC installation and work places. Since in 1960 over 60% of the AEC-related employees lived in Oak Ridge City, there has been a gradual move from the city into the counties.

TABLE IV B2 (AND APPENDIX B)—FEDERAL EMPLOYEES AEC AND TVA, 1970-75

	Employed work force 1970	Resident AEC employees 1975	Resident TVA employees 1975	Federal employees as percent of work force
Anderson (outside Oak Ridge).....	9,941	1,985	450	24.49
Roane (outside Oak Ridge).....	14,269	1,918	850	19.40
Oak Ridge.....	11,615	5,530	?	47.61

The average income of the workers residing in the City of Oak Ridge is \$13,232 as compared to \$10,173 for those residing in Anderson County outside the City and \$10,468 for those residing in Roane County outside the City. In contrast, the mean 1970 rural family income for Anderson County was \$6,890 with one out of four rural families with poverty level income. In Roane County the mean rural family income was \$7,281 with one out of five rural families at poverty level. (Table III B16, page 43 of report.)

TABLE III B16.—ECONOMIC AND FISCAL COMPARISONS OF TENNESSEE COUNTIES (1969-70)

Counties	Mean family income	Median family income	Percent of families with income of 15,000	Percent of families income poverty level	County population	Percent of county's families rural	Full value of property per ADA	Full value of property per family	Mean rural family income	Percent of rural families with income poverty level
Anderson.....	\$9,440	8,558	16.2	15.1	60,300	44.3	\$16,003	\$14,555	\$6,890	24.6
Blount.....	8,488	7,898	9.8	14.6	63,744	57.8	27,132	19,842	7,894	16.8
Bradley.....	8,494	7,922	9.2	14.3	50,686	49.1	26,919	21,068	8,042	14.6
Hamphreys.....	8,236	7,850	8.1	19.7	13,560	72.0	40,579	32,822	8,099	20.1
Sullivan.....	9,180	8,372	12.9	13.2	127,329	44.2	44,740	34,913	8,559	14.7
Sumner.....	9,238	8,208	12.7	14.3	56,103	49.5	24,246	20,437	8,734	17.5
Williamson.....	9,762	8,191	17.6	14.4	34,330	72.6	29,489	24,547	10,311	14.1
Wilson.....	8,497	7,878	10.2	15.6	36,999	66.3	19,226	14,869	8,567	15.1
Roane.....	8,005	7,401	8.6	18.0	38,881	46.5	14,113	12,090	7,281	20.5
Cheatham.....	8,075	7,646	8.2	15.4	13,199	100.0	24,631	21,335	8,074	15.4
Coffee.....	8,596	7,677	12.6	16.8	32,572	36.0	22,299	22,049	7,271	23.2
Dickson.....	7,696	7,001	8.0	16.3	21,977	74.2	14,631	18,670	7,271	18.1
Hamblen.....	7,936	7,219	7.7	15.8	38,696	47.5	35,823	27,441	8,086	13.2
Madison.....	8,330	7,308	11.4	19.5	65,727	39.1	22,382	19,202	7,405	20.9
Mauzy.....	8,058	7,251	9.1	17.2	43,376	42.3	26,490	22,986	7,405	20.4
Montgomery.....	8,165	7,220	10.0	18.4	62,721	34.7	17,741	16,080	7,361	19.8
Rutherford.....	8,633	7,664	11.7	15.1	59,428	41.3	18,437	16,526	7,675	19.8
Washington.....	8,525	7,259	11.3	16.8	73,924	54.3	26,335	19,782	7,898	17.2

Sources: Cols. 1 to 6 and 9 to 10 from data and calculations on data in U.S. Bureau of the Census, "Census of Population: 1970 General Social and Economic Characteristics, Final Report PC (1)—C44 Tennessee, Washington, D.C., 1972." Col. 7 and 8 from calculations on data in "Tax, Aggregate Report of Tennessee," 1970, State Board of Equalization, Nashville, and State of Tennessee, "Annual Statistical Report of the Department of Education for the Scholastic Year Ending June 30, 1970."

Impact of ERDA Facilities on the Counties

One of the greater impacts of the ERDA presence in the Counties has been the demands for increased levels of governmental services. These service demands can be illustrated in school operating costs, salaries of teachers, law enforcement, ambulance services, solid waste disposal, and general government operation. These increased costs are reflected in the tax effort required to meet the costs.

Table T-2 illustrates increasing costs of governmental operation. Some portion or fraction of this is attributable to increased demand for services, and the costs must be met from the narrow tax base available.

TABLE T-2.—EXCERPTS FROM TABLES IV, D1 AND D2—ROANE COUNTY GOVERNMENT COST PER CAPITA, FISCAL YEARS 1971-74

Fiscal year:	Ambulance ¹	General county fund		Total	Schools operations fund (local)	Debt service fund ²
		Sheriff ¹	Solid waste ¹			
1971	1.25	2.32	1.33	16.71	13.40	17.31
1972	1.86	1.68	.82	19.14	16.07	19.86
1973	2.76	3.64	2.03	26.33	13.26	25.22
1974	3.23	4.70	2.57	27.35	29.05	21.80

¹ Figures do not include \$118,000 Federal revenue sharing funds.

² 54.34 percent of debt service requirements for schools.

EXCERPTS FROM TABLES IV, D3 AND D4—ANDERSON COUNTY GOVERNMENT COST PER CAPITA, FISCAL YEAR 1971-74

Fiscal year:	Ambulance	General county fund		Total	Schools operations fund (local)	Debt service fund ¹
		Sheriff	Solid waste			
1971	1.22	2.01	0.22	16.68	20.35	12.39
1972	1.17	2.04	.50	20.18	26.08	12.48
1973	1.33	2.10	2.30	20.41	26.75	14.03
1974	1.34	2.52	3.41	18.76	33.62	14.77

¹ 65.00 percent of Debt Service Requirement for Schools.

The area of Roane and Anderson Counties does not appear attractive to industry primarily due to high tax rates, lack of desirable land and reluctance to compete with ERDA salary schedules for employees. The present circumstances depress the desire of industry to locate in the area due to the fact that they would pay a disproportionate share of taxes and pay high salary costs forcing upward any costs of production.

School operating costs continue to represent the largest percentage outlay of the costs of local government. The financing of public schools in Tennessee is a cooperative endeavor involving state, federal, and local funds.

One of the measures of ability to support educational services is the Estimated True Value of Property per pupil in Average Daily Attendance. Table IV D7 indicates that while Roane and Anderson Counties have \$15,307.69 and \$16,871.91 of estimated True Value of Property per pupil in average daily attendance respectively, Blount and Sullivan Counties have \$27,715.12 and \$44,837.56. What this means is that the school districts with lower assessed value of property per ADA student must exert a proportionately greater effort in higher local taxes to raise equivalent amounts of money than districts with higher values of property per ADA.

Over the years state and local school systems have sought to identify measures that determine the quality of education being offered. The most frequently used yardstick has been the annual current expenditures per pupil. In 1964 a study conducted for the Kentucky State Department of Education clearly indicated that this measuring device has a higher correlation with educational quality than any other single factor.

Using this criteria Tennessee does not compare favorably with the vast majority of other states in Current Expenditures. Nationally, Tennessee ranked 46th among the states with a per pupil expenditure of \$741.00, and ranked 8th among the Southeastern states as shown in Table VI CII in the report. The national average is \$1,035.00.

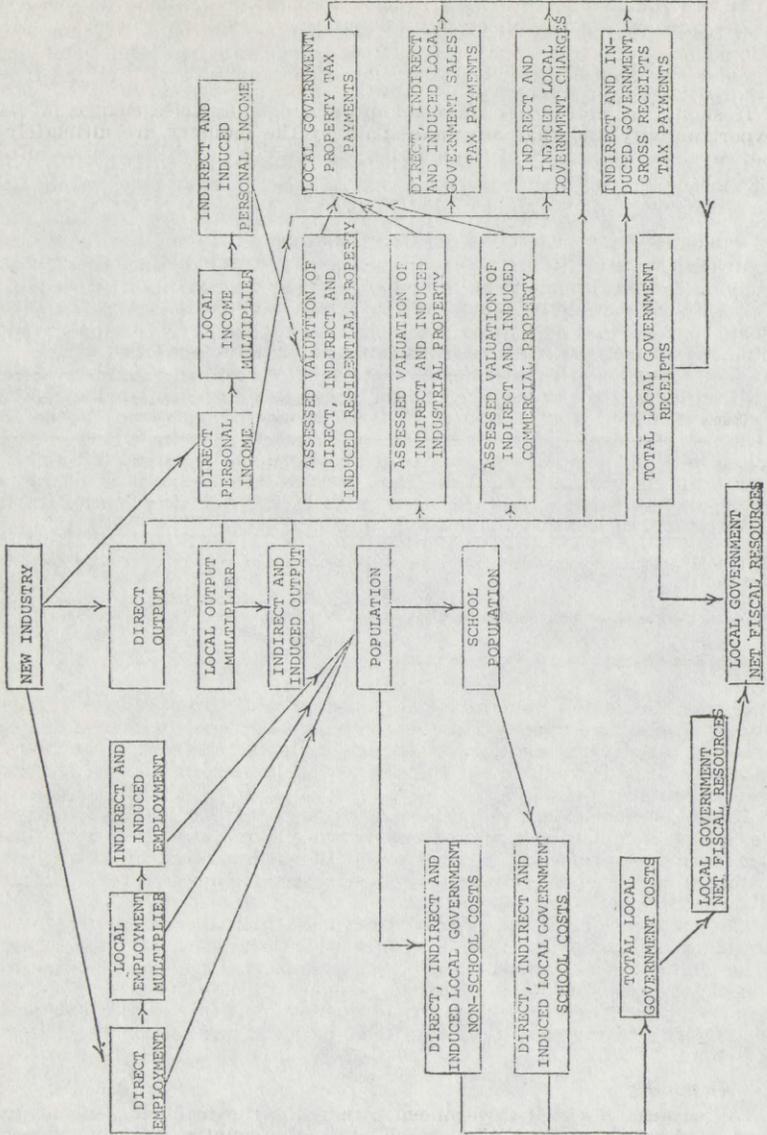
An examination of the current expenditures per pupil in average daily attendance in the comparison counties reveals that among the twelve school systems in 1972-73, five systems (Oak Ridge \$979.33, Alcoa \$891.56, Bristol \$878.44, Kingsport \$840.03, and Anderson County \$745.49) met or exceeded the Tennessee average per pupil, \$741.00 (Table IV D14).

Comparison with Blount and Sullivan Counties

The shifts in AEC activity from war time (WW II) to peace time, from governmental to contractual work in fuel enrichment suggests that ERDA is now functionally comparable to a large private industrial corporation. A normal relationship suggests that all industries recognize a responsibility to support industrially related workers and their needs for local government services.

The following schematic depicts normal relationships of industry-development within a local government. Examination of this construct enables one to determine with a greater degree of understanding, influences on the net fiscal resources of a county. It further affords a mechanism by which status can be described and comparisons can be drawn between industrialized and nonindustrialized governmental entities. The construct also provides a means by which comparisons can be made between private industry contribution to fiscal resources and the contribution made by a federal agency.

IMPACT OF INDUSTRIAL DEVELOPMENT ON LOCAL GOVERNMENT NET FISCAL RESOURCES



Examination of this schematic reveals three major modes of developing fiscal resources: (1) taxation of industry, (2) taxation of population, and (3) taxation of ancillary commercial business and industry induced by the presence of the principal industries. If any one of the three is absent, the fiscal burden falls more heavily on the other two. This is the case in Anderson and Roane counties in which because of immunity from taxation the local governments do not receive adequate fiscal assistance from the principal industries.

For purposes of illustrating this problem, we have compared our situation with two counties, Blount and Sullivan, which are comparable in the sense of having a large industry.

Alcoa Company is valued at \$128 million, employes 5,000 people, and pays 33% of the property taxes collected in Blount County while occupying 0.7% of the land.

Tennessee Eastman Company is valued at \$338 million, employs 7,000 people, and pays 28% of Sullivan County property taxes while occupying 1.3% of the land.

It should be noted that these manufacturing industries engage in extensive export activity and that any taxes paid by the industry are ultimately transferred to the consumers of the manufactured products which may be intra-state, national or inter-national.

In comparison ERDA facilities are valued at \$813 million, employ 15,000 people, and paid in 1973 less than 10% of the real property taxes (considering for sake of calculation that ERDA in lieu of tax payments plus PL 874 payments are equivalent to real property taxes), while occupying 6.1% of Anderson County land and 9.6% of Roane County land.

Table V B2 succinctly summarizes the comparisons with respect to effective tax rates.

TABLE V-B2 (MODIFIED).—TAX RATES AND EFFORT IN COUNTIES IN 1973

County	Estimated ¹ true value	Assessed value	Tax rate	Effective ² tax rate
Anderson.....	273,032,821	83,230,389	5.71	1.74
Blount.....	439,518,478	136,816,653	2.50	.78
Roane.....	142,162,580	48,483,269	4.90	1.59
Sullivan.....	1,292,713,832	400,312,712	2.53	.82

¹ The estimated true value of property is computed at 2½ times the assessment value of property (40 percent level of assessment).

² The effective tax rate is determined by the following formula:
$$\text{E.T.R.} = \frac{(\text{assessed value})}{(\text{est. true value})} \times \text{tax rate.}$$

Source: Research Report No. 187, Tennessee Taxpayers Association, Oct. 1, 1973.

Blount, Roane and Sullivan counties have a local option sales tax. This tax is usually levied by counties via the referendum process in lieu of increases in property taxes. Such a tax, therefore has the effect of skewing the effective tax rate lower than it would be if the amount of such sales tax revenue were garnered from the property tax.

The major conclusion from this comparison is that Roane and Anderson Counties' residents must exert approximately twice as much effort to meet the cost of comparable governmental services as do Blount and Sullivan County residents primarily because privately owned industrial establishments provide large shares of the tax revenue for the latter.

The ramifications of the restricted tax base in Roane and Anderson Counties are many. It creates excessive tax rates which bear most heavily on those with little ability to pay. It tends to drive away industry. It makes the counties more dependent on the Oak Ridge industrial complex. It makes it more difficult to maintain the level of services required to adequately support the Oak Ridge plants and Oak Ridge program and thus may tend to deter recruitment and retention of personnel.

Tax Immunity

By reason of Federal Government ownership, the real and personal property controlled and used by ERDA and TVA in the counties are not subject to *ad valorem* taxes levied on and collected from private owners. In addition, the transaction, revenues, and income of these Federal agencies are exempt from other State and local taxes that are imposed on privately owned business.

ERDA's principal contractor at Oak Ridge, Union Carbide Corporation, is subject to the use tax on personal property levied by the Tennessee Retailers Sales Tax Act to the same extent as other private businesses. However, that Act exempts nuclear material used under a contract with ERDA. (Sec. 67-3014, TCA.) The statute also exempts other personal property acquired for and used in the construction of Government-owned electric generating stations. (Sec. 67-3004, TCA.) These exemptions from the Sales Tax Act, while benefiting the Federal Government and its customers, reduce the amount of taxes available for distri-

bution to both the counties and cities within the counties pursuant to the Retailers Sales Tax Act. (Sec. 67-3047, TCA.) Since the exemptions are permitted by State tax, they also reduce the taxes that can be levied under the local option provisions of that statute. (See 67-3049 et seq., TCA.)

The large Federal land holdings in the counties and the operation of ERDA and TVA adversely affect the counties in two ways. First, their immunity from taxation deprives the county governments of a source of revenue needed for providing governmental services. Second, their location in the counties severely limits the potential for private industry development in the counties. The inability to levy the county *ad valorem* tax on ERDA and TVA facilities means that private property owners essentially residential property owners, farmers, and small business enterprises—are the primary source of all local revenue for county expenses. Moreover, the amount of Federal land eliminated from the tax base, the existence of a tax exempt, very large, single industry and employer as represented by ERDA, including the associated housing, school and labor force limitations involved, all serve to restrict the development of a large, privately-owned industry that could provide an adequate source for local revenue through taxes.

The various tax immunities and exemptions for ERDA and TVA (both directly and indirectly) are the major cause of the special financial problems in both counties.

ERDA Assistance Payments

The current (FY 1974-75) ERDA assistance payments for Roane and Anderson Counties (outside Oak Ridge) amount to \$9.37 and \$8.89 per capita, respectively, as indicated in Table VII B1. If PL 874 monies are included for these counties the per capita assistances are \$13.91 and \$15.63 for Roane and Anderson Counties.

TABLE VII-B1.—SEC. 168, APPLICATION IN COUNTIES

	Anderson County (outside Oak Ridge)	Roane County (outside Oak Ridge)
Population	35,200	38,881
AEC assistance	¹ 63,000	¹ 69,443
Payments	² 250,000	² 295,000
Total	313,000	364,443
AEC assistance per capita	\$8.89	\$9.37

¹ In lieu of tax payment.

² Special AEC Appropriation act payment.

Public Law 874

Public Law 874, commonly referred to as Federally Impacted Area Legislation, provides a mechanism by which school districts receive payments for maintenance and operation of schools to assist qualifying school districts in meeting a portion of the increased costs incurred due to the presence of Federally connected pupils attending schools within the district.

In the 1974-75 school years, 23% (1911) of Anderson County students and 28% (1881) of Roane County students were eligible for PL 874 assistance. However, major defects in PL 874 financing are (1) the year-by-year approach to financing (with accompanying fiscal uncertainties) and (2) the fact that payments never equal the entitlements. Table VII C3 (see page 20) indicates a five-year difference between entitlement and payment of \$467,000 for Roane County and \$442,000 for Anderson County.

Since PL 874 funds are distributed solely on the basis of where children go to school, every county and school system to whom payments are made for Oak Ridge-related school children receives the same "benefits" under this law as do Roane and Anderson Counties. However, only Roane and Anderson Counties have been deprived of potential private industry development through location of the Oak Ridge complex in these counties. And, because the Government-owned facilities are physically situated in Roane and Anderson Counties, the latter have all the responsibilities and obligations for providing all governmental services arising out of or connected with the government-owned industrial plants, as well as a concentration of impacts. Thus, Roane and Anderson County "benefits" by

reason of PL 874 are actually less than those of other recipients. The City of Oak Ridge received PL 874 school funds on the same basis as Roane and Anderson Counties plus substantial annual assistance payments from ERDA to compensate for lack of an adequate property tax base by reason of the tax-exempt Government owned industrial plants. The other counties and systems receive PL 874 school funds on the same basis as Roane and Anderson Counties but without the burdens of a tax-exempt industry and loss of the potential for privately-owned, taxable industry.

Public Land Law Review Commission

The Public Land Law Review Commission is discussed in detail in the report. The following is an excerpt: ". . . It is the obligation of the United States to make certain that the burden (of Federal ownership) is spread among all of the people of the United States and is not borne only by those states and governments in whose area the lands are located" (underscoring supplied; recommendation 101 of the PLLRC).

The report is significant since it represents a finding by an official agency of the Federal Government that (a) Federal ownership results in burdens in excess of benefits, and (b) in today's situation the Federal Government should contribute a fair share of the costs for providing local governmental services.

Public Law 221 Support

Although the City of Oak Ridge is a separate legal entity under Tennessee law, it is important to remember that its residents are also residents of the counties; that the city and the counties are interrelated; and that the counties as well as the city are involved in maintaining services, facilities, schools, roads, and housing for personnel associated with the Government's atomic energy programs.

It is time to recognize the Federal Government is a resident of the counties, as well as the City of Oak Ridge, and, as such, should and must contribute a fair share of the costs of governmental services provided by the counties.

TABLE VII-C3.—PUBLIC LAW 874, FISCAL YEARS 1970-74

Year	Entitlement	Payment	Deficit
Roane County:			
1970	\$246,433.00	\$202,833	\$43,600.00
1971	250,960.32	179,751	71,209.32
1972	268,331.06	176,292	92,039.06
1973	292,495.00	177,006	115,489.00
1974	362,053.00	217,116	144,937.00
1975	(¹)		
Deficit (5-year total)			467,274.38
Anderson County:			
1970	266,368.00	228,861	37,505.00
1971	303,650.00	220,857	82,793.00
1972	306,059.00	223,423	82,636.00
1973	348,059.00	237,067	111,561.00
1974	365,528.00	237,593	127,935.00
1975	(¹)		
Deficit (4-yr total)			442,430.00
Combined deficit (5-yr total)			909,704.38

¹ Application submitted.

QUALITATIVE CONSIDERATIONS

This section gives emphasis to some of the qualitative ideas which are important to the Joint Committee's considerations but are not stressed in the impact study presented with this testimony.

The equity problem being addressed in this hearing is not a new one. What is new is the recognition that an approach like the present one is the appropriate way to proceed. The urgency of obtaining federal assistance has become greater as the costs of required services have increased and as county officials have come to understand more fully the reasons why our particular counties are in a financial bind. We look to the future in seeking solutions, but we must recognize that

the inequitable assistance situation has been present for two decades. The problem can be gradually alleviated by stabilization of the financial situation, followed by gradual development of the portions of our local economy which are outside the public sector. The stabilization process can aid the development, and requires an expectation of continuity, justice and reasonableness in the way ERDA assistance are arrived at. The payments received this year and recently authorized for next year are most helpful, but such year-by-year authorizations are unstable for us and too demanding of the attention of our congressional representatives.

The counties are not sitting idly by awaiting efforts by Congress and ERDA to solve all our fiscal problems. Strong efforts have been made within both counties and by their governments to obtain full and fair assessments for *ad valorem* taxes, to improve economy and effectiveness in the delivery of services, to obtain new and retain present private industry, and generally to run the county governments in an organized and correct manner consistent with the many helpful requirements of state and federal governments. Within their strength, our County administrations are seeking every legal avenue to obtain funds to help meet the needs of our citizens.

Our impact study often refers to demands for services; as suggested above these demands often reach us indirectly through the mandates of higher governmental units. We do not complain about these mandates because dealing with them is part of the task we have undertaken and because often we can see the need and value behind them. However, they do require additional funds just as do the directly expressed demands of our citizens, and they do emphasize the smallness of our tax base.

Beyond the effect of these mandates, one must recognize fully that the costs of government shown in the prepared document and the resulting high local tax efforts have not been enough to give the services needed by our citizens. The children now in our county schools must compete for jobs tomorrow on a state and regional level, but our schools have not had the funds to assure their students the needed educational opportunity. The problem of competition of more richly financed school systems is also a local one because of the markedly higher per-pupil expenditure which has been possible in Oak Ridge City. The counties as a whole are not prosperous enough that parents can afford far above-average taxes to obtain even average education for their children; this lack of prosperity is shown by the large fraction of low-income families among our citizens.

Since citizens of the City of Oak Ridge are also residents and taxpayers in the Counties, and since substantial tax funds collected by the Counties are shared with the City, the entire unique situation of governmental impact upon this area that contains the plants must be studied together. If the proposed amendments become law, we look forward to a period of negotiation to arrive at equitable assistance payments to the Counties so that nationally distributed benefits will not be unduly subsidized by local County residents.

CONCLUSIONS

We believe a fair reading of our testimony and other available information will lead the Joint Committee to conclusions similar to those summarized below.

The Federal Government, largely through ERDA, dominated the economy of Roane and Anderson Counties because of its large land holdings and the magnitude of the government-owned industrial complex at Oak Ridge. The inadequate property tax bases in Roane and Anderson Counties and the resulting high *ad valorem* tax rates in the Counties are primarily due to the tax-exempt status of the Government-owned facilities, not to any extravagance of services.

The large permanent increases in County populations has resulted primarily from the Government-owned complex at Oak Ridge. The workers who have come here are without the industrial tax base which would normally have accompanied such industrial workers. Because of the TVA tax-immunity status the large secondary industry which provides electrical power to one of the ERDA plants also does not produce an appropriate amount of revenue to local governments.

For reasons of high tax rate, competition for workers, and reduction of the available industrial land, the existence of the Government-owned facilities deprives the Counties of much opportunity for large privately-owned industrial development.

Because of the Federal impacts the Counties have had to be content with average or below-average services even though they have among the highest

ad valorem tax rates in the state. The benefits from the Federal installations are spread over the nation, but the burdens of excessive tax rates fall heavily on private property owners, especially those whose ability to pay has not been enhanced by the presence of the governmental industrial complex.

The continuing impacts on the Counties justify Federal payments beyond those presently received from Public Law 874 and from payments in lieu of taxes on the value of the unimproved land held for ERDA use. Such payments in just and reasonable amounts should be authorized on a continuing basis to aid the fiscal stability of the County governments. Since the rationale and justification for such annual payments are essentially the same as for payments to the City of Oak Ridge, it is appropriate to insert such authority into the Atomic Energy Community Act. This is the intent of the amendment before the Joint Committee on Atomic Energy. The record written by the Joint Committee can show the intent that the criteria of the amended act can be construed to authorize payments of equitable amounts to the Counties of Anderson and Roane to compensate the financial impacts which are the subject of the Counties' testimony presented here today.

[Subsequent to the hearing the following letter was received relative to the preceding prepared statement:]

ROANE COUNTY DEPARTMENT OF EDUCATION,
Kingston, Tenn., May 13, 1975.

WILLIAM A. PARLER,
General Counsel, Joint Committee Atomic Energy, U.S. Congress, Washington, D.C.

DEAR MR. PARLER: We have been advised by Mr. Curtis Mills, Program Manager, School Assistance in Federal Affected Areas, that the percentages of impaction under the provisions of P.L. 874 for the Southeastern Region IV and State of Tennessee are as follows:

Location and percent of impaction

Southeastern Region IV-----	5.6
Tennessee -----	5.6

By contrast, the percentage of impaction in Roane and Anderson Counties greatly exceeds the average for the Region and the State. For this school year, our records indicate 28.58 percent of our enrollment is P.L. 874 related. In Anderson County, the records indicate a 23.1 percent impaction.

We respectfully request the inclusion of this information in the documentation of evidence presented at the Subcommittee hearings held in Oak Ridge on May 9, 1975.

We believe this information supplements the previously presented testimony, justifying amendments to P.L. 221 to include Roane and Anderson Counties.

Respectfully,

EDWARD E. WILLIAMS,
Superintendent, Roane County Schools.

Mr. JOLLEY. I am going to depart somewhat from this in my oral testimony. We believe we have documented this change and dominance in this study that we have presented, and that has been made a part of our testimony.

It was prepared by local people, and it is obvious. It is composed of homespun fabric, if you will, whose warp is the very soul of these wonderful mountain and valley folk, and whose woof is in some of the Nation's finest scientific brains, the engineers and managers of the project, as the people used to say.

This document speaks for itself. In this brief time, I cannot begin to detail or even summarize half of it. Our written testimony represents a synopsis, but even it is perhaps an adequate summary.

Mr. Chairman, if you don't mind, I would like to stand and point to the map for various purposes and things of this sort, in order to

avoid popping up and down, if I could just stand for the greater part of the testimony.

These maps represent Anderson and Roane Counties, our subject this morning. In 1940, Anderson County was predominantly agricultural. Ninety percent of the people lived on farms and in rural areas. In Roane County, 70 percent of the people lived on farms. Rockwood had some industry, and so did Harriman. There was a small textile mill in the town of Clinton. There was some mining in the mountainous area.

With the building of the atomic energy industrial complex, dramatic changes occurred. The population increased drastically. Fifteen thousand people were employed by this group—by these plants—and 62 percent of these workers resided in these counties. Recently there has been a trend for the Oak Ridge employees who lived in the city of Oak Ridge, to move out into the counties, and these employees desire higher levels of governmental service than the average or typical rural resident. And furthermore, they assumed positions of leadership, and in these positions they do indeed secure and influence higher governmental spending.

The most significant impact of this change has been pointed out several times, and that is the effect on the tax base and the tax revenues of the counties. The immunity of a large industrial complex results in high taxes to provide revenue for essential governmental services. The real property tax is the local government's chief revenue source. Consequently, Anderson County has the highest tax rate in the State, and Roane County's is third highest. We have located here in these plants, inside the confines of the so-called Atomic Energy Commission area, plants worth well over \$1 billion. The Oak Ridge gaseous diffusion plant, valued at about \$800 million, which, by the way, is very close to Sam Rayburn's birth place—he was born in the Wheat Community not too many miles from that area. The site of the Clinch River breeder reactor, Holifield National Laboratory, worth possibly \$200 million, these are round numbers, we don't have precise estimates. The Y-12 plant in Anderson County, worth over \$450 million. These plants occupy 6 percent of Anderson County land, and 10 percent of Roane County land.

Now, in addition to that, TVA, through the Kingston steam plant and the lakes, occupies 11 percent additional land in Roane County, and also in Anderson County, they occupy 3 percent additional land.

As I indicated, the ERDA plant employs 15,000 people, and in 1973, in lieu of tax payments of \$62,000 were made to Anderson County, and \$69,000 to Roane County, \$1.4 million to Oak Ridge. In addition, that year Public Law 874 paid \$237,000 to Anderson, and \$177,000 to Roane, and \$700,000 to Oak Ridge. Now, I might add in this case, that we have never received our full entitlement to the Public Law 874 moneys, and we document that on page 138 of our document. In fact, for the last 5 years, Anderson County is behind \$440,000 and Roane County possibly \$460,000. We are indeed appreciative that last year's Congress and ERDA paid an additional \$250,000 to Anderson County, and \$290,000 to Roane. Furthermore, the plants provide our jobs and our professional employment, and we are indeed thankful for that.

However, by contrast, we did compare ourselves with Alcoa and Tennessee Eastman, with Blount County and Sullivan County, as you know, in the report and some figures have been cited. Alcoa, for instance, is worth \$120 million, and yet they paid taxes—they employ half the number of employees that are employed at this site—and they paid taxes in 1973 of \$1.1 million to Blount County, and \$830,000 to the city of Alcoa. Tennessee Eastman is worth about \$330 million, and they employ about half—less than half of the employees that are employed at this site—and they paid taxes in 1973 of \$3.1 million to Sullivan County, and \$440,000 to the city of Kingsport. The significance of this can be seen by examining the table on page 9 of our synopsis, particularly the column marked “Full Value of Property.”

Chairman YOUNG. You said page 9?

Mr. JOLLEY. Page 9; yes, sir. Particularly the column marked “Full Value of Property per Family” and “Full Value of Property per ADA” students, which is the measure, as you know, of the ability of the tax district to pay for the education of the students. The values for Anderson and Roane, for example, in the ADA column, are \$16,000 for Anderson, and \$14,000 for Roane. These are dramatically less than Blount, \$27,000, and Sullivan, \$44,000. And this can not be because of similar dramatic differences of home values. For example, the first column “Median Family Income” indicates that the counties have comparable median incomes. In fact, Anderson County has the highest. The difference in value of property per unit is due to the inability to place the major industries in Anderson and Roane Counties on the tax rolls.

What does this mean to the citizens of Anderson and Roane Counties? Examine the table on page 13a of our synopsis. This table shows that in 1973, the effective tax rate of Anderson County was \$1.74. And in Roane, it was \$1.59—that is on page 13a. I apologize for the numbering, but we wrote this in a hurry, and I didn't communicate with my secretary too well. Did you find it, sir? Page 13a. I think it is several more pages back. OK, that is it. This table shows the effective tax rates of Anderson County and that means the normalized tax rate. It gives a tax rate normalized with other tax rates in the State of Tennessee. As you can see, Anderson County is \$1.74, and Roane is \$1.59. And if you will note, for the comparable counties, the other comparable counties that have private industry, it is precisely one half of the tax rates of—the effective tax rate of Anderson and Roane. This means that to raise an equivalent amount of revenue, for comparable government services, the citizens of Anderson County and Roane County must pay twice as much tax as the citizens of Blount and Sullivan Counties.

That is dramatic. The ramifications of the restricted tax base in Roane and Anderson Counties are mixed. It tends to drive away industry. It makes the counties more dependent on the Oak Ridge industrial complex. It makes it more difficult to maintain a minimal level of services—of governmental services required to adequately support the Oak Ridge plants, and program—and thus makes recruitment difficult, and the retention of personnel. This high tax rate falls on all private property owners, residences, farms, small businesses, and small manufacturing plants. These high taxes may not severely

hurt the families with adequate incomes, but the truly poignant fact is that they fall exceedingly heavy on the poor.

Gentlemen, the table on page 9 of our synopsis clearly shows that one out of seven families in Anderson County has less than \$3,000 of annual income. Can you find it? Page 9, sir. One out of six families are at poverty level in Roane County. And the rural families fare even worse, one out of four in Anderson, and one out of five in Roane County have less than \$3,000 annual income.

The table on page 36 of the larger report, you don't need to refer to it, I have the number, show that even in 1970 that unemployment in the New River area was 22 percent—almost one out of every four adult men in the New River area were unemployed. Unemployment is one out of six in the Walden Ridge area. This area is in Anderson County. Taxes fall exceedingly heavy on these people who are unemployed.

Anderson County and Roane County are schizophrenic counties, and there is no better term to describe this paradoxical situation. Fantastically complex science fiction machines on this end of the county in these areas, and yet local tax rates so high that we can't afford to build swinging bridges in the mountain area so that people can cross the creek and get their children to school; counties that literally cannot afford to provide governmental services; counties that cannot afford to clean up the litter, or pick up their garbage adequately; that cannot spend \$10,000 to repair a much needed bridge. This can be a real problem. They must develop possible curtailment plans for the school hours during the winter because of the high fuel costs.

I refer you to the clerk and master's statement, which you received, concerning forced sales of farms and homes in Anderson County because the poor people on fixed and limited incomes cannot pay their taxes.

Now, some of may think this is melodramatic, but I think it is heart-breaking, and I participated in this.

Mr. Chairman, our study is full of numbers and statistics too numerous to cover. And we have only a few major conclusions. We submit that it is not the fault of the governmental management of our county that has caused our financial problems. Our conclusion is that the various immunities and exemptions for ERDA and TVA both directly and indirectly are the major problems. The large Federal landholdings in the counties in the operation of ERDA, adversely affect the counties in two ways.

First, their immunity from taxation deprives the counties of much needed source of revenue for the provision of these governmental services. This results in high tax rates, and a detrimentally high tax with far-reaching effects. I call your attention to the many letters we have submitted to you from farmers, bankers, lawyers, school board members—people from every walk of life.

Second, the ERDA plant located in the county, have limited the potential for private industry development in the county, which could provide an adequate tax base and local revenues through taxes.

Thus, we speak for the proposed amendment of Public Law No. 221. In doing so, I figuratively speak with the enthusiastic support of all Roane and Anderson Countians for this much needed relief.

Although the city of Oak Ridge is a separate entity under the community law, it is important to remember that its residents are also residents of the counties; that the city and counties are interrelated; that the counties, as well as the city, are involved in maintaining services, facilities, schools, roads, and housing for the personnel associated with the Government. It is time that the Federal Government recognized that it is a resident of these counties, as well as the city of Oak Ridge, and as such, should be paying a fair share for the cost of governmental services provided by the counties.

Thank you.

Chairman YOUNG. Thank you, sir, for a most excellent statement. I could ask you a thousand questions, I guess, about it, but I think I will defer that to possibly later visiting with you privately, because we are getting a little pressed for time. Senator Baker, any questions?

Senator BAKER. Mr. Chairman, thank you. I have had the chance to talk with these gentlemen in the past, and I look forward to doing that in the future. I think you are right, if we have any expectation of staying on schedule, we had better move along. I have no questions.

Chairman YOUNG. Marilyn?

Representative LLOYD. No questions.

Chairman YOUNG. Thank you very much, sir. We will hear now from Mr. Peelle. Am I pronouncing this correctly—Squire Robert W. Peelle.

Mr. PEELLE. Excellent. Mr. Chairman, I would like to give emphasis to some of the qualitative considerations that we couldn't easily give emphasis to in this big document.

The equity problem that we are addressing in this hearing is not a new problem. What's new is the recognition that this is the appropriate way to proceed. The urgency that county officials feel for obtaining additional Federal assistance has become greater as county officials have come to understand more fully the reasons why our particular counties are in a financial bind. We look to the future in considering solutions, though our document dwells on the inequitable situation in the past, as a prologue to understanding the present. The problem can be gradually alleviated by aid to stabilize the financial situation now and in the future, followed by gradual development of the portions of our local economy, which are outside the public sector.

Meanwhile, the counties aren't sitting idly by waiting for the efforts of Congress and ERDA to solve all of our fiscal problems. Strong efforts have been made both by the citizens within the counties and by their government, to obtain full and fair assessments for property taxes, to improve the economy and effectiveness in the delivery of its services, to obtain new and retain old private industry, and generally to run the county government in an organized and correct manner. Within our strength, our county administration is seeking every legal avenue to obtain funds to help meet the needs of our citizens.

Our impact study often refers to demands for services. We need to realize that these demands often reach us indirectly, through mandates of higher governmental units, State and Federal. We don't complain about these mandates because that is the job we have taken on, and because we often understand them, and can even agree with the need for them. But they do cost money often, just as do the directly expressed

demands of our citizens. And these added costs do emphasize the smallness of our tax base.

Moreover, in reading this document, one must fully recognize that the cost of government shown in this document hasn't always been high enough to give all the services really needed by our citizens—not only swinging bridges, but the children now in our county schools are going to have to compete for jobs tomorrow and compete at the regional level. But our schools haven't had the funds to assure their students the full opportunity to meet this competition on an even keel. The problem of competition with graduates from more richly financed school systems, is also a local one because of the higher per pupil expenditure which has been possible in Oak Ridge City. And even that may be none too high.

The counties as a whole are not prosperous enough that parents can afford far above average taxes to obtain even average education for their children. This lack of prosperity was emphasized by Squire Jolley, and is shown by a large 15-percent fraction of low-income families among our citizens.

Now, Mr. Chairman, I believe that when your committee has had a chance to look at all the information at its disposal, it will come to conclusions similar to those that follows:

First, the Federal Government, largely through ERDA, dominates the economy of Roane and Anderson Counties, because of its large landholdings here, and the magnitude of the Government-owned industrial complex. The inadequate property tax bases in Roane and Anderson Counties are primarily due to the tax-exempt status of the Government-owned facilities, not to any extravagant services.

Second, the large permanent increases in county population have resulted primarily from the Government-owned complex. The workers who have come here are without the industrial tax base which would normally have accompanied such industrial workers.

Third, for reasons of high tax rate, competition for workers, and reduction of the available industrial land, the existence of the Government facilities has deprived the counties of much opportunity for large privately owned industrial development.

We read this week in a newspaper, with great interest, that there is hope, at least, that a major industry in the nuclear field may locate in one of the counties. So, historical trends are subject to future change.

Because of the Federal impact, the counties have had to be content with average, or below average, services, even though they have among the highest property tax rates.

The benefits from the output of these Federal installations is spread all over the country, but the burdens of the excessive tax rates fall heavily on private property owners here, especially those for whom the ability to pay has not been enhanced by the Government facilities.

Finally, we hope you will conclude that the continuing impact of the installations on the counties justify Federal payments beyond those presently received from Public Law 874, and from payments in lieu of taxes on the value of the unimproved land held for ERDA use. Such payments in just and reasonable amounts should be authorized on a continuing basis. Since the justification for such payments are essentially the same as for payments to the city of Oak Ridge, it is appropriate to insert such authority into the Atomic Energy Com-

munity Act. This is the intent, as we see it, of the amendment before the Joint Committee on Atomic Energy. The record written by the Joint Committee can show the intent that the criteria of the amended act be construed to authorize payments to counties to compensate the financial impacts of the Federal plants, which are the subject of the counties' testimony here today. The record can also show that these payments need not be tied directly to the one-time payments received this year and perhaps to be received in fiscal year 1977. Thank you.

Chairman YOUNG. Thank you, Squire Peelle. Again, I will say that both of you have presented outstanding records, much of which is of a technical nature. We will study the records carefully, and I must add quickly, our staffs will study them even more carefully. But in deference to time, I am not going to press any questions on you right now, and I will defer to Senator Baker.

Senator BAKER. I have none.

Representative LLOYD. No questions.

Representative YOUNG. That is all. Thank you very much, gentleman.

We will now call on Mr. Tom Hill and Mr. Horace D. Wells. I note that both of you are media folks, newspaper people. We are always glad to have you here. Usually the questioning is done the other way around. We will be glad to hear from you, Mr. Hill.

STATEMENT OF TOM HILL, PRESIDENT, ROANE-ANDERSON ECONOMIC COUNCIL, AND PUBLISHER, OAK RIDGER

Mr. HILL. Thank you, Chairman Young, Senator Baker, and Mrs. Lloyd.

The thought about the questioning had occurred to me, and I hope we will escape, as well as some of the previous witnesses.

It is a great pleasure for me to be here today, and it is particularly a great pleasure to share this time with my good friend from Clinton, Horace Wells, who is editor and publisher of the Clinton Courier News, and is also vice president of the Roane-Anderson Economic Council.

I have submitted a statement, and if I may, I will highlight some of the things I said in there.

We were asked to particularly give a little insight into one aspect of the economic development in the community, and that is industrial development. The Roane-Anderson Economic Council is a group of private businessmen from both counties, and we have been attempting for the last 2 years to increase the private tax base by increasing the industry here. Actually, we are one of four organizations in the two counties, that are trying to accomplish this goal. The other three are all principally tax supported, and we are privately supported.

Oak Ridge has had a very significant industrial development program for 15 years, and I think that the relevantly modest success of all of this good industrial development effort over the years indicates that the presence of the Federal facility here has hampered our activities.

It is our belief that the policies and the practices of the Government, plus the very existence, and this may be the biggest thing, of the Federal installations here, were major hurdles in enticing private

industry. The biggest thing is the large core of tax-exempt industries, which creates an unbalanced tax structure, and an abnormally high tax rate. Also, the year-by-year approach, as has been mentioned before, is equally deleterious. The uncertainty of the payments, and therefore the uncertainty of the tax rate, is frightening to a potential, corporate private investor, who already sometimes feels he is a special target of the tax assessor.

There are other concerns because of the presence here—the dominance of a single industry, the specter of high wage rates, and the lack of suitable industrial land, particularly in Oak Ridge. But I think the principal problem is the void which exists because of this large Federal complex, and the principle that there should be a tax payment, recognized in the case of the city of Oak Ridge, and logically this same principal should be extended to the counties. The sort of a fiscal Catch 22, that without a reasonable tax payment, I don't think the communities and the counties can progress satisfactorily.

With it, however, there is at least a possibility that there will be a sufficient growth over a period of years to accomplish a goal that the Office of Management and Budget that their dreams may some day be realized, and that the private tax base may grow so that the payments could be diminished. I don't hold that out as a great, great hope, but it is at least a hope.

I had one reminder, also, that our area is providing the site for the liquid metal fast breeder reactor, and that this is one of the few places in this country, if not the only place in this country, where this facility can be put, and where the residents have two things. They have both an understanding of nuclear affairs, and they also have an appreciation for the necessity of the development of the liquid metal fast breeder reactor. And I think that even more than that, the vast majority of the people here welcome this as a continuation of the role of Oak Ridge over the years, and that we have been in the forefront, since the very beginning of nuclear development. And I think the people here feel very much that that is a role we should play. But at the same time, we must remember that this is adding one more significant Federal installation.

Thank you very much for your time today.

Chairman YOUNG. Thank you very much, Mr. Hill. Mr. Hill, I wanted to ask you a question. We right now have very much before us in the Joint Committee, this question of the fast breeder reactor. I am worried about energy in this country, and that's just an over simplistic statement. I am worried about it because we are not being realistic about it. I used to think that some of the things went on, I come from a big oil and gas producing State. What Congress has done to the oil industry is unbelievable. It is in a shambles, plus over-estimating the amount of reserves available. We are in bad shape for energy. Unless we move ahead quickly in this nuclear field, we could very well find ourselves when you go over and turn on that switch, and nothing happens up there in these light bulbs. We are then going to know what we are up against. But I hope that we will be able to proceed, and I want to say in your presence to my colleague here, and commend him for what a fantastic effort he has made to keep all of these programs moving in an orderly and effective manner.

There is one time I thought really the Congress had something against the oil industry, and it was malice. I hate to say it, I think it's worse than malice. I think it's ignorance. And if a person is malicious, you might get in on his weak side and change his mind. If he is ignorant, you have a tough problem on your hands.

This does not have a great deal to do with what we are talking about right now. But with that, I want to recognize Mr. Horace Wells.

Senator BAKER. I just wanted to thank you, Mr. Chairman, for your candid remarks. I agree with Tom Hill, and I suspect I agree with most, if not all the people in this area, that we welcome that forward looking project, the LMFBR. We actively sought to get it here; it is here; I'm glad it is here; I hope it continues; and I hope it proves to be a great demonstration success. And I suspect it will be. At least, in part, because the people of Oak Ridge and this area, have an enlightened attitude toward it, and familiarity with it.

Representative LLOYD. No questions.

STATEMENT OF HORACE WELLS, EDITOR AND PUBLISHER, CLINTON COURIER NEWS, AND VICE PRESIDENT, ROANE-ANDERSON COUNTIES ECONOMIC COUNCIL

Mr. WELLS. Chairman Young, Senator Baker, Mrs. Lloyd, this lengthy session calls to mind the comment that the mind can absorb no more than the seat can endure. We do thank you for your patience, and assure you that we are nearly through.

After 2½ hours, I wondered what I could say that would not be repeated, not be a repetition of some of the earlier testimony. As Mr. Hill said, we are commenting more specifically with regard to industry.

And with all the competition for new industry, and most counties and most communities are in this race, Anderson and Roane Counties have been forced to run hobbled. As Mr. Hill and others have pointed out, there are problems.

In addition to having the highest tax rates of any counties in Tennessee, some of the firms which make a business of locating plant sites for industry have circled this area as being too much involved with a large governmental installation and having a wage scale so high it would be difficult to explain the differential to other employees. We might add that when we have been able to sit down face to face with some of the prospects, we have been able to overcome these problems. Unfortunately, we do not always get a chance to meet and talk with them as some of them see the red circles around Oak Ridge on the maps indicating a governmental installation, and quickly say: "Let's look elsewhere."

One large company saw what it felt was another problem for this area. It did not locate here but went to a site in Georgia. The president told me, "Your governments—counties and cities—are highly influenced by Oak Ridge people, which led us to believe these people were not as interested in Clinton as the people—in another city—were in their town." Here again, we have been fortunate in having this criticism put aside when we have been able to sit down with the prospect, which we do not always have an opportunity to do.

As Judge Brewer and Mr. Jolley, and others have pointed out, one of the greatest problems of the two-county area—especially that part outside of Oak Ridge—is that many hundreds of the property owners and taxpayers receive no direct or indirect benefit from the money spent at Oak Ridge. These people live on the farms and in the mountains, or on retired incomes. The fine jobs, the money spent with the merchants, and the taxes contributed by the Oak Ridge-connected people help them not a bit. But they have to pay the same high taxes as those who do benefit, and they are hurting from a situation that is not faced by similar people in other counties.

Right now the unemployment rate in Anderson County stands at 9.5 percent and in Roane County the figure is higher, 10.8 percent. This means there are 2,610 people in Anderson County, and 1,600 in Roane who are listed as unemployed by the Tennessee Department of Employment Security.

Gentlemen, these are some of the reasons Anderson and Roane Counties need relief from the record high tax rates they “enjoy”.

Thank you.

Chairman YOUNG. Are there any questions here?

Senator BAKER. Mr. Chairman, I can't pass up the opportunity, just briefly anyway. This is also not directly germane and relevant to this inquiry, although it is on the same general subject.

I think as I told the chairman, and as we have discussed here, as other witnesses were preparing to testify, I think there is a good chance we can pass this bill in the Congress. I think there is a good chance that the President will—I hope there is a good chance that the President will—sign it. I am convinced that ERDA would do a good job administering it. We don't quite have a good idea of what the total amount of money might be that the counties would expect. I seem to sense some reluctance in expressing that.

But let me put it still a different way. Are you both convinced that this is what we need to do, to try to bring some level of fiscal parity to Anderson and Roane Counties, or is this just part of the job?

Mr. HILL. Well, yes, I think this is what we need to do. I think this would accomplish it. It depends, certainly, on the amount at which we arrive, assuming it is passed. I think it has been computed that it might take a—well, first, Anderson County, as you know, did a lengthy study, trying to justify increased payments based on the 168, and they—and that was using comparable counties in east Tennessee—I think, arrived at a figure of \$1 million. I am not sure of this exactly, but I heard it has been computed that it would take \$2 million to bring Anderson County tax rate to the sum that would be approximately equivalent to the counties with which Anderson County—Oak Ridge—was originally compared.

Remember, when the town was first started back in 1955 and 1959, they wanted to try to achieve approximate parity with tax rates in comparable counties, and I think they used Morristown, Hamblen, and Knoxville. I was not here then, but yes, I think that assuming that we could arrive at a just and reasonable figure, this would accomplish the goal.

Senator BAKER. The reason I am asking, was the other way to approach the same problem would be much, much more ambitious, by

simply saying that all the property—the Federal property—in the State, or county, would be taxable on some basis or other. That would get into some pretty fundamental questions.

Mr. WELLS. We feel that there is some justification for that argument. But we weren't prepared to go that far at this time.

Senator BAKER. Well, this is the first time I have ever known you to be timid, Horace.

Mr. WELLS. Well, realistically—make is realistic.

Senator BAKER. All right. Well, thank you. I might just say this. I think that we might as well think about that a little. I think that this problem is likely to come up all over the country, as the Federal Government gets into more and more things. We have some nice constitutional questions with it. Roane County could do it without a constitutional amendment, so maybe the Congress can't do anything short of passing a proposal for a constitutional amendment. But maybe the real answer, maybe this is stopgap, maybe the real answer comes in a review of the relationship between Federal and local governments with respect to ad valorem taxation. I do not rule out that possibility.

Mr. WELLS. In that connection, Gene Joyce has done a study on that. We might go into that with him. Thank you.

Representative LLOYD. Thank you very much.

Chairman YOUNG. The committee will now hear from Eugene L. Joyce, attorney, Oak Ridge citizen. He is the executive committee chairman of the Roane-Anderson Economic Council.

STATEMENT OF EUGENE L. JOYCE, ATTORNEY, OAK RIDGE, AND EXECUTIVE COMMITTEE CHAIRMAN, ROANE-ANDERSON COUNTIES ECONOMIC COUNCIL

Mr. JOYCE. Mr. Chairman, we have been here discussing one subject, and it is a problem. But I want to tell you my problem. On that one subject, I am speaking after two U.S. Senators, one Congresswoman, two county judges, and two newspaper publishers, and four squires, and there is not much left to say. So, I am going to submit my statement, and make some comments on the remarks that have been made here, if I may, especially with reference to the new position, or the recently announced position of—

Representative YOUNG. Mr. Joyce, without objection, your statement will be made a part of the record.

[Statement follows:]

TESTIMONY BEFORE SUBCOMMITTEE FOR COMMUNITY AFFAIRS, JOINT COMMITTEE ON ATOMIC ENERGY, ON BEHALF OF ROANE AND ANDERSON COUNTIES; EUGENE JOYCE, OAK RIDGE ATTORNEY

My name is Eugene L. Joyce. I am a practicing lawyer, Chairman of the Bank of Oak Ridge, and have been a resident of Oak Ridge for over 30 years.

As the last witness, maybe I should attempt to state the problem as I see it: These two heretofore rural east Tennessee hill country counties simply have not, after 25 years of trying, been able to absorb a multi-billion dollar tax free industry, employing 16,000 people located on 56,000 acres of some of virtually the only industrial land suitable for industry in these hill counties.

Also a distinction should be made differentiating between the advantages to the general economy which is helped by this federal payroll and the problems faced by practical minded, tax conscious public officials who must provide services to these employees. This is particularly so since these counties contain pockets of

some of the deepest poverty in all of Appalachia. This in turn presents the public officials with a problem of, on one hand, providing public services for the greatest concentration of scientific population in America, but recognizing that the tax rate affects the poor equally.

In the past 30 years these two counties have had an unusual number of economy enriching but tax exempt federal real estate operations locate here. Witness:

Norris Dam;
 Oak Ridge's 56 thousand acres located in Anderson and Roane counties;
 Melton Hill Dam;
 Watts Bar Dam;
 Kingston Steam Plant;
 Bull Run Steam Plant;
 Overhead transmission lines associated with three hydroelectric plants and two steam plants, and all transmission lines necessary to deliver electricity to K-25, and
 Breeder reactor.

Further, most of these installations support goals and provide services that extend far beyond the county boundaries but we alone have the burden of their tax exempt status.

Another interesting point: This installation is not just another normal tax exempt national defense installation. The gaseous diffusion operation is one of the few lucrative operations the federal government has ever gotten into. Revenue from the enrichment work going on at K-25 is approaching one billion dollars per year. Except for the U.S. Mint, the U.S.A. has never had a bigger money making machine than the enrichment plant at K-25!

I would like to take a moment to discuss this revenue as it pertains to our application for payment in lieu of taxes. The following is my view as a local businessman, taxpayer, and lawyer.

Some 25 years after K-25 played an important role in ending World War II, the President of the United States ordered, on November 10, 1969:

The Atomic Energy Commission to operate its uranium enrichment facilities * * * in a manner which approaches more closely a commercial enterprise * * * although these facilities were originally for national defense purposes, national needs for enriched uranium are now largely commercial.

Indeed, 100% of the K-25 plant is now used for commercial purposes. In establishing a charge for enriching services, the supportive work unit at (28.70) was broken down into: cost of labor, electricity, depreciation, insurance, interest, state and local taxes (\$1.60) etc., (Page 187 of the June 16, 1970 JCAE hearing of U-235 Pricing Criteria) See Exhibit #1. After this detailed breakdown became a subject of controversy the JCAE lumped many miscellaneous items into a 15% "contingency fee." (See Exhibit #2).

From this history and my interpretation, one must conclude that the 15% "contingency fee" includes in it a proportional increment for local taxes. Upon that assumption, one can further state that ERDA now collects on the sales price for the enriched uranium, and increment of \$8.4 million for "state and local taxes" as a part of this \$150 million annual "contingency fee". But these millions go to the Federal Treasury rather than to the local taxing authorities. A novel sort of reverse revenue sharing, if you will!

It is one thing not to pay taxes on such Federal property as an Army installation, an Arsenal, or Navy Base, but it is quite another thing as here, where the government is in business, with revenue of \$1 billion annually, and a \$150 million annual contingency fee and paying only \$70,000 in Roane County real estate taxes except for last year.

I have gone through this exercise here for the obvious purpose of justifying our proposal for a modest payment in lieu of taxes.

As further justification, I would like to point out that comparing our federal revenue with another ERDA City-County:

(1) Los Alamos County, New Mexico, today receives from the Federal Government \$278.80 per citizen, whereas Anderson County, including Oak Ridge, receives \$32.83 per citizen, and Roane County, excluding Oak Ridge, receives \$2.30 per citizen.

(2) If the gaseous diffusion plant were owned by private industry, its local taxes would be upwards of \$9 million dollars according to Tennessee Taxpayers

Association, who made an impartial survey of the situation, (by coincidence, very close to the amount in the "contingency fee" mentioned earlier).

(3) If the gaseous diffusion plant were operated under TVA's Federal Charter, the TVA would pay \$9 million to the state and local governments in lieu of taxes.

(4) Through the last 25 years we have, on an ever increasing basis, assumed a very substantial burden of the operation of this installation. For example, one time prior to incorporation, the Federal Government paid \$18 million dollars annually to operate Oak Ridge. (See exhibit #3). Today, after workers purchased their war built homes for \$40 million dollars from the Federal Government, the ERDA now get the same, or better, services from Oak Ridge, Roane and Anderson Counties, for approximately \$2.5 million dollars payment in lieu of taxes. This represents a savings to the United States of \$16 million dollars annually as compared to the time when AEC owned and operated the community.

Now I would like to suggest a currently available legal source for payments requested without the moneys coming from the Federal Treasury.

ERDA could use their authority, as reflected in a letter from former General Manager Hollingsworth (See Exhibit #4), to make local payments in lieu of taxes as on reimbursable item from enriching fees. This would give something good to everybody:

A. Relieve the Federal Treasury of upwards of \$2 million dollars now paid to local governments.

B. Obviate the necessity for expensive administrative machinery to monitor budgets of local governments.

C. Allow local governments to, at last, achieve fiscal independence and terminate time consuming negotiations with local and Washington officials.

I urge enactment of the proposed legislation which will, we believe, correct an oversight made by all of us in 1955 when the two counties were left out of The Community Disposal Legislation.

CHAPTER 4—AEC'S ASSUMPTIONS IN ARRIVING AT THE PROPOSED PRICE OF \$28.70

AEC's proposed criteria has led to the development of a new charge for enrichment services of \$28.70—an increase of \$2.70—a unit of separative work. The proposed new unit price was computed on the basis of a conceptual plant and assuming a capital structure of 50-percent debt and 50-percent equity with an interest rate on debt of 7 percent, and a posttax return on equity of 12 percent.

The current charge of separative work—\$26 a unit—represents about 8 percent of the total cost of nuclear power, or 0.5 mill a kilowatt hour. According to AEC, the proposed charge of \$28.70—an increase of about 10 percent over the current charge—results in an increase of 0.05 mill a kilowatt hour, which is less than 1 percent of the total cost of nuclear power.

The assumptions used in AEC's computation of the price for separative work are significant because a change in any one of a number of the assumptions could result in a significantly different unit price. For example, a change in the debt-equity ratio from 50-50 to 70-30 with all other assumptions remaining the same would result in a price of separative work of \$26.10, or \$2.60 below the proposed price. A debt-equity ratio of 30-70 would increase the price by \$2.90 to \$31.60. (See apps. V and VI for the range in prices which can be obtained depending on the commercial financial structure used.)

The unit price of separative work is more sensitive to some of the assumptions than others. Also, the stability of some of the items is affected by economic conditions and trends much more than others.

A comparison of the cost components of the original \$26 unit price, a possible price of \$28 based on existing criteria, and the proposed \$28.70 price based on the proposed criteria follows.

(Source: Hearings before the Joint Committee on Atomic Energy, Congress of the United States, Ninety-first Congress, Second Session, on Uranium Enrichment Pricing Criteria, June 16 and 17, 1970.)

	Existing unit price of \$26 ¹	Possible price of \$28 on existing criteria ²	Unit price of \$28.70 under proposed criteria ³
Power.....	\$10.91	\$12.35	\$10.82
All other operating costs.....	3.86	3.90	1.82
Depreciation.....	3.65	4.80	4.02
Interest on debt at 7 percent.....			2.18
Carrying charge on uranium inventory.....			.80
Government interest on investment.....	4.08	3.35	
State and local taxes, et cetera.....			1.60
Allowance for Federal income taxes.....			3.73
Return on equity at 12 percent.....			3.73
Contingency.....	3.50	3.60	
Total.....	26.00	28.00	28.70

¹ Based on projected Government costs in existing plants over a campaign of fiscal year 1966 through fiscal year 1975, interest on investment including preproduction inventories at 5 percent; plus a 15 percent contingency.

² Based on 1970 projected Government costs on existing plants over a campaign of fiscal year 1971 through fiscal year 1980; interest on investment including preproduction inventories at 5 percent; plus a 15 percent contingency.

³ Based on estimates of average costs in a new plant with an 8,750,000 separate work unit capacity; a 25-yr plant life; and assuming commercial operations with 50-50 debt-equity financing; 7 percent interest on debt; 12 percent return on equity; and payments of Federal, State, and local taxes.

FINANCIAL GROUND RULES

In an attempt to implement the President's announcement of operating the uranium enrichment facilities in a manner which approaches more closely a commercial enterprise, AEC developed a set of financial ground rules to establish a basis for determining a unit price for separative work. The assumptions which, in our opinion, are the most critical in terms of sensitivity and stability are discussed below.

Debt-equity ratios

AEC used a ratio of 50-percent debt and 50-percent equity as reasonable for the conceptual plant. Since the enriching enterprise is not directly comparable to any particular segment of commercial industry, substantial judgment is involved in establishing an acceptable and reasonable ratio.

Basic elements of unit charge for enriching services

Cost category:	S/SWU
Power.....	\$13.00
Other operating.....	2.95
Amortized capital.....	7.25
Interest on preproduction.....	2.25
Feed provided by AEC.....	5.85
Subtotal.....	31.30
Contingency (15 percent).....	4.70
Unit charge SWU.....	36.00

(Costs and unit charge are developed for the 10-year campaign period fiscal year 1971-fiscal year 1980.)

OAK RIDGE TOWN COSTS CLIMB TO \$25,287,340

ATOMIC CITY'S REVENUES TOTAL \$7,124,914 TO BRING \$18,162,426 NET COST,
 SOLONS TOLD

WASHINGTON, March 30.—The House Appropriations Committee was given the following record of Oak Ridge town costs and revenues for the past fiscal year:

Costs

Housing operation and maintenance.....	\$4, 100, 000
Dormitory operation and maintenance.....	600, 000
Commercial facilities.....	720, 000
Transportation, motor pool and other.....	2, 110, 000
Hospital and Public Health Service.....	1, 575, 000
Schools and other community facilities.....	2, 975, 000
Police protection and watchmen.....	775, 000
Fire protection.....	540, 000
Roads, streets, and walks.....	701, 196
Ground maintenance and erosion control.....	700, 000
Water system.....	240, 000
Power system, including electric.....	610, 000
Sewage disposal.....	105, 000
Steam heating.....	200, 000
Fuel delivery and waste disposal.....	700, 000
Warehousing.....	1, 130, 000
Equipment repair and maintenance.....	1, 370, 000
Salvage operations.....	135, 000
Miscellaneous painting program.....	1, 030, 000
General clean-up.....	275, 000
Miscellaneous expenses.....	1, 790, 000
Administration and general expenses.....	2, 873, 144
Total costs.....	<u>25, 287, 340</u>

Revenues

Housing rentals.....	4, 000, 000
Commercial rentals.....	1, 100, 000
Transportation fares.....	500, 000
Medical and hospital fees.....	800, 000
Other.....	724, 914
Total revenues.....	<u>7, 124, 914</u>
Net cost.....	18, 162, 426

U.S. ATOMIC ENERGY COMMISSION,
 Washington, D.C., January 2, 1971.

Hon. JOE E. MAGILL,
 County Judge, Anderson County, Clinton, Tenn.

DEAR JUDGE MAGILL: This is in response to your letter of December 2, 1970, to Congressman Joe L. Evins, enclosing a Knoxville News-Sentinel clipping (November 26, 1970) concerning the Atomic Energy Commission's toll enrichment

service. Your letter also discussed your understanding of a \$1.00 allowance in the enrichment charge to cover "local taxes". Mr. Evins has requested that we provide you with information on these matters.

The present enrichment charge of \$26 per unit of separative work was established in 1967 pursuant to formally established criteria which specified that the AEC charge would be based on the recovery of all appropriate costs of the enriching service. Included in these costs are all taxes actually paid by the Commission's contractors relating to the enriching services, a pro rate portion of the payments in lieu of taxes to Roane County and a pro rata portion of the financial assistance payments to the City of Oak Ridge.

In August 1970, the Commission established revised criteria. The principal change made was to provide that the charge for enriching would be developed on the basis of a conceptual, privately-owned, new plant using advanced technology, rather than the actual costs incurred in the existing plants. On this basis, the Commission set a charge of \$28.70 which included a specific allowance for local taxes to which such a conceptual private company would be liable; this charge will go into effect on February 22, 1971. Therefore, the composition of the \$28.70 charge cannot be directly related to the actual costs of operation of the existing plants. In presenting the revised criteria and the \$28.70 charge to the Joint Committee on Atomic Energy in June, 1970, the Commission stated that an updated charge computed on the basis of the original criteria would be very nearly the same. However, such updated charge would include only the provision for actual "local tax" payments as in the case of the charge set in 1967.

Under new legislation enacted by the Congress and signed by the President on December 19, 1970, it is required that the enriching charge be based on recovery of the Government's appropriate costs over a reasonable period of time. Pursuant to this legislation, the Commission has submitted a further revision of its criteria to the Joint Committee on Atomic Energy and, on the basis of current cost estimates, determined that the charge for enriching services should be further increased to \$32. Upon formal establishment of the new uranium enrichment service criteria, the Commission will announce this higher charge by publication in the Federal Register, to go into effect 180 days after such publication. Again, the \$32 charge includes provision for recovery of only the actual state and local taxes currently paid by the Commission's contractors, a pro rata portion of the payment in lieu of taxes to Roane County and a pro rata portion of the financial assistance payments to the City of Oak Ridge. It does not include any allowance for hypothetical taxes.

However, it should be noted that the inclusion in the AEC charge of an amount for local taxes, whether related to an estimate of taxes which a private enterprise might pay or to an estimate of taxes or payments in lieu of taxes paid by the AEC or its contractors, would not in any way provide authority for AEC payments to state or local governments out of revenues derived from such charges. Authority for the use of such funds for any purpose is derived from Federal legislation and is subject also to annual Congressional authorization and appropriation in connection with the AEC budget. Within this context, we perceive no basis for an AEC payment to local governments, except for the payments authorized by Section 168 of the Atomic Energy Act of 1954, as amended. Section 91 of the Atomic Energy Community Act of 1955, as amended, and those elements of the enriching activities that come within existing state and local taxing authority.

If further information on these matters is desired, we are sure Mr. S. R. Sapirie, Manager, Oak Ridge Operations Office, will be glad to supply it and also discuss the subject with you.

Sincerely,

R. E. HOLLINGSWORTH,
General Manager.

Mr. JOYCE. Thank you, sir. I think one—there was one historic thing here that I might say as a quick aside. We have unanimity in this county, but the ultimate in unanimity in this county is when the publishers of two newspapers, that have been on opposite sides for all these years, finally appear together in public. Particularly, when I saw Horace Wells lean over and tell Mr. Hill to speak for him a moment ago.

I am glad this is going to be in the Congressional Record. It's a part of the lore of this county. I do hope that we will be able to finalize some-

thing this time. I have been involved in this since 1948. This is the second congressional hearing, and I am going through the second generation of Bakers working on this. I hope that we will be able to put something on paper once and for all, to get all of us back doing something else, rather than worrying about this.

The remarks that were made by Mr. Keto, I think were significant. I was disappointed, but not surprised to hear that the Office of Management and Budget has taken the position they have. It is consistent with the position they have taken for many years. I know in the 1955 hearing, in which, I was involved at that time, the AEC and the Bureau of the Budget were opposed. This time, I am delighted to see through the surfacing of the memorandum you did, Senator Baker, that ERDA now agrees with us, and that the Office of Management and Budget is the only thing left. And I hope that we could convince them one day.

They stated as their four reasons for being against it, one was that we already had authority under 168 of the burdens over benefits provision in the general act. That is true, and we have heard that many times. But it is also true, that never has that section ever been used to pay 10 cents to anybody. And there is no reason for us to suggest that it will be changed after all these 25 years.

Now, there is one paragraph in there, in which they pay now, except for last year, some \$70,000 a year to Roane County, and that goes to your remarks, Mr. Chairman, earlier when you noted \$9,000. It is up to now \$70,000.

The other remarks—the reason they gave, is that this would be on a semipermanent basis, and it was their goal to reduce these payments over the years, and to terminate them in 1979. Now, in the 1955 act, it was at that time they had hoped to reduce it in 3 years. That was 20 years ago. Now, they want to reduce it in 4 years. I submit that that is not within the bounds of reasonable judgment, that we all could be guided by. So that, now it's a situation that unfortunately we are dealing here, as I have heard it called, the "Invisible Congress," or the "Invisible Government," and we have never had the opportunity to try to convince them.

Another item they brought up was that they did not want the plants included in any of this new legislation. The plants, they say, are not related to the city of Oak Ridge or other areas. I have never been able to understand that. If ever in the world there was a place built to serve an industry, it was Oak Ridge, Tenn., and this area. And yet, they want that outside of the plant area.

And these comments a few minutes ago about the breeder—we are probably the only town in the United States that has welcomed this what some call the "humongous plutonium factory." They now do not want that to be inside the city limits, as I understand.

So, I don't know—I think we need a little gratitude, or a little reciprocation here from them on that score. That \$2 billion gadget, as they would have it, would not bring a dime of taxes to Oak Ridge or Roane County, for example, as the bill is now written. The office building that houses the employees is going to be privately leased, and as ridiculous as that sounds, wherever they locate that, that two-story office building will bring in more taxes than the \$2 billion breeder reactor, that is supposed to serve the whole world. And we think that

borders on the pure ridiculous. Now, there are lots of overruns on that breeder, and we deplore it, but we wouldn't mind adding a little bit, too, if we got some taxes out of it. We would feel better about that.

It is also significant, I think, that we understand that we are in a different situation in Oak Ridge, Tenn., Mr. Chairman, in 1975 than when the original bill was written in 1955. At that time, these plants here served the purpose of ending World War II, and they were almost purely military, and we all understood it.

Today, we have had a complete turnabout, and the K-25 plant here in this region has an income in the next few years of \$1 billion a year. And the President of the United States has stated that it should be run as a private industry, and the Joint Committee has worked to that goal.

Well, I submit that one of the first obligations of a corporate citizen, or a private citizen is to pay his just and fair taxes. I think that the Federal government, especially around April 15, ought to think about that in our behalf. In my opinion, except for maybe the United States Mint, the Gaseous Diffusion Plant is the biggest money-making machine the Federal Government ever got into. There is no reason why something like that not be taxed.

Mr. Chairman, you asked, "How much?" Both of you have mentioned that. I am not an official of either county, I am not in a position to say how much. It is a very difficult problem.

I was involved in the negotiating team that spent many, many months working on that after the 1955 bill passed, and we did hammer out an agreement with the AEC and the city of Oak Ridge that has been satisfactory. So, I would presume that we could do the same thing after the passage of this enabling legislation.

But to give some broad parameters, let me just quickly mention that under this bill, in Los Alamos—and by the way, that is a city-county situation there, and there is where we made our original mistake back in 1955—we did not include the two counties, just the city of Oak Ridge. Los Alamos has the county in it. Their average per capita from this bill is \$278 per citizen. Anderson County's average per capita, including Oak Ridge, would be \$32 per citizen, at this moment. Roane County's is \$2.30. So, you see, there is a wide range here that we have to work in.

The gaseous diffusion plant at K-25 has been independently appraised, and due to the tax level of Roane County, would bring in \$9 million if a deed for that passed over now to Exxon—it would bring in \$9 million worth of taxes. We all know that's too much. But it is a startling number to realize how \$70,000 fails to approach this real problem.

The TVA has a system of making payments in lieu of taxes, and if that system were used on the gaseous diffusion plant, I am advised that the income, interestingly enough, would also be \$9 million.

Another item I want to mention, insofar as what this community has done to bear its own share of the burden, so we are not understood by anyone as in any way getting a free ride from the Federal Government. When the city of Oak Ridge was first started, and during its forming years, it cost the Government \$18 million a year to operate the city. We paid \$40 million for our homes, and we now operate the

city ourselves with only \$2 million from the Government. So, we feel with pride, that we have saved the Government \$16 million, and maybe doing as good or better a job than was done for that much more. So, we don't feel like we have our hand out, we don't think we have to apologize for this.

Now, I have the final thing I would like to mention. There is a way these payments could be paid yet not cost the Federal Treasury—the Federal taxpayer—a cent, and that is as follows:

The K-25 plant is now, as I mentioned earlier, bringing in all this income per year. It has a mandate from the Federal Government and from this committee, to operate as near commercially as possible, to keep its bookkeeping system that way, and its charges now are in a way that would not impede private industries getting into the uranium enriching business if they could get the financing, and all the things that you gentlemen are familiar with. When the arrival at the cost for each separated work unit—the enrichment product—was decided, it came out one time in the hearings in June of 1970, to be \$28.70 per unit. And one of the ways of arriving at that, of course, is to think of your reimbursable expenses, your labor cost, the huge electrical cost—different items like that. Included in that was State and local taxes, and that was \$1.62, as compared to the grand total of \$28.70.

Well, that became a political controversy, some of you remember and there was a question whether those clauses should be put in, since the Government was purely operating it. And then in a later hearing, it was decided to lump it into a 15 percent contingency fee. Fifteen percent, gentlemen, of \$1 billion is \$150 million. And I suggest, as a lawyer, that one can trace that \$1.62 proportionally right down to that \$150 million, and the proportion of that brings again, significantly, \$8 million for State and local taxes.

And now, Senator Baker, I have a twister for you. You are interested in revenue sharing. I'm saying now that the Federal Government per year, when they sell this uranium enrichment, are collecting local taxes for Roane and Anderson Counties, and the city of Oak Ridge, and are keeping it in the Federal Treasury, and not giving it to us, and that is a reverse form of revenue sharing.

So, one final thing, and that is that the Federal Government now has the authority, and indeed has used this authority to use enriching revenue to pay these local taxes.

The way that we can do this, is to take that increment that is a reimbursable expense, there is x dollars paid as a result of the implementation of this law, and that, then, becomes an expense for the gaseous diffusion plant, just like labor, and electricity, and whatnot, it is listed as an expense.

ERDA now has the authority, and has used it in the past, to pay the city of Oak Ridge that money and say it is a part of the uranium enrichment—with the exception of some increment for Anderson County. It would save using that for Oak Ridge and Roane County alone, would do everything we want, everything Oak Ridge wants then, everything you want, and it will get us out of your hair, and everybody can get back to work, and save the Federal Government \$1 million.

And I submit this is the approach we ought to use, and it has been used in the past, it is just enlarging upon it.

Now, insofar as the broad picture, Senator Baker, that you mentioned a moment ago, it is generally discussed that this is a great and real problem because of our constitutional problems, and it is, when there is something like you have, Congressman Young, in Texas—arsenals and navy bases and things like that. But when you have a Government commercial enterprise, there is no constitutional provision immunizing the Federal Government from taxation. There is nothing in the U.S. Constitution that prevents that.

And today, I submit that the K-25 plant should be taxed, and I am not saying that the courthouse locally—the Federal courthouse, or post office—not at all. But when it is a moneymaking machine like it is, it should be taxed, and can be changed without changing the Constitution, just updating our case law of the U.S. Supreme Court.

Senator BAKER. Sort of like, Gene, sort of like the fellow who was arguing the case before the Supreme Court. One of the Justices stopped him, and said, "Young man, that is not the law." And he said, "Well, it was the law until you spoke."

You know, it sort of depends on what the Court says about it. And I agree with you, you have a good position, and an unique one, but so far, I don't know that we can convince the Court that's the way it ought to be.

Mr. JOYCE. The interesting thing there, one word on that, Senator, is the immunization of the Federal Government has always been the liberal position of a liberal Court through the years historically, with the dramatic situation at K-25, more dramatic than any Federal installation we have ever had, and the conservative nature of this Court, I think is a time that great things might happen.

Senator BAKER. Not to impose on your time, nor to show any—

Chairman YOUNG. Are you saying that we don't need this bill?

Mr. JOYCE. No, no. No, what we need, Mr. Chairman, is this bill, is an authorization, and then you can pay that way. Once this bill is passed to authorize it, then it can be paid, you see.

Chairman YOUNG. I was just being facetious.

Mr. JOYCE. I would like to say one thing in closing, and that is with reference to the installation here. They have spent some \$15 to \$20 billion in this area, and they have not had one single congressional investigation. They have never been charged, or accused of any mishandling of funds. And I think that is a major compliment to this area, and I think it is one reason why we get more projects down here, which we are all delighted over, and any disagreements we have are certainly nothing but professional and businesslike. We have great, great regard for everybody that works here.

Thank you, Mr. Chairman.

Representative YOUNG. I want to thank you very much, Mr. Joyce, and it was fine statement.

We have just a couple minutes here. I have been curious about one question all through this. What is the crime situation locally? Is it about like it is throughout the rest of the country? And you experience proportionately your—

Mr. JOYCE. Well, we have here probably, you know, as fine living conditions as you have anyplace. We have obviously the typical teenage juvenile mischievous type of thing. We are fortunate, however, in not having in any way a crime belt of any sort. We all feel pleased that we are living here. We think it does have something to do with the fact that this is a Federal reservation, and none of us—when we all go away to visit, we are pleased to be back home. We feel like we are safe.

Senator BAKER. I don't believe he is going to tell you.

Representative YOUNG. In other words, it is just about like everywhere else.

Mr. JOYCE. It is not perfect.

Representative YOUNG. Well, of course, it is not, but it is a magnificent place. And I can certainly understand why you are all very, very proud of it. I am going to ask Senator Baker for some—if he has any—questions of you, and also for some concluding summary remarks, because we are getting ready to adjourn this meeting in just a minute.

CLOSING REMARKS OF SENATOR BAKER

Senator BAKER. Mr. Chairman, I am delighted to do that. I have no questions.

Once again, I have had the opportunity from time to time to discuss this bill, this problem, and other and related proposals with Gene Joyce, and I have always found his ideas to be extremely helpful and often provocative. I think that you, once again, are entitled to not only my thanks and those of our distinguished colleague in the House, Congresswoman Lloyd, and Senator Brock, but also of the community for your willingness to come down here, Mr. Chairman, and to chair this subcommittee hearing this issue at this time. Once every 20 years hardly seems often enough, but I am glad we are here for this purpose now.

I think that we have done a lot. I think that we have built a record that we will report to the full Joint Committee on Atomic Energy, that will clearly spell out the difficulties, the economic distress, and the inequity that is inherent and unintended in this arrangement.

I think that we will be in a position to make particular recommendations to the committee, and I am very hopeful that the report will be the basis, then, for reporting this bill, or a similar bill, for the House of Representatives and the U.S. Senate.

I would utter a single caution, and that is that even if we pass this bill, and the arrangements are successfully completed with ERDA, that we mustn't rest on our laurels, because there are other problems, and they are just as significant, if not more significant.

Mr. Joyce identifies one. I suspect that we are about to enter a very, very important new phase in the development of the nuclear industry, and of Oak Ridge, and that is the commercial production of your fuel, and the reprocessing of that fuel. Careful attention should be given, and I think we now have some testimony that will add to the reservoir of testimony the committee will have before it in determining how that structure should be set up, whether by private ownership, a Government corporation, such as TVA, or elsewhere.

But it is clear to me now, that however we set it up, our attention has been called to the necessity for dealing with the tax equivalent, or the

tax problem, as it relates to the entire range of governments—State, county, and city.

So, I express my gratitude to the witnesses, and my gratitude once again to the chairman, and to Mrs. Lloyd, and Senator Brock, for making these hearings possible.

Representative YOUNG. Thank you very much. Marilyn, would you like to make some concluding remarks? And don't forget, we have Mr. Joyce here, if you have any questions.

CLOSING REMARKS OF REPRESENTATIVE LLOYD

Representative LLOYD. We all appreciate Mr. Joyce and the fine contribution that he has made to this area, and we all recognize him for his ability and for his talents. Thank you very much.

Mr. Chairman, we all would like to voice our thanks to you also for being with us, and I certainly would like to thank Senator Baker for his wisdom, and the great contribution he has made on the Joint Committee. Here from the State of Tennessee, we appreciate you and all that you have done, and your wisdom. And I think you will agree with me, Senator Baker, that it is a pleasure to be in Washington and say that we do represent Oak Ridge, because I don't think there is any section of our country that could have more diligent, dedicated, hard-working, intelligent people than we have right here. We have seen their testimony today, what this community means to them, and we all know the contribution that they have made to our country.

And now we are embarking on the LMFBR program, which they are willing to take, a part of our country that would be so courageous, we certainly do recognize that they are making a great contribution, not only to our State, but they are making a contribution to something I feel has the greatest potential of any of our alternate sources of energy.

So, we do congratulate you on this. And I certainly hope that we can correct this inequity. I want to thank all of you who have been with us today. Mr. Chairman and Senator Baker, thank you.

CLOSING REMARKS OF CHAIRMAN YOUNG

Representative YOUNG. It has been a great honor for me to be here with both of you, and to be here and see such a magnificent audience in attendance. In some 20 years of attending meetings and hearings, I don't know that I have ever been more impressed with the audience, and with the presentation. We don't always say that to everybody. The fact is, that you have shown by your interest, and the fairness of the approach, that you have a problem, and you want it solved, and that is sort of the name of the game. That's the business we are in. So, I want to commend all of you on being here.

And Mr. Joyce, I am glad that these seats are comfortable, because without them, I am afraid a lot of the testimony and remarks would have been wasted otherwise. But this is a very comfortable auditorium, and we are proud—I am very proud of everything that I have seen down here.

I want to say that my impression, after hearing this testimony, and seeing firsthand and getting firsthand an acquaintance with the prob-

lem, I think we are faced with a real, real serious impact on Anderson and Roane Counties. If we don't work something out along these lines that Marilyn and Howard have suggested in their comments. A community can go just so far. If you had a real low tax rate, and were playing games, and that sort of thing, there might be some doubt about it. But I don't think there is any question but that you have done your part, and it is up to us to do our best to work something out.

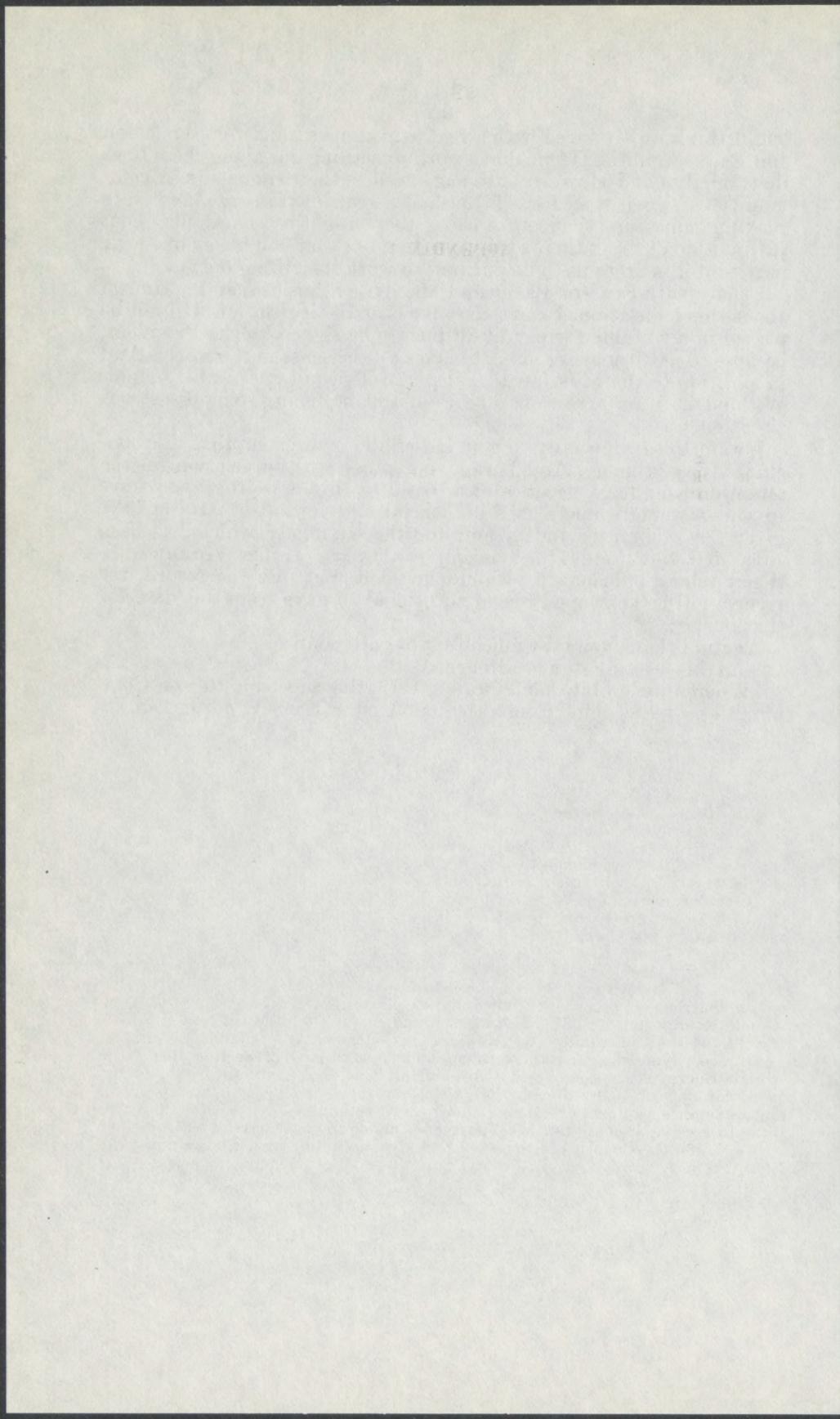
I share with Senator Baker and Marilyn enthusiasm and optimism about this legislation. I can't conceive that the legislation will not be passed in a suitable form, and ultimately be signed by the President, because to me, it makes sense. It makes all the sense in the world. And in addition to that, it's fair and just and it's equitable, and it's right. Without it, I am afraid may be we might be facing some disastrous situation.

I want to say formally to you, ladies and gentlemen, that this concludes the testimony. And I want to express my appreciation for the attention you have given—I am reading this, see—that you have given—I want to make sure it's official and formal—that you have given the committee today, and for the testimony which has been presented. Now, here is the most important part—if there are any additional relevant documents which should be put into the record, the record will be kept open for an additional 15 days from this date for that purpose.

Again, I thank you very much for your attendance.

And this meeting stands adjourned.

[Whereupon at 1:15 p.m., May 9, 1975, the Subcommittee on Communities, of the Joint Committee on Atomic Energy, adjourned.]



APPENDIX 1

CORRESPONDENCE BETWEEN SENATOR HOWARD H. BAKER, JR., AND HON. ROBERT C. SEAMANS, JR., ADMINISTRATOR, ERDA

UNITED STATES SENATE,
Washington, D.C., May 15, 1975.

HON. ROBERT C. SEAMANS, JR.,
Administrator, Energy Research and Development Administration,
Washington, D.C.

DEAR DR. SEAMANS: I appreciate your making John Keto of your staff available at Oak Ridge, Tennessee, to present the Energy Research and Development Administration (ERDA) position with respect to S. 1378, which would amend the Atomic Energy Community Act of 1955, so as to authorize the Administrator of ERDA to make financial assistance payments to Anderson and Roane Counties, Tennessee. As I told Mr. Keto after the hearing, I did have some further questions which are intended to provide additional information as to how ERDA might interpret the proposed legislation. I would appreciate ERDA providing responses to the following questions.

(1) The ERDA testimony pointed out quite clearly that the value of the facilities constructed by the Federal Government at Oak Ridge should not be included under the criterion of Section 91. a. (1). Section 91. a. (1) relates to Government property within the Community Act's definition of "community." What would be the approximate real property taxes ERDA would have to consider in determining a just and reasonable payment if the ERDA facilities were included under the criterion of Section 91. a. (1)?

(2) Section 91. a. (3) also uses the word "community" as defined in the Act, does this present a problem to ERDA?

(3) The ERDA testimony indicated that the funds added by the Congress for the two Counties in FY 1975 and FY 1976 would serve as a guide to the level of any future payments to the Counties. Does this mean that the amounts added by the Congress to the budget would be considered as a ceiling?

(4) With respect to the ERDA recommendation that the assistance period be changed from ten years ending June 30, 1986, to one ending June 30, 1979, so as to have it coincide with the assistance period for the City of Oak Ridge, does this mean that you would have to review the situation with regard to the Counties again in about three years in order to present the required recommendations to the Joint Committee on Atomic Energy as to the continuation of the assistance payments?

(5) The first sentence of Section 91. c. states "payments made under this section will be payments made for special burdens imposed on the local governmental entities in accordance with the second sentence of Section 168 of the Atomic Energy Act of 1954." If Anderson and Roane Counties are added to Section 91. of the Community Act, would they continue to be eligible for annual assistance payments under the burdens and benefits part of Section 168 of the Atomic Energy Act, assuming they are able at some time in the future to make a case that they are encountering special burdens over and beyond the amount of any assistance payments rendered under the Community Act? Would they continue to receive annual "tax loss" payments under the first part of Section 168?

(6) Would the Counties be expected to waive any other tax claims against the ERDA if assistance payments were made under the amendments proposed by S. 1378?

I appreciate your cooperation and assistance in resolving this important matter.
Sincerely,

HOWARD H. BAKER, JR.

U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION,
Washington, D.C., June 19, 1975.

Hon. HOWARD H. BAKER, Jr.,
U.S. Senate.

DEAR SENATOR BAKER: We are pleased to respond to your letter of May 15, 1975, in which you raised several questions intended to provide additional information as to how the Energy Research and Development Administration (ERDA) might interpret S. 1378, which would authorize the Administrator of ERDA to make financial assistance payments to Anderson and Roane Counties, Tennessee. The responses to your questions are as follows and in the order in which the questions appear in your letter.

1. In the absence of an appraisal of buildings and equipment for tax purposes, a computation of a property tax estimate taking into account the ERDA facilities is speculative because the economics of the market place were not controlling factors in determining the Government's investment. Also, there is little relationship between the dollar investment in these facilities and the burdens cast upon local entities on account of the public services provided.

With this in mind, there are shown below estimates of 1974 property taxes for the City of Oak Ridge, Anderson County, and Roane County, as if the three principal ERDA plants at Oak Ridge were included in the definition of "community".

	Estimate of real property tax	
	Based on gross book value	Based on net book value
Anderson County.....	\$3,595,000	\$2,949,000
Roane County.....	2,331,000	1,808,000
Oak Ridge.....	5,281,000	5,029,000
Total.....	11,207,000	9,786,000

These estimates are based on the assumption that the inclusion of the three plants as part of the "tax base" or as a factor in determining just and reasonable sums would result in a substantial reduction in the local tax rates as well as a marked increase in "tax revenues" in order to upgrade local services. Under these assumptions, the estimates of ERDA assistance would represent from 60 to 99 percent of the total tax requirements of the local entities. Considerably greater estimates would result if the computations were based upon the current tax rates applied to the respective sets of book values, without regard for the effect the ERDA assistance would have on the current tax rates.

2. It is not believed that the word "community" as used in Section 91. a. (3) would present a problem in determining "just and reasonable" financial assistance for the two counties, provided the value of the ERDA plants and laboratories is excluded from Section 91. a. (1).

3. The amounts added by Congress would not be considered as a ceiling. The statement in the ERDA testimony that the added amounts would serve as general guidance was intended to convey the view that the level of future payments would be in the range of the 1975 and 1976 amounts added by Congress.

4. If the amendment incorporates the June 30, 1979, date as recommended in the ERDA testimony, then ERDA would be required to review the situation with respect to the counties again in three years in order to present its recommendations not less than six months prior to June 30, 1979, to the Joint Committee on Atomic Energy (JCAE) as to the need for any further assistance payments to Anderson and Roane Counties. As we view it, the principal effect of the date is to terminate the ERDA authority to enter into long-term contracts as provided in Section 94. of the Act. The presence of the date also provides ERDA and the JCAE with a near-term opportunity to review the entire program with respect to the entities in the Oak Ridge area at the same time. We believe this is necessary because of the inter-relationships between the City and the counties. The Administrator's basic authority to provide financial assistance is not affected by the June 30, 1979, date.

5. If Anderson and Roane Counties are added to Section 91. of the Community Act and receive financial assistance under that Act, ERDA would regard such

assistance as compensation for the special burdens contemplated by Section 168. While Anderson and Roane might be eligible to apply for assistance under Section 168, it would be ERDA's intention to limit the assistance to that authorized by the Community Act. Annual "tax loss" payments would continue to be made to Anderson and Roane under Section 168, although such payments would be taken into consideration in arriving at the assistance under the Community Act.

6. The counties would be expected to waive other tax claims as regard ERDA and its CPF contractors with the exception of a local option tax presently in force in Roane County, but also available for adoption by Anderson County. The amount of such tax, however, would be taken into account in arriving at the "just and reasonable" assistance.

We hope the above will be of assistance in establishing our interpretation of S. 1378. Please do not hesitate to call on us if we may provide further information.

Sincerely,

ROBERT C. SEAMANS, Jr.,
Administrator.

Faint, illegible text covering the majority of the page, appearing to be a document or report.

APPENDIX 2

CORRESPONDENCE: JCAF, ERDA, AND GAO

CONGRESS OF THE UNITED STATES,
 JOINT COMMITTEE ON ATOMIC ENERGY,
Washington, D.C., April 10, 1975.

Re: S. 1378, Legislation to amend the Atomic Energy Community Act of 1955 to authorize the Administrator of the Energy Research and Development Administration to make assistance payments to Anderson County and Roane County, Tennessee.

HON. ROBERT C. SEAMANS, JR.,
Administrator, Energy Research and Development Administration,
Washington, D.C.

DEAR DR. SEAMANS: The referenced bill, copies of which are attached, has been referred to the Joint Committee on Atomic Energy for its consideration. The Committee would be pleased to receive any comments which the Administration may have on this legislation at the earliest practicable time. Please furnish five copies of your reply

Sincerely,

GEORGE F. MURPHY, JR.,
Executive Director.

Enclosures.

U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION,
Washington, D.C., June 19, 1975.

HON. JOHN O. PASTORE,
Chairman, Joint Committee on Atomic Energy,
Congress of the United States.

DEAR SENATOR PASTORE: This is in response to Mr. Murphy's letter of April 10, 1975, which requested the comments of the Energy Research and Development Administration (ERDA) on S. 1378, a Bill to amend the Atomic Energy Community Act of 1955, as amended, to authorize the Administration of ERDA to make assistance payments to Anderson and Roane Counties in Tennessee.

Enactment of S. 1378 would not be in accord with the program of the President. The reasons are as follows:

Since special burdens have not been shown to outweigh benefits under Section 168 of the Atomic Energy Act of 1954, as amended, special legislation would place these counties in a preferential position with respect to other local jurisdictions which similarly cannot prove special burdens in excess of benefits

The objective of the community program is to make Oak Ridge self-sustaining rather than to extend this support to adjacent jurisdictions.

Should S. 1378 be enacted into law, ERDA anticipates a request by both Anderson and Roane Counties for assistance payments. Although S. 1378 adds two counties which are not within the Act's defined "Community" areas and which did not receive former AEC municipal installations, we believe that the Congressional action would permit ERDA to make assistance payments of just and reasonable sums to Anderson County and Roane County based on the criteria set forth in Section 91. a.

We believe that the use of criterion of Section 91. a.(1), which relates to government property within the "Community," will not be an important factor in determining the amount of financial assistance payments since the value of ERDA plants and laboratories is not within the "Community" as defined by the Act. The legislative history of the Act indicates that this is a deliberate exclusion by the Congress, and ERDA believes that the plants and laboratories should

continue to be excluded (even if the definition of "Community" were changed to include the Counties) since such values do not affect the local governmental burdens with which the Act deals. We believe that the Committee should by appropriate means reaffirm the Congressional intent to exclude the value of ERDA plants and laboratories as a factor in determining the amount of assistance payments.

In determining a just and reasonable payment we would consider the amount of assistance payments added to the ERDA FY 1975 budget for the two Counties by the Congress and the amounts, if any, that may be added to the FY 1976 budget as general guidance as to the levels of any future payments to be made to the Counties.

If S. 1378 is enacted into law we would strongly urge that the authority of the Administrator to enter into contracts with Anderson and Roane Counties be limited to June 30, 1979—the date the existing ten-year period expires for the City of Oak Ridge. Such an amendment to S. 1378 would enable the Congress, the Energy Research and Development Administration, and the local governments to review the situation of the Counties at the same time as any continuation of assistance to the City of Oak Ridge is considered. Inasmuch as the ERDA authority to make payments under Section 91 is discretionary, we expect to negotiate with the Counties on the basis of a June 30, 1979, termination date for the initial contract if the June 30, 1986, date presently in S. 1378 is maintained.

We would also like to reaffirm our continuing commitment to the Congressional direction of the Community Act in Section 91. e. that entities receiving assistance utilize all reasonable, available means to achieve financial self-sufficiency to the end that assistance payments by the Energy Research and Development Administration may be reduced or terminated at the earliest practicable time.

Should you have any further questions, we will be glad to answer them.

Sincerely,

ROBERT C. SEAMANS, JR.,
Administrator.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 14, 1975.

B-183661.

HON. JOHN O. PASTORE,
*Chairman, Joint Committee on Atomic Energy,
Congress of the United States.*

DEAR MR. CHAIRMAN: By letter dated April 10, 1975, the Executive Director of your Committee requested our comments on S. 1378, 94th Congress. This bill would amend the Atomic Energy Community Act of 1955, 42 U.S.C. § 2391 *et seq.* (1970), to authorize the Administrator of the Energy Research and Development Administration to make assistance payments to Anderson County and Roane County, Tennessee.

The bill provides that the payments to Anderson and Roane counties shall not extend beyond June 30, 1986. Pursuant to 42 U.S.C. § 2391(d) (1970), payments to the City of Oak Ridge are authorized for a 10-year period which expires in 1979. Since Oak Ridge is in fact situated in both Anderson and Roane counties and all three are impacted by some Energy Research and Development Administration facilities, it is suggested that the Committee might want to consider providing for the same expiration date for payments to these two counties and to the City of Oak Ridge.

Sincerely yours,

ROBERT F. KELLER,
Deputy Comptroller General of the United States.

APPENDIX 3

LETTERS OF SUPPORT - ANDERSON COUNTY, TENNESSEE

MAY 9, 1975

TESTIMONY BEFORE SUB-COMMITTEE FOR COMMUNITY AFFAIRS,

JOINT COMMITTEE ON ATOMIC ENERGY,

ON BEHALF OF ROANE AND ANDERSON COUNTIES:

Included herein are letters of support for the proposed legislation from leaders of the various elements of the Oak Ridge community.

LETTERS OF SUPPORT - ANDERSON COUNTY, TENNESSEE

May 9, 1975

Testimony before Sub-Committee for Community Affairs,

Joint Committee on Atomic Energy,

on behalf of Roane and Anderson Counties:

Anderson County Administrator, Mr. Albert B. Slusher

Mayor of Oak Ridge, Mayor A. K. Bissell

City Manager of Oak Ridge, Mr. William N. Haddock

Mayor of Clinton, Mayor Byron H. Hale

Mayor of Norris, Mayor Douglas S. Boardman

Mayor of Lake City, Mayor Graydon A. Lovely

Roane-Anderson Economic Council, Mr. Tom Hill, President

Melton Hill Regional Industrial Development Assn., Mr. David O. Bolling,
Executive Director

Oak Ridge Chamber of Commerce, Mr. James F. Young, President

Bank of Oak Ridge, Mr. Q. Don Maxwell, President

First Federal Savings and Loan Association, Mr. Ancil L. Silvey, Exec. V-Pres.

Union Peoples Bank, Mr. H. F. Rutherford, Chairman

City and County Bank, Mr. William S. Brown, President

Mr. Joe E. Magill, Attorney at Law

League of Women's Voters of Oak Ridge, Mrs. Shirley Hendrix, President

Business & Professional Women's Club of Clinton, Mrs. Helene E. Macres, President

Norris Woman's Club, Mrs. Bill R. Disney, President

Lake City Business & Professional Women's Club, Mrs. Marie H. Hatmaker, President

Anderson County Board of Education, Mr. Ray Ellis, Chairman

Anderson County Schools, Mr. Paul Bostic, Superintendent

Anderson County Health Department, Dr. P. M. Dings, Health Office

LETTERS OF SUPPORT - ANDERSON COUNTY, TENNESSEE
PAGE TWO

People's Health Center, Mr. Byrd W. Duncan, Sr., Administrator
 Anderson County Health Council, Mr. Clyde Scott, President
 Nineteenth Judicial Circuit, Judge Sidney Davis
 Twenty-Eighth Judicial Circuit, Chancellor Roland Prince
 Mr. James B. Scott, Jr., Attorney General
 Anderson County Trial Justice and Juvenile Courts, Hon. W. Buford Lewallen
 Anderson County Farm Bureau, Mr. Everett F. Cox, President
 Anderson County Agricultural Agent, Mr. E. F. Ivens
 Anderson County Soil & Water Conservation District, Mr. Elmo Worthington, Chm.
 Anderson County Soil Conservation Commission Committee, Mr. Kyle Irwin, Chairman,
 Mr. Carl Fritts, Member, Mr. Hobert Weaver, Member
 Anderson County Home Demonstration Clubs, Mrs. Marjorie Phillips, Assn. Ext. Agent,
 Mrs. Alonzo Mitchell, President
 Anderson County Soil Erosion Association, Mr. David Irwin, President
 Anderson County Court Clerk, Mr. John M. Purdy
 Anderson County Circuit Court Clerk, Mr. Thomas J. Alderson
 Anderson County Assessor of Property, Mr. Carl J. Irwin
 Anderson County Clerk and Master, Mr. J. E. Lawson
 Anderson County Register of Deeds, Mr. Joel M. Meredith
 Anderson County Trustee, Mrs. Patsy Stair
 Anderson County Highway Department, Mr. James B. Meredith, Superintendent of Roads
 Anderson County Engineer, Mr. Gordon E. Colborn
 Anderson County Purchasing Agent, Mr. A. B. Ladd
 Anderson County Ambulance Service, Mr. Robert L. McKamey, Director
 Anderson County Planning Commission, Mr. Jack R. Rains, Chairman
 Anderson County Board of Conservation, Mr. Roger W. Bollinger, Chairman
 Anderson County Library Board, Mrs. J. E. Jones, Chairman

LETTERS OF SUPPORT - ANDERSON COUNTY, TENNESSEE
PAGE THREE

Clinch-Powell Regional Library Center, Mr. W. R. Jordan, Director

Clinton Library, Mrs. Sada Peters, Librarian

Anderson County Election Commission, Mr. Cary D. Grieve, Chief Registrar

Veteran's of World War I, Barracks #492, Mr. A. F. Philipowski, Chief of Staff

Norris Lions Club, Mr. Russell Allen, President

Anderson County Community Action Commission, Mrs Cyndy Holcomb, Executive Director

Clinton Chamber of Commerce, Mr. Howard Henegar, President

Anderson County Zoning Officer, Mr. Donald F. Page

Anderson County Sheriff, Mr. H. H. Hill

Norris Civic Improvement Committee, Mrs. James A. Dale, Chairman

Clinton Optimist Club, Mr. R. L. Daugherty, President

Optimist Club of Lake City, Dr. Curtis C. Sexton, President

Federation of Teachers, Local #2430, Mr. Alan McClain, President

Roane-Anderson Central Labor Union, Charles Robinson, Vice President

Anderson County Rescue Squad, Haynes Day, Captain

James Nelson Ramsey, Attorney-at-Law



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

ALBERT B. SLUSHER
COUNTY ADMINISTRATOR

May 5, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D. C.

Gentlemen:

Anderson County, Roane County and the City of Oak Ridge are the local governments who furnish county and city services to the majority of employees working at the Oak Ridge installations and their families.

Anderson and Roane Counties are the local governments whose property tax base was considerably decreased because of the large area of land taken by the federal government for the Oak Ridge installations. This decreased tax base, plus the fact that the federally owned installations are non-taxable, yet place a similar burden on local governments which are imposed by taxable private industry, has brought about a condition and a continuing financial crisis which the counties have not been able to overcome. County officials and taxpayers alike feel it is a burden which should be shared by the Energy Research and Development Administration of the U. S. Government. We very much appreciate the increased in-lieu-of-tax payments recently received, as well as the recommendation of the Joint Committee for Atomic Energy for assistance during the coming fiscal year.

However, it is very difficult to prepare each year's county budget in advance when we do not know from year to year whether or not money will be appropriated for the counties of Roane and Anderson. We feel that passage of the Baker-Brook Senate Bill No. 1378 and Lloyd House Bill No. HR 5698 will enable the Congress and ERDA to grant assistance to Roane and Anderson counties on a more permanent basis than from year to year as at present.

As County Administrator, I am aware each day of the heavy property tax burden on the Anderson County citizens. As a former employee of the Oak Ridge National Laboratories, I am aware of the importance of the work at all Oak Ridge installations, which benefits the whole nation. As a former member of the Anderson County Board of Education for nine years, I am aware of the increased expense which falls upon the school system as a result of personnel moving into the county to work at Oak Ridge and the cost of living increase in running a school system today. The Oak Ridge area is one of the highest cost-of-living areas in the entire United States.

In view of the above, I strongly urge passage of the proposed legislation mentioned above.

Very truly yours,

A. B. Slusher
Albert B. Slusher
Anderson County Administrator

ABS:mab

OAK RIDGE

TENNESSEE

MUNICIPAL BUILDING

37830 TELEPHONE 483-5671

May 5, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

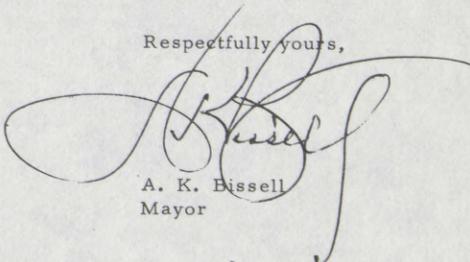
The City of Oak Ridge wishes to express its support for a just and equitable in-lieu-of-taxes payment from Energy Research and Development Administration for Anderson County.

As you know, Anderson County depends, in great measure, upon the property tax to finance its schools, roads, health programs, public safety, and all the other necessary services provided to the citizens. Because of the large federally-owned industries in Oak Ridge, which remain nontaxable, Anderson County has historically been forced to set its tax rate at a level which is inordinately high. For the last ten years, this rate has been approximately double the median county rate and is today the highest in the State.

The level of services provided by the County is in great part due to the existence within the County of the federally-owned nontaxable installations. Accordingly, the City of Oak Ridge wishes to join the County in requesting that a fair, just, and reasonable in-lieu-of-taxes payment be provided the County by ERDA in recognition of the burdens involved.

We sincerely appreciate the Committee's interest and concern in this matter and request your favorable consideration of the County Court's study of the problem.

Respectfully yours,



A. K. Bissell
Mayor

VISIT THE MUSEUM OF ATOMIC ENERGY

OAK RIDGE

TENNESSEE

MUNICIPAL BUILDING

37830 TELEPHONE 483-5671

May 5, 1975

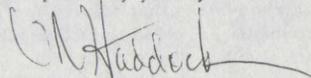
The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress - First Session
Washington, D. C.

Gentlemen:

The City Council of the City of Oak Ridge, Tennessee is familiar with the current activities of Anderson and Roane Counties in an attempt to bring about legislation which would enable the U. S. Energy Research and Development Administration to make annual payments in lieu of taxes to each of these political subdivisions. The Council is also fully aware of the basis for seeking this legislation and believes that a case is made for the relief requested.

The Anderson County Tax Study Committee has stated the existing situation with respect to burdensome tax rates quite clearly. The citizens of Oak Ridge, along with all other residents of the two counties, must bear this financial load and the City Council, on behalf of the citizens of Oak Ridge, respectfully request that this matter be given favorable consideration by your Committee.

Respectfully yours,



William N. Haddock
City Manager

TOWN OF CLINTON
CLINTON, TENNESSEE
37716

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

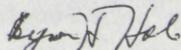
The Town of Clinton wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that Anderson County's high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations in Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

Clinton, being the County Seat and having a large percentage of our citizens work in Oak Ridge feel that all of Anderson County should receive equitable payments in lieu of taxes from ERDA.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Byron H. Hale
Mayor

BHH/pm

CITY OF NORRIS**NORRIS, TENNESSEE**

37828

May 6, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

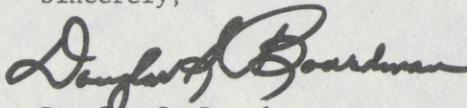
Gentlemen:

The Norris City Council, representing the taxpayers of the City of Norris, wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high county tax rate is to a large degree the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that this request of our Tax Study Committee be given your favorable consideration.

Sincerely,



Douglas S. Boardman
Mayor

TOWN OF LAKE CITY

LAKE CITY, TENNESSEE

37769

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D. C.

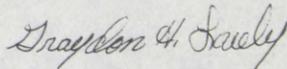
Gentlemen:

The Town of Lake City wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Graydon H. Lovely
Mayor

GHL/fh

ROANE-ANDERSON ECONOMIC COUNCIL

May 9, 1975

**Officers**

Frederic A. Hill, President
 Maurice Williams, Vice President
 Horace V. Wells, Jr., Vice President
 Ben S. Adams, Secretary
 Q. Dion Maxwell, Treasurer
 Eugene L. Joyce, Chairman,
 Executive Committee

Board of Directors

Ben S. Adams, Vice President
 Crouch & Adams, Inc.
 Garrett Ayler, President
 Ridge Realty
 E. C. Brivester, Chairman
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 Jake Batcher, Chairman
 City & County Bank
 Leslie S. Duke, District Mgr.
 South Central Bell Tel. Co.
 James D. French, President
 Tomlin's Food Markets
 J. W. Gibson, President
 J. W. Gibson Construction Co.
 J. Thomas Harvey, President
 Harvey's Furniture Co.
 Hugo F. Hobbs, President
 Union Carbide Nuclear Division
 Thomas A. Hill, Publisher
 The Oak Ridge
 Eugene L. Joyce, Attorney
 Isaac Anderson, Wood & Marlett
 Q. Dion Maxwell, President
 Bank of Oak Ridge
 Seward B. Norris, President
 Seward B. Norris Construction Co.
 J. E. Parker, President
 Kingston Bank & Trust Co.
 Hubert F. Huthulford, Chairman
 Union Peoples Bank
 Roy A. Shattun, President
 Roy A. Shattun Real Estate
 Joe K. Smith, President
 First National Bank & Trust Co.
 Edward J. Spitzer, President
 Waste Management Corp.
 Horace V. Wells, Jr., Publisher
 Clinton Courier News
 Maurice Williams, President
 Hamilton Bank of Roane County

Consultants

D. S. Husland, Washington, D.C.
 Elmer P. Koon, Oak Ridge, Tenn.
 Charles Hubbard, New York, N.Y.
 Lloyd B. Treatment, Washington, D.C.

(11) 481191P

141 N. HICKORY AVE.
 OAK RIDGE, TENNESSEE 37830

Headquarters Oak Ridge
 the energy capital of the world

The Joint Committee of Atomic Energy
 Ninety-Fourth U. S. Congress
 First Session
 Washington, D. C.

Gentlemen:

This letter is in support of the bill to amend the Atomic Energy Community Act of 1955 to authorize assistance payments to Roane and Anderson Counties.

The Roane-Anderson Economic Council is a group of private businessmen in these two counties actively involved in trying to build the private industrial tax base.

There are many problems in bringing industry to these two counties and most of them are the result of government policies and practices. The major problem, however, is the fact that the giant federal plants are tax exempt. This creates an unbalanced tax structure with abnormally high tax rates on private property.

It is just and fair to make a reasonable in-lieu-of-tax payment to these two counties, then, to alleviate this problem. We respectfully urge positive action on this bill.

Sincerely,

Tom Hill
 President

TH:ld



melton hill regional industrial development assn.

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

For several years Melton Hill Regional Industrial Development Association has worked to improve the economic opportunities in Anderson County through industrial development efforts. The benefits from such activity are obvious. More job opportunities are created, more area wide retail activity is stimulated and the tax base of the county is broadened.

When more people are attracted to an area due to job opportunities, more demands for public services are created. In the case of the private industries that have located in Anderson County, their tax payments more than offset the demands created by their employees that have moved into Anderson County because most of their employees are hired from the local labor force.

Anderson County has the dubious distinction of having the highest tax rate of any county in Tennessee. This fact can serve as a negative point when we are competing with other areas for new industries. This fact is also a negative factor reflected in the cost of producing a product for sale in the competitive market against like products produced in areas with lower tax rates.

While we fully appreciate the many benefits derived from the employment opportunities afforded by the activities of Energy Research Development and Administration, and they are great, at the same time, other factors must be considered.

P.O. BOX 83 CLINTON, TENN. 37716 (615) 457-¹⁷⁸⁵~~1229~~

If Union Carbide Company did in fact own the Y-12 plant facilities with like employment, and if Prudential Life Insurance Company owned the new Federal Building, and if these owners paid taxes at the same rate as do the new local industries, the current fiscal problems of Anderson County would be solved. The county could then afford to provide its service on a much lower tax rate.

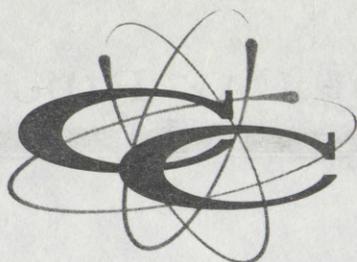
In view of these circumstances, it is respectfully requested that you urge the passage of the Baker-Brock Senate bill No. 1378 and Lloyd House bill No HR5698. Such action would be of great assistance to a county that has struggled for many years to carry more than its fair load.

Thank you very much for your reflected concern.

Yours very truly,


David O. Bolling
Executive Director

DOB/wjg



**OAK RIDGE
CHAMBER OF COMMERCE**

1400 OAK RIDGE TURNPIKE • OAK RIDGE, TENNESSEE 37830 • TELEPHONE 483-1321

May 8, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

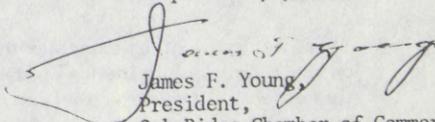
Gentlemen:

The Oak Ridge Chamber of Commerce wishes to express it's support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base. The economic growth of Anderson County is affected by the lack of tax funds which could be used to build and maintain Industrial Parks, build and maintain roads for industry and tourists visiting Oak Ridge and Anderson County. Lack of an adequate airport is also a major limiting factor for the growth of the county.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,


James F. Young,
President,
Oak Ridge Chamber of Commerce

HLB/wh



BANK OF OAK RIDGE

Oak Ridge, Tennessee 37830

May 7, 1975

Q. DONALD MAXWELL
PRESIDENT
AND TRUST OFFICER

The Joint Committee on Atomic Energy
94th U.S. Congress - First Session
Washington, D. C.

Gentlemen:

The Anderson County Tax Study Committee has a request before you for just and equitable payments in lieu of taxes from the U.S. Energy Research and Development Agency. We support the request of the Committee.

Without the benefits of the tax base on federally owned property in Oak Ridge, our county is subsidizing not only the rest of the nation but foreign countries as well. This subsidy is escalating our local tax rate to unrealistic heights. When this is allowed to happen, it has many effects on all businesses. Particularly, we can show its direct effect on banks and relate the indirect effect on the total community.

Local banks are taxed on total capital structure. A high tax rate such as we now have impedes the flow of money into bank capital. Such a high tax rate can have a negative effect on plans to increase bank capital when, by doing so, it will increase our total taxes. If bank capital is not increased, then loans to the community cannot increase because the legal limits for lending are based on capital structure. Last year, because of this high tax rate, taxes amounted to approximately 40% of net earnings for some banks. When added to Federal Income Taxes, this creates an unrealistically high rate of taxation.

There are many other examples that could be cited showing the effect on the county due to the loss of taxes on federally owned property and we respectfully request that the proposal before you be given your favorable consideration.

Sincerely,

Q. D. Maxwell

QDM/ica

The Heritage Bank



First Federal

May 7, 1975

The Joint Committee on Atomic Energy
94th U. S. Congress - First Session
Washington, D. C.

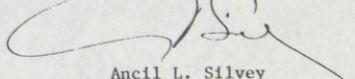
Gentlemen:

The First Federal Savings and Loan Association of Oak Ridge wishes to express its support of the Anderson County and Roane County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that the extremely high real estate tax paid by the real estate owners of Anderson and Roane Counties is significantly effected by the non-taxable industries and installations operated by ERDA at Oak Ridge. Consequently, the payment of real estate tax has a great deal of influence and effect upon the financing of residential property by the home-owners of our counties. The effect of inflationary trends on construction costs, along with the highest real estate tax rate payable in the State of Tennessee, added to the high interest rates required to finance these homes makes ownership of residential property only available to people of significantly high income opportunities. These higher incomes, for the most part, are paid by ERDA and its prime contractor, Union Carbide. But, only about half of these ERDA employees live in Anderson County and contribute to the real estate taxes. The burden of the high taxes, therefore, must be paid and borne by a good many people who have no association whatsoever with the ERDA or Union Carbide operations. A good many of them are people in private business, professional businesses, service businesses, farming, and labor occupations that cannot pay equivalent wages to their employees or earnings to themselves as that which ERDA and Union Carbide pays.

We respectfully ask that the Tax Study Committee and their concerns be given your most favorable consideration.

Respectfully yours,



Ancil L. Silvey
Executive Vice President

ALS/ibj

**UNION
PEOPLES
BANK**
ORGANIZED 1894

H. F. RUTHERFORD, CHAIRMAN

CLINTON, TENNESSEE 37716

May 6, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

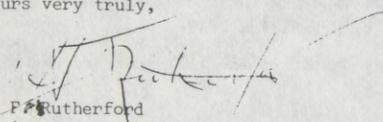
Gentlemen:

The Union-Peoples Bank takes this opportunity to express its support of Anderson County Tax Study Committee's request for equitable and just payment in lieu of taxes to Anderson County from ERDA.

It is our belief that our extremely high tax rate results from tax exempt status of federally owned, non-taxable industries and installations in Oak Ridge, Anderson County, Tennessee. It is our information, that the tax rate of Anderson County is highest of any county in the state of Tennessee, yet the county's tax aggregate is extremely low because of the federally decreased tax base.

Your concern is evidenced by the hearing you are having, on Friday, May 9 at the Museum of Atomic Energy in Oak Ridge. It is our opinion that after this hearing you will be more favorably acquainted with the problems of Anderson County, regarding our tax situation.

Yours very truly,



H. F. Rutherford
Chairman

First Amtenn Bank group

The City & County Bank

OF ANDERSON COUNTY, N. A.

May 7, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

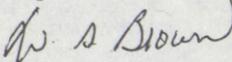
Gentlemen:

The City and County Bank of Anderson County, N. A. wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the request of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



William S. Brown
President

WSB/bh

JOE E. MAGILL
 ATTORNEY AT LAW
 UNDERWOOD BUILDING - COURTHOUSE SQ.
 CLINTON, TENNESSEE
 37716

May 2, 1975

OFFICE PHONE - 457-9291

The Honorable John Young
 Chairman, Subcommittee on Communities
 Joint Congressional Committee on Atomic Energy
 Room H-403
 United States Capitol
 Washington, D. C. 20510

Dear Chairman Young:

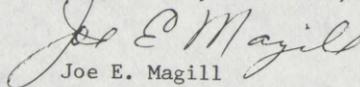
I would like to submit a statement for the record at the public hearing in Oak Ridge, Tennessee in support of the request for an in-lieu-of-tax payment to be made to Anderson and Roane Counties.

I submit this statement as a taxpayer of Anderson County, as a former County Judge of Anderson County and as a former resident of that part of Roane County known as the Wheat Community, now occupied by the United States Government through its agent, the Energy Research and Development Administration. I was born in Bear Creek Valley and lived there until my family was moved by the United States Government in 1943. With this background information, I submit the following statement.

My position, in urging the Energy Research and Development Administration to make an in-lieu-of-tax payment to Anderson and Roane Counties, is simply one of equity. The Federal Government occupies a large portion of these two counties. True, through the operation of the various plants, the economy in this area is greatly enhanced. However, without a direct payment to the local governments, a negative impact is created.

The Federal Government, through the Energy Research and Development Administration, is a citizen of these two communities and it must carry its proportionate share of the tax load as any other citizen is required to do. The fact that I, or any other citizen, may conduct a profitable business, which enhances the economy of the area, should not, and does not, excuse me from paying my fair share of the local tax burden, and it must follow that neither should the Federal Government be excused of carrying its fair load as a citizen of the respective communities.

Respectfully submitted,


 Joe E. Magill

JEM:ea

LEAGUE OF WOMEN VOTERS OF OAK RIDGE

BOX 73

OAK RIDGE, TENNESSEE 37830

May 2, 1975

The Joint Committee on Atomic Energy
95th U.S. Congress, First Session
Washington, D. C.

Re: May 9, 1975, Hearings in Oak Ridge on Federal Financial
Assistance to Anderson and Roane Counties

Gentlemen:

The League of Women Voters of Oak Ridge supports a federal financial assistance program, and further, it feels that the local government should not be penalized for obtaining any new sources of revenue.

. U.S. government projects are the main employers of Oak Ridge residents (and Oak Ridge is situated in both Anderson and Roane Counties).

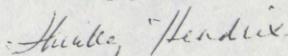
. These government facilities pay no taxes to the city or to the county governments.

. The three local governments, however, must provide roads, schools, and other facilities and services for the U.S. government employees.

Thus, it is fitting that the U.S. government provide financial assistance to these local governments. These payments preferably should be in those sizable and stable amounts taxes would bring if the government facilities were corporations instead. That is, tax rates would be fairly consistent from year to year, and they would not be subject to reduction just because new businesses settled in the area. Regular, sufficient, and stipulated federal financial assistance to local governments would also aid in the long-range planning by local governments.

The League supports the Anderson County Tax Study Committee's request for just and equitable payments (in lieu of taxes) from the Energy Research and Development Administration.

Sincerely yours,



Shirley Hendrix
President

cc: ✓ A. B. Slusher
County Administrator,
Anderson County

BUSINESS AND PROFESSIONAL WOMEN'S CLUB

May 1, 1975

The Joint Committee on Atomic Energy
Ninety-fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

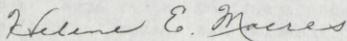
The Business and Professional Women's Club of Clinton, Tennessee, wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax-exempt status of the federally owned, nontaxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

BUSINESS AND PROFESSIONAL WOMEN'S CLUB
OF CLINTON, TENNESSEE



By Helene E. Macres, President

Membership: 65

Norris Woman's Club
Andersonville, Tenn. 37705
May 5, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

We, the Norris Woman's Club wish to let you know that we do support the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We have 58 members in our club and we are located in Norris, Tennessee. We do believe that the federally owned, non-taxable industries and installations at Oak Ridge causes our high tax rate. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Yours truly,

Mrs. Bill R. Disney

Mrs. Bill R. Disney, Pres.

May 5, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D.C.

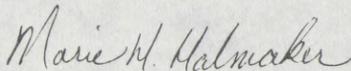
Gentlemen:

The Lake City B.P.W. Club is very much interested and concerned in supporting Anderson County in its plea for just and equitable payments in lieu of taxes from the Energy Research & Development Association.

It is agreed by most in the County that Anderson County's high tax rate is the result of the tax exempt status of installations in Oak Ridge.

We would appreciate your utmost concern and consideration on this matter.

Respectfully yours,



Marie H. Hatmaker, President

Lake City B.P.W. Club

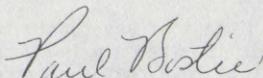
RESOLUTION

WHEREAS, it is becoming increasingly difficult to obtain the financial resources to supply the children of Anderson County with the quality of education desired by parents and by the citizens of the County, and,

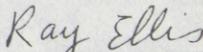
WHEREAS, the Energy Research and Development Administration (ERDA) does not currently make a fair and equitable payment in lieu of taxes annually to Anderson County, therefore,

BE IT RESOLVED that the Anderson County Board of Education state its support for legislation which would authorize ERDA to make fair and equitable annual in lieu of tax payments to Anderson County.

BE IT FURTHER RESOLVED that the Joint Committee on Atomic Energy of the U. S. Congress be informed of this resolution.



Paul Bostic, Superintendent
Anderson County Board of Education



Ray Ellis, Chairman
Anderson County Board of Education

ANDERSON COUNTY SCHOOLS
OFFICE OF SUPERINTENDENT
ANDERSON COUNTY COURTHOUSE
CLINTON, TENNESSEE 37716

April 30, 1975

PAUL BOSTIC
SUPERINTENDENT

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

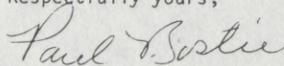
The Anderson County Board of Education, representing 8000 students and 400 teachers, wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

It is becoming increasingly difficult to obtain the financial resources necessary to give our students the quality of education desired by the citizens of this County.

Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base. We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Paul Bostic, Superintendent
Anderson County Schools

PB:WEC:rg

ANDERSON COUNTY
HEALTH DEPARTMENT
STATE DEPARTMENT OF HEALTH COOPERATING
CLINTON, TENNESSEE

DR. P. M. DINGS, M. D.
DIRECTOR

May 6, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D.C.

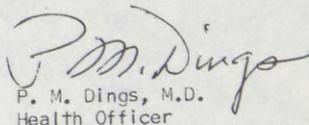
Gentlemen:

The staff of the Anderson County Health Department would like to endorse and support the request made by the Anderson County Tax Study Committee regarding just and equitable payments in lieu of taxes from ERDA.

About one year ago, Anderson County was being considered for the construction of a much needed new public health facility to serve county residents. Obviously, many factors were considered, but the ultimate question was whether or not the county could, at that time, afford this project. We believe that our extremely high tax rate definitely contributed to the eventual postponement of these plans, since we were not able to obtain the necessary local appropriation.

We are encouraged by the concern and interest you have indicated by the hearing and respectfully ask that the request of our Tax Study Committee be given your favorable attention.

Sincerely yours,


P. M. Dings, M.D.
Health Officer

PMD/lb

PEOPLE'S HEALTH CENTER
OWNED BY PEOPLE'S HEALTH COUNCIL INCORPORATED
BRICEVILLE, TENNESSEE 37710

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D.C.

Gentlemen:

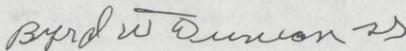
The People's Health Council, Inc. wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's Tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We feel that increased tax benefits to the Anderson/Rone County areas would assist private non-profit organizations such as ours to better meet our goals of quality health care delivery to area families.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Byrd W. Duncan, Sr.
Administrator
People's Health Center

BWD/sp

Anderson County Health Council

TELEPHONE 457-4300
BROAD STREET
CLINTON, TENNESSEE 37716
5 May 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

The Anderson County Health Council, Inc., representing 113 citizens of Anderson County, wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

Anderson County Health Council cooperates with government and private agencies and citizen groups to identify health needs, inventory resources, establish priorities, and encourages coordinated action.

We believe that our extremely high tax rate, the highest of any County in Tennessee, seriously deters effective health planning and delivery of health care services to our citizens. A new and expanded County Health Department is desperately needed but adequate local matching funds are not available. Eighty percent of the children in Anderson County Schools were found to have four or more cavities each. It is obvious more funds are needed for dental health education and treatment. A half-way house and a detoxification unit are needed to help meet the needs of citizens with problems related to alcohol and drug abuse. It would place an even greater tax burden on our citizens to try to address only the above mentioned areas of need.

We further believe that our high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations in Oak Ridge. Therefore, we respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Yours truly,

Clyde Scott
Clyde Scott
President

CS/lp

State of Tennessee
Nineteenth Judicial Circuit

SIDNEY DAVIS, JUDGE
POST OFFICE BOX 158
CLINTON, TENNESSEE 37716
PHONE 457-1790

May 8, 1975

CLERKS:

ANDERSON COUNTY
THOMAS J. ALDERSON
CLINTON, TENNESSEE

CAMPBELL COUNTY
CHESTER COCKER
JACKSBORO, TENNESSEE

CLAIBORNE COUNTY
BILL DEBUSK
TAZEWELL, TENNESSEE

CLERKS:

FENTRESS COUNTY
MRS. GWENITH DUNCAN
JAMESTOWN, TENNESSEE

MORGAN COUNTY
SAM J. SCOTT
WARTBURG, TENNESSEE

SCOTT COUNTY
ODIE PHILLIPS
HUNTSVILLE, TENNESSEE

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

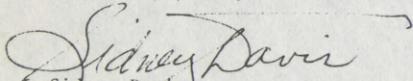
It is obvious that Anderson County is in transition from a rural community economically dependent on agriculture, lumber, and coal mining to an urban community. All are aware that the federally owned atomic industrial complex at Oak Ridge accelerated this change and created an abnormal location of the county's residents.

To accommodate the employees of government-connected industrial activities, several residential subdivisions have mushroomed throughout the county. More than 25 per cent of the people live outside the towns. These residents demand urban services, and enough of them are sufficiently sophisticated and vocal to pressure the county to supply them. The necessary tax money must be raised by inequitable demands on owners of residences and small businesses since the government property in Oak Ridge is tax exempt.

For example, the cost of juries for Circuit and Criminal Courts approaches \$30,000.00 annually. We need \$250,000.00 each year to properly staff the Sheriff's Department. Not having means, we must use undereducated men to perform serious and important functions. \$537.00 per month is the salary of an Anderson County Deputy Sheriff. Some cannot read or write, and others barely. Even though our county law enforcement officers are on the whole good, conscientious, and well-meaning men, many are not qualified.

A re-examination of the Federal Government's tax policies in Anderson County is not only in order, it is imperative.

Very truly yours,



Sidney Davis
Criminal Judge

SD:hm

STATE OF TENNESSEE
TWENTY-EIGHTH JUDICIAL CIRCUIT
ANDERSON COUNTY COURTHOUSE
CLINTON, TENNESSEE 37716

May 6, 1975

SIDNEY DAVIS
CIRCUIT JUDGE

ROLAND PRINCE
CHANCELLOR

JAMES B. SCOTT
ATTORNEY GENERAL

The Joint Committee on Atomic Energy
Ninety-fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

As the Chancellor of the Chancery Division, Twenty-eighth Judicial Circuit, and a former member of the Tennessee General Assembly, I respectfully urge you to consider and support the in lieu of taxes payment plan proposed by the Anderson County Tax Study Committee.

Our tax rate is directly effected by the large tax-exempt property and industry located in Oak Ridge. An in lieu payment would off-set this loss of otherwise taxable property, thereby bringing our tax rate more in line with other comparable sized counties in the state.

Your kind consideration of this matter will be appreciated.


Chancellor Roland Prince

RP/pwm



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

JAMES B. SCOTT
ATTORNEY GENERAL

ROOM 313 COURTHOUSE

May 1, 1975

The Joint Committee on Atomic Energy
Ninety-fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

I wish to express my support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

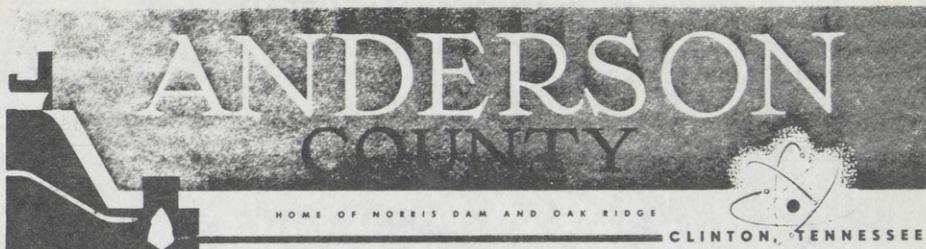
I believe that our extremely high tax rate is the result of the tax-exempt status of the federally owned, nontaxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

The concern you have evidenced by this hearing is appreciated, and I respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

James B. Scott, Jr.
Attorney General

JBS:hm



W. BUFORD LEWALLEN, JUDGE
TRIAL JUSTICE COURT
PHONE 457-1943

May 5, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth Congress, First Session
Washington, D. C.

Gentlemen:

As Judge of the Trial Justice and Juvenile Courts of Anderson County, Tennessee, for over 16 years, please allow me to express this department's concern relative to the Anderson County Tax Study Committee's request for equitable payments in lieu of taxes from ERDA.

The operation of these two very necessary Courts is in excess of 50% due to the federally operated non-taxable industries at Oak Ridge. This results in a constant need for increased services. These we are unable to furnish due to the very low tax aggregate resulting from the failure of the ERDA to share the increased burdens.

Your consideration of our Tax Study Committee and its recommendations are respectfully requested.

It is the opinion of the writer, who has served as an attorney and Judge in Anderson County for over twenty-six years, that unless relief is not granted by permanent equitable in lieu of tax payments by ERDA, drastic curtailment of the Trial Justice and Juvenile Court services will inevitably result.

Respectfully yours,

W. B. Lewallen
W. B. Lewallen

WBL:hs

ANDERSON COUNTY FARM BUREAU

232 SOUTH MAIN ST.
CLINTON, TENNESSEE 37716
TELEPHONE 457-1633

May 5, 1975

The 94th Congress of the United States
First Session
Washington, D.C.

Gentlemen,

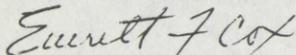
The Anderson County Farm Bureau with a membership of 841 heartily endorse the action of the joint Anderson-Roane Legislative Committees in their attempt to secure adequate payments en lieu of taxes from ERDA.

We believe that these payments are required to provide some relief from the excessive tax rates which exist in this county.

Many of our farm members find it difficult to successfully operate their farms competitively with farms in other areas.

This action was voted on by the Board of Directors of Anderson County Farm Bureau May 2, 1975.

Sincerely,



Everett F. Cox, President

EFC/ksw

Courthouse, Room 213
Clinton, Tennessee 37716
May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

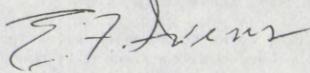
Gentlemen:

I would like to express my support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

Most of the 674 farmers of Anderson County believe that the extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County tax rate on farms in 1974 was \$5.71 which is one of the highest in Tennessee; however, the county's tax aggregate is extremely low because of the federally decreased base.

Farmers of Anderson County appreciate the concern you have shown by this hearing and respectfully ask that the requests of our Tax Study Committee be given favorable consideration.

Very truly yours,



E. F. Ivens
Anderson County Agricultural Agent

EFI:ce



Soil & Water Conservation District



ROOM 211, COURTHOUSE
CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

"THE DISTRICT WORKS FOR YOU"

ELMO WORTHINGTON, VICE CHAIRMAN
KYLE IRWIN, MEMBER

W. S. OVERTON, CHAIRMAN

DAVID IRWIN, SECRETARY
CARL FRITTS, MEMBER

May 6, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

The Anderson County Soil Conservation District supports the Anderson County Tax Study Committee in its request for equitable payment in lieu of taxes from ERDA.

Since its beginning in 1959 the District has provided technical assistance to land users in the county in the field of soil and water conservation. This assistance includes a detailed soil and capability map for land users, local and specific information about the different safe uses for each kind of soil, information concerning the type of conservation practices needed by the land user, technical assistance as needed to design and construct these practices and consultive services from a professional conservationist to help prepare a complete conservation plan on any unit of land. Many of these services have been provided to the federally owned lands in the county.

As the District works to solve conservation problems throughout the county it is aware of the burden of the federally owned land to the taxpayers of the county. Anderson County has the highest tax rate in Tennessee and this is due in part to the large amount of non-taxable federal land. The District therefore asks that you give every consideration possible to the Tax Study Committee's request for equitable payments.

Respectfully,

Elmo Worthington Chm.
Anderson County Soil
Conservation District

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

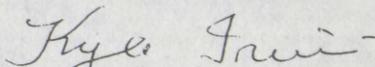
The Anderson County ASC Committee wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

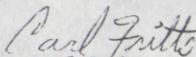
We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

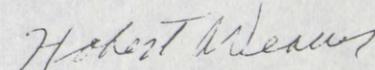
We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

Anderson County ASC Committee


Kyle Irwin, Chairman


Carl Fritts, Member


Hobert Weaver, Member

Courthouse, Room 213
Clinton, Tennessee 37716
May 5, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

The Anderson County Home Demonstration Clubs wish to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

Most of our 476 members believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

Marjorie Phillips

Marjorie Phillips
Assistant Extension Agent

Mrs. Alonzo Mitchell

Mrs. Alonzo Mitchell, President
Anderson County
Home Demonstration Council

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

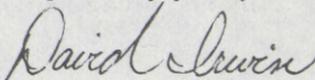
Gentlemen:

The Anderson County Soil Erosion Association wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



David Irwin, President
Anderson County
Soil Erosion Association

ANDERSON COUNTY COURT CLERK

JOHN M. PURDY, CLERK

TELEPHONE 457-2921
CLINTON, TENNESSEE
37716

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D.C.

Gentlemen:

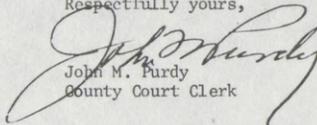
As the County Court Clerk of Anderson County, Tennessee, I wish to express my support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

Having served in this office for the past sixteen years, I have seen the tax rate in this County grow extremely high as the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

It is my firm belief that Gentlemen such as you, after studying this problem, will see that we are in great need of a permanent method of payment in lieu of taxes for Anderson County to help alleviate the burden of this high tax rate which falls wholly upon the home owners of Anderson County.

We appreciate the concern that you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



John M. Purdy
County Court Clerk

JMP:eh



CIRCUIT & CRIMINAL COURTS
 HON. SIDNEY DAVIS, JUDGE
 HON. ROLAND PRINCE, JUDGE

TRIAL JUSTICE COURT
 HON. W. B. LEWALLEN, JUDGE

CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

THOMAS J. ALDERSON, CLERK
 CIRCUIT, CRIMINAL, TRIAL JUSTICE COURTS

May 1, 1975

The Joint Committee on Atomic Energy
 Ninety-Fourth U.S. Congress, First Session
 Washington, D.C. 20000

Gentlemen:

The office of the Circuit Court Clerk of Anderson County wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

As a public official of Anderson County, elected by the voting public, I feel it my duty to express the views of the people I have discussed this matter with, and it is their opinion, as well as mine, that we tax payers in both Anderson County and Roane County are entitled to much needed relief of some kind.

We believe that our extremely high tax rate is the result of the tax exempt status of the Federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any County in Tennessee; yet the County's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the request of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

Thomas J. Alderson
 Circuit Court Clerk
 Anderson County
 Clinton, Tennessee 37716

TJA:ehh



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

CARL J. IRWIN
PROPERTY ASSESSOR

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D.C.

Gentlemen:

The Anderson County Office of the Assessor of Property wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

Carl J. Irwin
Assessor of Property

CJI:rwi

HON. ROLAND PRINCE, CHANCELLOR
SUITE 302 COURTHOUSE
CLINTON, TENNESSEE 37716

J. E. LAWSON, CLERK & MASTER
28TH JUDICIAL CIRCUIT
CHANCERY-PROBATE DIVISION
SUITE 308 COURTHOUSE
CLINTON, TENNESSEE 37716
May 7, 1975

HON. SIDNEY DAVIS, JUDGE
SUITE 300 COURTHOUSE
CLINTON, TENNESSEE 37716

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

I wish to express my support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

In this office my staff and I are charged with the legal responsibility for the collection of delinquent property taxes, and the problems we encounter in the collection of these past due property taxes are vast and disturbing. Anderson County's tax rate is the highest of any county in Tennessee, and property owners in the low income group, especially those people on Social Security and other fixed incomes, have a tremendous problem in paying these extremely high taxes.

In this office we advertise and sell, to the highest bidder, all property on which the property taxes have not been paid. We conduct these sales every two years. During the fifteen years that I have been in charge of this office it has been my unpleasant duty to sell the small homes and farms of some of our citizens because of their inability to pay these extremely high property taxes.

Your concern, which you have evidenced by this hearing, is greatly appreciated, and I respectfully seek your favorable consideration of our Tax Study Committee's requests.

Very truly yours,



J. E. Lawson
Clerk and Master

JEL:ljj

ANDERSON COUNTY
STATE OF TENNESSEE

CLINTON

May 5, 1975

JOEL M. MEREDITH
REGISTER OF DEEDS

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

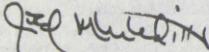
The Register of Deeds Office wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

The work and records of this office has doubled since the federal government sold all the property in Oak Ridge, Tennessee.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any County in Tennessee; yet the County's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Joel M. Meredith
Register of Deeds

JMM/sj



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

PATSY STAIR
TRUSTEE

May 8, 1975

ROOM 203 COURTHOUSE
PHONE 457-9726

The Joint Committee on Atomic Energy
Ninety-Fourth Congress, First Session
Washington, D. C.

Gentlemen:

As Trustee of Anderson County, Tennessee, I wish to express my support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from the U.S. Energy Research and Development Administration.

Having been in this office for seventeen years as Trustee or Deputy Trustee, I have been in a position to observe many of the county's financial problems. One of the most acute is that of attempting to meet the increased expenses of county government which are the direct result of the large tax exempt installations in Oak Ridge. These increased expenses, population and county services required for the increased population, are all set out and explained in the Tax Study Document prepared by the Committee. In order to meet these increased expenses, Anderson County has been forced to increase its property tax rate time and time again until it is the highest in the State of Tennessee.

One suggested solution is amendment of the Atomic Energy Community Act of 1955, by passage of proposed legislation - the Baker-Brock Senate Bill No. 1378 and Lloyd House Bill No. HR 5698, which will enable the Congress and ERDA to grant assistance to Roane and Anderson Counties on a more continuing basis than from year to year as at present.

As Trustee of the County, and as an individual taxpayer, I strongly urge your help in passage of the amended legislation.

Respectfully yours,

(Mrs.) Patsy Stair
Anderson County Trustee

PS/wl



ANDERSON
COUNTY

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

JAMES B. MEREDITH
SUPERINTENDENT OF ROADS

TELEPHONE 457-2735
CLINTON, TENNESSEE 37716

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

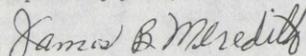
Gentlemen:

The Anderson County Highway Department wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



James B. Meredith
Superintendent of Roads



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM. BULL RUN STEAM PLANT AND OAK RIDGE

GORDON E. COLBORN
COUNTY ENGINEER

ROOM 209B
COURTHOUSE
TEL. 457-0902

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

I wish to express my support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from Energy Research Development and Administration.

As Anderson County Engineer since February 1, 1970, I have worked in concert with the Anderson County Planning Commission, the Anderson County Utility Board, the School Department. In all of these areas of County Government I have been at times painfully aware of growth within the county which has caused increasing demands on these departments. A county wide solid waste pickup and disposal system has been in operation for approximately three years and has shown evidence of this same growth.

The Energy Research Development and Administration operations up to this point and time are the main and principal INDUSTRY within the county and the above additional growth and burdens must be attributable to these operations.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Yours very truly,

Gordon E. Colborn
Anderson County Engineer

GEC/wjg



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

A. B. LADD
PURCHASING AGENTBETTY LOU WILLIAMS
CLERK

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

The Anderson County Purchasing Department wishes to express its support and assistance to the Anderson County Tax Study Committee's request for payment in lieu of taxes from ERDA.

Anderson County Quarterly Court is unable to fund this department to do the work required to do the best job possible in purchasing, for lack of funds. This has been brought about because of increase work load. With Anderson County having the highest tax rate with in Tennessee. The tax exempt property within Anderson County constitutes a large area of the County. The court is forced to place a large percent of tax income to education. It's my belief a fair in lieu tax on the Oak Ridge installations would enable the County to budget a more equitable sum for each County department.

We appreciate your concern and ask the request of our Tax Study Committee be given favorable consideration.

Sincerely,

A handwritten signature in cursive script that reads "A B Ladd".

A. B. Ladd
Purchasing Agent

ANDERSON COUNTY AMBULANCE SERVICE

P. O. BOX 515
BUSINESS PHONE 457-2520
CLINTON, TENNESSEE 37716

April 30, 1975

The Joint Committee on Atomic Energy
Ninety-fourth U.S. Congress, First Session
Washington, D.C.

Gentlemen:

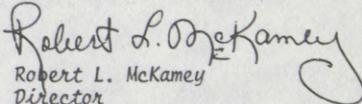
The Anderson County Ambulance Service wishes to voice support of the request of the Anderson County Tax Study Committee for payments in lieu of taxes from the Energy Research and Development Agency.

For years we have felt that the tax rate in Anderson County (the highest of any county in Tennessee) is a direct result of tax exemption of the federally owned, non-taxable industries and installations in Anderson County at Oak Ridge, Tennessee.

The Anderson County Ambulance Service presently faces a \$200,000.00 deficit for the coming fiscal year. This is only one of the many services offered to the residents of Anderson County. We feel with the added revenue obtained from ERDA Anderson County could maintain the present level of service required by the residents of this County.

We appreciate your efforts and concern as evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully Submitted,


Robert L. McKamey
Director
Anderson County
Ambulance Service



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM, BULL RUN STEAM PLANT AND OAK RIDGE

ALBERT B. SLUSHER
COUNTY ADMINISTRATOR

April 30, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

The Anderson County Planning Commission wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

A handwritten signature in dark ink that reads "Jack R. Rains". The signature is written in a cursive style with a large initial "J".

Jack R. Rains, Chm.
Anderson Co. Planning Commission

JRR:mab

Anderson County
Conservation Board

Norris, Tennessee

May 6, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

The Anderson County Conservation Board wishes to express support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

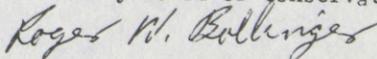
This Board is composed of five members from different areas of Anderson County plus five full time or seasonal workers. We are responsible for the development, maintenance, expansion and operation of County parks, lake access areas and outdoor recreational grounds.

Through the 1974 season, from March 15th through October 15th, we had a total of 7,709 campers for 13,365 camper days in the Anderson County Park, plus an estimated 20,000 day use visitors in the picnic areas, boat launching, beach facilities and hiking trails in the park. We also maintained five access areas on the shores of Melton Hill Lake. These facilities are maintained for the benefit and pleasure of the public, especially the residents of Anderson County, with numerous federal employees and their families.

Our efforts are controlled, of course, by the amount of money allocated to us by County Court, through the annual budgeting process. This, in turn, is reflected in the County's overall tax rate, already the highest in the state of Tennessee. Thus, the just payment in lieu of taxes by ERDA would assist in lightening the tax load and measurably aid County Court in fulfilling its' obligations to all the citizens of Anderson County.

We appreciate your evident concern and respectfully ask for your sincere, thoughtful and favorable consideration of the Anderson County Tax Study Committee's request.

Very truly yours,
Anderson County Board of Conservation



Roger W. Bollinger, Chairman

RWB/pwh

CLINTON LIBRARY

118 SOUTH HICKS ST.

TELEPHONE (615) 457-0519

CLINTON, TENNESSEE 37716

May 7, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

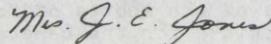
Gentlemen:

The Clinton Public Library wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from EPDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



(Mrs.) J. E. Jones
Chairman
Anderson County Library Board

A Service Agency
of the
Tennessee State Library and Archives

Clinch-Powell Regional Library Center

P. O. BOX 269 - TELEPHONE 457-0931

CLINTON, TENNESSEE 37716

May 6, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

The Clinch-Powell Regional Library wishes to express its support for the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

Even with the construction of the new Clinton Library, library services in the county, especially in rural areas, fall far below national standards. Sixty of Tennessee's 95 counties spend a greater amount per capita on library services than does Anderson. The county's extremely high tax rate which results from the tax exempt status of the federally owned Oak Ridge installations makes increases in library support difficult to obtain.

We ask that the requests of the Tax Study Committee be given favorable considerations and appreciate the concern shown by this hearing.

Sincerely,



W. R. Jordan
Director

WRJ/arm

CLINTON LIBRARY

TELEPHONE (615) 457-0519

118 SOUTH HICKS ST.

CLINTON, TENNESSEE 37716

May 5, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

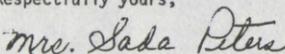
The Clinton Public Library wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

Since the library is dependent solely on appropriations, mainly from Anderson County Quarterly Court it would be of great benefit to us for the passage of this legislation.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Mrs. Sada Peters
Librarian

SP/mw

Harold E. Trapp	Joseph F. Rainey, DDS	David O. Bolling	Fred R. Ingram	Willie Kate May
<small>CHAIRMAN</small>	<small>SECRETARY</small>	<small>MEMBER</small>	<small>MEMBER</small>	<small>MEMBER</small>

Anderson County Election Commission

SECOND FLOOR COURTHOUSE — TELEPHONE 457-0559
CLINTON, TENNESSEE 37716

May 6, 1975

OFFICE OF CHIEF REGISTRAR
Cary D. Grieve

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

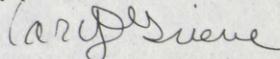
Gentlemen:

The Anderson County Election Commission wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Cary D. Grieve
Chief Registrar

CDG/ps

ANDERSON

HOME OF NORRIS DAM AND OAK RIDGE

CLINTON, TENNESSEE

May 6, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D.C.

Gentlemen:

The Veteran's of World War I, Samuel Slover Barracks # 492 Clinton, Tennessee, wishes to express support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the exempt status of the federally owned, non-taxable industries and tax installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the request of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

A.F. Philipowski
A.F. Philipowski
Department Chief of Staff
and Quartermaster Barracks
492 Tennessee
P.O. Box 222
Clinton, Tennessee 37716



Norris
LIONS CLUB
Norris, Tennessee 37828

May 5, 1975

The Joint Committee on Atomic Energy
 Ninety-Fourth U. S. Congress, First Session
 Washington, D. C.

Gentlemen:

The Norris Lions Club, with 33 members, wishes to support the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe our extremely high tax rate is the result of the tax-exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; but the county's tax aggregate is very low because of our federally decreased tax base.

We appreciate the concern you have shown by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

Russell Allen, President
 NORRIS LIONS CLUB

Anderson County Community Action Commission

135 E. BROAD ST.

Clinton, Tennessee 37716

PHONE 457-2154

May 2, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress,
First Session
Washington, D.C.

Gentlemen:

The Anderson County Community Action Commission wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally-owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

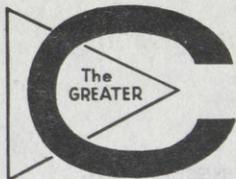
The low-income residents of Anderson County with whom our Agency works are particularly hard hit by the high tax rates. Whether or not they are fortunate enough to own property, they are affected through higher rents and higher prices in general.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Sincerely,

Cyndy Holcomb
Cyndy Holcomb
Executive Director

CH:dl



Clinton Chamber of Commerce

P.O. BOX 386 • CLINTON, TENNESSEE 37716 • TELEPHONE (615) 457-2559

May 3, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

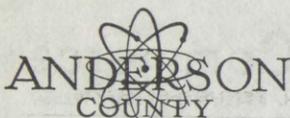
The Greater Clinton Chamber of Commerce, consisting of over 100 member firms and businesses, wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

Howard Henegar
President



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM. BULL RUN STEAM PLANT AND OAK RIDGE

~~KOSKIBULEX~~ Don Page
ZONING OFFICER

May 1, 1975

The Joint Committee On Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

Gentlemen:

The Zoning Office of Anderson County wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

I believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base. The high tax rate has curtailed new construction in our county.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,

Donald F. Page
Donald F. Page,
Anderson County Zoning Officer



CLINTON, TENNESSEE 37716

HOME OF NORRIS DAM. BULL RUN STEAM PLANT AND OAK RIDGE

H. H. HILL
SHERIFF

May 1, 1975

The Joint Committee of Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C. 20000

Gentlemen:

The Anderson County Sheriff's Department wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from the Energy Research and Development Administration.

It is our belief that Anderson County's extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations in Oak Ridge. The Anderson County tax rate is the highest in Tennessee; yet the tax aggregate is extremely low due to our federally decreased tax base.

Your concern, as evidenced by this hearing, is greatly appreciated, and your consideration of the Tax Study Committee's requests will also be appreciated.

Very truly yours,

H. H. Hill
Sheriff, Anderson County

HHH:nr

MRS. JAMES A. DALE
36 DOGWOOD ROAD
NORRIS, TENNESSEE 37828

May 4, 1975

The Joint Committee on Atomic Energy
Ninety Fourth U. S. Congress, First Session
Washington, D. C.

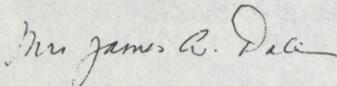
Gentlemen:

The Civic Improvement Committee of Norris, Tennessee, wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Mrs. James A. Dale, Chairman
Norris Civic Improvement Committee

OPTIMIST CLUB OF CLINTON
CLINTON, TENNESSEE

May 8, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

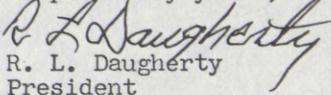
Gentlemen:

The Optimist Club of Clinton wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from the Energy Research and Development Administration.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's aggregate taxes collected is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,


R. L. Daugherty
President

OPTIMIST CLUB OF LAKE CITY

LAKE CITY, TENNESSEE

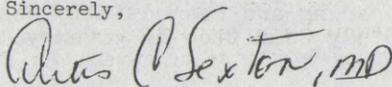
The Joint Committee on Atomic Energy
Ninety-Fourth U.S. Congress, First Session
Washington, D.C.

Gentlemen:

The Optimist Club of Lake City, Tennessee and Anderson County wishes to join in support of increased Federal Money in lieu of tax payments for the property that is Federally held in Anderson County. (Our Motto is Friend of Youth) and as such we support youth oriented projects and community projects which better opportunities for the proper development of our youth.

We feel very definitely that Anderson County is due additional monies and since 87% of all revenue presently received goes for education, there is no question but what further youth development and educational opportunities would be enhanced.

Sincerely,



Curtis C. Sexton, M.D.,
Past President-Optimist Club
Lake City,
Past Lt.-Gov.-Tenn. District

Anderson County AFT
Local 2430
Clinton Tennessee 37716

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress, First Session
Washington, D. C.

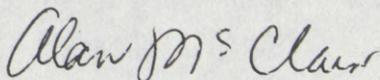
Gentlemen:

The Anderson County American Federation of Teachers wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable payments in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, not-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Alan McClain
President local 2430 AFT

ROANE-ANDERSON CENTRAL LABOR UNION

May 7, 1975

The Joint Committee on Atomic Energy

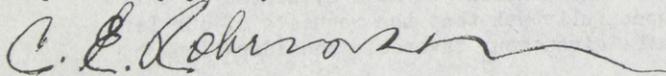
Gentlemen:

The Roane-Anderson Central Labor Union wishes to express its support of the Anderson County Tax Study Committee's request for just and equitable in lieu of taxes from ERDA.

We believe that our extremely high tax rate is the result of the tax exempt status of the federally owned, non-taxable industries and installations at Oak Ridge. Anderson County's tax rate is the highest of any county in Tennessee; yet the county's tax aggregate is extremely low because of our federally decreased tax base.

We appreciate the concern you have evidenced by this hearing and respectfully ask that the requests of our Tax Study Committee be given your favorable consideration.

Respectfully yours,



Charles Robinson

Vice-President of
Roane-Anderson CLU



ANDERSON COUNTY RESCUE SQUAD
113 Bus Terminal Road
OAK RIDGE, TENNESSEE 37830

May 3, 1975

The Joint Committee on Atomic Energy,
Ninety Fourth U.S. Congress, First Session,
Washington, D.C.

Gentlemen:

The Anderson Co. Rescue Sqd. wishes to
express its support of the Anderson
County Tax Study Committee's request
for just and equitable payments in
lieu of taxes from E.D.R.A.

We believe that our high tax rate is
the result of tax exempt status of the
federally owned nontaxable Industries at
Oak Ridge.

We appreciate the concerns you have
evidenced by this hearing. and respectfully
ask that the requests of your tax study
Committee be given your favorable consideration.

Respectfully,

Haynes Day, Capt.

JAMES NELSON RAMSEY
ATTORNEY AT LAW

OFFICES AT:
TEN - KUKI BUILDING
KENTUCKY AT TENNESSEE
JACKSON SQUARE

POST OFFICE BOX 3031
OAK RIDGE, TENN. 37830
TELEPHONE 615 - 482 - 1093

May 22, 1975

The Joint Committee on Atomic Energy
Ninety-Fourth U. S. Congress -- First Session
Washington, D. C.

Gentlemen:

As County Attorney for Anderson County, Tennessee, I wish to join with those other departments of the county government in their support for the Tax Study Committee's request for just and equitable payments in lieu of taxes from E.R.D.A.

The responsibility for civil legal matters has increased dramatically over the last several years, basically because of the increased burden of services necessitated by E.R.D.A. related population within the County. The high caliber personnel generated by the E.R.D.A. in Anderson County has required the services concomitant with this progressive community. Other letters of support before this Subcommittee hearing on May 9th, 1975 have indicated the strain on the judicial system, the health service system, the Planning Commission, etc.

I would like to point out that on January 6, 1975, Justice William J. Harbison of the State Supreme Court filed his opinion in the case of Truman Johnson vs. Oman Construction Co., Inc.; Metropolitan Government of Nashville and Davidson County, Tennessee; and City of Berry Hill.

An excerpt from this opinion pertinent to Anderson County is as follows:

"This Court does not regard with favor the doctrine of sovereign immunity as applied to municipal or county governments. We note the rapid trend of other American jurisdictions toward abrogation or substantial modification of governmental immunity. ... in adhering to the rule Tennessee is now among the minority of states. ... this Court regards the doctrine as an anachronism and as at variance with modern concepts of justice. the new act (governmental tort liability act of 1974)"indicates a willingness on the part of the legislature to alter the law of sovereign immunity ..."

May 22, 1975
The Joint Committee on Atomic Energy
Page Two

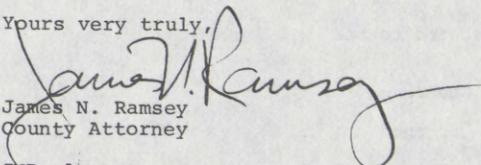
The opinion concludes with an indication that the Court, by judicial action, will abolish sovereign immunity should the legislature fail to do so.

The import of this decision is that shortly, if not already, the County is liable for civil damages arising from the torts of its employees, and will have to pay judgments where before suits were dismissed for sovereign immunity. At very best, the County will have to procure insurance for the torts of its employees where it never has in the past been necessary to do so.

This is just one more example of how the simple increase in services provided to the population of Anderson County strains the County fiscal picture.

I urge the Committee to grant us an equitable in lieu of tax payment for this, and for the other reasons voiced by other departments of the county government and other citizens of the community.

Yours very truly,


James N. Ramsey
County Attorney

JNR:plr

APPENDIX 4

A STUDY

OF

THE IMPACT OF THE FEDERAL GOVERNMENT

ON

ROANE AND ANDERSON COUNTIES

TENNESSEE

Presented to the

Chairman

of the

Joint Committee on Atomic Energy

May 9, 1975

by

S. Wallace Brewer
County Judge
Roane County

Albert B. Slusher
County Administrator
Anderson County

Prepared by
 Joint Tax Study Committee
 of
 Roane and Anderson
 Counties

Anderson County Members

Robert L. Jolley, Chairman	John Burrell
H. C. Claiborne	J. A. George
Everett F. Cox	H. V. Wells, Jr.
T. L. Seeber	Eugene L. Joyce
Tom Hill	Lew Waters
A. K. Bissell	James Ramsey
Albert B. Slusher	Irving Spiewak
Joe E. Magill	R. P. Jerigan
W. Eugene Collins	Katherine Hoskins

Roane County Members

Robert W. Peelle, Chairman	William T. Mee
S. Wallace Brewer	Lowell P. Malmquist
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CONTENTS

	Page
Acknowledgements	ii
Table of Contents	iii - v
List of Tables	vi -ix
Appendices	x
Preface	xi
Chapter I Summary	1
Chapter II Foreword	14
Chapter III Background	16
A. Historical	16
B. Profile of the Counties	24
1. Roane County	24
2. Anderson County	25
3. Oak Ridge	26
C. Costs and Revenues	47
1. Counties	47
2. Oak Ridge	48
Chapter IV. Federal Government in the Counties	56
A. Federal Land Holding	56
1. ERDA Federal Facilities	56
2. TVA	60
3. Summary	60
B. Federal Employment at Oak Ridge	62
C. Tax Immunity	68
D. Impact on the Counties	72

	Page
1. Increased Demand for Services	72
2. Deterrents to Private Industry	83
Chapter V. Comparison of Government Owned VS. Private Industries	95
A. Comparison Counties	98
B. Tax Structure Changes in Tennessee	99
C. Some Effects of Government Ownership in Roane and Anderson County Tax Payments and In Lieu of Tax Payments	111
Chapter VI. Basis of Federal Assistance Payments	117
A. Existing Statutory Authority	117
1. ERDA	117
2. TVA	119
3. HEW	119
4. P.L. 93-276 - 93-393	120
B. Recommendations of the Public Land Law Review Commission	120
Chapter VII. Federal Assistance Payments to the Counties	127
A. ERDA	127
1. Tax Loss Payments Under Section 168	127
2. Special Burden Payments Under Section 168	127
B. AEC Appropriations Act FY 1974	133
C. HEW - Payments to Counties Under Provisions of P.L. 874	134
D. Payments to States and Counties Under The Provisions of Section 13 of the TVA Act.	139
E. City of Oak Ridge	145
F. Other Assistance Payments	145

		Page
Chapter VIII	Conclusions	148
A.	The Government Nuclear Facilities	
B.	Increased Demands for County Government Services	148
C.	Residential Farm and Private Businesses	149
D.	AEC Criteria Contrary to P.L. 84-221	149
E.	Annual Assistance Payments Applicable	151

LIST OF TABLES

		Page
Table III B1	General Population Characteristics	28
Table III B2	Employment Characteristics of the Population	29
Table III B3	Percentage Distribution of Employment by Industry	30
Table III B4	Income Characteristics	31
Table III B5	Labor Force, Roane County	32
Table III B6	Years of School Completed by the Population 25 Years of Age and Older, Roane County	33
Table III B7	Family Income Distribution for Roane County	34
Table III B8	Employment by Industry, Roane County	35
Table III B9	Labor Force, Anderson County	36
Table III B10	Years of School Completed by the Population	37
Table III B11	Family Income Distribution for Anderson County	38
Table III B12	Employment by Industry, Anderson County	39
Table III B13	Employees of AEC and CPFF Contractors	40
Table III B14	Population and Economy Characteristics	41
Table III B15	Estimated Effective Buying Income and Cash Income Distribution of Households (1969)	42
Table III B16	Economic and Fiscal Comparison of Tennessee Counties	43
Table III B17	Distribution of Industrial and Commercial Businessess by Size of Employment	44
Table III B18	Population and Work Force of Comparison Counties (1970)	45
Table III B19	Work Place of AEC and CPFF Contractors	46
Table III C1	Comparison Counties - Operating Receipts and Disbursement for Fiscal Years Ending in 1955 - 1960 - 1964	50
Table III C2	Comparison of Assessed Value of Property	51

LIST OF TABLES (cont'd)

		Page
Table IV A1	TVA Reservoir Acreage in Anderson and Roane Counties	61
FIGURE 2 & 3	Employees by AEC Contractors & AEC in Oak Ridge (Includes Oak Ridge Residents & Non-Residents)	63
Table IV B1	AEC Employees - 1966-1974	64
FIGURE 4	AEC (ERDA) Employees Living in Oak Ridge 1966 - 1974	65
Table IV B2	Federal Employees--AEC and TVA	67
Table IV D1	Roane County Governmental Cost and Revenues FY 1971 - FY 1974	74
Table IV D2	Roane County Governmental Cost and Revenues FY 1971 - FY 1974	75
Table IV D3	Anderson County Governmental Cost and Revenues - FY 1971 - FY 1974	76
Table IV D4	Anderson County Governmental Cost and Revenues - FY 1971 - FY 1974	77
Table IV D5	Analysis of Local Ability and Effort 1971	85
Table IV D6	Analysis of Local Ability and Effort 1972	86
Table IV D7	Analysis of Local Ability and Effort 1973	87
Table IV D8	Educational Revenue Sources 1970 - 1971	88
Table IV D9	Educational Revenue Sources 1971 - 1972	89
Table IV D10	Educational Revenue Sources 1972 - 1973	90
Table IV D11	Estimated Current Expenditures for the Southeastern States 1972 - 1973	91
Table IV D12	Current Expenditures in Tennessee School System 1970-71*	92
Table IV D13	Current Expenditures in Tennessee School System 1971-72	93
Table IV D14	Current Expenditures in Tennessee School System 1972-73	94

LIST OF TABLES (cont'd)

		Page
Schematic Diagram	Impact of Industrial Development on Local Government Net Fiscal Resources	97
Table V A1	Tax Rates and Effort in Counties in 1972	98
Table V B1	Statement of 1973 Taxable Property Tax Rates and Property Taxes Levied*	101
Table V B2	Effective Tax Rates in Comparison Counties in 1973	102
Table V B3	Local Option Sales Tax*** FY 1970 FY 1973	103
Table V B4	1973 Taxable Property Assessments and Taxes Levied on Industrial/Commercial	104
Table V B5	Aluminum Company of America (ALCOA)	105
Table V B6	Sullivan County - 1973 Assessed Value of Major Plants - Tax Rates and Computed tax Liabilities	107
Table V B7	Taxes Paid by Tennessee Eastman Company to Kingsport for Properties within the City - 1974	108
Table V B8	Sullivan County - 1974 Assessed Value of Major Plants - Tax Rate and Computed Tax Liabilities	109
Example I	Plants in Roane County - AEC (Combined ORGDP AND ORNL Facilities)* with Projections**	112
Example 2	Plant in Anderson County - AEC (Y-12) with Projections**	113
Table V C1	Comparison of Per Capita Tax/Payments by AEC and Major Industries for Worker in Comparison Counties and Cities	116
Table VII A1	Payment in Lieu of Tax by AEC to Roane County 1959-1974	128
Table VII A2	Payment in Lieu of Tax by AEC to Anderson County 1964-1974	129
Table VII B1	Section 168 - Application to Counties	134
Table VII C1	Anderson County School System Public Law 874 Enrollment Information	136

LIST OF TABLES (cont'd)

		Page
Table VII C2	Roane County School System Public Law 874 Enrollment Information*	137
Table VII C3	Roane County - Anderson County Public Law 874 - FY 1970-1974	138
Table VII D1	TVA Tax Equivalent Payment to Tennessee and Subject Counties 1964-1974	140
Table VII D2	Tax Equivalent Payments Made by Municipally Owned Utility Distribution Systems in Tenn- essee 1964-1974 (Electrical Only)	143
Table VII D3	TVA Redistribution Payments to Roane County 1963-64-----1973-74	144
	<u>Supplemental</u>	
Table IV A2	Land Holdings Summary - TVA - ERDA	61A

APPENDICES

Appendix A	Payments Pursuant to P.L. 93-276 and 93-393. Correspondence and Exhibits-----
Appendix B	Payroll and Residence Information Oak Ridge Area 1966-74-----
Appendix C	Report - Sullivan County Office of Property Assessments-----
Appendix D	Critique of AEC - UT Study-----
Appendix E	Report No. 1402 - Atomic Energy Community Act of 1955 and Amendments-----
Appendix F	Oak Ridge Contact and Modifications 1 and 2. Payments History For Oak Ridge, Los Alamos and Richlands.-----
Appendix G	Projected Levels of Uranium Enrichment Production-----
Appendix H	Tennessee Valley Authority Act Section 13-----
Appendix I	Federal Tax Immunity Doctrine Eugene Joyce-----
Appendix J	Atomic Energy Act Section 168-----

PREFACE

The objective of this study is to develop a record justifying legislation to provide that the Federal Government will make fair and reasonable payments in lieu of taxes with respect to Federal facilities in Roane and Anderson County.

During previous years the counties have made sometimes fragmented and on occasion concerted efforts to secure equitable payments through the discretion of the Atomic Energy Commission for the impact of the Commission's activities in the Counties. Previous efforts have not succeeded in securing payment amounts deemed reasonable and equitable.

The acronyms AEC and ERDA should be used interchangeably in this study document, in as much as the AEC functions relating to these activities have been transferred to the Energy Research and Development Administration, ERDA.

I. SUMMARY

Roane and Anderson Counties - A Profile

Anderson and Roane Counties, established in 1801, contains the site of the Government-owned nuclear facilities at Oak Ridge, Tennessee.

Located between the Smoky Mountains to the East and the Cumberland Mountains to the West, Anderson County contains approximately 341 square miles and Roane County, 388 square miles. The topography is generally hilly, with narrow valleys and large areas of each County are devoted to TVA reservoirs.

Until the acquisition of a large portion of the Counties by the Federal Government in 1942, both Counties were largely rural areas whose citizens were primarily farmers, coal miners, and textile workers. In 1940 Anderson County had a population of 26,504; 10.4 percent urban and 89.6 percent rural. In 1970 Anderson County's population was 60,300; with 56.1 percent urban and 43.9 percent rural. In 1940 Roane County had a population of 27,795; 34.5 percent urban and 65.5 percent rural. In 1970 the Roane County population was 38,881, 53.3 percent urban and 45.5 percent rural.

At present Anderson County has a total work force of approximately 20,000; while Roane County has a total work force of approximately 15,000. Of the work force in both Counties, 73 percent are employed in the County

in which they live. Approximately 70 percent of the Anderson County and 68 percent of the Roane County work forces are employed in construction, manufacturing, and chemical work. In 1940, only 21 percent of Anderson County's and 37 percent of Roane County's work forces were employed in these industries.

In 1970, the median family incomes for Anderson County was \$8,558; for Roane County, \$7,401. Thirteen and one-half (13.5) percent of Anderson County families and 17.3 percent of Roane County families had incomes less than \$3,000.

The geographical area of Roane and Anderson Counties includes the City of Oak Ridge; Oak Ridge, with a population of approximately 28,000, is the sixth largest incorporated City in Tennessee among places of 10,000 to 50,000 population. Approximately 45 percent of Anderson County's population resides in Oak Ridge. About 4 percent of Roane County's population lives in Oak Ridge. Less than 6 percent of Oak Ridge's families have incomes under \$3,000; while over 64 percent have incomes in excess of \$9,000.

The event that generated these major changes in population and life styles was the selection of Roane and Anderson Counties as the site for the Federal Government's plants to develop and produce the atomic weapons during World War II. These facilities, transferred to the Atomic Energy Commission (AEC) in 1947, now constitute

a major industrial complex with approximately 15,000 employees. In 1960 over 60 percent of the employees lived in the City of Oak Ridge; at present only 36 percent are residents of the City; 13 percent reside in Anderson County outside Oak Ridge; and 12.5 percent reside in Roane County outside Oak Ridge. Thus, 61.1 percent of the total work force at the Government-owned Oak Ridge plants reside in Roane and Anderson Counties. Employment at the Oak Ridge plants represent over 26 percent of the total work forces of both Roane and Anderson Counties. However, the average income of the workers residing in the City of Oak Ridge is \$13,232 as compared to \$10,173 for those residing in Anderson County outside the City and \$10,468 for those residing in Roane County outside the City.

The Federal Government in the Counties

The Government-owned nuclear complex at Oak Ridge occupies 57.93 square miles of the total land area of Roane and Anderson Counties. TVA occupies another 54.10 square miles.

The Government-owned Oak Ridge facilities represents an investment in excess of one and a half billion dollars. Directly and through contractors at Oak Ridge, the Energy Research and Development Administration (ERDA) is the largest, single employer in Tennessee.^{1/} The

^{1/} The AEC was abolished by the Energy Reorganization Act of 1974. Its facilities and production functions at Oak Ridge were transferred to ERDA.

annual payroll is in excess of \$205 Million. Although originally constructed to serve World War II needs, these are permanent facilities primarily used to supply enriched uranium (special nuclear material) for nuclear powered electric generating stations and for R&D work in the nuclear field.

The size of the Oak Ridge plants and the demands for labor, housing, utilities, and schools to support their operations have resulted in permanent increases in population of Roane and Anderson Counties, converted them from essentially rural to urbanized areas, and now largely dominate and control the economies of both Counties.

Impacts on the Counties

·Elimination of Potential for Large, Privately-owned Industrial Development. The large land area occupied and controlled by the Federal Government, through ERDA and TVA, has eliminated most of the land in Roane and Anderson Counties suitable for large, privately-owned industrial development. In addition, the need to compete with the Oak Ridge plants for the existing labor market, and high tax rates, cause industries considering new plants or expansion to reject locations in Roane and Anderson Counties.

·Increased Demands for Governmental Services. The large, permanent increases in County population are primarily the result of the Federal Government's decision

to locate its nuclear complex at Oak Ridge. Originally the great majority of the employees resided in the Government-owned community at Oak Ridge. However, in recent years more and more of the employees have established residences in Roane and Anderson Counties outside the city of Oak Ridge. While the City is an incorporated municipality, its citizens are also residents of the County in which they live, pay County taxes, vote in County elections, and occupy official positions in the County governments.

In addition to the increased County governmental services to meet large population needs, the influence of the City of Oak Ridge within the County boundaries has created additional demands for more and improved levels of governmental services. This is particularly notable in the types of governmental services now required and in increased expenditures for schools; the largest cost item in the budgets of both Counties.

Inadequate Tax Base and Revenues. The immunity of the Government-owned facilities at Oak Ridge from the County ad valorem tax results in a property tax base which is inadequate to meet the increased demands for County governmental services. The principle source of local revenue for County governmental services is the property ad valorem tax. Nearly 42 percent of all County funds are derived from this source. The amount of effort by the Counties to furnish

services can be measured by the effective tax rate in each County. In 1973 the effective rate for Anderson County was \$1.74; for Roane County \$1.59 based on tax rates of \$5.71 and \$4.90 respectively. These effective tax rates were among the highest in Tennessee.

The restriction on the property tax base due to the Federal Government's land ownership, has resulted in excessive property taxes on other private property owners; primarily residential, farm, and small business property. The combined City/Anderson County tax rate for property in the City of Oak Ridge is the highest in Tennessee and the Roane and Anderson County rates (outside the City) are among the highest. While these high tax rates impose a hardship on all property owners in the Counties, they are particularly severe on residents outside the City of Oak Ridge since their average incomes are substantially less than those of Oak Ridge residents.

While pushed on one side to enlarge and improve governmental services, the Counties are at an extreme disadvantage for lack of adequate revenue sources. In addition, the Counties are required to share with the City of Oak Ridge ad valorem tax revenues for school operation, bond issues for capital improvements, as well as local sales tax revenues. Thus, the Counties are compelled to raise more funds from these sources than are actually required for County purposes. This compounds the burdens on County tax payers and provides a windfall to the federal

government by reducing its annual assistance payments to the City of Oak Ridge.

Comparison Between Government and Private Industry

To demonstrate the difference in effects on tax burdens between a Government-owned and a privately owned industrial complex the Committee made a comparison with two other Tennessee counties -- Blount and Sullivan -- that have a large, privately-owned industrial complex. ALCOA, in Blount County, with 5,000 employees and \$128,240,790. in plant and equipment, paid \$1,151,593. in property taxes to Blount County and \$833,753. to the City of Alcoa. This payment to Blount County and City of Alcoa amounted to \$397.06 per employee. Tennessee Eastman, in Sullivan County, with 7,000 employees and \$391,188,675. in plant and equipment, paid \$3,111,022. in property taxes to Sullivan County and \$435,965. to the City of Kingsport in 1974. This payment to Sullivan County and Kingsport amounted to \$656.24 per employee.

ALCOA and TEC paid over 32 percent of the total ad valorem property taxes collected by Blount and Sullivan Counties. By contrast, in 1973, the Federal Government paid to Anderson County \$62,002.00 in lieu of taxes on the Oak Ridge industrial complex, and \$237,067.00 P.L. 81-874 funds for Anderson County school children whose parents were employed by Federal agencies. For the same year, Roane County received \$69,443.00 as an in lieu of tax payment and \$177,006.00 in P.L. 81-874 funds. The AEC payments amounted to less than 2.4 percent of the total taxes

collected by Roane and Anderson Counties.^{2/} AEC payments to Anderson and Roane Counties amounted to \$31.73 and \$36.20 per employee respectively in 1974.^{3/}

Both a Government-owned and a private owned industry create jobs, generate payrolls, and provide other indirect stimuli to the economy of the area in which it is located. Also, each generate the need for more and improved governmental services. The significant difference is the tax immunity of the Government-owned industry and, as in the Roane-Anderson County situation, the inadequate amounts of Federal assistance received.

Basis for Amounts of Federal Assistance

ERDA. At present ERDA has two statutory authorities for payments in lieu of taxes. The Atomic Energy Act of 1954, as amended, authorizes ERDA to make payments in lieu of taxes to local governments on the unimproved value of land removed from the tax rolls, and to make larger payments when its operations impose "special burdens" (Section 168). In determining the amount of such payments ERDA is to also consider any "benefits accruing as the result of its operation."

^{2/}The P.L. 874 payments amounted to approximately 8 percent.

^{3/}In 1974 Roane and Anderson Counties received additional payments of \$295,000.00 and \$250,000.00, respectively pursuant to a one time appropriation.

ERDA, and its predecessor AEC, have never directly utilized the special burdens authority of Section 168. Moreover, they have consistently taken the position that their operations have not created special burdens on Roane and Anderson Counties within the meaning of Section 168. In 1970, Anderson County conducted an in-depth study of the benefits and burdens resulting from the Government-owned industrial complex at Oak Ridge. AEC rejected the findings of the Anderson County study and engaged the University of Tennessee to determine, based on criteria established by AEC, whether the Government's Oak Ridge operation imposed special burdens on Roane and Anderson Counties. Although the Counties objected to the criteria for assessing benefits and burdens they agreed to cooperate. As anticipated, the UT study effort was unable to ascertain, or in some cases quantify, any burdens in excess of benefits due to the limitations and nature of the AEC criteria. A subsequent analysis of the AEC criteria prepared for the Counties indicates they were illogical; contrary to findings of the Joint Committee on Atomic Energy; and, if applied to a privately-owned industry, would demonstrate that it generated no burdens on County or local governments.

Under the Atomic Energy Community Act of 1955, as amended, ERDA is authorized to make annual assistance payments to the City of Oak Ridge, Tennessee, the City of

Richland, Washington, and the Richland School District (Section 91a). ERDA is also required to make annual assistance payments to Los Alamos, New Mexico. These payments constitute special burden payments under Section 168 of the Atomic Energy Act of 1954 and are in recognition of the lack of an adequate property tax base due to the Government-owned facilities, the special financial problem of the recipients, and the burdens imposed by ERDA's operations. Pursuant to this Act, ERDA has entered into a contract with the City of Oak Ridge under which it makes a base payment of \$1,252,000. annually. The amount of each payment is subject to an adjustment based on changes in the City ad valorem tax rate. For FY 1974 the payment to the City of Oak Ridge was \$1,323,176. and the payment to Los Alamos \$4,034,000.

Neither Anderson nor Roane County has received any assistance payments under the Atomic Energy Community Act of 1955, as amended; although both are impacted and affected by the ERDA Oak Ridge operations in the same manner and to the same extent as the City of Oak Ridge.

HEW. P.L. 81-874 authorizes HEW to make payments to school districts that provide schooling for children whose parents work on Federal property. The "entitlement" is determined by a formula in the statute. However, the amounts paid are invariably less than the entitlement. These payments can be used only for school operating costs and are not available for school construction or

debt service costs.

Both Roane and Anderson Counties receive P.L. 874 payments for County school children whose parents work for ERDA or its contractors at Oak Ridge. For FY 1974 Roane County received \$217,116.00; Anderson County \$237,593.00. The City of Oak Ridge which operates its own school system, received \$640,303.00. The school population of Anderson County, 8,280, and Roane County, 6,580, contained 23.1 percent and 28.58 percent eligible P.L. 874 children.

In addition, other school systems in Tennessee receive P.L. 874 school funds based on children in their schools whose parents work at Federal installations.

The P.L. 874 payments to Roane and Anderson Counties in fiscal year 1973 represented 6.74 percent and 3.99 percent respectively of the total revenues for operating the County school systems; excluding construction costs and other debt service costs.

TVA. Both Roane and Anderson Counties receive in lieu of tax payments from TVA based on land removed from the tax rolls. The payment is based on the two year average tax for the two years preceding acquisition of the land by the Government. In FY 1973 the TVA payment to Anderson County was \$18,380.00; to Roane County \$20,781.00.

In addition, both Counties receive a portion of the "gross revenues" tax TVA pay to the State of Tenn-

essee on sales of electric energy. However, the formula for the TVA payment excludes revenues from the sale of electricity for the Government-owned plants at Oak Ridge. For FY 1974 Anderson County's share of the redistributed amount was \$78,215.00; Roane County's share was \$152,553.00..

Conclusions

The Federal Government dominates and controls the economy of Roane and Anderson Counties by reason of its large land holdings and the size of the Government-owned industrial complex at Oak Ridge.

The large, permanent increases in County population and increased demands for more and improved governmental services are primarily the result of the Government-owned complex at Oak Ridge.

The existence of these Government-owned facilities deprive the Counties of a real opportunity for large, privately-owned industrial development.

The inadequate property tax base in Roane and Anderson Counties and the high tax rates in the Counties are due to the tax exempt status of the Government-owned facilities at Oak Ridge.

The requirements for governmental services by the Counties have necessitated property tax rates that are excessive and impose an inordinate burden on private property owners relative to their ability to pay.

The rationale and justification for annual assistance payments to City of Oak Ridge are also applicable to the Counties since they are similarly impacted by the government owned operations at Oak Ridge.

II. FOREWORD

This document represents the collective efforts of Anderson and Roane Counties to present the history and efforts made to secure relief for the citizens of our local counties from the disproportionately high tax rates required to maintain a modicum of governmental services.

The presentation of the problem of maintenance of equitable tax structure and stable tax base is difficult because of the extreme complexities and interconnected nature of local government services, and supportive revenues. The combined committees of Roane and Anderson Counties briefly present the efforts made by the local governments and others, whose help has been invaluable, to state and explain the problem of financial impact of the U.S. Atomic Energy Commission on the local governments.

In the course of its study, the combined committees have reviewed published material on the development of the Federal assistance provisions of the Atomic Energy Community Act of 1955, the Atomic Energy Act of 1946 as amended and related legislation, on the history of the development of Oak Ridge, a community included in Roane and Anderson County, and on the changed role of the federal government in nuclear energy development and applications.

Particular attention has been devoted to effects of withdrawing large areas of land from local taxing jurisdiction and appropriating these areas for public, national and international use to the detrimental diminishing of tax resources in relation to local governmental entitees. While some progress has been made in increasing assistance payments to the Counties, much remains to be done.

To provide easy reference in this document, tabs are provided on major sections. In addition to the Table of Contents, a List of Tables and Appendices are included for the reader's assistance.

III. BACKGROUND

A. HISTORICAL

Anderson and Roane Counties were established in 1801. Until the advent of World War II, they were basically rural counties whose citizens were primarily farmers, coal miners, and textile workers.

Land acquisition by TVA beginning in the 1930's effected changes that were of a geographic and economic nature; i.e., erections of dams, hydro-electric facilities, transmission lines, inundation of large areas for reservoirs, and some increases in job opportunities. Many farms and homesteads became Federal property, necessitating the relocation of many families. The TVA projects provided the initial impetus for events to follow.

The event that caused the most significant, far-reaching and permanent effects of the Counties was the selection of Roane and Anderson Counties in 1942 as the site of the Federal Government's program to develop atomic weapons. Subsequently, the Federal Government filed a condemnation suit in the District Court of the United States for the Eastern Division of Tennessee to acquire 56,200 acres of land in these counties (U.S. of America, Petitioner vs. 56,200 Acres of Land in Roane and Anderson Counties and Ed. C. Browder, et. at., Defendants).

Hearings were held in November 1942 and a judgement was handed down in favor of the Petitioner. On March 25, 1943, a Federal Proclamation was issued designating this land as a total exclusion area and as the Clinton Engineer Works.

Although the State of Tennessee declined to cede jurisdiction of the Clinton Engineer Works site to the Federal Government, the site became, legally, a military restricted area, but for most purposes was considered a military reservation.

The acquisition of the site for the Clinton Engineer Works was accomplished very quickly and with almost no advance notice to County officials. The perceptible and sudden drop in property ad valorem taxes was a blow to each county.

The magnitude and urgency of the atomic project created major needs for housing, schools, and other governmental services. In addition to the atomic energy plants constructed on the site, the Federal Government built and operated a complete, unincorporated community -- Oak Ridge, Tennessee. Upward of 75,000 employees at the site lived in the city and in the counties. The vast number of workers employed at the site generated needs for facilities and services that the Counties had neither the fiscal means nor

facilities to handle.

Although Government-owned, the atomic plants and community facilities at Oak Ridge were built and operated by private firms under contracts with the Manhattan Engineer District of the U.S. Army Corps of Engineers. Some of the principal contractors were: Stone & Webster; J.A. Jones Construction Company; Kellex; Monsanto; Union Carbide; Tennessee Eastman; and Roane-Anderson Company, a wholly-owned subsidiary of Turner Construction Company.

The Atomic Energy Act of 1947 (P.L. 585) established an Atomic Energy Commission (AEC) and provided that the Commission would acquire the Manhattan Engineer District facilities and contracts at Oak Ridge (Section 9a). The formal transfer occurred on January 1, 1947. Over the next several years the AEC initiated a series of steps to disengage itself from the ownership and operation of the Oak Ridge community. These actions culminated in the enactment of the Atomic Energy Community Act of 1955 (P.L. 221) providing for disposal of the Government-owned houses, apartments, churches, and retail stores; transfer of the Government-owned municipal installations; assistance to the residents of the Oak Ridge community in the preparation for and establishment of local self-government; and for annual assistance payments to the entities involved. Sale of the Government-owned residential and commercial properties was begun in 1956 and the City of Oak Ridge incorporated

on June 15, 1959. The transfer of municipal installations was initiated soon thereafter and was substantially completed in early 1960.

During the war years the County tax assessors sought to assess the taxable personal property, inventories, merchandise, etc., of the Oak Ridge contractors and residents, but were repeatedly denied access to the Clinton Engineer Works site. This situation began to change in 1949 when AEC removed the gates from the Oak Ridge community. However, AEC continued its security restrictions on access to the Government-owned plant sites and buffer zones.

During the 1950's and early 1960's officials of both Counties became increasingly aware of the serious impact that Oak Ridge and the large, Government-owned industrial facilities were having on the Counties due to the substantial increase in permanent county population, demands for more and improved governmental services, and inadequate ad valorem tax base. Although AEC promptly entered into an agreement providing for annual assistance payments to the City of Oak Ridge, it took no steps to compensate the Counties for their tax losses or burdens resulting from the existence of Oak Ridge and Government-owned atomic facilities.

During this period both County and State officials initiated various actions to obtain additional revenues from the AEC contractors. Anderson County litigated and

lost a suit to collect taxes from Roane Anderson Company. The state litigated and lost suits to collect the State sales and use tax and various other privilege taxes from AEC contractors. The express exemptions from State and local taxes for AEC, and its property, activities, and income in Section 9 (b) of the Atomic Energy Act of 1946 was repealed in 1953. Although this action enabled the State to collect a "use" tax on personal property furnished to or acquired by AEC contractors, the Government-owned plants and equipment at Oak Ridge remained exempt from County ad valorem taxes

In 1959 the Roane County tax assessor sought to levy the ad valorem property tax on the AEC contractor operating the Oak Ridge Gaseous Diffusion plants. This effort was abandoned when the AEC agreed to make payments in lieu of taxes to Roane County equivalent to the "tax loss" on the unimproved value of the land acquired by the Government. At a later date the AEC consented to make similar tax loss payments to Anderson County.

As the financial burdens continued to increase, the Counties made periodic requests to AEC for additional in lieu of tax payments. These efforts (a chronology is included at the end of this section) were of no avail until 1974.

In that year, AEC, in response to the continued efforts of the Counties, recommended additional payments to Roane County of \$295,000.00 and to Anderson County of \$250,000.00

for the fiscal year, 1975. This recommendation was negated by the actions of OMB and subsequently deleted from the President's appropriation request. However, JCAE amended the AEC authorization bill to include these payments.

Subsequently, the Congress appropriated recommended amounts in view of the "special financial burden related to the commission's operations at Oak Ridge".

In authorizing these additional payments, the JCAE recommended that the problems faced by Roane and Anderson County should continue to receive the attention of the Commission. The Commission after considering the problems, recommended an increase to \$301,000.00 for Roane County and an increase to \$396,000.00 for Anderson County for fiscal year 1976, such payment to be in addition to present in lieu of tax payment. This recommendation was forwarded to OMB for inclusion in the 1976 Budget. However, the recommendation to OMB has been deleted entirely from the 1976 budget request. Appendix A contains Exhibit 1, Exhibit 2 and correspondence relative to the recommended payments for 1976.

As indicated in this historical summary, the transformation of Roane and Anderson Counties from basically rural and agricultural areas, with more or less minimal requirements for governmental services, took place almost overnight. Since the beginning of the Manhattan Engineer Project the Counties have struggled

to accommodate and adjust to the large influx of permanent residents, changes due to urbanization, and increased demands for governmental services resulting from the creation of a new city (now 29,000) and several large industrial plants within the Counties. Although the City of Oak Ridge is a separate legal entity under Tennessee law, it is important to remember that its residents are also residents of the Counties; that the City and the Counties are interrelated; and that the Counties as well as the City are involved in maintaining services, facilities, schools, roads, and housing for personnel associated with the Government's atomic energy programs.

The following sections of this report represent another effort to marshal facts demonstrating the unusual situation created by Oak Ridge and its tax exempt industrial complex, the special financial burdens imposed on the Counties, and justifying Federal payments in lieu of taxes in addition to those now paid to the Counties based on the unimproved value of the land acquired by the Federal Government for ERDA's nuclear activities. What might have been, or should have been done during World War II (or during the early years of the AEC) to mitigate the Counties' problems is history. However, the problems still exist today and have increased in magnitude. The Government-owned industrial

complex at Oak Ridge, and the City of Oak Ridge, are permanent parts of the Counties, and will remain so indefinitely. The basic purpose for the Oak Ridge Government-owned industrial plants has changed from winning a war to supplying the world with nuclear fuel and technology for nuclear powered electric generating stations. It is time to recognize the Federal Government is a resident of the Counties, as well as the City of Oak Ridge, and, as such, should and must contribute a fair share of the costs of governmental services provided by the Counties.

B. PROFILE OF THE COUNTIES

Roane County - An Overview

Boundaries and Area

Roane County occupies a land area of 354 or 388 square miles depending on the source. The median area of all United States Counties is 620 square miles. The average size of the 95 counties in Tennessee is 439 square miles. Approximately 26 percent of the land area of Roane County is utilized by urban places of more than 2,500 persons.

Population Distribution

Roane County is classified as a Peripheral Metropolitan or Suburban place, in that it lies adjacent to but is not itself a constituent of a Standard Metropolitan Statistical Area.

The total population of Roane County was approximately 27,795 in 1940, 31,665 in 1950, 39,133 in 1960 and 38,881 in 1970.

In 1940 Roane County population was 34.5 percent urban; in 1950, 42.5 percent urban; in 1960, 36.3 percent urban and in 1970 had become 53.3 percent urban.

Population Density

In 1940, Roane County had a population density of 71.63 persons per square mile which changed to 89.0 by 1950. By 1970, population density had increased to 126.6 persons per square mile. Thus, it

can be seen that the population density of Roane County increased steadily over the period. It has been estimated that the population has increased to 42,000 persons in 1975 with concomitant increases in population density.

Population Changes

Roane County gained 7,468 persons in its total population during the period 1950-1960. This population change consisted in part of a net gain of 3.4 percent due to migration. Out-migrants were outnumbered by in-migrants over the decade by 1,074 persons. However, for the period 1960-1966 Roane County had a net migration of 2,862 persons. It should also be noted that Roane County's percentage of change was among the three smallest in the region.

Anderson County - An Overview

Boundaries and Area

Anderson County occupies a land area of 341 square miles. Anderson County is smaller than the average county in Tennessee which is 439 square miles, and much smaller than the median area of U.S. Counties which is 620 square miles.

Population Distribution

Anderson County is part of the Standard Metropolitan Statistical Area which also contain

Knox and Blount Counties. The total population of Anderson County was 26,504 in 1940, 59,407 in 1950, 60,032 in 1960 and 60,300 in 1970. Anderson County was 10.4 percent urban in 1940, 57.1 percent urban in 1960, 53.4 percent urban in 1960 and 56.1 percent urban in 1970.

Population Density

In 1940 Anderson County had a population density of 77.72 persons per square mile which changed drastically to 174.21 persons per square mile by 1950. The population density remained relatively stable during the 1950 to 1970 period.

Population Changes

Anderson County gained 32,903 persons during the period 1940-1950 due to the establishment of the City of Oak Ridge. This gain more than doubled the Anderson County population during the ten year period. This population increase is responsible for the urbanization of the county.

Oak Ridge - An Overview

Boundaries and Area

The City of Oak Ridge was extracted from Roane and Anderson Counties. This City consists of two

distinct portions, the Plant area and the residential and business area. These areas contain approximately 94.40 square miles. These areas were more clearly defined on the incorporation of the City in 1959 into the minimum Geographic Area (Community) and plant area.

Population Distribution

Oak Ridge with a population of 30,229 in 1950 was classified as an urban place and is a part of a Standard Metropolitan Statistical Area. The population is concentrated in the designated community area, the major portion of which is in Anderson County.

Population Changes

The population of Oak Ridge decreased from 30,229 in 1950 to 27,619 in 1960 but increased slightly to 28,401 by 1970. The population changes occur with fluctuation in the work force, changes in program and project emphasis plus migration out of the city proper and into the counties.

Table III B1 through III B19 provide detailed information relative to the population, economy and characteristics of the counties and the city with some comparative data.

TABLE III B1

I. GENERAL POPULATION CHARACTERISTICS

LOCATION	YEAR	1940		1950		1960		1970		% RURAL	MEDIAN AGE (Yrs)
		TOTAL POPULATION	NUMBER URBAN	% URBAN	NUMBER URBAN	% URBAN	NUMBER RURAL	% RURAL			
Anderson	1940	26,504	2,761	10.4	23,743	89.6	NA				
	1950	59,407	33,921	57.1	25,485	42.9	25.5				
	1960	60,032	32,067	53.4	26,469	46.6					
	1970	60,300	33,831	56.1	26,469	43.9	29.5				
Roane	1940	27,795	9,601	34.5	18,194	65.5	NA				
	1950	31,665	13,547	42.5	18,207	57.5	25.0				
	1960	39,133	14,205	36.3	24,928	63.7	26.3				
	1970	38,881	20,788	53.3	18,093	46.5	29.6				

II. EMPLOYMENT CHARACTERISTICS OF THE POPULATION

LOCATION	YEAR	1940			1950			1960			1970			% WORKED IN IN COUNTY RESIDENCE
		TOTAL WORK FORCE	MALE WORK FORCE	FEMALE WORK FORCE	TOTAL WORK FORCE	MALE WORK FORCE	FEMALE WORK FORCE	TOTAL UNEMPLOYMENT RATE	NON-WORKER TO WORKER RATIO	% WORKED IN IN COUNTY RESIDENCE				
Anderson	1940	8,333	6,938	1,427			9.9		2.2			NA		
	1950	20,752	15,691	5,061			5.5		2.0			NA		
	1960	21,049	14,869	6,180			5.6		1.8			83.2		
	1970	20,965	15,079	7,726			5.3		1.62			73.3		
Roane	1940	9,469	7,360	2,109			9.8		1.9			NA		
	1950	10,654	7,834	2,820			6.1		1.9			NA		
	1960	13,850	9,418	4,432			7.5		1.8			81.9		
	1970	15,493	9,404	6,089			5.6		1.48			73.2		

TABLE III B3

III. PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY INDUSTRY

AREA	YEAR	1940		1950		1960		1970	
		AGRICULTURE FORESTRY & FISHERIES	MINING	CONSTRUCTION	ALL MANUFACTURING	TRADE FINANCE & SERVICES	ALL OTHER	CHEMICAL INDUSTRY (Included in Manufacturing)	
Anderson	1940	25.0	24.1	4.0	17.6	24.9	4.3	0.1	
	1950	6.0	5.4	15.9	35.3	29.3	8.2	28.5	
	1960	2.5	2.3	6.7	44.2	35.7	8.6	35.4	
	1970	1.3	1.0	7.4	37.4	31.0	21.9	26.5	
Roane	1940	26.8	2.3	6.2	31.4	20.0	3.3	0.01	
	1950	13.2	1.7	12.2	31.6	37.8	3.5	5.6	
	1960	4.4	1.4	7.2	39.8	42.1	5.2	12.0	
	1970	1.5	.8	7.1	48.7	29.3	12.6	13.04	

TABLE III B4

IV. INCOME CHARACTERISTICS		1940	1950	1960	1970			
LOCATION	YEAR	MEDIAN INCOME	MEAN INCOME	% OF FAMILIES WITH INCOME UNDER \$3000	% OF FAMILIES WITH INCOME \$10,000 & OVER	% OF FAMILIES WITH INCOMES \$15,000 & OVER	MEDIAN URBAN	MEDIAN RURAL NON-FARM
Anderson	1940	NA	NA	NA	NA	NA	NA	NA
	1950	3,330	NA	43.6	1.4	NA	3,910	1,909
	1960	5,866	NA	25.0	15.8	3.1	NA	3,190
	1970	8,558	9,440	13.5	39.7	16.2	NA	6,440
Roane	1940	NA	NA	NA	NA	NA	NA	NA
	1950	1,819	NA	1.4	0.8	NA	2,181	1,722
	1960	4,482	NA	32.0	6.5	1.0	NA	4,187
	1970	7,401	8,005	17.3	29.5	8.6	NA	7,142

TABLE III B5
LABOR FORCE, ROANE COUNTY

Area	LABOR FORCE		EMPLOYMENT		UNEMPLOYMENT RATE		% UNDEREMPLOYED, 1969				
	Total	Male	Female	Male	Female	Total	Male	Female			
County	15,493	9,404	6,089	8,870	5,759	5.6	5.7	5.4	26.8	18.2	39.2
Barnard Division	1,049	705	344	652	312	8.1	7.5	9.3	36.1	29.9	46.9
Harriman Division	5,798	3,292	2,506	3,108	2,432	4.4	5.6	3.0	27.5	19.9	37.3
Harriman City	3,599	1,952	1,647	1,834	1,602	4.5	6.0	2.7	29.0	21.9	37.2
Kingston Division	3,201	2,071	1,130	1,941	1,053	6.5	6.3	6.8	25.8	15.2	43.9
Kingston Town	1,803	1,121	682	1,057	625	6.7	5.7	8.4	25.3	13.6	43.2
Oliver Springs Division	2,005	1,324	681	1,223	613	8.4	7.6	10.0	29.5	19.6	47.8
Rockwood Division	3,440	2,012	1,428	1,946	1,349	4.2	3.3	5.5	22.0	14.1	32.5
Rockwood City	2,128	1,181	947	1,138	878	5.3	3.6	7.3	20.0	13.3	27.8

^aData for cities and towns of under 2,500 Population are not available.

Source: U. S. Bureau of the Census, 1970 Census of Population as compiled by Teast Tennessee Development District. Census Summary, Anderson and Roane Counties, Parts I and II, 1970.

TABLE III B6

YEARS OF SCHOOL COMPLETED BY THE POPULATION 25 YEARS OF AGE
AND OLDER, ROANE COUNTY

Area ^a	TOTAL NUMBER	NO. SCHOOL. Years	PERCENTAGE						
			1-4 Years	5-8 Years	9-11 Years	Completed High School	1-3 Years College	4 or More College	
County	21,560	1.1	8.7	34.2	17.6	24.9	6.6	6.8	
Barnard Division	1,616	.7	12.7	37.7	18.8	23.1	4.0	2.9	
Harriman Division	7,705	1.4	9.5	36.8	18.3	24.2	6.4	3.5	
Harriman City	4,847	1.8	9.3	37.2	18.9	23.9	5.8	3.1	
Kingston Division	4,399	.6	5.5	28.9	14.5	31.7	8.9	9.8	
Kingston Town	2,277	.4	2.8	20.7	15.9	36.0	10.3	14.0	
Oliver Springs Division	2,821	.9	10.3	25.8	13.4	22.4	8.4	18.8	
Rockwood Division	5,019	1.5	8.1	38.5	21.3	22.0	4.9	3.8	
Rockwood City	3,113	1.4	8.3	36.4	22.0	21.6	6.1	4.2	

^a Data for cities and towns of under 2,500 Population are not available.

Source: U.S. Bureau of the Census, 1970 Census of Housing as compiled by East Tennessee Development District. Census Summary, Anderson and Roane Counties, Parts I and II, 1970.

TABLE III B7

FAMILY INCOME DISTRIBUTION FOR ROANE COUNTY

Area	Total Number of Families	Under \$3,000		\$3,000- 5,999		\$6,000- 8,999		\$9,000 & Over		Under Poverty Level	
		No.	%	No.	%	No.	%	No.	%	No.	%
County	10,521	1,819	17.3	2,255	21.4	2,555	24.3	3,892	27.0	1,899	18.0
Barnard Division	841	231	27.5	187	22.2	198	23.5	225	26.8	240	28.5
Harriman Division	3,771	715	19.0	938	24.9	904	24.0	1,214	32.2	733	19.4
Harriman City	2,320	458	19.7	634	27.3	541	23.2	687	29.6	461	19.9
Kingston Division	2,122	297	14.0	313	14.8	528	24.9	984	46.4	329	15.5
Kingston Town	1,128	111	9.8	129	11.4	234	20.7	654	58.0	118	10.5
Oliver Springs Division	1,416	188	13.3	204	14.4	347	24.5	677	47.8	180	12.7
Rockwood Division	2,371	388	16.4	613	25.9	578	24.4	792	33.4	417	17.6
Rockwood City	1,454	261	18.0	366	25.2	318	21.9	509	35.0	259	17.8

¹Data for cities and towns of under 2,500 population are not available.

Source: U.S. Bureau of the Census, 1970 Census of Population as compiled by East Tennessee Development District. Census Summary, Anderson and Roane Counties, Parts I and II, 1970

TABLE III B8

EMPLOYMENT BY INDUSTRY
ROANE, COUNTY

Area ^a	Agriculture, Forestry & Fisheries		Mining		Construction		Manufacturing		Trade, Services & Finance		All Others	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
County	214	1.5	115	1.8	1,037	7.1	7,131	48.7	4,293	29.3	1,839	12.6
Barnard Division	16	1.7	0	0	151	15.7	474	49.2	214	22.2	109	11.3
Harriman Division	53	1.0	37	.7	324	5.8	2,875	51.9	1,660	30.0	591	10.7
Harriman City	32	.9	11	.3	200	5.8	1,750	50.9	1,065	31.0	378	11.0
Kingston Division	71	2.4	0	0	227	7.6	1,347	45.0	900	30.1	449	15.0
Kingston Town	16	1.0	0	0	88	5.2	684	40.7	583	34.7	331	18.5
Oliver Springs Division	28	1.5	74	74	121	6.6	896	48.8	419	22.8	298	16.2
Rockwood Division	46	1.4	4	4	214	6.5	1,539	46.7	1,100	33.4	392	11.9
Rockwood City	0	0	0	0	86	4.3	954	47.3	694	34.3	282	14.0

^aData for cities and towns of under 2,500 population are not available

Source: U.S. Bureau of the Census, 1970 Census of Population as compiled by East Tennessee Development District.
Census Summary, Anderson and Roane Counties, Parts I and II, 1970

TABLE III B9

LABOR FORCE, ANDERSON COUNTY

AREA ^a	LABOR FORCE		EMPLOYMENT		UNEMPLOYMENT RATE		% UNDEREMPLOYED, 1969				
	Total	Male	Female	Male	Female	Male	Female	Total	Male		
County	22,805	15,079	7,726	14,441	7,148	5.3	4.2	7.5	24.7	16.5	39.6
Clinton Division	1,955	1,177	778	1,143	710	5.2	2.9	8.7	29.3	23.6	37.6
Clinton Town	1,955	1,177	778	1,143	710	5.2	2.9	8.7	29.3	23.6	37.6
Clinton North Division	1,332	898	434	863	400	5.2	3.9	7.8	26.2	19.1	39.6
Clinton South Division	2,339	1,666	673	1,643	647	2.1	1.4	3.9	18.3	12.2	32.2
Lake City East Division	1,242	787	455	706	433	8.3	10.3	4.8	35.5	29.9	44.6
Lake City West Division	494	343	151	319	140	7.1	7.0	7.3	33.9	33.2	35.4
New River Division	168	122	46	95	36	22.0	22.1	21.7	36.4	32.5	44.6
Norris Division	1,997	1,384	613	1,306	565	6.3	5.6	7.8	29.7	21.1	49.0
Oak Ridge Division	11,648	7,586	4,062	7,375	3,816	3.9	2.8	6.1	21.4	11.5	38.3
Oak Ridge City (Part)	11,648	7,586	4,062	7,375	3,816	3.9	2.8	6.1	21.4	11.5	38.3
Walden Ridge Division	1,630	1,116	514	991	401	14.6	11.2	22.0	31.5	23.6	47.7

^aData for cities and towns under 2,500 population are not available

Source: U.S. Bureau of the Census, 1970 Census of population as compiled by East Tennessee Development District, Census Summary, Anderson and Roane Counties, Parts I and II, 1970.

TABLE III B10

YEARS OF SCHOOL COMPLETED BY THE POPULATION 26 YEARS OF AGE
AND OLDER, ANDERSON COUNTY

Area ^a	TOTAL NUMBER	NO. SCHOOL	PERCENTAGE					
			1-4 Years	5-8 Years	9-11 Years	Completed High School	1-3 Years College	4 or More Years College
County	33,539	1.2	7.1	23.2	13.8	29.2	11.0	14.5
Clinton Division	2,879	.8	5.2	23.4	16.6	34.4	9.9	9.7
Clinton Town	2,879	.8	5.2	23.4	16.6	34.3	9.9	9.7
Clinton North Division	2,223	2.1	14.6	29.8	15.2	28.7	5.0	4.5
Clinton South Division	3,554	1.0	6.5	30.2	19.7	34.0	4.7	3.9
Lake City East Division	2,321	2.6	15.6	42.8	14.7	18.7	3.1	2.5
Lake City West Division	1,099	3.5	24.9	46.3	9.4	13.7	1.6	.5
New River Division	320	2.5	33.1	55.3	6.3	2.8	0	0
Norris Division	3,389	1.7	7.5	35.9	16.5	24.1	7.1	7.3
Oak Ridge Division	15,227	.3	1.9	10.4	11.4	32.7	17.5	25.8
Oak Ridge City (Part)	15,227	.3	1.9	10.4	11.4	32.7	17.5	25.8
Walden Ridge Division	2,527	3.0	14.8	35.8	14.5	23.0	5.1	3.8

^aData for cities and towns under 2,500 population are not available

Source: U.S. Bureau of the Census, 1970 Census of Population as compiled by East Tennessee Development District. Census Summary, Anderson and Roane Counties, Parts I and II, 1970.

TABLE III B11
FAMILY INCOME DISTRIBUTION FOR ANDERSON COUNTY

Area ¹	Total Number of Families		Under \$3,000		\$3,000-5,999		\$6,000-8,999		\$9,000- & Over		Under Poverty Level	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
County	16,329		2,217	13.6	2,921	17.9	3,663	22.4	7,528	46.1	2,458	15.1
Clinton Division	1,390		213	15.3	239	17.2	231	16.6	707	50.9	221	15.9
Clinton Town	1,390		213	15.3	239	17.2	231	16.6	707	50.9	221	15.9
Clinton North Division	1,054		212	20.1	240	22.8	254	24.1	348	33.0	270	25.6
Clinton South Division	1,805		255	14.1	435	24.1	517	28.6	598	33.1	283	15.7
Lake City East Division	1,122		332	29.6	294	26.2	245	21.8	251	22.4	355	31.6
Lake City West Division	521		211	40.5	184	35.3	67	12.9	59	11.3	249	47.8
New River Division	168		86	51.2	33	19.6	33	19.6	16	9.5	79	47.0
Norris Division	1,605		300	18.7	426	26.5	400	24.9	479	29.8	305	19.0
Oak Ridge Division	7,411		409	5.5	701	9.5	1,549	20.9	4,752	64.1	430	5.8
Oak Ridge City (Part)	7,411		409	5.5	701	9.5	1,549	20.9	4,752	64.1	430	5.8
Walden Ridge Division	1,253		199	15.9	369	29.4	367	29.3	318	25.4	266	21.2

¹Data for cities and towns under 2,500 population are not available.

Source: U. S. Bureau of the Census, 1970 Census of Population as compiled by East Tennessee Development District. Census Summary, Anderson and Roane Counties, Parts I and II, 1970

TABLE III B12

EMPLOYMENT BY INDUSTRY, ANDERSON COUNTY

Area ^a	Agriculture, Forestry & Fisheries		Mining		Construction		Manufacturing		Trade, Services & Finance		All Other	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
County	287	1.3	208	1.0	1,605	7.4	8,068	37.4	6,694	31.0	4,727	21.9
Clinton Division	35	1.9	6	.3	156	8.4	470	25.4	735	39.7	451	24.3
Clinton Town	35	1.9	6	.3	156	8.4	470	25.4	735	39.7	451	24.3
Clinton North Division	30	2.4	5	.4	160	12.7	411	32.5	354	28.0	303	24.0
Clinton South Division	16	.7	22	1.0	373	16.3	722	31.5	699	30.5	458	20.0
Lake City East Division	5	.4	20	1.8	160	14.0	297	26.1	466	40.9	191	16.8
Lake City West Division	17	3.7	35	7.6	70	15.3	137	29.8	141	30.7	59	12.9
New River Division	0	0	52	39.7	0	0	36	27.5	31	23.7	12	9.2
Norris Division	98	5.2	11	.6	241	12.9	437	23.4	706	37.7	378	20.2
Oak Ridge Division	58	.5	12	.1	281	2.5	5,142	45.9	3,015	26.9	2,683	24.0
Oak Ridge City(Part)	58	.5	12	.1	281	2.5	5,142	45.9	3,015	26.9	2,683	24.0
Walden Ridge Division	28	2.0	45	3.2	164	11.8	416	29.9	547	39.3	192	13.8

^aData for Cities and Towns under 2,500 Population are not available.

Source: U.S. Bureau of the Census, 1970 Census of Population as compiled by East Tennessee Development District. Census Summary, Anderson and Roane Counties, Parts I and II, 1970.

TABLE III B13

Residence	AEC and CPFF Employees (Dec. 1974)	Percent of Total	Total Population of Residence 1970	Payroll by Residence	Average Income of AEC and CPFF Employees	% of Payroll (1970)
Oak Ridge	5,530	36.1	28,319	83,810,080.00	15,155.52	40.8
Anderson						
(Outside Oak Ridge)	1,985	13.0	33,471	23,822,291.00	12,001.15	11.6
Roane County						
(Outside Oak Ridge)	1,918	12.5	37,391	22,633,049.00	11,800.43	11.0
Sub Total	9,433	61.6		131,265,420.00		63.4
TOTAL	15,304	100%		205,414,107.00		100%

SOURCE: Employee information provided by Oak Ridge Operations Budget and Reports Division, Oak Ridge Operations, Atomic Energy Commission

TABLE III B14

POPULATION AND ECONOMY CHARACTERISTICS

Area	<u>County Population</u>		
	1950	1960	1970
Anderson	59,407	60,032	60,300
Roane	31,665	39,133	38,881

	<u>Oak Ridge Population</u>		
	1950	1960	1970
Oak Ridge	30,229	27,169	28,401

<u>Median Age (1970)</u>	
Tennessee	28.3
Anderson	29.5
Roane	29.6

	<u>Urban Vs. Rural Population (1970)</u>	
	Urban	Rural
Anderson	33,831 56.1%	26,469 43.9%
Roane	20,788 53.3%	18,093 46.5%

TABLE III B15

ESTIMATED EFFECTIVE BUYING INCOME AND CASH
INCOME DISTRIBUTION OF HOUSEHOLDS (1969)

	Effective Buying Income Per Household	PERCENTAGE OF HOUSEHOLDS HAVING CASH INCOMES OF:				
		Less Than \$3,000	\$3,000 4,999	\$5,000- 7,999	8,000- 9,999 10,000 and Over	
Anderson County	\$9,446	20.7	11.5	19.4	17.0	31.4
Roane County	\$7,861	23.6	13.9	23.2	15.1	24.2
Oak Ridge	\$12,094	10.8	5.2	16.9	20.6	46.5

Source: Center for Business and Economic Research, Tennessee Statistical Abstract 1971, The University of Tennessee, Knoxville, Tennessee

MEDIAN FAMILY INCOME AND PERCENTAGE
DISTRIBUTION OF FAMILIES BY INCOME CLASS (1959)

	No. Of Families	Median Family Income	Percentages of Families Having Incomes of :					
			Less Than \$2,000	\$2,000- 3,999	\$4,000- 5,999	\$6,000- 7,999	\$8,000- 9,999 \$10,000- and Over	
Anderson	14,856	\$5,866	16.6	16.3	18.4	20.9	12.1	15.8
Roane	9,814	4,482	21.6	22.5	24.0	17.8	7.6	6.5

Source: Center for Business and Economic Research, Tennessee Statistical Abstract 1971, The University of Tennessee, Knoxville, Tennessee

TABLE III B16
ECONOMIC AND FISCAL COMPARISONS OF TENNESSEE COUNTIES (1969-1970)

COUNTIES	Mean Family Income	Median Family Income	Percent of Families with Income 15,000	Percent of Families with Income Level	County Population	Percent of County's Families Rural	Full Value of Property		Mean Rural Income	Percent of Rural Families with Income Poverty Level
							per ADA	per Family		
Anderson	\$9,440	8,558	16.2	15.1	60,300	44.3	\$16,003	\$14,555	\$6,890	24.6
Blount	8,488	7,898	9.8	14.6	63,744	57.8	27,132	19,842	7,894	16.8
Bradley	8,494	7,922	9.2	14.3	50,686	49.1	26,919	21,068	8,042	14.6
Humphreys	8,236	7,850	8.1	19.7	13,560	72.0	40,579	32,822	8,099	20.1
Sullivan	9,180	8,372	12.9	13.2	127,329	44.2	44,740	34,913	8,559	14.7
Sumner	9,238	8,208	12.7	14.3	56,103	49.5	24,246	20,437	8,734	17.5
Williamson	9,762	8,191	17.6	14.4	34,330	72.6	29,489	24,347	10,311	14.1
Wilson	8,497	7,878	10.2	15.6	36,999	66.3	19,226	14,869	8,567	15.1
Roane	8,005	7,401	8.6	18.0	38,881	66.5	14,113	12,090	7,281	20.5
Cheatham	8,075	7,646	8.2	15.4	13,199	100.0	24,631	21,335	8,074	15.4
Coffee	8,596	7,677	12.6	16.8	32,572	36.0	22,299	22,049	7,071	23.2
Dickson	7,696	7,001	8.0	16.3	21,977	74.2	23,691	18,670	7,271	18.1
Hamblen	7,936	7,219	7.7	15.8	38,696	47.5	35,823	27,441	8,086	13.2
Madison	8,330	7,308	11.4	19.5	65,727	39.1	22,382	19,202	7,678	22.6
Maury	8,058	7,251	9.1	17.2	43,376	42.3	26,490	22,986	7,405	20.9
Montgomery	8,165	7,220	10.0	18.4	62,721	34.7	17,741	16,080	7,361	20.4
Rutherford	8,633	7,664	11.7	15.1	59,428	41.3	18,437	16,526	7,675	19.8
Washington	8,525	7,259	11.3	16.8	73,924	54.3	26,335	19,782	7,898	17.2

Sources: Columns 1-6 and 9-10 from data and calculations on data in U.S. Bureau of the Census, Census of Population: 1970 General Social and Economic Characteristics, Final Report PC (1) -C44 Tennessee, Washington, D.C., 1972.
Column 7 and 8 from calculations on data in Tax Aggregate Report of Tennessee, 1970, State Board of Equalization, Nashville, and State of Tennessee, Annual Statistical Report of the Department of Education for the Scholastic Year Ending June 30, 1970.

TABLE III B17

DISTRIBUTION OF INDUSTRIAL AND COMMERCIAL BUSINESSES
BY SIZE OF EMPLOYMENT

County	Number with Employment over 1000	Number with Employment 500-999	Number with Employment 100-499	Number with Employment 25-99
Anderson	2*	0	3	18
Blount	1	0	2	5
Bradley	2	3	18	13
Humphreys	1	0	2	3
Sullivan	5	4	15	16
Sumner	0	2	12	6
Williamson	0	2	3	6
Wilson	0	3	5	14
Roane	2*	5	5	5
Cheatham	1	0	1	0
Coffee	0	1	7	12
Dickson	0	4	2	6
Hamblen	2	4	20	14
Madison	1	2	16	22
Maury	0	2	11	11
Montgomery	2	0	7	8
Rutherford	0	3	10	15
Washington	1	5	13	18

*AEC and Union Carbide

Source: Tennessee, State of, Directory of Tennessee Industries, 1969, Executive Office Staff Division for Industrial Development, Nashville.

TABLE III B18
POPULATION AND WORK FORCE
OF COMPARISON COUNTIES (1970)

County	Population 1970	No. in Work Force 1970	Work in County of Residence	% of Work Force	Non-Worker to Worker Ratio	Median Family Income	Unemployment Rate %
Anderson	60,300	20,965	15,364	73.3	1.62	8,558.00	5.3
Blount	63,744	22,437	15,983	71.2	1.62	7,898.00	4.1
Roane	38,881	14,220	10,414	73.2	1.48	7,401.00	5.6
Sullivan	217,329	48,027	37,348	77.8	1.48	8,372.00	4.1

Source: U.S. Bureau of the Census, 1970 Census of Population

TABLE III B19

WORK PLACE OF AEC AND CPFF CONTRACTORS
DECEMBER, 1972

WORK IN ANDERSON COUNTY

<u>EMPLOYEES</u>	<u>PAYROLL</u>	<u>% OF TOTAL</u>
8,643	\$96,998,317.	57.62

WORK IN ROANE COUNTY

<u>EMPLOYEES</u>	<u>PAYROLL</u>	<u>% OF TOTAL</u>
6,356	\$77,887.71	42.38

TOTALS

<u>EMPLOYEES</u>	<u>PAYROLL</u>
14,999	\$174,886.088

Source: Budget and Reports Division, Oak Ridge Operations, Atomic Energy Commission.

C. COST AND REVENUES

1. Counties

Costs of government operation in Roane and Anderson Counties have undergone significant increases since 1955. The total disbursements in Roane County (1,903,772.) and Anderson (\$1,877,342.) were only 30.86 and 21.55 percent respectively of what they were in 1973. The cost of government operation during the period increased by 324 percent in Roane and 464 percent in Anderson. If this increase is averaged over the 18 year period the result is an average annualized cost increase of 18.00 percent per year in Roane and 25.78 percent in Anderson.

(Table III C1).

The assessed value of property and tax rates changed significantly during the period. Roane County's assessed values increased from \$15,035,798 to \$48,483,269. The Anderson County assessed values increased from \$12,304,749. to \$83,230,389. However, these amounts do not represent linear increases in property values, since significant changes in assessment ratios, as well as property re-appraisals occurred during the period. In addition, the Anderson County property values increased by reason of the sale of government owned residential and commercial properties in Oak Ridge. (Table III C2).

In 1955 a tax rate of \$3.00 per \$100.00 of assessed value was required to provide revenues for government

operation, in Anderson County this changed to \$6.36 by 1963. The rate in 1963 was high because of depressed assessed values. The change in 1973 to higher assessed values mandated by classification of properties allowed a corresponding decrease in the tax rate to secure revenue amounts demanded for government services. In terms of Effective Tax Rate the tax effort was greater in 1973 when the effective rate was \$1.73 than it was in 1963 when the effective tax rate was \$0.95.

In Roane County in 1955 a tax rate of \$4.00 per \$100.00 of assessed value was required to provide revenues for governmental services. The rate changed to \$5.30 in 1963 and to \$4.90 in 1973. The effective tax rate in 1963 was \$0.95 but increased to \$1.59 by 1973. The local option sales tax levied in 1969 provided revenues equivalent to \$2.00 on the property tax rate. Application of the local option sales tax, in lieu of a property tax increases, prevented the effective tax rate from becoming \$2.24 by 1973.

The Roane and Anderson County effective tax rates, measures of ability and effort, were the highest among the counties in Tennessee in 1973.

2. Oak Ridge

In 1963 the costs of government operation in Oak Ridge, shown as disbursements, was \$2,930,352. Table III C1). The disbursements increased to \$5,536,388 by

1973. This growth in costs represents an increase of 188.9 percent for the period or an annualized cost increase of 18.89 percent. In 1963 the Total Assessment was \$56,183,128 requiring a tax rate of \$1.24 per \$100.00 of assessed value to provide revenues for local government operation. Changes in levels of assessment and classification of properties caused assessed values to decline to \$42,272,768. in 1973. The decline in assessments required a significant increase in the tax rate from \$1.24 in 1963 to \$6.59 in 1973. The increase in rate was required to provide the revenues for government operation. The total combined county and city tax rate became \$11.23 in 1973 based on a city rate of \$6.59 and a county rate within the city of \$4.64.^{1/}

^{1/} Tennessee Taxpayers Association Research Report No. 190.

TABLE III C1
 COMPARISON COUNTIES
 OPERATING RECEIPTS AND DISBURSEMENT FOR FISCAL
 YEARS ENDING IN 1955--1960--1963--1973

	COUNTY	RECEIPTS	DISBURSEMENTS	TAX RATES
1955	Anderson	\$2,134,560.	\$1,877,342.	\$3.00
	Blount	2,987,163.	2,900,002.	2.78
	Roane	1,861,880.	1,903,772.	4.00
	Sullivan	5,053,844.	4,842,383.	2.72
1960	Anderson	2,732,427.	2,637,171.	6.26
	Blount	4,049,141.	3,802,623.	3.35
	Roane	2,267,148.	2,309,942.	5.24
	Sullivan	6,067,423.	5,976,119.	3.27
1963	Anderson	3,473,240.	3,384,685.	6.36
	Blount	4,237,379.	4,199,354.	3.00
	Roane	2,751,003.	2,826,496.	5.30
	Sullivan	8,089,414.	8,128,847.	3.75
	Oak Ridge	2,924,257.	2,930,352.	1.29
1973	Anderson	8,139,114.	8,708,515.	5.71
	Blount	9,129,532.	8,000,964.	2.50
	Roane	6,731,166.	6,167,906.	4.90
	Sullivan	19,864,556.	18,259,905.	2.53
	Oak Ridge	5,751,631.	5,536,338.	6.59

TABLE III C2
COMPARISON OF ASSESSED VALUE OF PROPERTY

1954-1973

1954 Assessment

COUNTY	REAL & PERSONAL	RAILROAD & PUBLIC UTILITIES	TOTAL ASSESSMENT	TAX RATE 1955
Anderson	\$6,626,207.	\$5,678,542.	\$12,304,749.	\$3.00
Blount	33,667,900.	7,951,508.	41,619,408.	2.78
Roane	9,140,295	5,895,503	15,035,798.	4.00
Sullivan	87,990,772.	10,063,934.	98,054,706.	2.72
Oak Ridge*				

1963 Assessment

				<u>1963</u>	<u>E.T.R</u>
Anderson	19,485,334.	6,824,580.	26,309,914	6.35	.95
Blount	51,521,170	11,134,124	62,655,294	3.00	.60
Roane	15,521,170	6,782,940	22,480,959	5.30	.95
Sullivan	117,618,462	16,743,431	134,361,893	3.75	.75
Oak Ridge	54,478,876.	1,704,252.	56,183,128	1.24	NA

1973 Assessment

			<u>1973</u>	<u>E.T.R</u>
Anderson		83,230,389.	5.71	1.74
Blount		137,816,653.	.78	.78
Roane		48,483,269.	4.90	1.59
Sullivan		400,321,712.	.82	.82
Oak Ridge		42,272,768.	6.59	NA

* A Federal Community in 1954 - Prior to P.L. 221 - Not incorporated until 1959.

CHRONOLOGY OF ANDERSON AND ROANE COUNTIES' STUDY
OF
BURDENS OVER BENEFITS AND URANIUM ENRICHMENT TAX

FY 1959	Initial In Lieu of Tax Payments to Counties - Lump Sum Settlements for Prior Years.
March 15, 1963	Local Office of AEC asked to consider study of Burdens over Benefits
March 22, 1963	Request denied by AEC local office.
April 23, 1963	Headquarters office denies same request
August 8, 1968	Letter from AEC to Mayor of Oak Ridge requiring City to comprehensively study all possible tax sources as condition of continuing study.
September 13, 1968	AEC "identifies" and directs what city tax sources to be studied.
Fall 1969	City requests permission to add study of toll enrichment as "source" of private non-AEC operating funds for city.
January 17, 1969	AEC, through Deputy Manager directs city not to study uranium enrichment as tax source.
Early, 1970	Anderson County requests study be undertaken by independent outside group which would define Burdens over Benefits and be a well-known professional organization.
February 6, 1970	At a meeting in Germantown with Commissioners, Assistant General Manager, Comptroller, and community specialist, the Anderson County Committee was advised that it was illegal for the Federal Government to spend funds for a study that might result in requiring the Federal Government to make payments to a local government.
Fall, 1970	Subsequent to AEC's decision not to finance a study by experts, Anderson County's Tax Study Committee interviewed eight different technical consulting groups, who declined to undertake such a study because of no known standard

Page Two
Chronology of Study

- statistical technique or accounting procedure that would show burdens over benefits with accuracy. Anderson County then decided to undertake its own study.
- September 30, 1970. Chief Counsel states enrichment fee is not legally advisable for the city or county payments because uranium by contract was titled to the commission while in Oak Ridge, even though work is done by private contractors, further stated federal statute would be required.
- January 20, 1971. Letter by General Manager to County Judge expresses opposite conclusion in following direct quote:
" The present enrichment charge of \$26 per unit of separative work was established in 1967 pursuant to formally established criteria which specified that the AEC charge would be based on the recovery of all appropriate costs of the enriching service. Included in these costs are all taxes actually paid by the Commission's contractors relating to the enriching services, a pro rata portion of the payments in lieu of taxes to Roane County and a pro rata portion of the financial assistance payments to the City of Oak Ridge."
- February 25, 1971. Anderson County representatives met with Chairman and other AEC representatives in Washington and discussed the Anderson County Study and request for \$1,000,000. annual payments.
- March 16, 1971. Letter from Chairman to Judge stating the Commission Staff was analyzing the study.
- March 24, 1971. Meeting with Oak Ridge City Council, reaffirms letter of January 20, 1971. Following is quoted from minutes of that meeting:
"Mr. Hollingsworth then asked his staff for various opinions, the consensus being that they could not administratively agree to permit the City of Oak Ridge to collect a tax or fee on uranium separative work charges. They stated that they now

Page Three
Chronology of Study

prorate \$585,000. per year of the financial assistance payments to the City as well as a pro rata share of the \$1.6 Million in state use tax to the separative work charges. They expect to continue this practice throughout the seventies.

Mr. Hollingsworth indicated that changes were difficult to administratively come by because they now have to convince the Office of Management and Budget on every AEC detailed expenditure. Each new item the AEC places in the budget is questioned by the OMB and is often deleted. The OMB is extremely tight with the purse strings on all federal expenditures as everyone is aware. AEC is now submitting the FY '72 budget to Congress and the FY'73 budget will be presented in about 30 days.

July 9, 1971

Letter from General Manager, AEC to Judge stating that AEC had completed its analysis, concluding that the Anderson County Study did not constitute an adequate basis for arriving at a judgment as to the impact of the AEC's activities on the Anderson County Government. Further stated that the Commission "was prepared, at its own expense, to contract an independent party to make a study to assist the Commission in resolving this question." This is directly opposite to statement of February 6, 1970, "that it was illegal for the Federal Government to spend funds that might result in requiring the Federal Treasury to make payments to a local government.

August 4, 1971

Anderson County informed AEC that "the results of a study, under the narrow ground rules suggested by the Commission, would not be meaningful."

September 28, 1971

Anderson County affirmed its willingness to participate in the study but requested that the county be allowed a representative to work with U. T. and AEC.

December, 1971

AEC entered into a contract with the University of Tennessee, Business and Economic Research Center for the study requiring eighteen months at an approximate cost of \$80,000,00. Anderson County, still feeling that such a study made under the limiting criteria set out in the contract would not be meaningful, agreed to cooperate with the U.T. Staff members making the study and furnish such information as was needed.

Page Four
Chronology of Study

- June 30, 1973 The U. T. Study was completed and substantiated Anderson County's study and request for financial assistance.
- August 9, 1973 A meeting was held with the U.T. Study Team, AEC representatives and the Anderson County Committee, where certain study procedures and findings were questioned and explanations were given.
- August 16, 1973 Anderson County representatives met with Oak Ridge AEC Manager who advised that the U.T. Study could be rejected even though it was made at the request of AEC. Anderson County requested that no definite AEC decision be made until a brief supplemental study could be submitted by Anderson County's Tax Study Committee.
- December 10, 1973 Anderson County's Supplemental Study sent AEC Chairman Dixy Lee Ray, with copies to the other commissioners, and the Oak Ridge AEC offices.
- January 3, 1974 AEC Commissioner Larson wrote Judge stating the AEC staff was ready to finalize its recommendation to the Commission.
- February 13, 1974 Anderson County representatives met with Commissioner, and other AEC staff members, in an informal discussion regarding Anderson County's request for financial assistance.
- February 22, 1974 Anderson and Roane County representatives met in Oak Ridge with AEC Chairman and others regarding this matter.
- April 3, 1974 JCAE Report on Authorization Bill includes \$250,000.00 for Anderson and \$295,000.00 for Roane as payment for special financial burdens.
- April 24, 1974 Testimony presented by Roane and Anderson Counties before Sub-Committee on Public Works and AEC Committee on Appropriations.
- October 29, 1974 Payments received by Counties; Anderson \$250,000.00 and Roane \$295,000.00 under provision of P.L. 93-276 and P.L. 93-393 payments made in view of the special financial burden related to the AEC operations in Oak Ridge.

IV. THE FEDERAL GOVERNMENT IN THE COUNTIES

A. FEDERAL LAND HOLDINGS AND FACILITIES

The original Government acquisition for the Oak Ridge nuclear facilities comprised 55,021 acres; subsequently acquired acreage in Roane County brought the total to 58,530. At present ERDA occupies and controls 13,288 acres (20.75 Sq. Miles) of Anderson County and 23,793 acres (37.11 Sq. Miles) in Roane County. (See Map Figure 1) These land holdings represent 6.09 percent of Anderson County and 9.58 percent of Roane County.

1. ERDA - FEDERAL FACILITIES

The Government-owned nuclear facilities in Anderson and Roane Counties represent a total capital investment in excess of 1.5 Billion. They include three of ERDA's major production and research installations which are operated for the Government by Union Carbide Corporation, Nuclear Division. Additionally, there are such Government owned facilities as the headquarters for the Oak Ridge Operation, units of two Washington Divisions of ERDA (Declassification and Technical Information), the Oak Ridge Institute of Nuclear Studies, and the Agricultural Research Laboratory operated by the University of Tennessee.

ERDA OFFICES The Oak Ridge Operation's Office is in charge of and responsible for three and a half billion dollar plant investment located in five states and Puerto Rico. This office administers programs covering the full spectrum of the atomic energy effort. Production of weapons components, biomedical investigation, uranium enrichment, and the development of new reactor concepts are but a few examples of the diverse operations this office supervises. The Operations Office employs about 580 people in Oak Ridge. All leases and sale of enriched uranium are managed for the Commission by the Operation Office and fall under its administrative responsibility.

The Division of Technical Information Extension, now Technical Information Center, is AEC's central organization for collecting, evaluating, cataloging, reproducing, and disseminating scientific and technical information. It maintains AEC's Central Depository of research and development information which is the world's most comprehensive and complete collection. It publishes Nuclear Science Abstracts as well as supplying bibliographic and reference services to AEC contractors. Also, this Division operates AEC's departmental printing plant which produces 100 million pages of technical data each year.

Oak Ridge (Holifield) National Laboratory (X-10)

Located in Roane County (see map figure 1), the Oak Ridge National Laboratory (ORNL) is one of the world's largest research centers. Over the years, it has participated in virtually every major scientific development in the atomic energy program. An enormous amount of technical capability and experience enables it to undertake and accomplish scientific tasks well beyond the capacity of most organizations. Facilities at ORNL include eight nuclear reactors, six major accelerators, several pilot plants, numerous hot cells, data processing and computing equipment as well as many laboratories and shops. The total investment in plant and equipment is in excess of \$211,000,000.

Oak Ridge Gaseous Diffusion Plant (K-25) Located in Roane County, this plant was built to separate large quantities of highly enriched uranium 235. ORGDP includes five large uranium separation buildings, a fluorine plant, a barrier manufacturing plant and supporting maintenance and fabrication shops.

Increased demands for enriched uranium has caused ORGDP to diversify and its scope now includes complex machining of materials, intricate instrumentation construction and the construction of installations for other governmental agencies. The total capital investment at K-25 is \$836,000,000.

Y-12 Plant Located in Anderson County, this plant is now a highly diversified facility for the development, manufacture and inspection of a variety of components used in America's weapon, reactor, and space programs. Increasingly, the reservoir of scientific and industrial skills provided by this plant is being used in support of ORNL's programs. This plant utilizes laboratory fabrication and inspection facilities along with necessary equipment valued in excess of \$450,000,000.

Oak Ridge Institute of Nuclear Studies (Oak Ridge Associated Universities) This corporation of forty southern universities and colleges conducts education, training, and research under contract with the AEC. ORINS was established in 1946 so that universities could participate in the nations atomic energy program. In the intervening years, it has expanded its activities to include programs ranging from secondary school to post graduate level instruction. ORINS represents a total plant and equipment investment approaching \$4,500,000. The new American Museum of Atomic Energy facility is not included in the above mentioned investment figure.

Agricultural Research Laboratory (ARL) This laboratory operated by the University of Tennessee, provides facilities for the study and research of beneficial uses of radio-isotopes and atomic energy in the field of agriculture. Its program is conducted on 5,000 acres of AEC owned land.

Facilities include a central research laboratory, animal surgery and autopsy facilities, green houses, animal irradiation facility, seed irradiator and assorted animal pens, barns and storage sheds. The total plant and equipment investment is approximately \$2,400,000.

2. Tennessee Valley Authority (TVA)

Figure 1 is a map which shows the extent of TVA land holding in Roane and Anderson Counties. Table IV A1 lists TVA land as of June 30, 1974. According to the information contained in this Table, TVA presently holds a total of 54.1 square miles or 7.42 percent of the total land area of the two counties. Of the 54.1 square miles 42.95 are in Roane and 11.15 square miles in Anderson. This represents 11.07 percent and 3.27 percent of the land area of Roane and Anderson Counties respectively.

3. Summary¹

Federal land holding in Roane and Anderson has become a dominating statistic. In aggregate, federal activities require 112.03 square miles of land area, 80.13 square miles in Roane and 31.90 square miles in Anderson. This area represents 20.65 percent of Roane and 9.35 percent of Anderson County. Therefore, federal holdings reduces Anderson County to 309.10 square miles and Roane County to 307.87 square miles.

The ERDA plant facilities initially cost in excess of 1.5 Billion dollars and currently have a net book value (acquisition cost less depreciation) of \$813,132,000.

¹/See Table IV A2 - Page 61A.

The Y-12 plant in Anderson County at \$365,200,000., the ORGDP at \$312,758,000., and ORNL (Holifield) at \$135,174,000. make up this total.

TABLE IV A1

TVA RESERVOIR ACREAGE IN ANDERSON AND ROANE COUNTIES

	<u>Acres in Fee</u>	<u>Acres by Easement</u>	<u>Total Acres</u>
<u>ANDERSON COUNTY</u>			
Norris Reservoir	2,564	106	2,670
Melton Hill Reservoir	<u>3,088</u>	<u>1,378</u>	<u>4,466</u>
Total - Anderson County	5,652	1,484	7,136

7,136 Acres = 11.15 Square Miles

ROANE COUNTY

Watts Bar Reservoir	22,107	4,992	27,099
Ft. Loudon Reservoir	-0-	31	31
Melton Hill Reservoir	<u>131</u>	<u>229</u>	<u>360</u>
Total-Roane County	22,238	5,224	27,490

27,490 Acres = 42.95 Square Miles

TABLE IV A2
LAND HOLDINGS SUMMARY

TVA - ERDA

I. ERDA

Original Takings	Acres	Square Miles	Percent of County Total*
Roane	28,155	43.99	11.34
Anderson	30,375	47.46	13.92
TOTALS	58,530	91.45	12.54

II. ERDA

Sales and Transfers

Roane	4,362	6.82	1.76
Anderson	17,095	26.71	7.83
TOTALS	21,457	33.53	4.60

III. ERDA

Present Holdings

Roane	23,793	37.18	9.58
Anderson	13,280	20.75	6.09
TOTALS	37,073	57.93	7.95

IV. TVA

Present Holdings

Roane	27,490	42.95	11.06
Anderson	7,136	11.15	3.27
TOTALS	34,626	54.10	7.42

V. COMBINED

Roane	51,283	80.13	20.65
Anderson	20,416	31.90	9.35
TOTALS	71,699	112.03	15.23

*Anderson 341 Square Miles
Roane 388 Square Miles

TOTAL 729 Square Miles

B. FEDERAL EMPLOYMENT AT OAK RIDGE

In FY 1974 Government and Government contractor employment was approximately 15,000 persons with an annual payroll in excess of \$205. Million.

Employment and the employment base at Oak Ridge has consisted primarily of the production, research and education facilities of the AEC and its contractors. Other major federal employment relates to TVA operations and AEC and TVA construction.

In earlier years, much of the employment information for Oak Ridge was classified and did not appear as census data. Since 1950, however, some significant information has become available. Figure 2 illustrates employment by AEC and AEC contractors including residents and non-residents for the period 1950-1965. ORNL, the Y-12 and the ORGDP had the largest number of employees during the period. ORNL employment continued to rise during the period while Y-12 and ORGDP declined after peaking in 1953-1955 time interval. However, employment at the end of the period for the major plants was higher than in 1950.

Figure 3 sets out the Total Employment of AEC and AEC contractors in Oak Ridge including Oak Ridge Residents and Non-Residents. Employment levels in 1950 (Approximately 10,000) grew to approximately 16,000 by 1955 and declined at a decreasing rate to approximately 14,000 in 1965.

EMPLOYEES BY AEC CONTRACTORS & AEC IN OAK RIDGE
(Includes Oak Ridge Residents & Non-Residents)

Thousand of
Employees

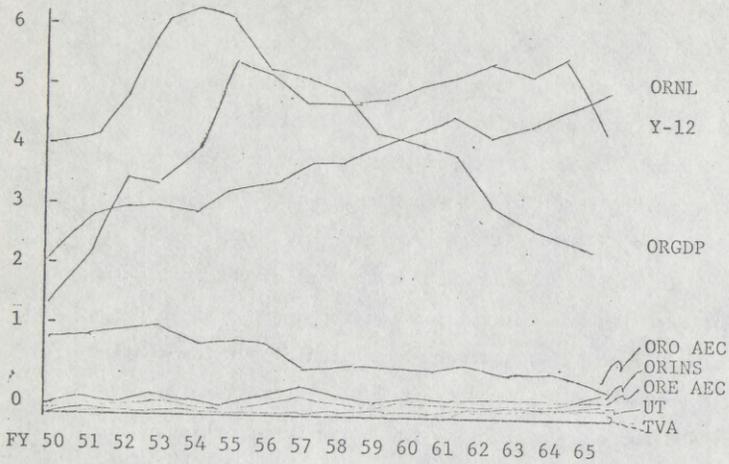


Figure 2

TOTAL EMPLOYMENT OF AEC CONTRACTORS
& AEC IN OAK RIDGE
(Includes Oak Ridge Residents & Non-Residents)

Thousand of
Employees

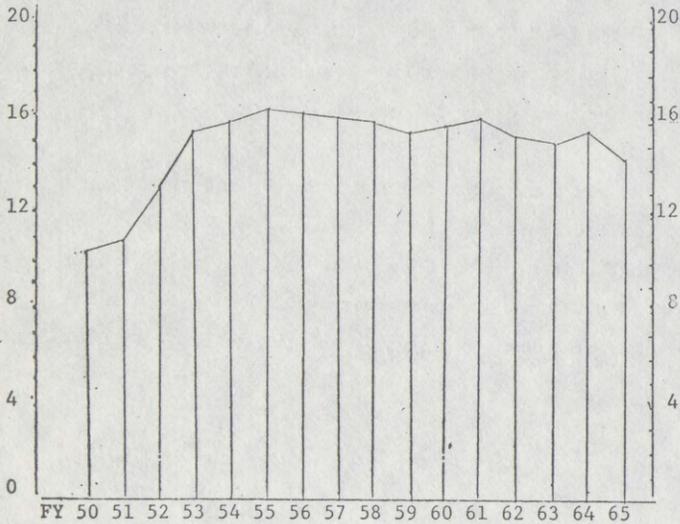


Figure 3

The AEC Information office reports of employment by years beginning in 1966 shows the fluctuations that occurred through 1974. These number fluctuations are indicated by year as follows:

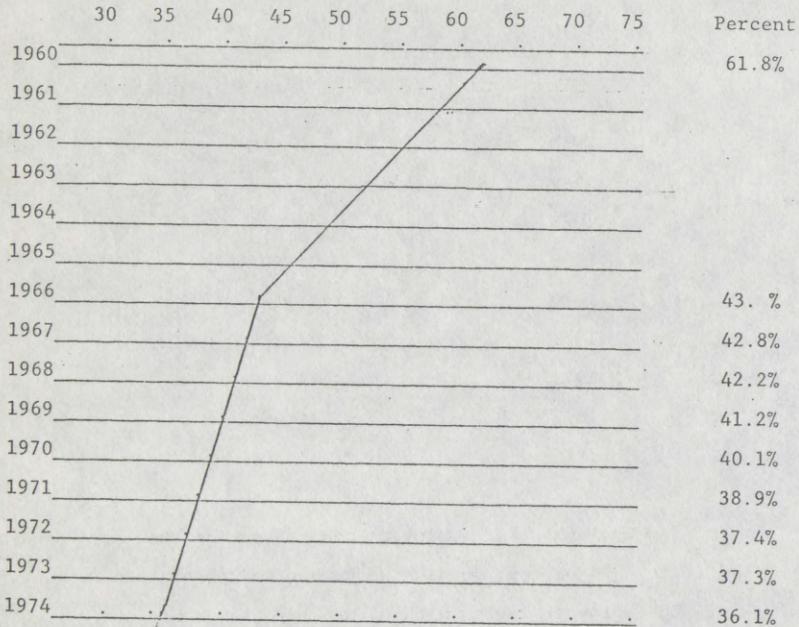
TABLE IV B 1

YEAR	NUMBER OF EMPLOYEES
1966	13,500
1967	13,872
1968	14,306
1969	14,902
1970	15,136
1971	15,278
1972	14,999
1973	14,095
1974	15,304

As the number of employees changed during the 1960 to 1974 period, so did the number and percentage of AEC employees living within the City of Oak Ridge as shown in Figure 4.

AEC (ERDA) Employees Living in Oak Ridge
1960-1974

FIGURE 4



Source: Annual Employee Reports ORO Office

A Payroll and Residence Information Report for the Oak Ridge Area for the year ending December, 1974, indicates total employment by AEC and CPFF Contractors totalled 15,304 employees, 36.1% of which lived in Oak Ridge, 13.0% in Anderson County, outside Oak Ridge and 12.5% in Roane County, outside Oak Ridge. The number of employees in Roane and

Anderson Counties totalled 9,433 or 61.6% of the total work force at the Government-owned facilities. While Anderson has the greater number and percentage of employees, two of the principal Oak Ridge facilities (ORGDP and ORNL) are located in Roane County.

According to the U.S. Bureau of the Census (1970) Anderson County had a total labor force of 22,805. Of these 21,589 (94.67%) were employed. Nearly 45% of Anderson County's population was in the city of Oak Ridge. Employment in Oak Ridge was found to be 11,191 persons out of a labor force of 11,648 (96.08%). In Anderson County outside Oak Ridge, the labor force was 11,615 and the number of persons employed 9,941 (85.59%). The unemployment rate for Anderson County as a whole was 5.33%, for Oak Ridge 3.93% and for Anderson County outside of Oak Ridge 14.41%.

In Roane County, the 1970 Census revealed a total labor force of 15,493 persons in a population of 38,881. The number employed was 14,269 (94.42%). The Oak Ridge City portion of Roane County contained a population of 1,490 or approximately 4% of a county population. Figures more recently released indicated 299 AEC related employees were living in this portion of Roane County. The unemployment rate in Roane in 1970 Census was found to be 5.58%, and in January, 1975, the unemployment rate in Roane was a reported 9.3%.

TABLE IV B2
 ROANE AND ANDERSON COUNTY EMPLOYEES
 AEC AND TVA INSTALLATIONS
 1975

LOCATION	Employed Work Force ^{1/}	Resident AEC Employees	Resident TVA Employees ^{2/}	Federal Employees as % of Work Force
	1970	1975	1975	
Anderson	9,941	1,985	450	24.49
Roane	14,269	1,918	850	19.40
Oak Ridge	11,648	5,530	NA	47.47
TOTAL		9,433	1,300	

Currently, total resident Federal employment is 10,733 for TVA and ERDA activities in Oak Ridge and the Counties. This is an imposing statistic in terms of the total employed work force. Anderson County, outside Oak Ridge, is the residence of 1,985 AEC employees (13%) while Roane County, outside Oak Ridge, has 1,918 or (2.5%), 5,530 or 36.1% reside in Oak Ridge. When the two counties are combined, it is found that 25.5% of all AEC employees live in Anderson and Roane Counties outside the City of Oak Ridge. Oak Ridge contains the largest single percentage (36.1%) of all ERDA employees. When considered collectively, it is found that 61.6% of all AEC personnel live in Anderson and Roane Counties including the City of Oak Ridge. See Appendix B for Employment Data from 1966 through 1974.

^{1/}1970 Census Figures

^{2/}TVA Information Office

C. TAX IMMUNITY

By reason of Federal Government ownership, the real and personal property controlled and used by ERDA and TVA in the Counties are not subject to ad valorem taxes levied on and collected from private owners. In addition, the transactions, revenues, and income of these Federal agencies are exempt from other State and local taxes that are imposed on privately owned business.

Under the doctrine of implied constitutional immunity State and local governments are without authority to tax the Federal Government. Although this doctrine permits certain taxation of private organizations doing business with the Federal Government, and in some situations permits a tax measured by the value of Federal property, these exceptions to the doctrine provide no significant revenues to Roane and Anderson Counties at the present time. Both Counties are primarily restricted to use of the ad valorem property tax as their basic source of local funds for meeting County revenue needs. As long as the doctrine of implied immunity exists, therefore, the Counties will be unable to levy and collect an ad valorem tax on ERDA and TVA property in the Counties. Moreover, in TVA's case, Section 13 of the TVA Act provides the procedures by which TVA makes payments

to State and local governments for holdings and activities within the boundaries of the State and local governments. (Appendix H).

The tax immunities of ERDA and limitations imposed by Section 13 of the TVA Act from tax paying responsibilities also eliminates other sources of revenue to the Counties by reducing taxes that are collected by the State and distributed to Counties.

ERDA is the largest free world supplier of enriched uranium to both domestic and foreign electric generating stations. In FY 1975, ERDA's gross receipts from its enrichment services are estimated at 126 million. By 1982 ERDA has estimated its gross receipts from this activity alone will be 380 million. (Appendix G). None of these receipts are taxable by the State or the Counties. Although the uranium processed by ERDA is furnished by its utility customers, the enrichment contracts provide that title to the uranium vests in ERDA on arrival at Oak Ridge, remains in ERDA during processing, and re-vests in the private customer at the time of shipment from Oak Ridge. The limitations on State and local taxation under the interstate commerce

^{1/} The Committee would like to note the excellent article by Eugene Joyce, Oak Ridge Attorney, which questions both the validity and applicability of the doctrine of implied constitutional immunity when, as with ERDA, the Federal Government engages in business activities such as the operation of facilities to produce and sell products for commercial use. (Appendix M).

clause and the doctrine of Federal tax immunity appear to severely limit the ability of the State and local governments to tax the uranium itself or its possession and use while at Oak Ridge.

ERDA's principal contractor at Oak Ridge, Union Carbide Corporation, is subject to the use tax on personal property levied by the Tennessee Retailers Sales Tax Act to the same extent as other private businesses. However, that Act exempts nuclear material used under a contract with ERDA. (Sec. 67-3014, TCA) The statute also exempts other personal property acquired for and used in the construction of Government-owned electric generating stations. (Sec. 67-3004, TCA) These exemptions from the Sales Tax Act, while benefiting the Federal Government and its customers, reduce the amount of taxes available for distribution to both the Counties and cities within the Counties pursuant to the Retailers Sales Tax Act. (Sec. 67-3047, TCA) Since the exemptions are permitted by State law, they also reduce the taxes that can be levied under the local option provisions of that statute. (Sec. 67-3049 et seq., TCA)

The TVA Act, Section 13, excludes from TVA's "gross proceeds" subject to payments in lieu of taxed sales of electricity to ERDA and other Federal agencies. ERDA is the largest, single purchaser of TVA electricity. In FY 1975 AEC purchases of electricity from

TVA for Oak Ridge operations amounted to \$59,800,000.

The large Federal land holdings in the Counties and the operations of ERDA and TVA adversely affect the Counties in two ways. First, their immunity from taxation deprives the County governments of a source of revenue needed for providing governmental services. Second, their location in the Counties severely limits the potential for private industry development in the Counties. The inability to levy the County ad valorem tax on ERDA and TVA facilities means that private property owners -- essentially residential property owners, farmers, and small business enterprises -- are the primary source of all local revenue for County expenses. Moreover, the amount of Federal land eliminated from the tax base, the existence of a tax exempt, very large, single industry and employer as represented by ERDA, including the associated housing, school and labor force limitations involved, all serve to restrict the development of a large, privately-owned industry that could provide an adequate source for local revenue through taxes.

The various tax immunities and exemptions for ERDA and TVA (both directly and indirectly) are the major cause of the special financial problems in both Counties.

D. IMPACT ON THE COUNTIES

1. Increased Demands For Services

One of the greater impacts of the presence of Federal Government in the Counties has been the demands for increased levels of governmental services; primarily as the result of the increases in total population and needs to achieve comparability with the City of Oak Ridge. These service demands are evident in school operating costs, salaries of teachers, law enforcement, ambulance services, solid waste disposal, debt service, and general government operation. The increased costs for these activities are reflected in the greater tax effort required by local taxpayers.

Services Cost, Revenues and Tax Effort The cost of local government services in Roane and Anderson County have escalated to the point that the citizenry are making extreme effort, considering their relative abilities to meet the costs of these services. In 1973 Anderson County had an effective tax rate of \$1.74, and a tax rate of \$5.71 per \$100. of assessed valuation. Roane County's effective tax rate was \$1.59 with a tax rate of \$4.90. If local option sales tax revenues for Roane are included these Effective Tax Rates are the two highest among the counties in Tennessee.

Tables IV D1 - IV D4 depict costs and revenue sources of major governmental services in Roane and

Anderson Counties for the Fiscal year 1971 through Fiscal year 1974.

In Roane County, the per capita cost of the General Fund rose from \$16.71 to \$27.35 or a 63.3% increase. The per capita cost of Debt Service rose from \$17.31 to \$21.80 or a 25.93% increase. The school operating cost have risen from \$13.40 to \$29.05 per capita or an increase of 116.79%. During the same period the per capita cost of Ambulance Service tripled while the Sheriff's Department (Law Enforcement) and Solid Waste Disposal cost doubled.

The Anderson County cost data as reflected in Table IV D3 and IV D4 indicates increases in the same categories of costs. The most dramatic cost increase in Anderson have been in School Operation and Solid Waste Disposal, which increased from \$20.35 to \$33.62 and .22 to \$3.41 per capita respectively. While in most cases the Anderson County increased costs are not as extreme as those in Roane, they are equally significant in terms of the hardships imposed on the tax paying populace.

TABLE IV-D1

ROANE COUNTY
GOVERNMENTAL COST AND REVENUES
FY 1971 - FY 1974

GENERAL FUND				
FISCAL YEAR	PROPERTY TAX	REVENUES*		PER CAPITA COST
		OTHER SOURCES	GENERAL FUND TOTALS	
1971	476,206.00	173,502.00	649,708.00	16.71
1972	306,131.71	438,197.17	744,328.88	19.14
1973	466,369.51	557,392.09	1,023,761.60	26.33
1974	654,605.95	409,033.00	1,063,638.95	27.35

*Revenue from Other Sources includes revenue received other than Real and Personal Taxes, Public Utility Property Taxes and Property Taxes for prior years.

DEBT SERVICE FUNDS				
FISCAL YEAR	AD VALOREM TAXES	OTHER SOURCES OF REVENUE	TOTAL DEBT SERVICE REQUIREMENT	PER CAPITA COST
1972	689,394.32	82,922.00	772,346.34	19.86
1973	882,473.63	98,277.29	980,750.92	25.22
1974	539,346.50	308,577.50	847,924.00*	21.80

*54.34 percent of Debt Service Requirement for Schools.

SCHOOL OPERATING FUNDS				
FISCAL YEAR	PROPERTY TAX	OTHER STATE FEDERAL*	TOTAL OPERATING FUND	PER CAPITA COST (LOCAL)
1972	624,691.80	2,880,117.18	3,504,808.00	16.07
1973	515,671.66	3,130,995.18	3,646,666.84	13.26
1974	1,129,631.00	3,864,397.00	4,994,028.00	29.05

*Local option Sales Tax and P.L. 874 Additive.

TABLE IV-D2
ROANE COUNTY
GOVERNMENT COST AND REVENUES
Fy 1971 - Fy 1974

AMBULANCE SERVICE

FISCAL YEAR	FEES COLLECTED	COST TO TAX PAYERS	TOTAL OPERATING COST	COST PER CAPITA (38,881)
1971	5,697.00	42,713.00	48,410.00	1.25
1972	17,405.77	55,291.22	72,696.99	1.86
1973	25,402.27	81,915.72	107,317.99	2.76
1974	30,000.00	95,411.25	125,411.25	3.23

SHERIFF'S DEPARTMENT

FISCAL YEAR	REVENUE	COST TO TAX PAYERS	TOTAL OPERATING COST	COST PER CAPITA
1971	--	90,214.00	90,214.00	2.32
1972	--	65,605.34	65,605.34	1.68
1973	12,012.16	129,666.23	141,678.39	3.64
1974	15,000.00	167,970.00	182,970.00	4.70

SOLID WASTE DISPOSAL

FISCAL YEAR	REVENUE (STATE)	COST TO TAX PAYERS	TOTAL OPERATING COST	COST PER CAPITA
1971	--	52,018.00	52,018.00	1.33
1972	--	31,654.31	31,654.31	.82
1973	16,184.00	63,014.00	79,198.00	2.03
1974	27,000.00	73,000.00	100,000.00	2.57

Federal General Revenue Sharing Amount of \$118,000.00 used to provide equipment for Ambulance Service, Sheriff's Department, Solid Waste Disposal and School Busses. These expenditures were in addition to the amounts shown in above charts for FY 1973 - 1974.

TABLE IV-D3

ANDERSON COUNTY
GOVERNMENTAL COST AND REVENUES
FY 1971 - FY 1974

GENERAL FUND				
FISCAL YEAR	PROPERTY TAX	REVENUES* OTHER SOURCES	GENERAL FUND TOTALS	PER CAPITA COST
1971	775,749.00	230,063.00	1,005,812.00	16.68
1972	932,845.00	283,815.00	1,216,660.00	20.18
1973	825,619.00	405,318.00	1,230,967.00	20.41
1974	581,749.00	549,443.00	1,131,192.00	18.76

*Revenue from Other Sources includes revenue received other than Real and Personal Taxes, Public Utility Property Taxes and Property Taxes prior years.

DEBT SERVICE FUNDS				
FISCAL YEAR	PROPERTY AND AD VALOREM TAXES	OTHER SOURCES OF REVENUE	TOTAL DEBT SERVICE REQUIREMENT	PER CAPITA COST
1971	653,511.00	93,600.00	747,111.00	12.39
1972	651,839.00	100,563.00	752,402.00	12.48
1973	686,693.00	159,321.00	846,014.00	14.03
1974	785,330.00	105,130.00	890,460.00	14.77

* .65.00 percent of Debt Service Requirement for Schools.

SCHOOL OPERATING FUNDS				
FISCAL YEAR	PROPERTY TAX	OTHER STATE FEDERAL *	TOTAL OPERATING FUND	PER CAPITA COST (LOCAL)
1971	1,227,141.00	2,519,487.00	3,746,628.00	20.35
1972	1,572,799.00	2,915,101.00	4,487,900.00	26.08
1973	1,613,046.00	3,032,512.00	4,645,558.00	26.75
1974	2,027,312.00	3,745,602.00	5,772,914.00	33.62

TABLE IV-D4

AMBULANCE SERVICE

<u>FISCAL YEAR</u>	<u>FEES COLLECTED</u>	<u>COST TO TAX PAYERS</u>	<u>TOTAL OPERATING COST</u>	<u>COST PER CAPITA</u>
1971	27,706.00	73,565.00	101,271.00	1.22
1972	42,991.00	70,734.00	113,725.00	1.17
1973	44,397.00	79,987.00	124,384.00	1.33
1974	74,921.00	81,083.00	156,004.00	1.34

SHERIFF'S DEPARTMENT

<u>FISCAL YEAR</u>	<u>REVENUE</u>	<u>COST TO TAXPAYERS</u>	<u>TOTAL OPERATING COST</u>	<u>COST PER CAPITA</u>
1971	10,047.00	121,005.00	131,052.00	2.01
1972	13,022.00	123,047.00	136,069.00	2.04
1973	13,720.00	126,603.00	140,323.00	2.10
1974	14,202.00	152,004.00	166,206.00	2.52

SOLID WASTE DISPOSAL AND COLLECTION

<u>FISCAL YEAR</u>	<u>REVENUE FED. & STATE)</u>	<u>COST TO TAXPAYERS</u>	<u>TOTAL OPERATING COST</u>	<u>COST PER CAPITA</u>
1971	-0-	13,145.00	13,145.00	.22
1972	-0-	30,000.00	30,000.00	.50
1973	128,929.00	10,066.00	138,995.00	2.30
1974	125,440.00	80,206.00	205,646.00	3.41

Cost of Educational Services School operating costs continue to represent the largest percentage outlay of the costs of local government. The financing of public schools in Tennessee is a cooperative endeavor involving state, federal, and local funds. The amount of money supplied by each is dependent on a number of factors, such as average daily attendance, level of training and experience of teachers, involvement in matching federal funds, participation in federal programs, local economic ability, and desire for improved educational opportunities to name the most prevalent.

Over the years state and local school systems have sought to identify measures that determine the quality of education being offered. The most frequently used yardstick has been the annual current expenditures per pupil. In 1964 a study conducted for the Kentucky State Department of Education clearly indicated that this measuring device has a higher correlation with educational quality than any other single factor.

Current expenditures for operation of schools includes expenditures for Administration, Instruction, Pupil Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges and Expenditures for other Services allocable to Current Costs. Such expenditures as Capital Outlay and Debt Service costs are excluded from these computations.

The Roane County data notes rises of from 25% to over 300% in the costs of selected services in a four year period.

The Debt Service Funds cost shown in the Tables indicate that in FY 1974, 54.34% of the Roane County and 65% of the Anderson County Debt Service Costs are for schools. The total costs for debt service in Roane County have increased significantly in the past four years and will continue to rise. The increase will result primarily from a recently initiated \$5,200,000. school building improvement program and the merging of the Rockwood City School System with the Roane County System. Both the school building improvement program and the merger are the result of citizen demands for improved services.

Nationally, Tennessee ranked 46th among the states with a per pupil expenditure of \$741.00, and ranked 8th among the Southeastern states as shown in Table IV D11. From 1971 through 1974 Anderson County increased its current expenditures from \$591.00 to \$745.00; Roane County from \$515.00 to \$588.00. In both cases Federal fund sources remained constant or decreased. In Anderson County the amount of local funds rose from \$192.00 to \$313.00; In Roane County from \$123.00 to \$159.00. In FY 1974 both Anderson and Roane Counties exceeded the per pupil expenditure of Blount

and Sullivan Counties. The City of Oak Ridge (with a large Federal contribution) and the Cities of Alcoa (Blount) and Kingsport (Sullivan) however, exceeded Roane and Anderson Counties as well as the state average.

One of the measures of ability to support educational services is the Estimated True Value of Property per pupil in Average Daily Attendance. Table IV D5 indicates that while Roane and Anderson County have \$15,307.68 and \$17,871.91 of estimated True Value of Property per pupil in average daily attendance respectively, Blount and Sullivan County have \$27,715.12 and \$44,837.56. The presence of the large taxable industrial complexes in Blount and Sullivan County provides a sufficient tax base to require less tax effort to meet the cost of educational or other governmental services while the tax base in Roane and Anderson County is eroded by the presence of installations immune from inclusion in the tax base. The result is that in each instance the tax payers of Roane and Anderson County pay more of the costs of schools, and spend less per pupil, and are at a disadvantage in competing for school faculty.

Educational Revenues are derived from federal, state and local sources. Table IV D8, Table IV D9, and Table IV D10 indicate the amounts and percentages derived from these sources during each year of a recent three year period.

The percentage of revenue for the four counties coming from state sources are relatively stable and comparable under the distribution formula of the State Minimum Foundation Program. The formula for distribution however, contains a number of variables which affect per pupil expenditure.

Anderson and Roane County show higher percentages in Federal Revenues due to payments under P.L. 874 and Elementary and Secondary Education Act funds. The P.L. 874 funds reflect impact aid while ESEA funds reflect the number of children from low-income families living in the counties. In the case of Oak Ridge, it is difficult to determine what portion of the payment to the City under provision of P.L. 221 appears as local revenue in the Local Revenue (City/Special) in as much as the payment loses its identity as such, when appropriated among the departments of government. Any payment, under P.L. 221, however, accrues to the net fiscal resources of the city.

Table IV D5, IV D6, and IV D7 are an Analysis of Local Ability and Tax Effort in Roane and Anderson Counties, and a comparison with two other counties and contained school districts for FY 1971 - 1974. The comparison counties, Blount and Sullivan, contain large private industrial complexes which are subject to applicable federal, state, and local tax laws. While Roane and Anderson are industrialized with TVA and

ERDA installations, these industrial complexes are providing negligible support of local government services.

The presence of Aluminum Company of America in the City of Alcoa and of the Tennessee Eastman in Kingsport become a major factor in the financing of education in these cities as noted by the 58.8% and 55.7% of local revenues secured in these cities. ALCOA and TEC pay taxes in both the county and the city, usually at different tax rates, but on the same assessed values. City and Special School districts, therefore, are supported by the County at large and the city, allowing a larger tax base for support of educational programs.

Roane and Anderson Counties have made extreme effort to meet the cost demands of government services during preceding years. However, the demands and costs have continued to rise as the result of both citizen requirements for improved services and inflation.

Portions of the demands and expectations arise from the composition of the electorate. In Roane County the voting population includes approximately 2,000 ERDA related employees and 850 TVA employees. Anderson County voting population includes approximately 7,965 federally related employees. As this segment of the population, which is relatively more affluent, exerts demands for higher quality services the cost of government services

escalates. Many of these employees also sit on legislative and policy making bodies in the counties and there is increasing evidence that their participation is a significant factor in policy determinations within the counties.

2. DETERRENTS TO PRIVATE INDUSTRY

A second major impact of the economy of the counties due to the presence of the Federal Government is the adverse effect on attracting large private industries to expand the property tax base. The Federal presence in the area has virtually pre-empted the county's prospects for the recruitment of large privately owned industries.

Labor Market Any industry expressing a desire to locate new or expand existing facilities usually makes close scrutiny of the area under consideration. The areas of concern center on certain specific aspects of the area such as available land, available utility service, transportation routes, tax practices educational opportunities for employees, housing and the existing labor market.

Modern industrial requirements are such that industries continuously compete for skills in the job market.

The area of Roane and Anderson County does not appear attractive to private industry primarily due to existing high tax rates, lack of desirable land, and

reluctance to compete with existing salary and wage schedules for ERDA related employees. The present circumstances depress the desire of private industry to locate in the area due to the fact that they would pay salary and wage costs forcing upward any costs of production. The Counties suffer the same detriments that the City of Oak Ridge suffers in seeking new industrial enterprises. New industry simply does not wish to be caught with the high costs of unequal tax burdens and the high cost of competing for manpower in the labor market.

TABLE IV - D5

ANALYSIS OF LOCAL ABILITY AND EFFORT 1971

COUNTY/ SYSTEM	ESTIMATED TRUE VALUE OF PROPERTY		1969 ASSESSED VALUE OF PROPERTY	1971 ASSESS- MENT LEVEL	1971 TOTAL TAX RATE	1971 EFFECTIVE TAX RATE	1971 SCHOOL TAX RATE	1971 RATIO OF SCHOOL TAX TO TOTAL	ESTIMATED TRUE VALUE OF PROPERTY IN A. D. A.	1970-71 CURRENT PUPIL EXPENDITURE IN A. D. A.	LOCAL PER TEACHER SALARY
	1969	1971									
ANDERSON	178,014,930.00	48,316,500.00	48,316,500.00	35%	4.95	1.70	3.08	63.5%	11,883.51	192.32	7,178.57
Oak Ridge*	124,904,512.00	62,452,256.00	62,452,256.00	50%	7.54	2.94	NA	NA	19,113.16	484.50	9,933.78
Clinton	22,410,731.00	7,002,250.00	7,002,250.00	30%	6.87	2.07	NA	NA	24,900.81	159.65	7,489.95
BLOUNT	340,351,526.00	90,824,323.00	90,824,323.00	35%	2.37	.83	1.17	49.4%	25,519.35	136.20	7,314.81
Alcoa	141,900,011.00	43,605,592.00	43,605,592.00	30%	4.61	1.38	NA	NA	99,439.39	336.52	7,961.74
Maryville	63,816,848.00	19,590,604.00	19,590,604.00	30%	5.65	1.70	NA	NA	27,626.34	239.74	7,709.71
POANE	127,495,012.00	35,584,381.00	35,584,381.00	35%	3.99	1.40	1.21	30.3%	14,133.13	123.64	7,134.12
Harriman	36,191,947.00	11,445,840.00	11,445,840.00	30%	7.79	2.34	NA	NA	14,265.65	163.73	7,259.85
Rockwood	16,624,268.00	5,337,334.00	5,337,334.00	30%	7.54	2.26	NA	NA	9,494.16	154.28	7,384.38
SULLIVAN	1,197,727,278.00	310,174,979.00	310,174,979.00	35%	2.10	.74	.90	42.9%	43,444.71	179.66	7,647.05
Bristol	100,828,367.00	34,801,262.00	34,801,262.00	33 1/3%	5.15	1.65	NA	NA	26,141.66	287.82	8,286.80
Kingsport	342,391,068.00	106,075,080.00	106,075,080.00	30%	4.85	1.46	NA	NA	53,010.85	354.71	8,628.67

* Portions of Oak Ridge are in Roane County and pay property taxes at the Roane County level
IEA Research Report 1972, R11, Basic Facts of School Finance in Tennessee, 1974, Pages 24-26

TABLE IV-D6

ANALYSIS OF LOCAL ABILITY AND EFFORT 1972

COUNTY/ SYSTEM	ESTIMATED TRUE VALUE OF PROPERTY 1970	1970 ASSESSED VALUE OF PROPERTY	1972 ASSESS- MENT LEVEL	1972 TOTAL TAX RATE	1972 TOTAL EFFECTIVE TAX RATE	1972 SCHOOL OF TAX TO TOTAL	1972 RATIO OF SCHOOL TAX TO TOTAL	ESTIMATED TRUE VALUE OF PROPERTY IN A.D.A.	1971-72 Local CURRENT PER PUPIL EXPENDITURE IN A.D.A.	1971-72 AVERAGE TEACHER SALARY
ANDERSON	249,677,803.00	78,254,529.00	40%	4.09	1.64	2.57	62.8%	16,891.81	172.47	7,651.83
Oak Ridge*	130,631,820.00	65,315,910.00	50%	(3.54)	3.11			20,738.50	458.54	10,499.33
Clinton	24,426,044.00	8,769,705.00	35%	(1.54)	2.17			27,820.10	183.74	8,050.24
BLOUNT	356,601,152.00	111,745,936.00	40%	2.00	.80	.98	49.0%	26,520.98	161.80	7,699.97
Alcoa	145,776,470.00	51,859,058.00	35%	(1.67)	1.47			105,405.98	400.95	8,817.39
Maryville	67,821,015.00	24,153,813.00	35%	(2.45)	1.78			29,397.93	287.85	8,273.04
ROANE	129,203,479.00	41,876,573.00	40%	3.09	1.24	1.10	35.6%	14,509.09	110.94	7,548.43
Harriman	33,173,187.00	12,085,265.00	35%	(2.66)	2.28			13,174.42	159.09	7,766.87
Rockwood	16,819,776.00	6,161,530.00	35%	(2.65)	2.28			9,380.80	165.58	7,829.54
SULLIVAN	1,231,669,445.00	378,984,469.00	40%	2.05	.82	1.03	50.2%	44,777.67	204.55	8,494.85
Bristol	106,181,270.00	38,530,136.00	35%	NA	NA	NA	NA	28,254.73	394.81	9,358.28
Kingsport	354,666,769.00	127,369,318.00	35%	NA	NA	NA	NA	55,967.61	394.89	9,222.41

*Portions of Oak Ridge are in Roane County and pay property taxes at the Roane County Level.
 TPA Research Report 1973 R11, Page 20-23 () in addition to county tax rate. -86-

TABLE IV-D7
ANALYSIS OF LOCAL ABILITY AND EFFORT
1973¹

COUNTY/ SYSTEM	ESTIMATED TRUE VALUE OF PROPERTY 1971	1971 ASSESSED VALUE OF PROPERTY	1973 TOTAL EFFECTIVE TAX RATE	1973 TOTAL TAX RATE	1973 SCHOOL TAX RATE	1973 RATIO OF SCHOOL TAX TO TOTAL	ESTIMATED TRUE VALUE OF PROPERTY IN A.D.A.	1972-73 CURRENT PER PUPIL EXPENDITURE IN A.D.A.	1971-72 AVERAGE TEACHER SALARY
ANDERSON	244,963,207.	88,286,939.	5.71	3.96	69.4%	16,871.91	313.33	7,797.76	
Oak Ridge	135,227,080.	67,613,540.	NA	NA	NA	22,436.88	562.16	10,796.02	
Clinton	24,644,396.	10,019,955.	NA	NA	NA	30,462.79	230.91	8,272.43	
BLOUNT	376,509,864.	135,613,469.	2.50	1.48	59.2%	27,715.12	189.27	8,278.01	
Alcoa	146,079,656.	58,990,058.	NA	NA	NA	110,582.63	253.02	9,118.28	
Maryville	73,946,399.	29,902,817.	NA	NA	NA	31,506.77	309.15	8,592.43	
ROANE	131,294,075.	48,530,591.	4.90	2.52	51.4%	15,307.69	159.26	8,194.55	
Harriman	32,740,143.	13,412,490.	NA	NA	NA	13,517.81	191.18	7,849.29	
Rockwood	17,200,962.	7,084,936.	NA	NA	NA	10,172.07	177.72	7,943.21	
SULLIVAN 1,	232,959,990.	439,651,535.	2.53	1.57	62.1%	44,977.86	245.90	8,361.01	
Bristol	117,326,665.	48,267,670.	NA	NA	NA	31,253.77	519.58	9,508.24	
Kingsport	387,159,860.	157,021,243.	NA	NA	NA	64,226.92	471.33	9,801.00	

Source: TEA Research Bulletin, 1974, R11
Basic Facts of School Finance in Tennessee, 1974 - Pages 21-24

¹ TEA Report not consistent with Tenn. Taxpayers Assn. Report because of differences in Research design.

TABLE IV-D8
EDUCATIONAL REVENUE SOURCES 1970-71

SCHOOL SYSTEM	TOTAL REVENUE FROM STATE	% STATE IS OF TOTAL	FEDERAL REVENUE	% FEDERAL IS OF TOTAL	LOCAL REVENUE	% LOCAL IS OF TOTAL	REVENUE OTHER SOURCES	TOTAL REVENUE SOURCES
ANDERSON	2,327,731.11	49.2	1,119,864.40	23.7	1,227,141.25	26.0	53,461.02	4,728,197.78
Oak Ridge	1,793,871.32	32.0	448,679.59	8.0	3,194,754.62	57.1	164,216.96	5,601,522.49
Clinton	205,018.11	48.0	55,552.20	13.0	143,707.37	33.6	23,130.98	427,408.66
BLOUNT	2,693,699.53	56.4	697,854.73	14.6	1,368,070.39	28.6	20,102.45	4,779,727.10
Alcoa	396,811.77	25.4	119,909.47	7.7	834,062.35	53.5	208,455.99	1,559,239.60
Maryville	640,201.96	43.5	134,539.71	9.2	629,495.28	42.8	66,561.23	1,470,798.18
ROANE	1,296,643.77	51.3	646,078.22	25.6	576,905.23	22.9	5,835.08	2,525,462.30
Harriman	784,876.73	54.3	250,168.10	17.3	390,728.37	27.0	19,995.94	1,445,769.14
Rockwood	442,083.11	48.2	131,533.43	14.4	336,785.00	36.7	6,206.17	916,607.71
SULLIVAN	4,461,803.53	52.7	1,035,133.43	12.2	2,937,665.99	34.7	37,703.30	8,472,306.65
Bristol	1,167,077.83	39.1	399,745.80	13.4	1,343,706.24	45.0	76,030.87	2,986,560.74
Kingsport	1,791,584.83	35.5	377,416.02	7.5	2,808,518.82	55.6	69,264.52	5,046,782.19

Source: Research Report, 1972-R11 Page 21-23

TABLE IV-D9
EDUCATIONAL REVENUE SOURCES 1971-72

SCHOOL SYSTEM	TOTAL REVENUE FROM STATE	% STATE IS OF TOTAL	FEDERAL REVENUE	% FEDERAL IS OF TOTAL	LOCAL REVENUE (COUNTY)	LOCAL REVENUE (CITY/SPECIAL)	% LOCAL IS OF TOTAL	REVENUE OTHER SOURCES	TOTAL NON REVENUE RECEIPTS	TOTAL REVENUE ALL SOURCES
ANDERSON	2,612,690.07	46.0	1,445,067.97	25.4	1,572,798.48	---	27.7	51,944.99	662,824.93	5,682,501.51
Oak Ridge	1,873,083.94	30.6	1,048,392.87	17.1	1,171,420.72	1,879,704.00	49.9	143,730.77	301,769.86	6,418,102.16
Clinton	213,135.17	47.6	56,771.69	12.7	151,909.77	25,483.00	39.7	---	813.00	447,300.37
BLOUNT	2,944,614.98	54.9	726,040.72	13.5	1,670,077.47	---	31.2	22,364.98	---	5,363,098.15
Alcoa	442,020.39	31.8	99,994.05	7.2	234,124.77	585,000.00	58.8	30,617.05	31,884.24	1,391,756.26
Maryville	677,055.85	40.4	141,752.57	8.4	292,426.78	483,935.94	46.3	82,199.68	11,729.60	1,677,370.82
ROANE	1,345,219.90	50.9	681,606.26	25.8	610,617.68	---	23.1	6,027.17	64,747.09	2,643,470.98
Harriman	895,901.02	55.5	273,592.44	16.9	247,596.89	173,014.82	26.0	25,981.50	38,015.39	1,616,086.67
Rockwood	509,627.27	50.8	117,589.46	11.7	221,417.31	147,477.30	36.8	7,506.89	80,742.67	1,003,618.23
SULLIVAN	4,886,937.03	51.9	1,005,758.60	10.7	3,484,400.36	---	37.0	37,286.86	1,368.04	9,415,750.89
Bristol	1,160,159.38	34.5	450,704.17	13.4	747,204.09	917,354.23	49.5	88,096.37	675.89	3,364,194.13
Kingsport	1,888,750.16	35.7	375,210.78	7.1	1,247,468.77	1,701,088.39	55.7	82,366.03	139,429.52	5,434,313.65

TABLE IV - D10
EDUCATIONAL REVENUE SOURCES 1972-73

SCHOOL SYSTEM	TOTAL REVENUE FROM STATE	% STATE IS OF TOTAL	FEDERAL REVENUE	% FEDERAL IS OF TOTAL	LOCAL REVENUE (COUNTY)	FEDERAL REVENUE (CITY/SPECIAL)	% LOCAL IS OF TOTAL	REVENUE OTHER SOURCES	TOTAL NON RECEIPTS	TOTAL REVENUE ALL SOURCES
ANDERSON	2,632,990.61	44.3	1,644,840.03	27.7	1,613,045.98	--	27.1	51,951.97	7,882.10	5,950,710.69
Oak Ridge	1,892,004.98	31.8	670,310.39	11.3	1,126,086.70	2,097,573.00	54.2	160,828.38	515,030.38	6,461,833.83
Clinton	209,255.46	49.3	42,218.20	9.9	148,574.59	24,248.14	25.9	266.73	---	424,563.12
BLOUNT	3,091,717.23	52.6	712,232.59	12.2	1,944,234.15	---	33.2	166,555.53	811,317.43	6,677,351.90
Alcoa	461,744.42	30.6	137,502.76	9.1	255,759.74	616,360.00	57.8	36,674.88	142,532.25	1,650,574.05
Maryville	733,999.39	42.9	168,260.63	9.9	290,368.27	447,092.63	43.1	70,380.48	19,134.54	1,720,469.21
ROANE	1,406,870.59	49.0	582,724.71	20.3	856,796.96	---	29.8	27,341.10	77,931.49	2,873,733.36
Harriman	898,762.97	55.0	234,903.29	14.4	262,116.58	210,582.08	28.9	27,365.30	27,365.30	1,633,730.22
Rockwood	513,680.19	49.2	139,612.03	13.4	116,900.00	264,835.77	36.5	9,347.57	9,347.57	1,044,375.56
SULLIVAN	5,120,182.09	48.0	991,777.22	9.3	4,514,830.20	---	42.4	31,043.24	---	10,657,832.75
Bristol	1,084,324.94	32.5	277,831.71	8.3	899,897.05	982,924.18	56.4	92,818.24	---	3,337,796.12
Kingsport	1,934,032.56	33.5	397,410.12	6.9	1,623,596.24	1,743,511.52	58.4	70,725.50	---	5,769,275.94

*Amounts and Percentages Computed From Data in State Statistical Report - Appropriated From General Fund.

TABLE IV - D11
ESTIMATED CURRENT EXPENDITURES FOR THE
SOUTHEASTERN STATES 1972-73

STATE	CURRENT EXPENDITURES PER PUPIL IN ADA*	RANK NATION	IN THE SOUTHEAST	TOTAL ANNUAL CURRENT EXPENDITURES
New York	\$1,649.00	1	--	\$5,154,900,000
50 States & D.C.	1,035.00	National Average		43,715,826,000
Florida	941.00	25	1	1,289,996,000
Virginia	941.00	25	1	934,998,000
Louisiana	928.00	29	3	717,612,000
North Carolina	814.00	39	4	871,328,000
West Virginia	811.00	40	5	308,644,000
Georgia	811.00	40	5	802,678,000
Southeast	810.00	Southeastern Average		7,516,256,000
South Carolina	799.00	42	7	462,261,000
TENNESSEE	741.00	46	8	616,850,000
Kentucky	700.00	47	9	459,269,700
Mississippi	696.00	48	10	341,759,000
Arkansas	658.00	49	11	270,082,000
Alabama	599.00	50		440,779,000

*ADA=Average Daily Attendance

** Current expenditures include all expenses of operating schools except debt service and capital outlay

TABLE IV-D12
CURRENT EXPENDITURES IN TENNESSEE SCHOOL SYSTEM
1970-71*

SYSTEM	A. D. A.	TOTAL CURRENT EXPENDITURES	STATE FUNDS FOR CURRENT EXPENDITURES	FEDERAL FUNDS CURRENT EXPENDITURES	LOCAL FUNDS FOR CURRENT EXPENDITURES	TOTAL CURRENT EXPENDITURE PER PUPIL IN ADA STATE LOCAL FEDERAL
ANDERSON	7,545	4,459,903.94	2,235,595.90	773,263.43	1,451,044.61	591.11 296.30 192.32 102.49
Oak Ridge	6,535	5,383,510.58	1,717,760.53	499,575.03	3,166,175.02	823.80 262.85 484.50 76.45
Clinton	900	399,226.21	196,216.82	59,328.69	143,680.70	443.58 218.01 159.65 65.92
BLOUNT	9,600	4,538,708.85	2,577,976.27	653,206.15	1,307,526.43	472.76 268.54 136.20 68.04
Alcoa	1,427	978,302.80	379,121.27	118,969.48	480,212.05	685.57 265.68 336.52 83.37
Maryville	2,310	1,295,246.85	613,912.97	127,536.58	553,797.30	560.71 265.76 239.74 55.21
MCANE	4,733	2,437,849.19	1,235,418.21	617,237.65	585,193.33	515.07 261.02 123.64 130.41
Harriman	2,537	1,418,513.84	748,733.72	254,047.38	415,372.74	558.99 295.12 167.73 100.14
Rockwood	1,751	800,462.59	419,246.66	111,068.64	270,147.29	457.15 239.44 154.28 63.43
SULLIVAN	17,255	8,401,168.11	4,279,905.64	1,021,208.96	3,100,053.51	486.88 248.04 179.66 59.18
Bristol	3,857	2,827,635.08	1,223,908.83	493,611.29	1,110,114.96	733.12 317.32 287.82 127.98
Kingsport	6,457	4,389,470.80	1,719,168.30	379,961.26	2,290,341.24	679.80 266.25 354.71 58.84

Source: #TEA Research Bulletin 1972 - R11, Basic Facts of School Finance in Tennessee, Pages 18-20

TABLE IV-D13

CURRENT EXPENDITURES IN TENNESSEE SCHOOL SYSTEM
1971-72

SYSTEM	A. D.A.	TOTAL CURRENT EXPENDITURES	STATE FUNDS FOR CURRENT EXPENDITURES	FEDERAL FUNDS CURRENT EXPENDITURES	LOCAL FUNDS FOR CURRENT EXPENDITURES	TOTAL CURRENT EXPENDITURE PER PUPIL IN ADA	STATE	LOCAL	FEDERAL
ANDERSON	7,604	4,940,929.23	2,515,690.11	1,113,765.34	1,311,473.78	649.78	330.84	172.47	146.47
Oak Ridge	6,299	5,746,866.24	1,796,628.95	1,061,884.58	2,888,352.71	912.35	285.22	458.54	168.59
Clinton	878	419,823.02	204,007.77	54,494.43	161,320.82	478.16	232.36	183.74	62.06
BLOUNT	9,756	5,147,417.34	2,831,011.71	719,235.50	1,141,275.40	525.71	290.18	161.80	73.73
Alcoa	1,383	1,080,630.53	424,768.38	101,349.57	554,512.58	781.37	307.14	400.95	73.28
Maryville	2,307	1,455,292.78	650,450.23	140,762.94	664,079.61	630.82	281.95	287.85	61.02
ROANE	4,594	2,495,212.03	1,293,193.99	692,365.54	509,652.50	543.15	281.50	110.94	150.71
Harriman	2,518	1,540,196.67	863,552.05	276,049.06	400,595.56	611.67	342.95	159.09	109.63
Rockwood	1,793	903,842.49	490,126.92	116,837.45	296,878.12	504.10	273.36	165.58	65.16
SULLIVAN	17,412	9,292,575.31	4,703,665.96	1,027,226.33	3,561,683.02	533.69	270.14	204.55	59.00
Bristol	3,758	3,192,000.49	1,118,251.55	590,037.04	1,483,711.90	849.39	297.57	394.81	157.01
Kingsport	6,337	4,691,947.41	1,819,113.42	370,417.31	2,502,416.68	740.41	287.06	394.89	58.46

Source: *TEA Research Bulletin 1973, R6, Basic Facts of School Finance in Tennessee, Pages 15-17

TABLE IV-D14
CURRENT EXPENDITURES IN TENNESSEE SCHOOL SYSTEM
1972-73

SYSTEM	A. DA.	TOTAL CURRENT EXPENDITURES	STATE FUNDS FOR CURRENT EXPENDITURES	FEDERAL FUNDS CURRENT EXPENDITURES	LOCAL FUNDS FOR CURRENT EXPENDITURES	TOTAL CURRENT EXPENDITURE PER PUPIL IN ADA STATE	LOCAL	FEDERAL	
ANDERSON	7,683	5,727,630.25	2,531,303.20	789,035.26	2,407,291.79	745.49	329.47	313.33	102.69
Oak Ridge	6,027	5,902,409.78	1,818,284.98	695,989.41	3,388,135.39	979.33	301.69	562.16	115.48
Clinton	809	429,109.48	200,208.12	42,097.81	186,803.55	530.42	247.48	230.91	52.03
BLOUNT	9,917	5,576,006.60	2,968,104.76	730,931.49	1,876,970.35	562.27	299.29	189.27	73.71
Alcoa	1,321	1,177,751.38	444,337.20	141,990.35	591,423.83	891.56	336.36	447.71	107.49
Maryville	2,347	1,607,714.92	706,952.33	175,176.08	725,786.51	685.01	301.22	309.15	74.64
ROANE	4,464	2,625,115.52	1,353,624.62	560,560.27	710,930.63	588.06	303.23	159.26	125.57
Harriman	2,422	1,576,329.62	865,162.95	248,136.11	463,030.56	650.84	357.21	191.18	102.45
Rockwood	1,691	916,133.15	492,907.00	122,703.11	300,523.04	541.17	291.49	177.72	72.56
SULLIVAN	17,655	10,289,128.87	4,932,912.30	1,014,786.23	4,341,430.34	582.79	279.41	245.90	57.48
Bristol	3,754	3,297,660.14	1,043,308.98	303,864.52	1,950,486.64	878.44	277.92	519.58	80.94
Kingsport	6,028	5,063,709.56	1,864,715.21	357,845.57	2,841,148.78	840.03	309.34	471.33	59.36

Source: *TMA Research Bulletin, 1974 -R11., Basic Facts of School Finance in Tennessee, Pages 15-17

V. COMPARISON OF GOVERNMENT OWNED
VS.
PRIVATE INDUSTRIES

The shifts in purpose and nature of the Government-owned complex at Oak Ridge from weapons development and production to nuclear power fuel and associated research suggests that these activities are now functionally comparable to a large private industrial corporation. An examination of the tax paying responsibility of such an enterprise is projected in the sections to follow. Such findings and computations show the normal expected relationship between a local government and a resident industry.^{1/}

A comprehensive construct shown in the following schematic diagram describes normal relationships of industry /development within a local government. Examination of this construct enables one to determine the influences on net fiscal resources of a county upon the cost of local government services. It further affords a mechanism by which status can be described and comparisons can be drawn between industrialized and non-industrialized governmental entities. The construct provides a means by which comparisons can be made between private industry contribution to fiscal

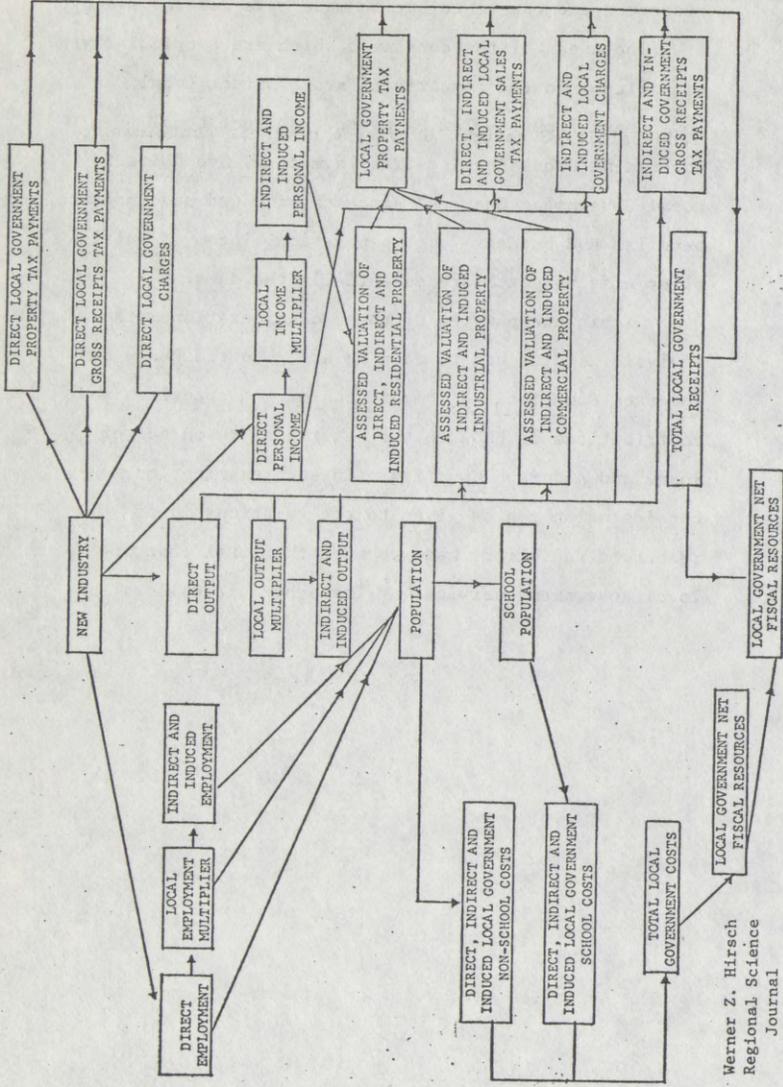
¹See "Impact of Industrial Development on Local Government", Regional Science Journal, Hirsch, Werner, Z. for a discussion of the normal relationship of industry/ government development.

resources and the contribution made by a federal agency.

The areas of the construct which are particularly significant in the comparisons are: "Direct Local Government Property Tax Payments", "Direct Local Government Gross Receipts Tax Payments", and "Direct Local Government Charges" since the induced and indirect benefits and burdens (e.g. population, incomes, multiplier effects, etc.) are essentially the same.

Within the purview of these considerations, the analysis is directed to data relating to the Roane and Anderson Counties and comparisons of the practices and contributions of ERDA to the net fiscal resources of Roane and Anderson Counties. In such examination, consideration can be given to the relationship of resources and effort made to meet the total cost of local government services. The schematic follows:

IMPACT OF INDUSTRIAL DEVELOPMENT ON LOCAL GOVERNMENT NET FISCAL RESOURCES



SOURCE: Werner Z. Hirsch
Regional Science
Journal

A. COMPARISON COUNTIES

A review of the available net fiscal resources information identified counties in Tennessee whose industrialized nature, by virtue of their containing a dominating industry, could reasonably be related to Roane and Anderson Counties and the relationship of AEC activities within the counties. The counties chosen for comparison are Blount County and Sullivan County because of the dominance of Aluminum Company of America in Blount and Tennessee Eastman Company activities in Sullivan. Table V--A1 following, indicates the 1972 property tax structure in the counties prior to the classification of properties for tax purposes which became effective in the 1973 tax year.

TABLE V-A1Tax Rates and Effort in Counties in 1972

County	Estimated True Value ¹	Assessment Level	Assessed Value	Tax Rate	Effective Tax Rate ^{2/}
Anderson	355,515,425.	40%	142,206,170.	4.12	1.65
Blount	439,283,232.	40%	175,713,293.	2.00	.80
Roane	142,162,580.	40%	56,865,032.	3.09	1.24
Sullivan	1,292,713,832.	40%	517,885,533.	2.05	.82

Source: Research Report No. 187, Tennessee Taxpayers Association., October 1, 1973.

- 1) The estimated true value of property is computed at 2½ times the assessed value of property.

(40% level of assessment)

2) The effective tax rate is determined by the following formula: $E.T.R. = \text{Assessed Value} / \text{Estimated True Value}$ expressed as a percentage, times the Tax Rate. E.T.R. (Effective Tax Rate) may be defined as a measure of the ability and effort made by a county in meeting the costs of government services. The higher the index (E.T.R) the greater the effort that must be expended in relationship to the ability to meet these cost of governmental services.

B. TAX STRUCTURE CHANGES FOR 1973 IN TENNESSEE

The general assembly of Tennessee enacted legislation in 1972, to become effective in the 1973 tax year, which altered considerably the existing tax structure. The legislation required the classification of property for tax purposes and became known as "Question 3".

IMMEDIATE EFFECTS

Now that 1973 tax rates have been set in most counties, trends are becoming apparent, generally along property class lines. The tax burden has increased considerably for business taxpayers and at an even greater rate for the public utilities. Farmers and home owners, who were the strongest supporters of Question 3, received significant property tax reductions in some counties but many counties show no appreciable change and some counties even increased taxes on homes and farms. The ability of the counties to shift the burden of the property tax from farms and homes to business and utility taxpayers depends upon the amount of business and utility property within a county. Predominantly, rural counties, having little business and utility property, have no opportunity to shift taxes, so the burden must remain on farms and residences.

Source: Research Report No. 187, Tennessee Taxpayers Association, October 1, 1973.

The application of the "Question 3" requirements and its application in the comparison counties is shown in Table V - B1. The modification of assessments relating to the property class locally and establishing of utility percentages of assessments by the state caused a change in the tax rates of the counties. The change in rate was not as profound in industrialized counties as in the rural non-industrialized counties, however, industrial and commercial enterprises continued to provide the major portions of the tax revenues.

The overall effective tax rates in the comparison counties did not change appreciably as a result of the implementation of "Question 3" Table V - B2 illustrates the Effective Tax Rates for comparison counties for 1973 fiscal year. A small change in the effective rate is noted when compared with the effective tax rates shown in Table V - A1. However, it should be noted that Roane and Anderson Counties residents continued to exert approximately twice as much effort to meet the cost of governmental services as did Blount and Sullivan County residents primarily because industrial establishments in the latter counties continue to provide large shares of the tax revenue.

TABLE V — B1

STATEMENT OF 1973 TAXABLE PROPERTY
TAX RATES AND PROPERTY TAXES LEVIED*

COUNTY	40% Industrial & Commercial	25% Residential & Farm	30% Personal Tangible	40% Personal Intangible	55% Public Utilities	Estimated Actual Value
Anderson	18,757,632	47,078,056	2,805,807	2,857,896	11,730,998	273,032,821
Blount	39,329,360	58,793,910	22,340,770		17,352,613	439,518,478
Roane	8,718,450	22,972,275	3,108,925		13,683,619	148,927,615
Sullivan	138,042,550	129,636,540	85,751,940	5,568,220	41,322,462	1,238,544,634

COUNTY	Total Locally Assessed	Total Assessed Value	Tax Rate	County Taxes Levied	Assessed Value Per Capita
Anderson	71,499,391	83,230,389	5.71	4,304,775	1,380.27
Blount	120,464,040	136,816,653	2.50	3,445,416	2,146.34
Roane	34,799,650	48,483,269	4.90	2,375,680	1,246.96
Sullivan	358,999,250	400,321,712	2.53	10,128,139	3,143.99

Source: Research Report No. 190., Tennessee Taxpayers Association
November 1, 1974.

TABLE V-B2

Effective Tax Rates in Comparison Counties in 1973

COUNTY	<u>Assessed Value</u> Estimated Actual Value	%	X	Tax Rate	=	Effective Tax Rate
ANDERSON	<u>83,230,389.</u> 273,032,821.	30.48	X	5.71	=	1.74
BLOUNT	<u>136,816,389.</u> 439,518,478.	31.10	X	2.50	=	.78
ROANE	<u>48,483,269</u> 148,927,615	32.55	X	4.90	=	1.59
SULLIVAN	<u>400,312,712</u> 1,238,544,634	32.32	X	2.53	=	.82

Blount, Roane and Sullivan Counties have a local option sales tax. This tax is usually levied by counties via the referendum process in lieu of increases in property taxes. Such a tax, therefore has the effect of making the effective tax rate lower than it would be if the amount of such sales tax revenue were garnered from the property tax. It should be further noted that the local option sales tax receipts are divided by formula mandated by state laws between the counties and their included municipalities. See Table V B3. It is estimated that the Roane County effective tax rate would be \$2.24 except for the revenues derived from the local sales tax.

TABLE V-B3

LOCAL OPTION SALES TAX***
FY 1970 - FY 1973

MONTH YEAR	ROANE COUNTY'S SHARE	OTHER MUNICIPALITIES**	TOTAL COLLECTIONS	PER CAPITA CONTRIBUTION
June '69-May '70	181,731.04	375,445.95	557,176.99	14.33
June '70-May '71	197,806.55	402,602.22	600,408.77	15.44
June '71-May '72	222,053.02	445,176.54	667,229.56	17.16
June '72-May '73	253,082.33	495,254.64	748,336.97	19.24
June '73-May '74	373,662.90	478,140.66	851,803.56	21.90
July 1, 1973 - June 30, 1974	498,956.00*	496,263.00****	995,219.00	25.59

Note: One half of the Roane County Share (498,956.00) is divided between the Roane County, Oak Ridge, and Harriman City School Systems on the basis of the Average Daily Attendance (ADA) of county students attending these systems.

*Estimate based on first six months plus Rockwood School System merger with County

**Other municipalities are Harriman, Oak Ridge, Rockwood, Kingston and Oliver Springs

***Local Option sales tax collection based on State Mandated distribution formulas.

		<u>Population</u>
****Roane County	\$498,956	
Harriman	288,249	8,734
Kingston	44,835	4,142
Oak Ridge	86,999	28,319
Rockwood	67,951	5,259
Oliver Springs	8,229	3,405

According to the information gleaned from a recent research report it appears that Industrial and Commercial assessments of property for tax purposes remained the major force in providing for the costs of local government services. Table V - B4 provides some insight as to the percentage contribution of industry to the net fiscal resources in the comparison counties.

TABLE V-B4

1973 Taxable Property Assessments
and
Taxes Levied on Industrial/Commercial

COUNTY	Total Taxes Levied	Industrial/Commercial and Utility Assessments	Tax Rate	Taxes Levied	% of Tax Levy for Industry
Anderson	4,304,775.	36,152,333	5.71	2,064,296.	47.95
Blount	3,445,416.	79,022,693.	2.50	1,975,565.	57.34
Roane	2,375,680.	25,510,994.	4.90	1,250,038	52.62
Sullivan	10,128,139.	270,685,172.	2.53	6,848,335.	67.62

The percentages of the tax levy for industry includes all business and commercial enterprises and utilities. Large private industries have been extracted from these assessments and considered separately in their contributions to the net fiscal resources in the counties. in Table V B5, V B6, V B7 and V B8.

Source: Research Report No. 190
Tennessee Taxpayers Association
November 1, 1974

The impact of a major industry on a county's net fiscal resources is somewhat more profound than small diversified industrial/commercial enterprises within a county. The Aluminum Company of America is a major industry located in Blount County in the City of Alcoa. The following illustrates the contributions of this industry to the county's and city's structure in 1973.

TABLE V-B5

ALUMINUM COMPANY OF AMERICA (ALCOA)

Blount County 1973

	Estimated Value*	Assess- ment Rate	Assessment
Land (Agricultural Class	3,966,440.00	25%	991,610.00
Industrial Land and Buildings	52,126,050.00	40%	20,850,420.00
Equipment	61,839,435.00	30%	18,551,830.00
Utilities	10,308,865.00	55%	5,669,876.00
	<u>128,240,790.00</u>		<u>46,063,736.00</u>
Tax Rate 1973			2.50
County Tax Paid by ALCOA			1,151,593.40
City of ALCOA			
Same Value and assessment as above			46,063,736.00
Tax Rate 1973			1.81
City Tax - Paid by ALCOA			833,753.62

*Estimated values as supplied by Aluminum Company of America to Blount County.

As observed earlier in Table V B5, Blount County levied \$3,445,416.00 in taxes for the total county. The Aluminum Company of America provided \$1,151,593.00 of the total taxes levied. The amount of this levy represents 33.42% of the total amount of property tax paid in Blount County. In addition to this levy the Aluminum Company provides \$833,753.00 in tax funds for the City of Alcoa. The City of Alcoa levied \$1,002,808.00 in taxes in 1973 based on assessed value of \$55,403,748.00.

The finished products of the aluminum company are sold not only instate but nationally and internationally. Consequently, any tax costs of the aluminum company are reflected in the price of their products when placed on the market. These products are subject to the provisions of the state and local sales tax which further increase revenues for government services in Blount County and the City of Alcoa.

Sullivan County is even more industrially oriented than Blount County when the values of plants and equipment are considered. Tables V B6 and V B7 shows three major plant assessments in Sullivan County for 1973 and 1974 as reported by the County Office of Property Assessment. Plant Number 1 is Tennessee Eastman Corporation. (See Appendix C)

TABLE V-B6
SULLIVAN COUNTY

1973 Assessed Value of Major Plants
Tax Rate and Computed Tax Liabilities

Plant Number	Total Value Plant Equipment	Assessed Value Real Estate	Assessed Value Personal Property	Total Assessed Value
1	338,510,000.	47,012,000.	66,294,000.	113,306,000.
2	30,375,000.	2,425,000.	7,275,000.	9,700,000.
3	22,303,675.	4,693,350.	3,171,090.	7,864,440.
TOTAL ASSESSED VALUES				130,870,440.
TAX RATE				2.53
COMPUTED TAX LIABILITY				3,311,022.

For both 1973 and 1974 the three major industries in Sullivan County paid more than 32% of the total taxes levied in Sullivan County. In addition Tennessee Eastman paid \$435,964. in ad valorem taxes to the City of Kingsport in 1974. (See Table V B8).

TABLE V-B7

SULLIVAN COUNTY

1974 Assessed Value of Major Plants
Tax Rate and Computed Tax Liability

Plant Number	Total Value Plant Equipment	Assessed Value Real Estate	Assessed Value Personal Property	Total Assessed Values
1	343,435,000.	47,178.000.	67,647.000.	114,825,700.
2	30,390,600.	2,425.000.	7,279.680.	9,704,680.
3	22,364,308.	4,693,350	3,189,280.	7,882,630.
TOTAL	396,189,908.			132,413.010.
Tax Rate				3.14
Computed Tax Liability				4,157,768.

Source: Sullivan County Office of Property Assessment Reports.
Appendix C

TABLE V-B8

TAXES PAID BY TENNESSEE EASTMAN COMPANY TO KINGSFORT
FOR PROPERTIES WITHIN CITY
1974

	VALUE	ASSESSMENT RATE %	ASSESSED VALUE
LAND:			
Agricultural Class	-0-	-0-	-0-
Industrial			
1) 83.7 A	1,409,750.00	40	563,900.00
2) 106.8 A	618,500.00	40	247,400.00
3) 67.75 A	633,000.00	40	253,200.00
Office Buildings	1,750,000.00	40	700,000.00
Plant Buildings & Equipment	14,037,500.00	40	5,615,000.00
Machinery Equipment and Inventories	39,320,000.00	30	11,796,000.00
Other Properties (Residential)	<u>802,800.00</u>	25	<u>200,700.00</u>
 TOTAL	 58,571,550.00		 19,376,200.00
Tax Rate Applied			2.25
Tax Liability to City			435,964.50

Special Note: Only this portion of the Tennessee Eastman Company properties are situated within the Kingsport City Limits.

Source: E. Lester Shelor, Office of City Manager
Kingsport, Tennessee
April 4, 1975

The relationship of major industrial establishments in Sullivan County and their contribution to the net fiscal resources/cost of local government services closely parallel the relationships of the Aluminum Company of America and Blount County. It should be observed that these major plants/industries in Blount and Sullivan Counties are subject to the provisions of State property tax legislation and do not enjoy a tax immune status.

It should be further observed that these manufacturing industries engage in extensive export activity and that any taxes paid by the industry are ultimately transferred to the consumers of the manufactured products which may be intra-state, national or international.

By contrast, enriched uranium for nuclear fuels is the principal product of the Oak Ridge Gaseous Diffusion Plant (ORGDP). These nuclear fuels are in effect sold nationally and internationally for use in nuclear plants for supplying electrical energy to utility companies for further resale - yet the industrial complex of ORGDP provides no support of government services to its' employees in Roane and Anderson Counties. (Projected SWU Revenues Shown in Appendix G.)

C. EFFECTS OF GOVERNMENT OWNERSHIP IN ROANE AND ANDERSON COUNTY.

One way of determining the differences between private and Government-ownership of the Oak Ridge industrial complexes and their effects on the net fiscal resources of Roane and Anderson County is to remove the cloak of immunity of ERDA installations and subject the value of the Government-owned Oak Ridge properties to the assessment ratios and tax rates of the counties as industrial facilities. In practice this would permit the counties to realize the full benefits of industrial development upon the cost of government services within the counties. In addition, it provides a basis for comparing Government vs. private industry contribution per individual employee; i.e., the amount of contribution per employee for all local governmental services.

In general practice, property of industrial and commercial enterprises are taxed by the county in which the industries and commercial establishments are located. Taxes are levied to a lesser extent by municipalities as Alcoa in Blount County and Kingsport in Sullivan.

There are three major AEC installations in Roane and Anderson County. The Oak Ridge Gaseous Diffusion Plant (K-25) and the Oak Ridge (Holifield) National Laboratory (X-10) are located in Roane County. The

Y-12 plant is used to support operations at K-25 and X-10 as well as other AEC plants and is located in Anderson County. The values assigned to these plants are net book values (acquisition cost less depreciation). The assessment rate/projected average assumes reported net book value of plants. The assessment would derive from the assessment rate. The following are examples of tax liability incurred if these plants were privately owned and classed as industrial property.

EXAMPLE 1

PLANTS IN ROANE COUNTY

A.E.C. (Combined ORGDP and ORNL Facilities)*
with projections**

	Estimated Value (Net Book)	Assess- ment Rate (Projected Average)	Assessment
ORGDP	\$312,758,000.00	35%	\$109,465,300.00
ORNL	135,174,000.00	35%	47,310,900.00
Total	447,932,000.00		156,776,200.00
Tax Rate 1973			4.90
*Tax Liability as Private Industry			7,682,033.80
**Tax Rate (Projected Reduction if Assessment Confirmed)			2.00
Tax Liability			3,135,524.00
**Tax Rate (Projected As Blount's Rate)			2.50
Tax Liability			3,919,405.00

EXAMPLE 2

Plant in Anderson County

AEC (Y-12)* with Projections**

	Estimated Value (Net Book)	Assessment Rate (Projected Average)	Assessment
Y-12	365,200,000.	35%	127,820,000.
Tax Rate (1973)			5.71
*Tax Liability as Private Industry			7,298,522.
**Tax Rate (Projected Reduction if Assessment Confirmed)			2.00
Tax Liability			2,556,400.
**Tax Rate (Projected as Blount's Rate)			2.50
Tax Liability			3,195,500.

In the foregoing examples, only the net book value of the plants are used. This value does not include the values of equipment or other industrial land at the plant sites. Also not included are the vast acreages adjacent to these sites, which were acquired in the initial takings. Any industry holding such lands and equipment would be liable for addition taxes on these holdings as well.

If the Oak Ridge complexes were privately owned, both Roane and Anderson Counties would expect to receive more than \$3 Million Dollars annually in property ad valorem taxes.

Land Loss

The Aluminum Company of America owns 2,590 acres of land in Blount County representing 0.69% of the county total. Tennessee Eastman owns 3,590 acres in Sullivan County for 1.28% of the county total. The "land loss" to Blount and Sullivan Counties should be termed gains instead of losses. By contrast AEC and TVA installations (TVA supplies electricity for the AEC - K-25 Operation) require 80.13 square miles of Roane County land and 31.90 square miles of Anderson County land. The aggregate 112.03 square miles represents a tremendous land loss to Federal activities. These counties cannot regain this loss nor can they replace the land taken. Such huge losses leave the counties in an untenable position since they have limited desirable land remaining for industrial development.

Comparisons of Tax Payments and In Lieu of Tax Payments Per Employee

Another indication of the differences between private and government ownership is shown by comparing their contribution to local government costs measured by the number of employees. The ERDA complex at Oak Ridge has 3 times the number of employees as ALCOA and .2 times the employees of TEC. However, in 1974 ALCOA and TEC contributed \$397.00 and \$656.00 per worker, respectively, while ERDA contributed only \$67.00 per worker to Roane and Anderson Counties. The FY 1975 ERDA payment

amounted to \$190.01 per worker in Roane and \$157.68 in Anderson per worker. Table V C1 excludes P.L. 81-874 school payments since all of the counties received substantial payment for school children whose parents work on Federal Property.

TABLE V-C1
 COMPARISON OF PER CAPITA TAX/PAYMENTS
 BY AEC AND MAJOR INDUSTRIES
 FOR WORKERS IN COMPARISON COUNTIES AND CITIES

<u>LOCATION</u>	<u>EMPLOYER</u>	<u>NO. OF WORKERS</u>	<u>IN LIEU OR TAX LIABILITY</u>	<u>PAYMENTS PER CAPITA WORKERS</u>
		<u>Total Residency</u>		
Oak Ridge	AEC	5,530	1,422,030.00**	\$257.14
Anderson County	AEC	15,304 ⁴	1,985 63,000.00 ³	31.73
Roane County	AEC		1,918 69,443.00 ³	36.20
Blount County	ALCOA		* 1,151,593.00 ¹	
City of Alcoa	ALCOA	5,000***	* 833,753.00 ¹	397.06
Sullivan	TEC		* 4,157,768.00 ²	
Kingsport	TEC	7,000***	* 435,965.00 ²	656.24

* Residency of Workers Not Available

** P.L. 221 Base Contract Payment 1975

***Numbers Rounded as Average Annual Employment

1. Tax Liability for 1973
2. Tax Liability for 1974
3. Tax Payment for 1974
4. Total AEC and CPFF Contractors as reported for year ending December 1974.
5. For FY 1975 the per worker payment amounted to \$190.01 in Roane and \$157.68 in Anderson.

VI. BASIS FOR FEDERAL ASSISTANCE PAYMENTS

A. EXISTING STATUTORY AUTHORITY

1. ERDA. At present ERDA has two basic authorities for providing financial assistance to state and local governments. Section 168 of the Atomic Energy Act of 1954, as amended (P.L. 83-703), authorizes ERDA to make payments in lieu of property taxes to state and local governments in "those states and localities in which the activities of [ERDA] are carried on, and in which [ERDA] has acquired property previously subject to state and local taxation..." This section further provides that ERDA will not make payments in excess of the taxes that would be payable for such property in its acquired condition, except where the activities of ERDA, or its agents, impose special burdens on the state or local governments; and that in such cases, benefits accruing to the state or local government by reason of such activities shall be considered in determining the amount of such payments. (Appendix J)

The other statutory authority for ERDA assistance payments to state and local governments is Chapter 9 of the Atomic Energy Community Act of 1954, as amended (P.L. 84-221). (Appendix E). This Act, which authorized the sale and transfer of the Government owned housing and community facilities at Oak

Ridge, Los Alamos, and Richland, originally mandated annual assistance payments "of just and reasonable sums" for ten years to the state, county, or local entity having jurisdiction to collect property taxes or to the entity receiving "municipal" installations pursuant to the Act. (Section 91a) In 1967, Section 91a was amended to authorize the continuation of annual assistance payments after expiration of the mandatory ten year period to the Cities of Oak Ridge, Tennessee, and Richland, Washington, and the Richland School District.

Section 91 provides that in determining the amount of payments ERDA shall consider certain criteria set forth in the statute; that payments made under this Section shall constitute "special burden" payments under Section 168 of the Atomic Energy Act of 1954, as amended; and that in exercising the authority of Section 91a ERDA will assure itself that the entities receiving assistance are utilizing "all reasonable, available means to achieve financial self-sufficiency" in order that such payments can be reduced or terminated as early as practicable.

Section 93 permits ERDA to withhold assistance payments if it finds that the recipient is not furnishing "the community, school, hospital or other municipal services" with respect to which the payments are made.

Section 94 authorized ERDA to enter into contracts

obligating ERDA to make payments directed or authorized by Section 91a.

2. TVA. Section 13 of the TVA Act authorizes and directs TVA to make financial assistance payments to the states and local governments in which the power operations of TVA are carried on and in which TVA has acquired property previously subject to State and local taxation. Such payments are based on a percentage of "gross proceeds" derived from the sale of power, excluding power used by TVA or sold to other Federal agencies. The payment for each year is made to the states pursuant to an allocation formula contained in Section 13. In addition, TVA is required to pay directly to the counties the two year average of county ad valorem taxes upon power property and reservoir lands allocable to power calculated for the last two tax years during which said property was privately owned. The direct county payments are deducted from the amount payable to the state under the gross proceeds formula. (Appendix H)

3. HEW. Under P.L. 81-815 HEW has authority to provide assistance for the construction of school facilities in school districts which have substantial increases in school population as a result of new or increased Federal activities. P.L. 81-874 authorizes financial assistance to local educational agencies when

the Government has placed financial burdens on such agencies by reason of (1) removing real property from the tax rolls; (2) education provided to children residing on Federal property or whose parents are employed on Federal property; or (3) a sudden and substantial increase in school attendance due to Federal activities. The entitlement is for such amount as the Commissioner of Education determines is equal to "the continuing Federal responsibility for the additional financial burden with respect to Current expenditures" subject to the formula and conditions provided in the statute

4. The Act appropriating funds to AEC for FY 1975 (P. L. 93-276 and P. L. 93-393) provided for a one-time additional payment of \$545,000. to Roane and Anderson Counties. As stated in JCAE Report the additional payment of \$250,000. to Anderson County and \$295,000. to Roane County was justified "in view of the special financial burdens related to the Commission's [AEC] operations at Oak Ridge." The Report further stated it was the Committee's view "that this problem should continue to receive the attention of the Commission."

B. Recommendations of the Public Land Law Review Commission. In 1964 Congress established the Public Land Law Review Commission (PLLRC) under a charter to examine the public land laws, and make recommendations for the retention or disposal of public lands, including

modification in existing laws, policies, and practices consistent therewith. (P.L. 88-606) The final report of the PLLRC in 1970 concluded there should not be a wholesale disposition of such lands and stated it was necessary to reexamine the impact of such decision on other levels of government and the responsibilities of the United States as a land owner.^{1/} The PLLRC recommended that the Federal Government make payments in lieu of taxes for the burdens imposed upon state and local governments by reason of the Federal ownership of public lands without regard to the revenue generated therefrom; that it should make payments to compensate state and local governments for the tax immunity of Federal lands; that a "public benefits" discount should be applied to such payments in recognition of the intangible benefits that some public lands provide; and that extraordinary benefits and burdens should be handled separately (PLLRC Report, pp. 4 236, and 237). Recommendation 101 of the PLLRC also states: "...it is the obligation of the United States to make certain that the burden [of Federal ownership] is spread among all of the people of the United States and is not borne only by those states and governments in whose area the lands are located" (underscoring supplied).

^{1/} One Third of the Nation's Land, A Report to the President and to the Congress by the Public Land Law Review Commission, June 1970.

Although the PLLRC Report was primarily concerned with the large public domain holdings of the Federal Government, the explanatory text and justification for its recommendation on payments in lieu of taxes provide some interesting parallels to the situation in Roane and Anderson Counties.

"The Federal immunity from taxation has created large and increasing problems for the state within whose borders such lands lie" p. 235.

"[T]he pressure of new circumstances requires new thinking. Until comparatively recently, the cost of providing state and municipal services...was not very great. But in recent years, a dramatic change has resulted from the greatly increased mobility of the American people" p. 236.

"At the same time, state and local governments expenditure levels and revenue requirements have vastly increased" p.236.

"The study made by the Commission [PLLRC] confirms the contention of state and local governments that shared revenues amount to much less than the revenues they would collect if such lands were in private ownership and subject to taxation" p.236.

"The fact that the lands on the tax rolls would have brought in greater revenues should not by itself be considered persuasive. It is, however, a compelling indication of an existing problem and the impact of the present system" p.237.

"...the Federal Government, as a land owner must pay its way" p.237.

"Since the ad valorem tax system has been the foundation for the financing of programs providing municipal services, the Commission believes that all land owners must share in the payment for these services. This should not exclude the Federal Government as a land owner, except where the federally-owned land is being used for facilities, as in the case of post offices, to furnish services to all the people throughout the county" p. 237. (underscoring supplied)

"Believing, as the Commission does, that tax level represents the actual need for revenue, Federal payments related to the level of state and local taxes levied on private owners should be in proportion

to the services received and burdens imposed by Federal ownership. At the same time...they should be fair and equitable to all concerned" p. 238.

"While the Commission is convinced that payments should be related to actual property taxes in the area, it does not follow that the payments should be equal to full tax equivalency" p. 238.

"...the Commission has concluded that while benefits are national, the geographic distribution of the Federal lands makes their burdens regional and local, and that, in general continued Federal ownership of public lands provides no distinguishable benefits for state and local governments in lieu of the benefits they would receive if the lands were privately owned" p. 238 (underscoring supplied)

"Existing Federal grant-in-aid payments to state and local governments are not related to, and do not compensate for, the concentration of Federal lands, nor would proposed block grants. ...Consequently, a community

with a restricted taxable property base can receive payments no greater than those received by an otherwise comparable community with a fully taxable property base." p. 239

The PLLRC proposed that payments in lieu of taxes on public lands should be made to the states with a requirement that the payments be distributed to the local government where the lands are located. (Apparently for Federal administrative convenience.) It also proposed a discount of 10-40% in the amount of payments based on tax equivalency in recognition of the direct and indirect benefits derived from the public land; although recognizing that such benefits cannot be calculated (Recommendation 102, p. 237.)

Under the general in lieu of tax formula proposed by the PLLRC (10-40% tax equivalency discount), Government-owned improvements on public lands would not be included. This position was justified on the basis that, as to public lands, improvements by private users are taxable and federal improvements are to provide "services to the region or locality in which they are constructed" (P. 241). That is not the purpose for the Government-owned industrial facilities at Oak Ridge, of course, and the PLLRC rationale for excluding Government-owned improvements would not be appropriate in the Roane-Anderson Counties case.

The PLLRC also recognized that "certain extraordinary benefits may be obtained, or burdens imposed, as the result of Federal ownership" in special cases, P. 238. Such benefits or burdens would not be calculated in the basic formula. "Whatever their cost may be, they should be negotiated separately, and a separate payment made. ...the important point is that under a payments in lieu of tax system, the Federal Government would expect, and would be entitled to, the same services received by regular taxpayers from the state and local government -- no more and no less" p. 238.

The explicit criteria and limitations in the PLLRC Report for basic payments in lieu of taxes with respect to public lands, therefore, are not readily adaptable to, and would not provide the assistance needed by, Roane and Anderson Counties. However, the Report is significant since it represents a finding by an official agency of the Federal Government that (a) Federal ownership results in burdens in excess of benefits, and (b) in today's situation the Federal Government should contribute a fair share of the costs for providing local governmental services.

VII. FEDERAL ASSISTANCE PAYMENTS TO THE COUNTIES

A. ERDA

1. Tax Loss Payments Under Section 168.

Under the "tax loss" authority of Section 168 of the Atomic Energy Act of 1954, as amended, AEC has made annual payments in lieu of taxes to Roane and Anderson counties in the amounts shown in Tables VII A1 and VII A2, following. These payments were originally calculated on the basis of the taxes paid during the last year of private ownership. Since 1972, AEC has calculated the payment on the basis of current ad valorem tax rates applied to the assessed valuation as of the time the land was acquired. This has resulted in an increase in total payments although the amount of land in Federal ownership has decreased; primarily from the disposal of the Oak Ridge community.

2. Special Burden Payments Under Section 168.

AEC and its successor, ERDA, have never utilized the authority of Section 168 to make "special burden" payments although both Anderson and Roane Counties have requested such payments over the years. Initially AEC adopted the position that it was the sole responsibility of the Counties to identify the burdens imposed by reason of AEC's activities and account for the benefits, if any, resulting therefrom; all without any criteria or guidelines from AEC for determining burden and benefits.

TABLE VII-A1

Payments in Lieu of Tax By A.E.C. to Roane County

1959 - 1974

Year	Amount
1959	\$127,558.19*
1960	9,317.26
1961	12,617.86
1962	12,680.75
1963	12,280.75
1964	12,762.35
1965	12,757.21
1966	12,757.21
1967	12,997.91
1968	15,597.49
1969	15,597.49
1970	17,480.00
1971	20,884.80
1972	56,883.00
1973	53,715.00
1974	69,443.00

October 29, 1974---\$295,000.00

* Lump Sum Settlement for Prior Years.

TABLE VII A2

Payment in Lieu of Tax By A.E.C. to Anderson County

<u>Fiscal Year</u>	<u>AEC</u>
1964-65	\$296,967.*
1965-66	14,721.
1966-67	16,077.
1967-68	17,000.
1968-69	17,000.
1969-70	17,000.
1970-71	20,000.
1971-72	70,577.
1972-73	63,772.
1973-74	62,002.

*Lump Sum Payment covering Calendar Years
1943-1965

The AEC position that its activities never resulted in burdens was reflected in its proposals for the disposal and transfer of the Oak Ridge community and resulted in a strong indictment of the AEC by the JCAE in its Report on the Atomic Energy Community Act of 1955.^{1/} In explaining the rationale for the annual assistance payments provided for in the Act the JCAE stated:

"Under normal industrial situations the [Government-owned] plants would be paying taxes to the city... That the plants are owned by the Federal Government should not exempt the Federal Government from recognizing the burden which these plants necessarily impose on local governments and in assisting the governments to the extent that there are not revenues available to meet these burdens. This principle has already been recognized in the Atomic Energy Act of 1954 in language which has been retained verbatim from the Atomic Energy Act of 1946. p. 15

"The special burden which will be imposed on these communities is the burden of maintaining services which will attract the caliber of the personnel which are needed to maintain the atomic energy plants. The Commission, so far as is known to this committee, has failed to recognize that it has thrown special burdens on any local government despite the wording in the present statute. p.16

"The Commission has proposed... that it abandon its responsibilities for these burdens and that it lay upon the shoulders of the employees it has brought into these plants the full cost of these responsibilities.

^{1/} H.R. Report 1402, 84th Congress, 1st. Session Appendix E..

Yet the Commission would hope to force the local residents at some time to assume full responsibility for their high level of services regardless of the existence or non existence of other revenues from which burdens can be met" p. 16.

The analysis, findings, and judgements contained in the JCAE Report were, and are equally applicable to Roane and Anderson Counties. The Government was responsible for the establishment of the Oak Ridge atomic industrial complex and bringing thousands of new residents into the counties. The Government was responsible for setting high levels of municipal services in the Oak Ridge community -- and over the years those levels of services created the pressures and demands for improved governmental services in the counties of which Oak Ridge is a part. The Government has been responsible for the creation of tax rates in the counties that serve to drive people and industries away from the city and the counties.

While the JCAE succeeded in mandating annual assistance payments to the City of Oak Ridge, its Report fell on deaf ears in so far as the counties were concerned. AEC continued to oppose, or even consider, special burdens payments to the counties.

In 1970 Anderson County requested AEC to engage an independent group to make a study for the purpose of defining benefits and burdens for Section 168 purpose.

AEC refused on the grounds that it was not authorized to spend Federal funds for a study that might result in requiring payments to the county. Anderson County then formed a Tax Study Committee and interviewed eight technical consulting organizations for the purpose of conducting a study to define burdens and benefits. All declined because there were no known standard statistical techniques or accounting procedures that would show burdens over benefits with any mathematical accuracy. The Tax Study Committee then made its own study of the financial impact of AEC's operations on Anderson County.

The Committee's findings demonstrated a substantial adverse impact and were forwarded to AEC with a request for special burden payments under Section 168.

AEC subsequently concluded that the Anderson Tax Committee study was not an adequate basis for special burden payment, but offered, at AEC expense, to contract with an independent organization to make a study on behalf of AEC. AEC prepared, for the first time, criteria for measuring benefits and burdens and contracted with the University of Tennessee for a study. The study took eighteen months and cost \$80,000.

Although Anderson County objected that the result would be meaningless because of the narrow

ground rules established by AEC for measuring burden and benefits, the County offered to work with UT and AEC in the study activity.

As predicted, the UT study report concluded that, under the criteria established by AEC, it was not possible to quantify or, in some cases, ascertain the burdens imposed on Roane and Anderson Counties by reason of AEC activities; except in the area of school costs. The Counties engaged a consultant to provide an objective analysis and critique of the AEC criteria used for conducting the UT study and to propose a realistic burdens vs. benefits test. The consultant's report (Appendix D) found the AEC criteria were illogical and inconsistent with the statutory criteria in Sec. 91a of the Atomic Energy Community Act of 1955. Moreover, the AEC criteria would have produced exactly the same conclusion (no burdens) if the Oak Ridge industrial complex were privately owned instead of Government-owned.

B. AEC APPROPRIATIONS ACT - FY 1975

Congress appropriated an additional \$295,000. to Roane County and \$250,000. to Anderson in recognition of the special financial burdens imposed on the Counties by reason of the AEC operations at Oak Ridge. These payments, which were in addition to the "tax loss" payments to each County for 1974

pursuant to Section 168 of the Atomic Energy Act of 1954, as amended, were made by the AEC Oak Ridge Operation Office (See Appendix A).

The AEC payments for calender year 1974 to Anderson County totalled \$313,000. and to Roane County \$364,443. On a per capita basis the Roane County payment was slightly larger than the Anderson County payment. Table VII B1.

TABLE VII-B1

	Anderson County	Roane County
Population	35,200	38,881
AEC Tax Loss Payment	\$63,000	\$69,443
Special AEC Appropriation Act Payment	<u>250,000</u>	<u>295,000</u>
TOTAL	313,000	364,443
Per Capita	8.89	9.37

C. HEW

Payments To The Counties Under Provisions of P.L. 874: Public Law 874 commonly referred to as Impact Aid Legislation provided a mechanism by which school districts received payments for maintenance and operation of schools to assist qualifying school districts in meeting a portion of the increased costs

incurred due to the presence of Federally connected pupils attending schools within the district.

Roane and Anderson County School districts qualify for assistance under the provision of this act because children of employees of AEC and its contractors reside in the counties and attend county schools.

During the period beginning 1959-60 school year and up to and including the 1974-75 school year 32.70% of the students in Roane County School System were children of parents employed on Federal Property, primarily AEC and TVA. During the same period 24.44% of the Anderson County students were children of parents employed on Federal Property, again, primarily AEC and TVA properties.

While the AEC-U. T. study took cognizance of the educational assistance payments provided under P.L. 874 and termed such payments a benefit to the school districts, it failed to distinguish between the entitlement amounts and the amounts actually received by the counties which were significantly less than the entitlement.

Table VII C3 illustrates the differences in entitlements and amounts of payment received during

TABLE VII-C1
 ANDERSON COUNTY SCHOOL SYSTEM
 PUBLIC LAW 874 ENROLLMENT INFORMATION

School Year	Parent Employed on Federal Property Other than AEC		Parent Employed on AEC Controlled Property		Non-Federally Connected Pupils		Total No. of Pupils in County System
	No. Of Pupils	Per Cent	No. of Pupils	Per Cent	No. of Pupils	Per Cent	
1959-60	184	2.6%	1,650	23.1%	5,299	74.3%	7,133
1960-61	228	3.1	1,693	23.2	5,380	73.7	7,301
1961-62	261	3.7	1,805	25.0	5,145	71.3	7,211
1962-63	453	6.1	1,521	20.5	5,455	73.4	7,429
1963-64	467	6.6	1,373	19.4	5,237	74.0	7,077
1964-65	535	7.0	1,432	19.0	5,583	74.0	7,550
1965-66	314	4.3	1,354	18.5	5,635	77.2	7,303
1966-67	230	3.2	1,317	18.4	5,626	78.4	7,173
1967-68	191	2.8	1,401	19.6	5,523	77.6	7,115
1968-69	137	1.8	1,635	22.4	5,534	75.8	7,306
1969-70	181	2.4	1,613	21.5	5,712	76.1	7,506
1970-71	389	4.9	1,530	19.6	5,886	75.4	7,805
1971-72	428	5.4	1,406	17.8	6,053	76.7	7,887
1972-73	497	6.2	1,402	17.6	6,054	76.1	7,953
1973-74	499	6.1	1,345	16.5	6,324	77.4	8,168
1974-75	523	6.3	1,388	16.8	6,369	76.9	8,280
AVERAGE		4.59		19.85		75.53	99.97%

Source 5

TABLE VII-C2

ROANE COUNTY SCHOOL SYSTEM

PUBLIC LAW 874 ENROLLMENT INFORMATION*

School Year	Parent Employed on Federal Property Other than AEC		Parent Employed on AEC Controlled Property		Non-Federally Connected Pupils		Total No. of Pupils in County System
	No. Of Pupils	Per Cent	No. Of Pupils	Per Cent	No. Of Pupils	Per Cent	
1959-60	425	5.72	2040	27.46	4964	66.81	7429
1960-61	473	6.46	2014	27.52	4831	66.02	7318
1961-62	670	8.97	1774	23.73	5029	67.29	7473
1962-63	651	9.65	1766	26.19	4326	64.16	6743
1963-64	512	9.22	1655	29.81	3385	60.96	5552
1964-65	567	10.32	1540	28.04	3385	61.64	5492
1965-66	437	8.07	1418	26.19	3559	65.74	5414
1966-67	437	8.33	1293	24.65	3516	67.02	5246
1967-68	451	8.88	1289	25.37	3340	65.75	5080
1968-69	409	8.16	1319	26.31	3286	65.54	5014
1969-70	344	6.83	1313	26.06	3382	67.12	5039
1970-71	351	7.01	1181	23.58	3477	69.41	5009
1971-72	329	6.75	1139	23.36	3407	69.89	4875
1972-73	330	6.87	1103	22.96	3370	70.16	4803
1973-74	561	8.56	1120	17.09	4871	74.34	6552
1974-75	643	9.77	1238	18.81	4699	71.41	6580
AVERAGE		8.10		24.60		67.10	

*Note- all above information taken from P.L. 874 Applications on file.

the most recent five year period by Roane and Anderson County School Systems.

TABLE VII-C3

ROANE COUNTY

PUBLIC LAW 874
FY 1970-1974

<u>YEAR</u>	<u>ENTITLEMENT</u>	<u>PAYMENT</u>	<u>DEFICIT</u>
1970	246,433.00	202,883.00	43,600.00
1971	250,960.32	179,751.00	71,209.32
1972	268,331.06	176,292.00	92,039.06
1973	292,495.00	177,006.00	115,489.00
1974	362,053.00	217,116.00	144,937.00
1975	Application Submitted		
	Deficit Five Year total	TOTAL	467,274.38

ANDERSON COUNTY

PUBLIC LAW 874
FY 1970-1974

<u>YEAR</u>	<u>ENTITLEMENT</u>	<u>PAYMENT</u>	<u>DEFICIT</u>
1970	266,368.00	228,861.00	37,505.00
1971	303,650.00	220,857.00	82,793.00
1972	306,059.00	223,423.00	82,636.00
1973	348,059.00	237,067.00	111,561.00
1974	365,528.00	237,593.00	127,935.00
1975	Application Submitted		
	Deficit (Four Year Total)		442,430.00
	Combined Deficit (Five Year Total)	TOTAL	909,704.38

D. PAYMENTS TO STATES AND COUNTIES UNDER THE PROVISION OF SECTION 13 OF THE TVA ACT

In order to develop some understanding of the procedures by which the TVA makes payments in lieu of taxes, the Information Office of the Tennessee Valley Authority developed a report setting forth the constraints under which payments are made to the states and the counties. The updated report (1972) is included as Appendix H.

Payments to States and Counties for Fiscal Year 1973 indicates payments to Kentucky and its counties of \$3,307,705.00 separated into a payment to the State of \$3,267,791.00 and payments to the counties of \$39,913.00. The redistribution to the counties was \$2,269,358.00 plus direct payments of \$39,313.00. This total represents 69.8% of the total received by Kentucky from TVA.

In Tennessee the amounts received by the State and amounts redistributed follows a somewhat different course. The total payments in Tennessee in 1973 were \$18,434,842.00 with the State payment \$17,488,117.00 and payments to counties of \$946,725.00. Table VII D1 follows:

The TVA Report listed payments made to the counties and municipalities by utility districts. Of the \$19,155,935.00 in tax equivalent payments made by municipally owned electric distribution systems in

TABLE VII-D1
 T.V.A. TAX EQUIVALENT PAYMENT
 TO TENNESSEE AND SUBJECT COUNTIES
 1964 - 1974

YEAR	PAYMENT TO STATE	PAYMENT TO COUNTIES	TOTAL PAYMENT	ANDERSON PAYMENT	ROANE PAYMENT
1964	3,709,300	937,368.00	4,646,668.	18,850	20,161
1966	5,157,768.00	940,639.00	6,098,407.	18,666	20,174
1967	6,744,963.00	940,067.00	7,685,030.	18,794	20,173
1968	7,430,855.00	939,477.00	8,370,332	18,695	20,813
1969	8,295,746.00	940,298.00	9,236,044.	18,694	20,797
1970	10,493,239.00	942,283.00	11,435,522	18,694	20,797
1971	13,996,175.00	944,427.00	14,940,602	18,695	20,796
1972	15,091,099.00	946,456.00	16,037,555.	18,695	20,781
1973	17,488,117.00	946,725.00	18,434,842.	18,380	20,781

Tennessee, Roane County received no payment and that Anderson County received \$64,394. and \$51,685. from Clinton and Oak Ridge municipally owned systems. Table VII D2. Roane and Anderson County are in the heart of TVA activities. The Watts Bar Reservoir, Norris Dam, Melton Hill Dam, Bull Run Steam Plant and Kingston Steam Plant located in Roane and Anderson Counties comprises a large percentage of TVA generating capacity.

Table VII D3 documents Redistribution Amounts and Tax Equivalent payments to Roane County for 1963-64 -- 1973-74 Fiscal years. After minimal payments for a period of years and adjustment by lump sum, payment was made in 1972-73 after challenges were made of the redistribution formula. The 1973-74 payment of \$152,553.00 to Roane and \$78,215.00 to Anderson indicates currently stabilized amounts.

The TVA report does not contain, however, any information which shows electricity sold directly to private industries and public agencies. According to the ERDA Information Office, in the 1974 fiscal year, ERDA purchased 8,774,364 megawatt hours at 6.8 mills per kilowatt hour for a cost of \$59,800,000. Also, that during the first nine months of fiscal year 1975, the agency had purchased 6,684,310 megawatt hours at 9.056 mills for a cost of \$60,500,000. These

sales of electricity by TVA to ERDA are expressly exempt from the 5% gross sales tax and from any local option sales tax. These structured immunities further deprive local governments of tax revenues which should accrue to the net fiscal resources of the counties.

TABLE V11-D2

TAX EQUIVALENT PAYMENTS MADE BY MUNICIPALLY
OWNED UTILITY DISTRIBUTION SYSTEMS IN TENNESSEE
1964-1974 (Electrical Only)

YEAR	ANDERSON		COUNTY	ROANE		COUNTY
	CLINTON	OAK RIDGE		HARRIMAN	ROCKWOOD	
1964	101,524	57,770		72,400	89,026	-0-
1966	190,859	72,817		90,400	96,968	-0-
1967	303,849	87,347		150,051	96,794	
1968	136,772	106,273		161,400	96,246	
1969	349,006	124,046		161,400	95,950	
1970	186,287	140,454		161,400	127,624	
1971	228,823	199,703		161,400	131,270	
1972	121,799		64,394	172,400		-0-
		178,025	51,685		152,049	-0-
			57,511			-0-
1973	273,095	228,421	66,316	172,400	123,131	-0-
1974						

TABLE V11-D3

TVA REDISTRIBUTION PAYMENTS¹

TO ROANE COUNTY

1963-64 ----- 1973-74

YEAR	REDISTRIBUTED AMOUNT ¹	EQUIVALENT TAX PAYMENT	TOTAL PAYMENT ¹
1963-64	15,878.26	20,161.00	36,039.26
1964-65			36,103.88
1965-66	15,949.93	20,174.00	36,123.93
1966-67	15,960.44	20,174.00	36,134.44
1967-68	15,958.05	20,173.00	36,131.05
1968-69	15,957.62	20,183.00	36,770.62
1969-70	16,721.21	20,759.55	37,518.76
1970-71	16,699.21	20,796.34	37,495.55
1971-72	16,697.47	20,796.29	37,493.76
1972-73	286,368.17*	20,781.47	307,149.64
1973-74	152,552.53**	20,781.47	173,334.00

Source: Roane County Accounting Department Records

* Payment represent lump sum payment for prior years resulting from challenge of application of distribution formula.

** Payment represents first year amount following lump sum payment in previous year.

E. CITY OF OAK RIDGE

AEC entered into a contract with the City of Oak Ridge in 1959 under which it would make annual assistance payments of just and reasonable amounts, as determined by AEC pursuant to the statutory criteria in Section 91a of the Atomic Energy Community Act of 1955, and supplemented by guidelines included in the contract for applying those criteria. In 1964, the contract was revised in its entirety to provide for an annual base payment of \$1,252,000. which would be adjusted by changes in the City ad valorem property tax rate. In 1969 the contract with the City was extended to June 30, 1979.

Through FY 74 the total payments by AEC to the City of Oak Ridge under this contract were \$20,910,000. Appendix F. Based on 1970 census figures the AEC assistance payment for FY 1975 of \$1,422,030.00 amounted to \$50.21 per resident.

F. OTHER ASSISTANCE PAYMENTS

Pursuant to Section 91a of the Atomic Energy Community Act AEC has made, or is making, annual assistance payments to the following: Los Alamos, City of Richland, Richland School District, Oak Ridge Hospital, Kadlec Methodist Hospital at Richland and the hospital at Los Alamos. The total

payment to these entities through Fy 1974 was \$47,041.000. Appendix F. Based on 1970 census figures the payments to Los Alamos for FY 1974 amounted to \$4,034.000. or \$244.48 per resident.

The AEC assistance payments to the City of Oak Ridge and the Richland School District were reduced beginning in Fiscal Year 1971 and 1970 respectively, as the result of the Oak Ridge and Richland schools qualifying for and receiving PL 874 funds for school children whose parents work on Federal property.

P.L. 874 funds also are paid to other counties and school systems in Tennessee because of the Government operations. In FY 1973 the total amount was \$6,134,473.00. Knox County and Knoxville City received \$476,811.00 or 6.18% of the total as compared to \$190,660.00 or 3.08% received by Anderson and \$153,170.00 or 2.54% by Roane County.^{1/}

Since PL 874 funds are distributed solely on the basis of where children go to school, every County and school system to whom payments are made for Oak Ridge-related school children receives the same "benefits" under this law as do Roane and Anderson Counties. However, only Roane and Anderson

^{1/} Source: State of Tennessee - Annual Statistical Report - Department of Education.

Counties have been deprived of potential private industry development through location of the Oak Ridge complex in these Counties. And, because the Government-owned facilities are physically situated in Roane and Anderson Counties, the latter have all the responsibilities and obligations for providing all governmental services arising out of or connected with the Government-owned industrial plants. Thus, Roane and Anderson County "benefits" by reason of PL 874 are actually less than those of other recipients. The City of Oak Ridge receives PL 874 school funds on the same basis as Roane and Anderson Counties plus substantial annual assistance payments from AEC (ERDA) to compensate for lack of an adequate property tax base by reason of the tax-exempt Government-owned industrial plants. The other Counties and systems receive PL 874 school funds on the same basis as Roane and Anderson Counties but without the burdens of a tax exempt industry and loss of the potential for privately-owned, taxable industry.

VIII. CONCLUSIONS

A. THE GOVERNMENT NUCLEAR FACILITIES AND ACTIVITIES OF OAK RIDGE DOMINATE

The Government-owned nuclear complex at Oak Ridge, together with the large ERDA and TVA land holdings, effectively dominate and control the basic economy in Roane and Anderson Counties. The magnitude of the Oak Ridge requirements for manpower, housing, school, utilities, and associated services and facilities, coupled with the single, large employer syndrome, are effective deterrents to attracting other large privately owned industry to the Counties.

B. INCREASED DEMANDS FOR COUNTY GOVERNMENT SERVICES ARE ATTRIBUTABLE TO THE GOVERNMENT

The Government-owned industrial complex at Oak Ridge is primarily responsible for the change in the Counties from rural to urban status, the permanent increases in County population, and demands for more and higher levels of County governmental services. The City of Oak Ridge, which is an integral part of both Counties, was created by the Federal Government and directly contributes to the unusual financial burdens imposed on the Counties.

C. RESIDENTIAL, FARM, AND PRIVATE BUSINESSES BEAR AN UNFAIR, INORDINATE AND EXCESSIVE PORTION OF REQUIREMENTS FOR COUNTY REVENUES FROM LOCAL SOURCES.

The tax exempt Government-owned industrial complex at Oak Ridge does not contribute a fair share of the costs of County governmental services. This means that residential, farm, and other industrial properties must bear the entire burden for County revenues raised from local sources -- namely the property ad valorem tax. The restricted property base for ad valorem tax purposes due to the exclusion of Federal land and the ERDA plant and equipment at Oak Ridge necessitate effective ad valorem tax rates which are excessive and inordinate in relation to those prevailing in comparable Tennessee counties.

D. AEC CRITERIA FOR ASSESSING BURDENS VS. BENEFITS ARE ILLOGICAL, CONTRARY TO P.L. 84-221, AND THE GUIDELINES OF THE JCAE.

Roane and Anderson Counties are adversely affected by the existence and tax exempt status of the Government owned industrial complex at Oak Ridge to the same extent and in the same manner as the City of Oak Ridge. However, the AEC criteria for assessing burdens and benefits under Section 168 are illogical, contrary to the findings of the JCAE, and produce unconsonable results. The maintenance of County services at levels which do not impede

the recruitment and retention of personnel for the Government-owned facilities is as significant for the continued success of the ERDA activities at Oak Ridge as the governmental services provided by the City of Oak Ridge. Moreover, the special fiscal problems of the Counties due to the construction and operation of the Oak Ridge industrial complex, the creation of the City of Oak Ridge within the geographical boundaries of the Counties, and the other burdens imposed on the Counties by reason of the Government-owned facilities are essentially the same as those encountered by the City of Oak Ridge; i.e., inadequate property tax base for ad valorem taxes, requirements for governmental services commensurate with the needs of the Government-owned facilities.

The benefits to the Counties by reason of the Government facilities at Oak Ridge are no greater than those that would result if that industrial complex were privately owned. The burdens imposed on the Counties also are or would be essentially the same, with one exception: A privately owned industrial complex of equal size would provide a substantial amount of local tax revenues. The "tax loss" payments by ERDA on the unimproved value of the land removed from County tax rolls and the P.L. 81-874 payments for school children whose parents are employed by the Oak Ridge facilities do not begin to equate with

the ad valorem taxes that would be contributed if these facilities were privately owned.

E. THE RATIONALE FOR ANNUAL ASSISTANCE PAYMENTS TO THE CITY OF OAK RIDGE IS EQUALLY APPLICABLE TO ROANE AND ANDERSON COUNTIES.

The annual assistance payments to the City of Oak Ridge under P.L. 84-221 are in recognition of a government created situation that imposes peculiar financial problems on local governments that have responsibility for governmental services in the areas where the ERDA nuclear facilities are located and in which the employees at such facilities and their families, live. The Act recognizes that the establishment of large Government-owned industrial facilities employing many thousands of employees in isolated areas, and the attendant increase in requirements for local governmental services do generate burdens which should not be the sole responsibility of the residents of the area involved. The City of Oak Ridge is an integral part of the Counties, and approximately 62% of the personnel employed by the ERDA facilities are residents of the Counties. The impacts of the ERDA operations at Oak Ridge on local governments are the same for both the Counties and the City, and the responsibilities of the Counties extend to all ERDA personnel (and their families) whether they live in

City or in the Counties outside the City. All of the justifications for annual assistance payments by ERDA to the City of Oak Ridge apply equally to the Counties and support a determination that the Federal Government also should make annual assistance payments to the Counties of just and reasonable sums.

APPENDIX A

PAYMENTS PURSUANT TO P.L. 93-276 AND 93-393. CORRESPONDENCE AND EXHIBITS

FINDINGSEXHIBIT NO. 1ROANE COUNTY PAYMENT IN LIEU
OF TAXES - TAX YEAR 1973

1. Current appraisals of property within Roane County are incomplete and unavailable except for that portion of the County within the City of Oak Ridge. Accordingly, this computation is based on a comparison between Roane County taxable property within the City of Oak Ridge and property of the Commission.
 2. The County tax rate of \$4.90 per hundred dollars of assessed value of such taxable property is equivalent to a tax rate of \$1.14 per hundred dollars of full appraisal value of such property.
 3. Current full appraisal value of Commission land (exclusive of improvements) within the Oak Ridge portion of Roane County

1973 equivalent rate	(21,750 Acres) (251.56 per acre)	\$5,471,550.00	
Payment		1.14	\$62,376.00
 4. Proportionate full value of Commission land (exclusive of improvements) in Roane County but outside the City of Oak Ridge (2246 acres)

1973 equivalent rate	276.00 per Acre	\$ 619,896.00	
Payment		1.14	<u>\$ 7,067.00</u>
- | | | | |
|--------------------|--|--|-------------|
| Total 1973 Payment | | | \$69,443.00 |
|--------------------|--|--|-------------|

Total Average AEC in Roane Co. 23,996 A.

Exhibit No. 2

UNITED STATES
 ATOMIC ENERGY COMMISSION
 OAK RIDGE OPERATIONS
 P.O. BOX E
 OAK RIDGE, TENNESSEE 37830

AREA CODE 615
 TELEPHONE 483-8611

October 29, 1974

Honorable Wallace S. Brewer
 Judge, Roane County Quarterly Court
 Kingston, Tennessee 37763

Dear Judge Brewer:

I am pleased to transmit herewith a check drawn on the Treasury of the United States in the amount of \$295,000. This sum is paid pursuant to the provisions of Public Laws 93-276 and 93-393, 93rd Congress, authorizing and appropriating funds to the Atomic Energy Commission for Fiscal Year 1975. As stated in the Report by the Committee on Atomic Energy dated April 8, 1974, in connection with Public Law 93-276, the payment is made in view of the special financial burden related to the Commission's operations at Oak Ridge. The amount, of course, is that indicated by the Congress as being included in the AEC appropriation for that purpose.

Should you have any questions, please feel free to call me or Mr. F. C. Peitzsch, the AEC Community Specialist.

Sincerely,



R. J. Hart
 Manager

MC:CWH

Enclosure:
 Check - \$295,000



JOHN L. MCCLELLAN, ARK.
 BENNY M. JACKSON, WASH.
 EDWARD S. MUSKIE, MAINE
 ABRAHAM RIBIC, JR., CONN.
 LEO METCALF, MONT.
 JAMES R. ALLEN, ALA.
 LAWTON CHILES, FLA.
 SAM RICH, GA.
 WALTER D. HUDDLESTON, KY.

CHARLES H. PERCY, ILL.
 JACOB K. JAVITS, N.Y.
 EDWARD J. GIBNEY, FLA.
 WILLIAM B. SAXHE, OHIO
 WILLIAM V. ROY, JR., DEL.
 BILL BROCK, TENN.

ROBERT BLAND SMITH, JR.
 CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON
 GOVERNMENT OPERATIONS
 WASHINGTON, D.C. 20510

June 6, 1974

Mr. George E. Wilson, Jr.
 P.O. Box 431
 Harriman, Tennessee 37748

Dear George Ed:

Recent conversations with AEC staff members have uncovered the need to further update the estimates of payments in lieu of taxes, as well as the additional payments to Roane and Anderson Counties. I asked AEC to prepare these estimates on the basis of new population figures and have now received their reply, a copy of which I am enclosing for your information.

While it does not meet the needs as you have outlined them in your earlier letter, I did think you would like to see the new estimates. Together with Senator Baker and Congressman Baker, I will continue to seek a proper review and re-evaluation of these funds.

Very truly yours,


 BILL BROCK

BB:rsj

Enclosures

UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON, D.C. 20545

MAY 21 1974



Honorable William E. Brock III
United States Senate

Dear Senator Brock:

We are pleased to respond to your letter of May 1, 1974, requesting an updating of the data upon which the Atomic Energy Commission (AEC) based its recommendation to the Office of Management and Budget (OMB) for additional Federal financial assistance for FY 1975 to Anderson and Roane Counties.

The AEC request to OMB for additional payments to Anderson and Roane Counties was based on the Commission's belief that an equitable basis exists for additional Federal financial assistance on an employee-related basis between the local governments and the City of Oak Ridge. To assist the Commission in arriving at a determination as to the amount of the additional payment, a computation was made involving the amount of Federal assistance to the three local governments and the numbers of AEC-related employees living within their political jurisdictions. The fiscal information on which the Commission based its recommendation was FY 1973 data and information on the residence of AEC-related employees as of December 31, 1972.

Since the Commission's recommendation to OMB, the level of FY 1974 Federal payments to the local governments has become known and the residence of AEC-related employees as of December 31, 1973 has become available. As the JCAE report accompanying the AEC's authorization bill states that "the Committee is also of the view that this problem should continue to receive the attention of the Commission," the AEC will consider this data in arriving at its recommendations to OMB concerning legislation for additional financial assistance to Roane and Anderson Counties in FY 1976. The FY 1974 data shows that on an AEC-related employee basis additional payments to Anderson County might be \$396,000 in FY 1976 and to Roane County \$301,000. The computations using FY 1974 data are enclosed.

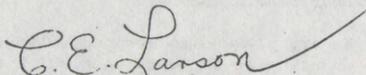
As you know, the AEC's authorization bill for FY 1975 has been signed by the President. The bill includes funds of \$250,000 for Anderson County and \$295,000 for Roane County. Assuming that funds for such payments

Honorable William E. Brock III -2-

are included in the appropriations bill, AEC would make a payment of \$250,000 to Anderson County and \$295,000 to Roane County for FY 1975 upon OMB apportionment of the funds.

Should you have any further questions, we will be pleased to answer them.

Sincerely,



C. E. Larson
Commissioner

Enclosure:
Federal Assistance Payments to
Anderson and Roane Counties in
Tennessee Based on FY 1974 Data

FEDERAL ASSISTANCE PAYMENTS TO
ANDERSON AND ROANE COUNTIES IN TENNESSEE
BASED ON FY 1974 DATA

For Anderson County

FY 1974 AEC assistance payment to City of Oak Ridge for AEC-related employee	\$	366
FY 1974 AEC "tax loss" (est.) and P. L. 81-874 payments for AEC-related employee		143
Difference		223
\$223 x 1,775 (number of AEC-related employees in Anderson County outside of City of Oak Ridge, December 31, 1973)	\$	396,000*

For Roane County

FY 1974 AEC assistance payment to City of Oak Ridge for AEC-related employee	\$	366
FY 1974 AEC "tax loss," P. L. 81-874 payment, and estimate of county portion of use tax paid by AEC for AEC-related employee		188
Difference		178
\$178 x 1,691 ²⁹⁹ (number of AEC-related employees in Roane County outside of City of Oak Ridge, December 31, 1973)	\$	301,000*

*rounded to nearest thousand dollar



ROANE COUNTY
OFFICE OF THE COUNTY JUDGE
KINGSTON, TENNESSEE 37763

November 22, 1974

S. WALLACE BREWER, JUDGE
MRS. BETTY TILL, SECRETARY
PHONE 376-5336

TOM WARD, DIRECTOR OF
PURCHASING & ACCOUNTING
PHONE 376-6554

Mr. R. J. Hart, Manager
United States Atomic Energy Commission
Oak Ridge Operations
P. O. Box E
Oak Ridge, Tennessee 37830

Dear Mr. Hart:

This letter is being written jointly by Roane County and Anderson County to, first of all, acknowledge receipt of the \$250,000 payment recently made to Anderson County, and the \$295,000 payment recently made to Roane County for what you stated in your cover letter of October 29, 1974, to be made in view of the special financial burden related to the Commission's operation at Oak Ridge in connection with the Public Law 93-276.

The second purpose of the written letter is to request some further information from your office with regard to the next fiscal year. We have some indication that there is a dollar figure now being discussed by the United States Atomic Energy Commission for similar type payments for Anderson and Roane County for fiscal year 1976.

We are enclosing photocopies of letter written to Senator William E. Brock, III by C. E. Larson, Commissioner of the Atomic Energy Commission, which was sent to us by Senator Brock's letter of June 6, 1974. Commissioner Larson's letter dated May 21, 1974 indicates that additional payments to Anderson County might be \$396,000 for fiscal year 1976, and for Roane County, \$301,000. Our question; are these two figures for our two counties the figures which we might reasonably expect to receive from the Atomic Energy Commission for fiscal year 1976? If there is some proposed change in the figures by the Atomic Energy Commission, we would appreciate your advising as to that proposed change. Furthermore, we would appreciate your advice to us as to actions that Anderson and Roane Counties might take to be certain that a payment is made to our counties.

Mr. R. J. Hart, Manager
Page two
November 22, 1974

We note that on the attachment to Commissioner Larson's letter there was an indication of the way and manner in which the proposed sums to be paid to Anderson and Roane Counties were derived by the Atomic Energy Commission. Specifically, how were the various figures shown on Commissioner Larson's attachment derived? Was there some formula used for arriving at these figures, and if so, what was the formula?

We would appreciate your immediate attention to our request for information, in that, we have a joint meeting of the Anderson and Roane County meetings scheduled for the very near future and we would like to have this requested information from you by the time of that committee meeting.

With best regards.

Very truly yours,

S. Wallace Brewer
County Judge of Roane County, Tenn.

A. B. Slusher
County Administrator
Anderson County, Tenn.

bt

Encl.

APPENDIX B

PAYROLL AND RESIDENCE INFORMATION, OAK RIDGE AREA, 1966-74
[AEC AND CPFF CONTRACTORS*]

December 1974

	Number of Employees ^{b/}	Percent of Employees	Payroll ^{b/}	Percent of Payroll
Total (includes all CPFF contractor employees except construction) ^{a/}	15,304	100.0%	\$205,414,107	100.0%
Place of Residence:				
City of Oak Ridge	5,530	36.1	83,810,080	40.8
Anderson, Outside Oak Ridge	1,985	13.0	23,822,291	11.6
Roane, Outside Oak Ridge	1,518	12.5	22,633,049	11.0
Other Locations (see below)	5,871	38.4	75,148,687	36.6
<hr/>				
<u>Counties</u>				
Knox	4,012	26.2%	53,814,791	26.2%
Loudon	829	5.4	9,745,657	4.7
Morgan	259	1.7	2,827,027	1.4
Blount	212	1.4	2,475,928	1.2
Campbell	174	1.1	1,921,535	.9
Monroe	118	.8	1,251,260	.6
McMinn	46	.3	545,353	.3
<u>Other Counties</u>				
Meigs, Cumberland, Jefferson) Sevier, Rhea, Union, Claiborne,) Grainger, Scott, Putnam,) Fentress, Other)	221	1.4	2,567,136	1.2
<u>Selected Cities^{c/}</u>				
Knoxville	3,173	20.7	42,112,799	20.5
Clinton	1,144	7.5	14,021,787	6.8
Kingston	908	5.9	11,557,586	5.6
Lenoir City	659	4.3	7,906,192	3.8
Harriman	583	3.8	6,456,654	3.1
Oliver Springs	550	3.6	5,845,523	2.8
Rockwood	222	1.5	2,457,797	1.2

- a/ Includes AEC-Oak Ridge Operations and Headquarters Extensions in Oak Ridge, UCC-ND, ORAU, UT-CARL, and Rust (non-manual and manual maintenance employees).
 - b/ Employees on the payrolls for pay period ending December 31, 1974, or nearest to that date. Payroll data includes actual annual salaries and wages paid to such employees in Calendar Year 1974, except in cases of new hires for which an annualized December monthly salary or wage is reported.
 - c/ Employees live in these cities or on rural postal routes served from these cities.
- The Atomic Energy Commission (AEC) was succeeded by the Energy Research and Development Administration (ERDA) on January 19, 1975.

Payroll and Residence Information
Oak Ridge Area
(AEC and CPFF Contractors)

December 1973

	Number of Employees ^{b/}	Percent of Employees	Payroll ^{b/}	Percent of Payroll
Total (includes all CPFF contractor employees except construction) ^{a/}	14,095	100.0%	\$174,287,621	100.0%
Place of Residence - Totals	14,095	100.0%	\$174,287,621	100.0%
City of Oak Ridge	5,263 ^{d/}	37.3	73,792,066	42.3
Anderson, Outside Oak Ridge	1,775	12.6	19,513,408	11.2
Roane, Outside Oak Ridge	1,691	12.0	18,311,957	10.5
Other Locations (see below)	5,366	38.1	62,670,190	36.0

Counties

Knox	3,701	26.3%	\$45,452,543	26.1%
Loudon	763	5.4	8,131,057	4.7
Morgan	206	1.5	2,017,436	1.2
Blount	183	1.3	2,943,022	1.1
Campbell	153	1.1	1,507,191	.9
Monroe	110	.8	1,035,273	.6
McMinn	52	.4	540,544	.3

Other Counties

Meigs, Rhea, Cumberland,) Grainger, Jefferson, Fentress,) Sevier, Putnam, Claiborne,) Hamblen, Union, Scott, Cocke,) Other)	198	1.4	2,043,124	1.2
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Selected Cities^{c/}

Knoxville	2,867	20.3	34,657,131	19.9
Clinton	1,060	7.5	11,809,165	6.8
Kingston	808	5.7	9,510,563	5.5
Lenoir City	612	4.3	6,677,933	3.8
Harriman	478	3.4	4,856,020	2.8
Oliver Springs	474	3.4	4,566,591	2.6
Rockwood	209	1.5	2,114,569	1.2

^{a/} Includes AEC-Oak Ridge Operations and Headquarters Extensions in Oak Ridge, UCC-ND, ORAU, UT-CARL, and Rust (non-manual and manual maintenance employees).

^{b/} Employees on the payrolls for pay period ending December 31, 1973, or nearest to that date. Payroll data includes actual annual salaries and wages paid to such employees in Calendar Year 1973, except in cases of new hires for which an annualized December monthly salary or wage is reported.

^{c/} Employees live in these cities or on rural postal routes served from these cities.

^{d/} Includes 299 employees living in the Roane County portion of the City of Oak Ridge.

Payroll and Residence Information
Oak Ridge Area
(AEC and CPFF Contractors)
December 1972

Total (Includes all CPFF contractor employees except construction)	<u>Employees</u>				<u>Payroll</u>			
	14,999				\$174,886,088			
Place of Residence	<u>Work in Anderson County</u>				<u>Work in Roane County</u>			
	Employees	%	Payroll	%	Employees	%	Payroll	%
Totals	8,643		\$96,998,317		6,356		\$77,887,771	
City of Oak Ridge	3,235	37.4	40,827,071	42.1	2,505	39.4	35,127,950	45.1
Anderson, Outside of Oak Ridge	1,111	12.9	11,397,119	11.7	511	8.0	5,442,231	7.0
Roane, Outside of Oak Ridge	967	11.2	9,508,543	9.8	832	13.1	8,906,268	11.4
Other Locations (see below)	3,330	38.5	35,265,584	36.4	2,508	39.5	28,411,322	36.5

Counties

Knox	2,319		\$25,508,120		1,732		\$20,795,228
Loudon	382		3,766,259		428		4,284,940
Blount	129		1,214,027		85		866,106
Campbell	123		1,145,944		42		383,265
Morgan	157		1,471,482		59		559,478
Monroe	51		555,583		53		469,858
McMinn	27		272,777		29		271,941

Other Counties

Meigs, Rhea, Cumberland, Grainger, Jefferson, Fentress, Sevier, Putnam, Claiborne, Hamblen, Union, Scott, Cocke, Other	142		\$ 1,331,392		80		\$ 780,506
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Selected Cities ^{1/}

Knoxville	1,735		\$18,935,689		1,322		\$15,732,998
Clinton	775		8,043,530		329		3,578,549
Kingston	385		4,141,350		474		5,474,668
Lenoir City	299		3,021,010		336		3,424,236
Harriman	307		2,857,980		197		1,942,679
Oliver Springs	325		2,988,965		171		1,593,961
Rockwood	128		1,204,643		100		953,994

^{1/} Employees live in these cities or on rural postal routes served from these cities.

TABLE 2
 PERCENTAGE OF AEC AND CPFF
 CONTRACTORS PAYROLL AND EMPLOYEE DISTRIBUTION
 IN ANDERSON AND ROANE COUNTIES AND SURROUNDING
 COUNTIES AND CITIES

Area ^a	Total AEC & CPFF Employees in Residence	Percentage of Total AEC & CPFF Employment	Payroll in Dollars	Percentage
Oak Ridge	5,740	38	\$75,955,021	43
Anderson County (Outside of Oak Ridge)	1,893	13	19,258,722	11
Roane County (Outside of Oak Ridge)	1,598	11	16,634,525	10
Blount County	214	1	2,080,133	1
Loudon County	810	5	8,051,199	5
Knox County	4,051	27	46,303,348	26
Clinton	1,104	7	11,622,074	7
Harriman	504	3	4,800,659	3
Kingston	859	6	9,616,018	5
Oliver Springs	496	3	4,582,926	3
Rockwood	228	2	2,158,637	1
Knoxville	3,057	20	34,668,687	20

^aTotal AEC and CPFF employment as of December, 1972 was 14,999. Total payroll was \$174,886,088.

Source: Budget and Reports Division, Oak Ridge Operations, Atomic Energy Commission.

3/29/72

Payroll and Residence Statistics
Oak Ridge Area
(AEC and CPFF Contractors)
CY - 1971

<u>Place of Residence</u>	<u>Average Number of Employees</u>	<u>Percent of Employees</u>	<u>Total Payroll</u>	<u>Percent of Payroll</u>
<u>Total Employees</u> (Includes all CPFF contractor employees except construction. Includes AEC Hq. Extensions)	<u>15,278</u>	<u>100.0%</u>	<u>\$168,332,322</u>	<u>100.0%</u>
City of Oak Ridge	<u>5,940</u>	<u>38.9</u>	<u>72,879,126</u>	<u>43.3</u>
Outside Oak Ridge	<u>9,338</u>	<u>61.1</u>	<u>95,453,196</u>	<u>56.7</u>
Knoxville	<u>3,114</u>	<u>20.4</u>	<u>33,540,322</u>	<u>19.9</u>
Clinton	<u>1,099</u>	<u>7.2</u>	<u>10,998,344</u>	<u>6.5</u>
Kingston	<u>877</u>	<u>5.7</u>	<u>9,358,861</u>	<u>5.6</u>
Lenoir City	<u>622</u>	<u>4.1</u>	<u>6,031,007</u>	<u>3.6</u>
Harriman	<u>500</u>	<u>3.3</u>	<u>4,645,647</u>	<u>2.8</u>
Oliver Springs	<u>481</u>	<u>3.1</u>	<u>4,363,129</u>	<u>2.6</u>
Other Communities and Areas				
10-20 Miles	<u>1,137</u>	<u>7.4</u>	<u>12,201,354</u>	<u>7.2</u>
20-30 Miles	<u>747</u>	<u>4.9</u>	<u>7,067,317</u>	<u>4.2</u>
30-40 Miles	<u>406</u>	<u>2.7</u>	<u>3,826,950</u>	<u>2.3</u>
40-50 Miles	<u>134</u>	<u>0.9</u>	<u>1,153,438</u>	<u>0.7</u>
Over 50 Miles	<u>221</u>	<u>1.4</u>	<u>2,266,827</u>	<u>1.3</u>

Employees in places listed include those living on rural routes served by those cities.

Payroll and Residence Statistics
Oak Ridge Area
(AEC and CPFF Contractors)
CY - 1970

<u>Place of Residence</u>	<u>Average Number of Employees</u>	<u>Percent of Employees</u>	<u>Total Payroll</u>	<u>Percent of Payroll</u>
<u>Total Employees</u> (Includes all CPFF contractor employees except construction. Includes AEC Hq. Extensions.)	<u>15,136</u>	<u>100.0%</u>	<u>\$155,191,458</u>	<u>100.0%</u>
City of Oak Ridge	<u>6,064</u>	<u>40.1</u>	<u>69,934,718</u>	<u>45.1</u>
Outside Oak Ridge	<u>9,072</u>	<u>59.9</u>	<u>85,256,740</u>	<u>54.9</u>
Knoxville	3,095	20.4	30,889,551	19.9
Clinton	1,061	7.0	9,690,142	6.2
Kingston	849	5.6	8,473,850	5.5
Lenoir City	616	4.1	5,430,429	3.5
Harriman	474	3.1	3,922,160	2.5
Oliver Springs	447	3.0	3,647,498	2.4
Other Communities and Areas				
10-20 Miles	1,090	7.2	10,857,244	7.0
20-30 Miles	708	4.7	6,098,975	3.9
30-40 Miles	401	2.7	3,367,563	2.2
40-50 Miles	127	.8	964,767	.6
Over 50 Miles	204	1.3	1,914,561	1.2

Employees in places listed include those living on rural routes served by those cities.

Payroll and Residence Statistics
Oak Ridge Area
(AEC and CFFF Contractors)
CY - 1969

<u>Place of Residence</u>	<u>Average Number of Employees</u>	<u>Percent of Employees</u>	<u>Total Payroll</u>	<u>Percent of Payroll</u>
<u>Total Employees</u> (Includes all CFFF contractor employees except construction. Includes AEC Hq. Extensions.)	14,902	100.0%	\$147,619,448	100.0%
City of Oak Ridge	6,145	41.2	66,778,776	45.2
Outside Oak Ridge	8,757	58.8	80,840,672	54.8
Knoxville	3,072	20.6	29,842,410	20.2
Clinton	1,009	6.8	9,045,775	6.1
Kingston	822	5.5	8,000,271	5.4
Lenoir City	611	4.1	5,267,407	3.6
Harriman	433	2.9	3,619,858	2.5
Oliver Springs	399	2.7	3,260,915	2.2
Other Communities and Areas				
10-20 Miles	1,033	6.9	9,839,074	6.7
20-30 Miles	683	4.6	5,940,223	4.0
30-40 Miles	370	2.5	3,129,406	2.1
40-50 Miles	121	.8	964,377	.7
Over 50 Miles	204	1.4	1,930,956	1.3

Employees in places listed include those living on rural routes served by those cities.

PAYROLL AND RESIDENCE STATISTICS

OAK RIDGE AREA
(AEC and CPFF Contractors)
CY 1968

<u>Place of Residence</u>	<u>Average Number of Employees</u>	<u>Percent of Employees</u>	<u>Total Payroll</u>	<u>Percent of Payroll</u>
<u>Total Employees</u> (Includes all CPFF contractor employees except construction. Includes AEC Hq. Extensions)	<u>14,306</u>	<u>100.0%</u>	<u>\$137,140,398</u>	<u>100.0%</u>
<u>City of Oak Ridge</u>	<u>6,037</u>	<u>42.2</u>	<u>63,867,062</u>	<u>46.6</u>
<u>Outside Oak Ridge</u>	<u>8,269</u>	<u>57.8</u>	<u>73,273,336</u>	<u>53.4</u>
<u>0 - 10 Miles</u>	<u>1,333</u>	<u>9.3</u>	<u>11,185,122</u>	<u>8.2</u>
Clinton	948	6.6	8,173,824	6.0
Oliver Springs	385	2.7	3,011,298	2.2
<u>10 - 20 Miles</u>	<u>1,572</u>	<u>11.0</u>	<u>13,756,223</u>	<u>10.0</u>
Lenoir City	601	4.2	4,937,160	3.6
Other	971	6.8	8,819,063	6.4
<u>20 - 30 Miles</u>	<u>4,743</u>	<u>33.2</u>	<u>43,047,306</u>	<u>31.4</u>
Harriman	397	2.8	3,122,309	2.3
Kingston	776	5.4	7,240,718	5.3
Knoxville	2,938	20.6	27,439,644	20.0
Other	632	4.4	5,244,635	3.8
<u>30 - 40 Miles</u>	<u>335</u>	<u>2.3</u>	<u>2,751,796</u>	<u>2.0</u>
<u>40 - 50 Miles</u>	<u>108</u>	<u>.8</u>	<u>813,041</u>	<u>.6</u>
<u>50 Miles and Over</u>	<u>178</u>	<u>1.2</u>	<u>1,719,848</u>	<u>1.2</u>

Employees in places listed include persons living on rural postal routes served by those cities.

PAYROLL AND RESIDENCE STATISTICS

OAK RIDGE AREA
(AEC and CPFF Contractors)
CY 1967

<u>Place of Residence</u>	<u>Average Number of Employees</u>	<u>Percent of Employees</u>	<u>Total Payroll</u>	<u>Percent of Payroll</u>
<u>Total Employees</u> (Includes all CPFF contractor employees except construction. Includes AEC Hq. Extensions)	<u>13,872</u>	<u>100.0%</u>	<u>\$127,218,244</u>	<u>100.0%</u>
<u>City of Oak Ridge</u>	<u>5,934</u>	<u>42.8</u>	<u>59,584,627</u>	<u>46.8</u>
<u>Outside Oak Ridge</u>	<u>7,938</u>	<u>57.2</u>	<u>67,633,617</u>	<u>53.2</u>
<u>0 - 10 Miles</u>	<u>1,257</u>	<u>9.1</u>	<u>10,106,186</u>	<u>8.0</u>
Clinton	903	6.5	7,451,872	5.9
Oliver Springs	354	2.6	2,654,314	2.1
<u>10 - 20 Miles</u>	<u>1,489</u>	<u>10.7</u>	<u>12,462,448</u>	<u>9.8</u>
Lenoir City	577	4.1	4,612,614	3.6
Other	912	6.6	7,849,834	6.2
<u>20 - 30 Miles</u>	<u>4,579</u>	<u>33.0</u>	<u>40,096,964</u>	<u>31.5</u>
Harriman	387	2.8	2,917,173	2.3
Kingston	732	5.3	6,595,704	5.2
Knoxville	2,835	20.4	25,526,397	20.0
Other	625	4.5	5,057,690	4.0
<u>30 - 40 Miles</u>	<u>325</u>	<u>2.3</u>	<u>2,535,448</u>	<u>2.0</u>
<u>40 - 50 Miles</u>	<u>118</u>	<u>.9</u>	<u>908,578</u>	<u>.7</u>
<u>50 Miles and Over</u>	<u>170</u>	<u>1.2</u>	<u>1,523,993</u>	<u>1.2</u>

Employees in places listed include persons living on rural postal routes served by those cities.

PAYROLL AND RESIDENCE STATISTICS

OAK RIDGE AREA
(AEC and CPFF Contractors)
CY 1966

<u>Place of Residence</u>	<u>Average Number of Employees</u>	<u>Percent of Employees</u>	<u>Total Payroll</u>	<u>Percent of Payroll</u>
<u>Total Employees</u> (Includes all CPFF contractor employees except construction. Includes AEC Hq. Extensions)	<u>13,500</u>	<u>100.00%</u>	<u>\$119,711,610</u>	<u>100.00%</u>
<u>City of Oak Ridge</u>	<u>5,800</u>	<u>43.0</u>	<u>56,335,133</u>	<u>47.1</u>
<u>Outside Oak Ridge</u>	<u>7,700</u>	<u>57.0</u>	<u>63,376,477</u>	<u>52.9</u>
<u>0 - 10 Miles</u>	<u>1,181</u>	<u>8.7</u>	<u>9,078,489</u>	<u>7.6</u>
Clinton	851	6.3	6,723,734	5.6
Oliver Springs	330	2.4	2,354,755	2.0
<u>10 - 20 Miles</u>	<u>1,431</u>	<u>10.6</u>	<u>11,496,722</u>	<u>9.6</u>
Lenoir City	582	4.3	4,434,010	3.7
Other	849	6.3	7,062,712	5.9
<u>20 - 30 Miles</u>	<u>4,500</u>	<u>33.3</u>	<u>38,129,308</u>	<u>31.8</u>
Harriman	350	2.6	2,617,163	2.2
Kingston	735	5.4	6,356,931	5.3
Knoxville	2,802	20.8	24,348,343	20.3
Other	613	4.5	4,806,871	4.0
<u>30 - 40 Miles</u>	<u>292</u>	<u>2.2</u>	<u>2,232,976</u>	<u>1.9</u>
<u>40 - 50 Miles</u>	<u>122</u>	<u>.9</u>	<u>863,927</u>	<u>.7</u>
<u>Over 50 Miles</u>	<u>174</u>	<u>1.3</u>	<u>1,575,055</u>	<u>1.3</u>

Employees in places listed include persons living on rural postal routes served by those cities.

APPENDIX C

REPORT—SULLIVAN COUNTY OFFICE OF PROPERTY ASSESSMENTS

3-25-74

TENNESSEE EASTMAN COMPANY
Sullivan County Property Tax Assessment
Tax Year 1974

Summary

<u>Plant Property</u>	<u>Total</u>	<u>Real Property</u>	<u>Personal Property</u>
11th District - Inside City	\$ 19,565.100	\$ 7,180,100	\$ 12,385 000
11th District - Outside City	95,279,100	40,017,100	55,262,000
13th District - Inside City	1,180,400	353,400	827,000
13th District - Outside City	<u>1,071,800</u>	<u>764,800</u>	<u>307,000</u>
<u>Total Plant Properties</u>	<u>117,096,400</u>	<u>48,315,400</u>	<u>68,781,000</u>
<u>Other Properties</u>			
7th District - Outside City	32,000	32,000	--
11th District - Inside City	13,200	13,200	--
12th District - Inside City	122,900	122,900	--
13th District - Inside City	64,600	64,600	--
13th District - Outside City	488,800	488,800	--
15th District - Outside City	72,500	67,800	4,700
18th District - Outside City	<u>654,900</u>	<u>151,500</u>	<u>503,400</u>
<u>Total Other Properties</u>	<u>1,448,900</u>	<u>940,800</u>	<u>508,100</u>
<u>1974 Assessment</u>	118,545,300	49,256,200	69,289,100
<u>1973 Assessment</u>	<u>116,385,100</u>	<u>48,709,000</u>	<u>67,676,100</u>
<u>Increase</u>	<u>\$ 2,160,200</u>	<u>\$ 547,200</u>	<u>\$ 1,613,000</u>

SULLIVAN COUNTY OFFICE OF PROPERTY ASSESSMENTS

P. O. Box 23

BLOUNTVILLE, TENNESSEE 37617

J. R. (Bob) LeSueur
Property Assessor

Phone 615-323-5701

PROPOSED TAX RESUME ON INFORMATION GIVEN THE ASSESSOR
FOR INDUSTRY LOCATING IN SULLIVAN COUNTY

Proposed Land and Building Value	\$ 22,000,000.
Proposed Machinery and Equipment	38,000,000.
Proposed Inventory and Raw Materials	3,400,000.

According to Section 67-606, Chapter 226, Public Acts 1973
Industrial and Commercial Property (Paragraph B)

\$22,000,000.	Land and Buildings
40%	
<u>\$ 8,800,000.</u>	Assessment of Land and Building
3.14	1974 County Rate set by County Court
<u>\$ 276,320.</u>	Tax for Land and Building
\$22,000,000.	Land and Buildings
1.256%	Effective Tax Rate
<u>\$ 276,320.</u>	Interest on Investment for tax purposes

According to Section 67-634, Chapter 226, Public Acts 1973
Personal Property

\$38,000,000.	Machinery without Installation
3,400,000.	Inventory and Raw Materials
<u>\$41,400,000.</u>	Total (carries same percentage)
30%	
<u>\$12,420,000.</u>	Total Assessment
3.14	1974 County Tax Rate
<u>\$ 389,988.</u>	Taxes for 1974
\$38,000,000	Equipment and Machinery without Installation
3,400,000	Inventory and Raw Materials
<u>\$41,400,000</u>	Total Equipment and Raw Materials
.942	Effective Tax Rate for 1974
<u>\$ 389,988.</u>	Interest on Investment for tax purposes

Any equipment used in pollution control is not taxable. The industry makes application to the State for exemption on all pollution equipment and a letter is sent to the Assessor of Property's office to verify exemption.

Page 2

Records for the past six years on the three largest industries in Sullivan County are as follows:

Plant No. 11974

Value of Real Estate	\$117,945,000. @ 40%	Assessed Value \$	47,178,000.
Value of Per. Prop.	225,490,000. @ 30%	Assessed Value	67,647,000.
Total Value of Plant and Equipment			\$343,435,000.

1973

Value of Real Estate	\$117,530,000. @ 40%	Assessed Value \$	47,012,000.
Value of Per. Prop.	220,980,000 @ 30%	Assessed Value	66,294,000.
Total Value of Plant and Equipment			\$338,510,000.

1972

Value of Real Estate	\$118,690,000. @ 40%	Assessed Value \$	47,476,000.
Value of Per. Prop.	221,300,000. @ 40%	Assessed Value	88,520,000.
Total Value of Plant and Equipment			\$339,990,000.

1971

Value Real Estate	\$118,015,470. @ 35%	Assessed Value \$	41,307,480.
Value of Per. Prop.	220,848,950. @ 35%	Assessed Value	77,301,000.
Total Value of Plant and Equipment			\$338,864,420.

1970

Value of Real Estate	\$115,382,860. @ 30%	Assessed Value \$	34,618,320.
Value of Per. Prop.	219,776,670. @ 30%	Assessed Value \$	65,999,000.
Total Value of Plant and Equipment			\$335,159,530.

1969

Value of Real Estate	\$114,516,920. @ 25%	Assessed Value \$	28,629,230.
Value of Per. Prop.	217,348,000. @ 25%	Assessed Value	54,337,000.
Total Value of Plant and Equipment			\$331,864,920.

Plant No. 21974

Value of Real Estate	\$ 6,125,000 @ 40%	Assessed Value \$	2,425,000.
Value of Mach & Equip	24,265,600 @ 30%	Assessed Value	7,279,680.
Total Value of Plant and Equipment			\$ 30,390,600.

1973

Value of Real Estate	\$ 6,125,000 @ 40%	Assessed Value \$	2,425,000.
Value of Mach & Equip	24,250,000 @ 30%	Assessed Value	7,275,680.
Total Value of Plant and Equipment			\$ 30,375,000.

PLANT NO. 21972

Value of Real Estate	\$ 22,818,250. @ 40%	Assessed Value	\$ 9,127,300.
Value of Per. Prop.	8,201,925. @ 40%	Assessed Value	3,280,770.
Total Value of Real Estate and Equipment		\$ 31,020,175.	(One machine sold)

1971

Value of Real Estate	\$ 22,874,313. @ 35%	Assessed Value	\$ 8,006,410.
Value of Per. Prop.	11,658,760. @ 35%	Assessed Value	4,080,770.
Total Real Estate and Equipment Value		\$ 34,533,073	(One machine sold)

1970

Value of Real Estate	\$ 23,004,633. @ 30%	Assessed Value	\$ 6,902,080.
Value of Per. Prop.	16,934,206. @ 30%	Assessed Value	5,080,770.
Total Value of Real Estate and Equipment		\$ 39,938,839.	

1969

Value of Real Estate	\$ 23,006,960. @ 25%	Assessed Value	\$ 5,751,740.
Value of Per. Prop.	16,935,920. @ 25%	Assessed Value	4,233,980.
Total Value of Real Estate and Equipment		\$ 39,942,880.	

The sale of real estate and some equipment not being used by the industry accounts for the decline in value on Plant No. 2.

PLANT NO. 31974

Value of Real Estate	\$ 11,733,375. @ 40%	Assessed Value	\$ 4,693,350.
Value of Personal Prop.	10,630,933. @ 30%	Assessed Value	3,189,280.
Total Value of Real Estate and Equipment		\$ 22,364,308.	

1973

Value of Real Estate	\$ 11,733,375. @ 40%	Assessed Value	\$ 4,693,350.
Value of Per. Prop.	10,570,300. @ 30%	Assessed Value	3,171,090.
Total Value of Real Estate and Equipment		\$ 22,303,675. ✓	

1972

Value of Real Estate	\$ 11,681,650. @ 40%	Assessed Value	\$ 4,672,660.
Value of Per. Prop.	10,186,850. @ 40%	Assessed Value	4,074,740.
Total Value of Real Estate and Equipment		\$ 21,868,500.	

1971

Value of Real Estate	\$ 11,710,357. @ 35%	Assessed Value	\$ 4,098,830.
Value of Per. Prop.	9,565,293. @ 35%	Assessed Value	3,074,740.
Total Value of Real Estate and Equipment		\$ 21,275,650.	

1970

Value of Real Estate	\$ 11,608,672. @ 30%	Assessed Value	\$ 3,482,950.
Value of Per. Prop.	9,619,805. @ 30%	Assessed Value	2,886,230.
Total Value of Real Estate and Equipment		\$ 21,228,477.	

PLANT NO. 31969

Value of Real Estate \$ 11,609,840. @ 25% Assessed Value \$ 2,902,460.
 Value of Per. Prop. 8,987,440. @ 25% Assessed Value 2,246,860.
 Total Value of Real Estate and Equipment \$ 20,597,280.

COUNTY RATE AND THE EFFECTIVE RATES FOR
 TEN PREVIOUS YEARS ARE AS FOLLOWS:

	<u>1974</u>	<u>Effective Tax Rate</u>	
General Fund	\$.05	40% Industrial & Commercial	1.256
Highway Fund	.50	25% Farm & Home	.785
School Fund	1.83	30% Per. Prop, Equip & Mach.	.942
Debt Service	.59		
Health & Welfare Fund	.17		
	<u>\$3.14</u>	per \$100 assessed valuation	
	<u>1973</u>	<u>Effective Tax Rate</u>	
General Fund	\$.05	40% Industrial & Commercial	1.002
Highway Fund	.15	30% Personal Property, Equip.	.759
School Fund	1.57	25% Farm & Home	.6225
Debt Service Fund	.59		
Health & Welfare	.17		
	<u>\$2.53</u>	per \$100 assessed valuation	
	<u>1972</u>	<u>Effective Tax Rate</u>	
General Fund	\$.18	40% of Market Value	.820
Highway Fund	.24		
School Fund	1.03		
Debt Service Fund	.45		
Health & Welfare	.15		
	<u>\$2.05</u>	per \$100 assessed valuation	
	<u>1971</u>	<u>Effective Tax Rate</u>	
General Fund	\$.21	35% of Market Value	.735
Highway Fund	.29		
School Fund	.90		
Debt Service	.53		
Health & Welfare	.17		
	<u>\$2.10</u>	Per \$100 assessed valuation	

Page 5

	<u>1970</u>	<u>Effective Tax Rate</u>	
General Fund	\$.200	30% of Market Value	.675
Highway Fund	.380		
School Fund	.880		
Debt Service	.627		
Health & Welfare	<u>.163</u>		
	<u>\$2.25 per \$100 assessed Valuation</u>		

	<u>1969</u>	<u>Effective Tax Rate</u>	
General Fund	\$.18	25% of Market Value	.60
Highway Fund	.41		
School Fund	.94		
Debt Service	.73		
Health & Welfare	<u>.14</u>		
	<u>\$2.40 per \$100 assessed valuation</u>		

	<u>1968</u>	<u>Effective Tax Rate</u>	
General Fund	\$.25	13% of Market Value	.555
Highway Fund	.50		
School Fund	1.84		
Debt Service	1.52		
Health & Welfare	<u>.24</u>		
	<u>\$4.35 per \$100 assessed valuation</u>		

	<u>1967</u>	<u>Effective Tax Rate</u>	
General Fund	\$.21	13% of Market Value	.52
Highway Fund	.36		
School Fund	1.84		
Debt Service	1.34		
Health and Welfare	<u>.25</u>		
	<u>\$4.00 per \$100 assessed valuation</u>		

	<u>1966</u>	<u>Effective Tax Rate</u>	
General Fund	\$.16	13% of Market Value	.4875
Health & Welfare	.25		
Highway Fund	.20		
Debt Service	1.30		
School Fund	<u>1.84</u>		
	<u>\$3.75 per \$100 assessed valuation</u>		

	<u>1965</u>	<u>Effective Tax Rate</u>	
General Fund	\$.15	13% of Market Value	.4875
Health & Welfare	.31		
Highway Fund	.15		
Debt Service	1.30		
School Fund	<u>1.84</u>		
	<u>\$3.75</u>		

For further information or questions regarding any of the above information please call 615-323-5120 or 615-323-5701 or 615-323-7882.

[Handwritten Signature]
 J. P. LeSueur,
 Property Assessor

APPENDIX D

CRITIQUE OF AEC-UNIVERSITY OF TENNESSEE STUDY

CRITIQUE OF CRITERIA

ADOPTED BY AEC

FOR SECTION 168

BURDENS VS. BENEFITS

EVALUATION

AND

COMMENTS ON

UNIVERSITY OF TENNESSEE

STUDY AND FINDINGS

BACKGROUND

In 1942 the Federal Government acquired some 56,200 acres of land in Anderson and Roane Counties in Tennessee for the Manhattan Engineer District (MED) project to

develop an atomic bomb. During the World War II period the Government erected on this site, and contracted for the operation of, major Research and Development and manufacturing facilities. Subsequently, in 1946 the Congress enacted a statute which created the Atomic Energy Commission (AEC) and provided for the transfer of all of the MED facilities to the AEC.

Since that transfer, AEC has expanded and added new facilities on this site. At the present time the major AEC facilities located in Anderson and Roane Counties include a large complex of plants to enrich uranium (commonly referred to as ORGDP); the Oak Ridge National Laboratory (ORNL); and the Y-12 plant. The ORGDP and ORNL facilities are located in Roane County, Tennessee, and the Y-12 plant is located in Anderson County, Tennessee. In addition, the AEC Oak Ridge operations office and some of the offices of the contractor retained by AEC to operate the AEC facilities referred to above (Union Carbide Corporation), are located in Anderson County, Tennessee.

The ORGDP facilities are used principally, if not solely, to provide uranium enriching services for domestic and foreign nuclear electric generating stations pursuant to and under contracts between AEC and reactor owners or between AEC and various nuclear fuel fabricators. In fiscal year 1973 the revenue derived by

AEC from such contracts was approximately \$250 million. The Oak Ridge National Laboratory is used to conduct various nuclear and non-nuclear R&D programs. In fiscal year 1973 AEC derived approximately \$1.7 million from sales of materials and services from ORNL. The Y-12 plant is used to support operations at the ORGDP and ORNL, as well as other AEC plants. The AEC facilities in Anderson County have a net book value (acquisition cost less depreciation) of approximately \$365,200,000. The net book value of the AEC facilities in Roane County is approximately \$447,932,000.^{1/}

The Atomic Energy Act of 1946 provided, in Section 9(b), that AEC was authorized to make payments in lieu of property taxes to the states and localities in which AEC "has acquired property previously subject to state and local taxation." Section 9(b) also provided that AEC would "be guided by the policy of not making payments in excess of the taxes which would have been payable for such property in the condition in which it was acquired, except in cases where special burdens have been cast on the state or local government by activities of the Commission, the Manhattan Engineer District, or their agents. In any such case, any benefit accruing to the state or local government by reason of such activities shall be considered in determining the amount of the payment" (underscoring supplied).

^{1/} ORGDP - \$312,758,000; ORNL - \$135,174,000.

This wording of Section 9(b) was reenacted, without change, as Section 168 by the Atomic Energy Act of 1954.

For a number of years, AEC has made payments in lieu of property taxes to Anderson and Roane Counties limited to the value of the AEC land in the condition in which it was acquired. In fiscal year 1973 the payments to Anderson County was \$63,000 and the payment to Roane County was \$69,000.^{2/}

While the Counties requested "special burdens" payments on a number of occasions, AEC adopted the position that it was up to the counties to substantiate any claims for additional payments under the burdens over benefits language of Section 168. Following a meeting with AEC representatives in 1970, Anderson County undertook an in-depth study to develop a case for "special burdens" payments. This study, completed in February, 1971, resulted in findings and conclusions that the AEC operations imposed burdens far in excess of benefits.

AEC/UT Study of Burdens vs. Benefits

The AEC authority under Section 168 to make payments in lieu of taxes in amounts in excess of the taxes payable on property in the condition acquired (i.e., for special burdens) has never been exercised.

^{2/} A study made by the Anderson County Court indicates that in four comparable Tennessee counties industrial property accounted for 31% of the total property taxes collected in 1970. The AEC in lieu of tax payment to Roane and Anderson Counties in 1973 was between 2 and 3% of the total property tax collected.

The legislative history of Section 168 (Section 9(b) of the Atomic Energy Act of 1946) provides no insight as to what constitutes a "special burden" authorizing additional payments; nor what would be considered a "benefit" accruing to the state or local government which should be considered in determining the amount of the additional payments. However, the Atomic Energy Community Act of 1954, when read with House Report 1402, reflects an almost conclusive showing that the AEC plants and operations "necessarily" result in burdens on local government entities.^{3/}

Following the submission of the Anderson County findings and conclusions, AEC, in 1971, established criteria which it believed complied with the intent of Section 168 and sponsored a study to measure "special burdens" and "benefits" to Anderson and Roane Counties by reason of AEC activities. The study was conducted for AEC by the University of Tennessee.

Working within the AEC criteria, the UT study concluded that except in one area it was not possible to identify or calculate any special burdens in excess of benefits. The one area identified as qualifying for a special burden is the education programs provided by the counties.^{4/}

^{3/} The Atomic Energy Community Act of House Report 1402 are discussed at p. 10, infra.

^{4/} Comments on the University of Tennessee study report are attached as Appendix A. of this critique.

The primary difficulty with the findings and conclusions in the University of Tennessee study stem from the limitations imposed on the conduct of its study by the parameters fixed by the AEC criteria. In effect, these criteria call for a comparison between the county with AEC and the county without AEC. This is factually impossible as the University of Tennessee study clearly demonstrates. Records and activities of the counties are not structured to provide the necessary data for such a comparison. The evaluation factors used in the study necessarily result in very subjective assessments of burdens and benefits.

The AEC criteria utilized in the UT study are stated as absolutes in terms of amounts of money flowing to or lost by the Counties because of AEC activities, and in terms of increased costs in county administration and county services (e.g., road maintenance, public safety) attributable to AEC activities. As structured by AEC, the criteria have a built-in advantage on the "benefit" side since AEC gets credit for various increases in taxes paid by or resulting from increases in population due to AEC-connected persons (e.g., property taxes, and shared revenues such as gasoline tax, sales tax, etc.). The AEC gets an additional advantage under the criteria since increased costs cannot be assessed as a burden unless such costs

can be identified as resulting from AEC activities or those of AEC-connected persons.

AEC Criteria are Illogical

The AEC criteria established for the University of Tennessee study would have produced the same conclusions regardless of the ownership and taxable nature of the industrial/commercial facilities and operations involved. In other words, to the same extent the University of Tennessee study concludes that AEC's presence has caused no special burdens on the counties, they also show that private ownership and operation of these facilities would not result in a burden. Ergo, private owners should not be required to make tax payments to the counties in excess of the AEC payments in lieu of taxes to Roane and Anderson Counties. Such a conclusion, of course, is absurd and demonstrates the illogical effects of the AEC criteria.

The primary defect in the AEC criteria is the failure to establish a balanced equation; i.e., one that compares benefits of AEC presence with benefits of a similar private owned presence, and burdens of AEC presence with burdens of a similar private owned presence. Instead of assessing to AEC benefits due to its presence, one should assess to AEC only those benefits that would not exist if the facilities and operations were privately owned. Thus, contrary to the

University of Tennessee report, public welfare services are a benefit by reason of the AEC presence only if private ownership would not produce the same statistical welfare profile. The not calculable or not quantifiable impacts (e.g., general county services) referred to in the University of Tennessee study, should be assessed the same for AEC and private ownership presence. Likewise, any measurable burdens should be compared as between AEC ownership and private ownership.

A second defect in the criteria is a failure to recognize the existing situation regarding the nature and scope of the AEC operations conducted in the two counties. As originally constituted the AEC facilities were designed and used almost exclusively to support national defense needs. Over the years, and particularly as a result of the Atomic Energy Act of 1954, the functions, purposes, and activities of the AEC's Oak Ridge facilities have changed drastically. Today, for example, the AEC gaseous diffusion plants are used entirely for commercial purposes, i.e., providing uranium enrichment services for all U. S. domestic and most free world nuclear power generating stations.

As the result of AEC Governmental immunity for taxation and the special exemptions of AEC contractors under the Tennessee Retailers Sales Tax Act from use

taxes on special nuclear material (TCA 67-3004), these commercial enriching services escape a significant amount of taxes. Under AEC contracts for enriching services, the customer provides the feed material, AEC processes it, and returns enriched material to the customer. Pursuant to the terms of the contracts, AEC takes title to the customer's material F. O. B. Oak Ridge and passes title to the enriched material F. O. B. Oak Ridge. Thus, while the material is being enriched, it belongs to AEC and is exempt from taxation. Moreover, since the revenues from such services are received by AEC they are not subject to the gross receipts taxes which apply to private industry. The beneficiaries of these wind-falls are domestic and foreign utilities that obtain enriched uranium through the AEC facilities at Oak Ridge. Roane and Anderson Counties and their citizens, in effect, are subsidizing the cost of the nuclear power industry throughout the U.S. and the free world.

A third defect is the failure to recognize the responsibility for location and continued Government operation of these facilities. The Government made the decision to locate these facilities in Roane and Anderson Counties, and has continued to require Government ownership and operation. The influx of people to and the industrialization and urbanization of the counties is the result of these actions. The effects

on the counties are the same whether the cause of industrialization is public owned or private owned. If the AEC plants did not exist, either the county would have a private owned industry or it would not have the large number of AEC-connected personnel to provide services for.

While there may be a justification for exempting public owned installations needed for national defense purposes from a fair share of the tax burden, there is no justification for perpetuating that exemption for the large, permanent, industrial-type installation at Oak Ridge, merely because they are Government owned. Comparison with Criteria in the Atomic Energy Community Act of 1955

In 1955 Congress enacted the Atomic Energy Community Act which provided for the disposal and transfer of AEC-owned residential, business, hospital, and municipal facilities at Oak Ridge, Tennessee; Los Alamos, New Mexico; and Richland, Washington.

The Congress expressly recognized the Atomic Energy Community Act of 1955 that AEC facilities imposed a special burden on these communities. The Act directed AEC to make financial assistance payments to these communities. Moreover, that Act expressly provided in Section 91(c) that such payments constituted "special burden" payments under Section 168 of the Atomic Energy Act of 1954.

In effect, the Congress recognized that the Government-owned R & D and manufacturing facilities located in or near these communities had resulted in an excess of burdens over benefits.

Having determined that AEC facilities "necessarily" impose a burden, the Congress set forth criteria by which the burden would be calculated. Section 91(a) provides that AEC shall consider:

- 1) The property taxes and assessments that would be paid if the AEC facilities were not exempt from taxation;
- 2) the level of municipal services required to recruit and retain personnel essential to AEC programs;
- 3) the fiscal problem peculiar to a Governmental entity by reason of the AEC facilities;
- 4) the municipal services required from and burden imposed on a Governmental entity by reason of AEC operations; and
- 5) the tax revenues and resources available to a Governmental entity, its efforts and diligence in collecting taxes, and efficiency of its operations.^{5/}

^{5/} This criterion was added in 1967; P.L. 90-190

While the Atomic Energy Community Act of 1955 only authorizes payments to the entities to which AEC municipal facilities were transferred, the rationale for such payments is equally applicable to Anderson and Roane Counties. House Report 1402 on the Atomic Energy Community Act of 1955, prepared by the Joint Committee on Atomic Energy (JCAE), states:

"Under normal industrial situations the plants would be paying taxes...which would normally carry a large part of the load. That the plants are owned by the Federal Government should not exempt the Federal Government from recognizing the burden which those plants necessarily impose on the local governments.... This principle has already been recognized in the Atomic Energy Act of 1954...in Section 168..."

"The Commission, so far as is known to this committee, has failed to recognized that it has thrown special burdens on any local government despite the wording in the present statute." (underscoring supplied).

The criteria adopted by AEC for the UT study ignored the findings of the JCAE that AEC facilities imposed a burden in governmental entities; as well as the guidelines established by the Congress for computing the amount of such burden. In particular, the

AEC criteria foreclosed consideration of the tax revenue loss by reason of Government ownership; the level of county services required by reason of the AEC presence; and the peculiar fiscal problems generated by large, industrial-type installations. Accordingly, the criteria adopted by AEC for the UT study are not consistent with the findings of the JCAE and ignore the clear implication in the Atomic Energy Community Act that the AEC plants result in burdens that justify payments in lieu of property taxes in amounts greater than the property taxes due on the ACE land in the condition in which it was acquired.

Realistic Burdens vs. Benefits Test

In order to make a true burdens vs. benefits analysis it is necessary to compare differences in the burdens and benefits of AEC facilities and operations with those produced by privately owned facilities and operations of the same size and investment. Where burdens and benefits are the same they should be excluded from the comparison. For example, AEC and comparable privately owned facilities would produce the same industrialization and urbanization results. To the extent these results increase requirements for general county and special services, therefore, they are neither a burden nor a benefit and should be excluded from the comparison.

The special burdens resulting from AEC ownership are those that would not exist if the same plants were in private ownership. Thus, the special burdens attributable to AEC ownership and operations are the losses of tax revenues (and potential revenues) resulting from the Government's immunity from state and local taxation. These losses are attributable to:

- 1) The confiscation of land by the Government that has deprived the counties of land which could have been utilized for privately owned, tax paying industry. In the case of Roane County the Government's actions have usurped vast acreage suitable for large industrial use.
- 2) Establishment of a large, tax-exempt industrial complex that, for practical reasons, negates the development of comparable privately owned industrial facilities. The established patterns of wage rates and the existing collective bargaining agreements at the existing AEC facilities, together with the consumption of available manpower and other resources (such as housing, school, roads) required for the AEC facilities, make it virtually impossible to attract

privately owned industrial facilities for these counties with plant and equipment values comparable to the AEC facilities.

The only offsets (or benefits) by reason of AEC ownership, which would not exist if the Oak Ridge plants were privately owned, are 1) The school aid funds related to AEC-connected children, and 2) the present AEC payments in lieu of tax measured by land acquired by AEC.

Conclusion

The "special burdens" and "benefits" language in Section 168 does not require use of the criteria adopted by AEC for the University of Tennessee study. Those criteria, moreover, are contrary to the findings of the JCAE and do not permit a true evaluation of the burdens and benefits resulting from the AEC facilities in Roane and Anderson Counties.

A valid comparison involves use of a balanced equation which assesses the burdens and benefits of the AEC tax-exempt facilities and operations of a comparable investment, payroll, etc. The net "special burden" to the counties is the amount of tax revenues which would be realized if the AEC facilities were privately owned, less the school funds and AEC payments in lieu of taxes now made to the counties.

Appendix A

Comments on the UT Study Report Assessing Burdens
vs. Benefits Under Section 168

The UT study concluded that the AEC facilities are largely self-sufficient and receive little services from the two counties; that while the county functions and services have increased in some areas, it was not possible for the UT study team to calculate the extent to which such increases were attributable to AEC's presence; that most fee-based county offices and the county road programs were self-sufficient; that there was a net benefit to the counties in the area of public health services because the City of Oak Ridge had its own health department; and that because the counties are "industrialized" public welfare services were higher in quality and involved fewer recipients -- which is a benefit that equals or exceeds burdens.

On the special burden side the study concluded that the AEC presence had been responsible for higher quality educational services.

The UT study report acknowledged that its findings and conclusions are affected by the definitions and criteria provided by AEC. While it is not the purpose of this paper to present a detailed analysis of the findings and conclusions, some general observations appear to be in order.

The UT study essentially neutralized the impact of AEC facilities and operations on tax rates. While acknowledging that "[M]ore private taxpaying industry in the two counties in lieu of public installations would provide more taxable non-residential property and possibly a smaller tax burden on individual homeowners and renters," the study eliminated such industry-based revenues in evaluating and comparing the effective tax burdens of Roane and Anderson Counties with other counties. The relative value of taxable industry was brushed aside with the caveats that industries with high-valued capital equipment and property "are rare and their location is random and unequal;" and that counties which lack significant taxable industrial property are "just as burdened as Anderson and Roane Counties." Adopting this approach distorts the situation actually existing in Anderson and Roane Counties and results in a hypothetical analysis which benefits AEC.

The UT finding that AEC's presence has increased school expenditures is largely a subjective conclusion based on the membership of AEC-related personnel on the school boards and county courts of Roane and Anderson Counties. The study also supports this burden finding by reference to the higher incomes in Oak Ridge as compared to the rest of the county, and reaches the conclusion that without this income

effect the Anderson County expenditure per ADA would have been substantially reduced. One can speculate why the University of Tennessee study did not adopt a similar approach in examining other areas of county expenditures.

In a number of areas the study report takes a neutral position on burdens vs. benefits because, it concludes, the study team could not quantify or calculate the increased costs related to the AEC presence (e.g., budgeting and accounting; law enforcement). However, it would be just as logical to conclude that these increased costs were the result of the influence of AEC-related personnel memberships on the county court.

The study report also did not cover some areas of costs which could be quantified and using the approach followed in assessing increased school expenditures related to AEC's presence could be identified as a burden (e.g., debt services). While noting that the Anderson County juvenile court is relatively new, the report provides no assessment of the cost of that function and whether a separate staff would have been required to perform this service absent the AEC presence. In addition, both counties now provide ambulance services available to all residents and provide for the collection and

disposal of solid wastes. The UT report does not relate the existence or cost of either of these services to a) the influence of AEC-related persons on the county courts or b) increased needs for services due to the presence of AEC-related personnel in the counties. Nor does it evaluate whether these services would be required without the additional population.

APPENDIX E

HOUSE REPORT NO. 1402, 84TH CONGRESS, 1ST SESSION, "ATOMIC ENERGY
COMMUNITY ACT OF 1955

84TH CONGRESS } <i>1st Session</i>	HOUSE OF REPRESENTATIVES	} REPORT No. 1402
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ATOMIC ENERGY COMMUNITY ACT OF 1955

JULY 25, 1955.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. DEMPSEY, from the Joint Committee on Atomic Energy,
submitted the following

R E P O R T

[To accompany H. R. 7576]

The Joint Committee on Atomic Energy, having considered H. R. 7576, an original committee bill, to facilitate the establishment of local self-government at the communities of Oak Ridge, Tenn., and Richland, Wash., and to provide for the disposal of federally owned property of such communities, do unanimously report favorably thereon and recommend the bill do pass.

BACKGROUND

When the atomic energy projects were started by the Manhattan Engineering District at Oak Ridge, Tenn., and Richland, Wash., many factors entered into the selection of the sites. One factor in particular was the distance from existing communities due to the need for very stringent security measures. Consequently it was decided that towns would have to be built to house the employees at these atomic energy installations, as well as the plants. It was the desire of both the Manhattan Engineering District and, later, the Atomic Energy Commission, to make the town attractive to the large number of scientists and other skilled employees whose abilities were of such vital importance to this defense effort. The towns have remained Federal operations until the present. In the meantime, the policy of the Federal Government has completely changed. As new plants of the Atomic Energy Commission were built at Aiken, S. C., Portsmouth, Ohio, and Paducah, Ky., the Commission did not build, own, and operate the community for the employees at these installations.

For a long time it has been the desire of the Joint Committee that the communities be sold and that the Commission be removed from community operations. A good summary of this history is contained in the letter of June 3, 1955, written by Lewis L. Strauss, the Chairman

ATOMIC ENERGY COMMUNITY ACT OF 1955

of the Atomic Energy Commission to John J. Dempsey, the chairman of the subcommittee of the Joint Committee which has concerned itself with the problems involved in this bill.

That letter is as follows:

JUNE 3, 1955.

Hon. JOHN J. DEMPSEY,

*Chairman, Subcommittee on Disposal of Government Owned Communities,
Joint Committee on Atomic Energy,
Congress of the United States.*

DEAR MR. DEMPSEY: We are advised that a subcommittee, under your chairmanship, has been established to consider S. 1824 and H. R. 5845, bills concerned with disposal of the government-owned communities of Richland, Wash., and Oak Ridge, Tenn., and that you have scheduled hearings at Oak Ridge, June 10, and plan to conduct hearings at Richland in the near future.

It is the sincere desire of the Commission that these hearings will result in enactment of legislation which will lead to homeownership and self-government and will bring to an end the unusual and undesirable arrangement of the Federal Government, through the Atomic Energy Commission, owning and controlling the communities of Richland, Wash., and Oak Ridge, Tenn.

The undesirability of Federal ownership and management of these communities is apparent to everyone. From the point of view of the residents, we think there is general agreement that citizens of the United States should not be denied the right to participate in local self-government and should have the opportunity to own their own homes. From the point of view of the Commission, the task of community management has proven and continues to prove a burdensome distraction from the primary objectives with which the Commission has been charged by Congress. Our experience with new installations constructed since the date the Commission took over the atomic energy program in January 1947, demonstrates that it is not necessary to the Commission's program that it own or control the houses and community facilities serving workers at those installations.

The fundamental undesirability of having the Commission continue to own and operate these communities has been emphasized recently in the President's budget messages of January 21, 1954, and January 17, 1955, in which he recommended "that the Congress approve legislation to allow the residents of Oak Ridge, Tenn., and Richland, Wash., to purchase their homes and establish self-government, thus taking the Federal Government out of the business of owning and governing these communities." The Joint Committee has repeatedly pointed out that Federal ownership and operation of communities such as Oak Ridge and Richland is unsound national policy. For example, at the Richland hearings last year the then chairman of the Joint Committee on Atomic Energy, Congressman W. Sterling Cole, expressed the determination of the committee that appropriate legislation would be enacted in the near future to achieve effective disposal of these two communities.

The bill which the Atomic Energy Commission introduced last year took a long time in developing. The steps leading up to the previous bill were discussed in a letter of April 12, 1954, from Mr. Strauss to Congressman Cole:

* * * * *

"The Atomic Energy Commission inherited the federally owned communities of Oak Ridge and Richland (as well as Los Alamos, N. Mex.) from the Manhattan Engineer District in 1947. The Commission's consistent attitude toward these communities is reflected in instructions issued by its General Manager on December 15, 1947, stating:

"It is the desire and intention of the Commission that, consistent with security and other requirements, residents at field installations shall enjoy those facilities, services, and activities which are properly a part of American community life."

"In 1948 it retained the late Mr. Lyman Moore as a consultant to report on the feasibility of instituting self-government and homeownership in the AEC communities. Mr. Moore reported favorably on the feasibility of such action, but recommended several steps to be taken prior to launching a disposal program. A major recommendation—separation of community costs from those related to other parts of the AEC program—was initiated at once. Since then the community accounting system has undergone repeated refinements, so that a close analysis of costs attributable to the various community functions is possible. Further investigations and reports concerning feasibility of incorporation and disposal were made by the J. L. Jacobs Co. at Oak Ridge in January 1949 and by the Public

Administration Service at Richland in 1950. (Both of these firms are public administration consulting firms in Chicago, Ill.)

"In its report entitled 'Investigation Into the United States Atomic Energy Commission,' dated October 13, 1949 (S. Rept. No. 1169, 81st Cong., 1st sess., p. 86), the Joint Committee on Atomic Energy stated:

"A detailed plan for disengaging these towns should be drawn up and a definite timetable established for executing it."

"In the fall of 1950 the Commission appointed an advisory panel on community operations, consisting of Mr. R. G. Scurry, attorney, Dallas, Tex., chairman; Mr. Frederick M. Babcock, housing consultant, Washington, D. C.; Mr. George E. Bean, city manager, Grand Rapids, Mich.; and Mr. George Gove, vice president, Metropolitan Life Insurance Co. After extensive review of the various previous studies and other documentary materials, and discussions with the residents of the communities involved as well as with the staff of the Commission and its contractors, the panel, on August 3, 1951, submitted a report with respect to Oak Ridge and Richland, which was released for publication by the Commission on August 9, 1951.

"The panel report pointed out that:

"The communities and the housing and other facilities which they embrace bear an important relation to the AEC program. Their effect on the recruitment and maintenance of personnel both in terms of numbers of workers and in the grade and morale of workers is sufficient to make the presence, attractiveness, and efficiency of the towns a continuing concern of the Commission."

"It added:

"Whatever policies are adopted and whatever actions are taken with respect to community affairs and housing in the two areas they must serve the principal AEC mission."

"It summarized the Atomic Energy Commission's necessities as including the attractiveness of the communities to AEC workers, the level of living costs at these communities, the adequacy of housing supply, and the level of essential municipal and utility services and particularly of schools and hospitals. As it said, 'The interests of the AEC require not only the presence of communities, but the presence of good communities.' It concluded that a program which 'achieves the desirable goals of self-government and private ownership without failing to meet all of the AEC necessities listed above' was feasible, and it set forth in detail a program which it regarded as meeting that objective.

* * * * *

"After receiving the panel report on Oak Ridge and Richland, the Commission arranged for surveys by the Bureau of the Census of opinions of residents of Oak Ridge and Richland, which disclosed that a slight majority at each city favored municipal incorporation and that a slight majority at each city would purchase houses on the terms proposed in the panel report. Meanwhile, the residents of both communities have discussed extensively the problems of establishing local self-government. The legislature of the State of Washington has enacted legislation which would permit the city of Richland to incorporate. Resolutions from the Oak Ridge Town Council and the Richland Chamber of Commerce recommending incorporation and disposal of Commission-owned residential, commercial, and municipal property have been received. While the residents of Oak Ridge voted preponderantly at a referendum on March 31, 1953, not to incorporate on January 1, 1954, that vote, taken at a time when the nature of legislation to be proposed by the Commission had not been made public, would not appear to be an expression opposed to incorporation at some subsequent time assuming legislation satisfactory to both the Atomic Energy Commission and the residents of Oak Ridge should be enacted."

Subsequent to the introduction of the bill last year, hearings were held at Richland on June 18 and 19, 1954. Numerous helpful comments and suggestions by various interested groups at both Richland and Oak Ridge have been received, during the hearings and afterward. In the light of these comments and suggestions, and of further study, the Atomic Energy Commission has proposed a revised bill.

The bill last year and the revised bill this year reflect differences between Richland and Oak Ridge, as is to be expected from any effort to establish equitable treatment for each, in view of the basic differences between the two communities. These differences arise principally by reason of geographic location, governmental organization, and fiscal requirements of the respective States and the adequacy of physical facilities in the two communities.

It is my understanding that on March 8, 1955, the residents of Richland voted against incorporation and homeownership. This vote was held prior to the time this new bill was introduced. It is hoped that the residents of both Richland and Oak Ridge will find the provisions of the present bill satisfactory.

In conclusion, we would like to emphasize that it is the firm intention of the Atomic Energy Commission to divest itself of ownership and control of the communities of Richland, Wash., and Oak Ridge, Tenn. The Commission believes that S. 1824 and H. R. 5845 represent a workable plan to accomplish this end. We stand ready to assist in every way possible in promoting the enactment of legislation at this session of Congress.

Sincerely yours,

LEWIS L. STRAUSS, *Chairman.*

The history of the legislation dealing with the disposal of the communities most immediately starts with the bills which were forwarded by the Atomic Energy Commission and introduced in both the House and the Senate in April of 1954. At the same time that the Joint Committee had these community disposal bills before it, it also has the proposals to amend the Atomic Energy Act. It was the thought of the Joint Committee that the economic future of both of these cities was directly tied to the future of the entire atomic-energy industry. Therefore it thought that consideration of the community disposal bills should logically take place after the economic future of the cities had been assured by the amendment of the basic Atomic Energy Act to establish an independent atomic-energy industry. The feeling of the Joint Committee with respect to the future of these towns is supported by the Atomic Energy Commission which has sent the following letter to Senator Jackson:

JULY 22, 1955.

HON. HENRY M. JACKSON,
*Congress of the United States,
Washington, D. C.*

DEAR SENATOR JACKSON: Reference is made to your request transmitted by Mr. Norris for the Commission's views regarding the future of Hanford and Oak Ridge.

For the foreseeable future, the operation of the Hanford and Oak Ridge facilities of the AEC will represent a substantial and vital part of the overall atomic-energy program. The major effort at both Hanford and Oak Ridge is the production of special nuclear materials. Requirements for these materials have in the past not only imposed maximum levels of operation of production facilities but also necessitated construction of new capacity to meet growing needs. The most recent of these construction programs is now nearing completion. The continuing requirements for national defense and the rapidly mounting requirements for peacetime uses of atomic energy indicate a continuing need for the full capability of these major AEC installations for the predictable future, in accordance with the policy declaration (sec. 1a) of the Atomic Energy Act of 1954.

In view of the vital role of both the Hanford and Oak Ridge facilities in the overall atomic-energy program, the proposal of the Commission to dispose of the residential and commercial properties and of its responsibility for providing public services at these locations cannot be regarded, by any stretch of the imagination, as indicative of an impending close out of operations in that area. Rather, it reflects the earnest desire of the Commission to provide for the residents of these communities the advantages of self-government and homeownership obtainable in any normal community.

Sincerely yours,

LEWIS STRAUSS, *Chairman.*

On June 18 and 19, 1954, a subcommittee of the Joint Committee was able to hold a hearing at Richland. At that time numerous witnesses were heard on the Commission's proposed bill.

On April 26, 1955, the Atomic Energy Commission again submitted a proposal for legislation for the disposition of the communities which was introduced in both the Senate (S. 1824) and the House (H. R.

5845). This bill was based on the Commission bill of 1954 and took into consideration many of the points which had been made by the residents of Richland at the hearings.

On June 10, 1955, the Ad Hoc Subcommittee on the Disposal of Government-owned Communities held a hearing at Oak Ridge. Immediately thereafter the community-disposal legislation was redrafted.

On July 5, 1955, the subcommittee held a hearing at Richland. Following this hearing the community-disposal legislation was further redrafted.

Comments have been received on the proposed legislation from the Atomic Energy Commission and from the Housing and Home Finance Agency. The comments of these two agencies are appended to this report as appendix I and appendix II, respectively.

The Joint Committee has carefully weighed all of the positions taken by all of the persons who are affected by this legislation and has tried to draft a bill which will be as fair as possible to all concerned. Special attention has been given to the suggestions voiced by the residents of communities affected by this bill since to a very real degree they are being forced to buy housing. Those persons living in the towns rely on the atomic energy industries for their employment either directly or indirectly. There is no other industry in either town. The towns are situated so far from other industries that the ability of the residents to obtain positions in other communities outside of Richland and Oak Ridge is minimal.

At the present time Richland has a population of about 28,000, while Oak Ridge has a population of about 32,500. It is anticipated that there will be about 6,000 units of property to sell at Richland, with an estimated book value of \$45,500,000. It is anticipated that there will be about 8,000 units of property to sell at Oak Ridge, with an estimated book value of \$44 million. The estimated proceeds from sales of the residential property at Richland will be in the neighborhood of \$42 million, while the estimated proceeds in the sales of residential property at Oak Ridge will be in the neighborhood of \$40 million. The net book value of the properties to be donated to the local government at Oak Ridge will be approximately \$35,300,000, while the net book value of the properties to be donated at Richland will be approximately \$38 million. While the cities will start off with a complete plant, it is to be remembered that this plant was part of the investment made by the Federal Government in the production of fissionable materials for the weapon which hastened the end of World War II. To require the communities to pay for these municipal installations would saddle the new city governments with an almost insurmountable debt, the cost of which would only increase the costs of the assistance payments to be made to the cities. A full financial analysis of the original proposals of the Commission are included in the Joint Committee print of April 1955, which accompanied H. R. 5845 and S. 1824 when they were introduced.

EXPLANATION

In order to carry out the purposes of this act and to dispose of the communities at Richland and Oak Ridge, the Commission is first required to map the towns and to establish the lots. Lest there be any thought that it is committed to the present lot lines, it is given

express authority to change them. It is then directed to obtain appraisals on the properties from the Federal Housing Commissioner. This appraisal is to set forth the fair market value of the Government's interest in the property. Lists of the appraisals are to be posted before the properties are offered for sale.

The selling price of the property is set at the appraised value of the property. In the case of Government-owned single or duplex houses, the sales price is the appraised value less 15 percent. A deduction is allowed an occupant who buys the house in which he is living equal to the amount by which the Government's interest in the property is increased because of improvements he has made. A junior tenant in a duplex is also given a credit on the purchase of any residential property he buys for the increase in value of the Government's interest in the duplex due to improvements he has made. There is an additional deduction of 10 percent for those who do not desire to take advantage of the indemnity provisions set out later on.

The Commission is given authority to classify all of the property at each community and to establish rules for the treatment of the property such that reasonably similar property is subject to reasonably similar rules. The Commission is also required to establish by rule or regulation a detailed system of priorities which give a first priority to the occupants and also give the occupants at least 90 days in which to exercise the first priority. The Commission is given the power to establish the priorities instead of having them set forth in the statute, because the problems are so complex as to require that flexibility be left in the Commission.

The priorities are not transferrable except that a religious organization may exercise the authority of its priest, minister, or rabbi and two priority holders having a common interest in the building may assign their interest to a single assignee.

After the appraisals have been made and before the Commission starts to sell the community, it must find that there is reasonable possibility of success for the disposal program at the community. This will permit the Commission to put either or both of the communities up for sale as soon as it is sure that the communities are ready for the program. The Commission is directed to sell all of the real property which is under lease for either residential or commercial purposes and may dispose of any other property within or without the boundaries of the community. The offer to sell is made by written notice to those eligible to receive the notice under the priority system. Any property which is not sold under the priority system is then put up for auction, but it cannot be sold at less than the appraised value or, in the case of Government-owned single or duplex houses, below 85 percent of the appraised value. In selling the houses, the Commission may give warranty deeds. Those tenants who decide within the period for the exercise of the first priority that they do not desire to buy the house they are living in, but who do wish to remain in it for a while, may sign a lease which is to run for 1 year from the date of the offer to sell the house. The Commission is also directed to sell the single residential lots which were leased after competitive bidding and upon which no Government-owned building is situated. The Commission is also authorized to offer other residential lots for sale. It is hoped that by this offering some of the tenants will desire to buy a lot and build instead of buying the existing Government-built housing.

Since all sales are for cash, the Commission is authorized to enter into a contract-purchase arrangement with a priority purchaser for a single-family or duplex house, which will permit the purchaser to raise the downpayment and to complete his purchase in not more than 3 years after the contract is signed. If the Commission does not find that private financing is available on reasonable terms, it is authorized to provide financing for the sale of residential property on terms equal to those being charged under section 223 (a) of the National Housing Act on the effective date of the sale.

Since both communities are fairly well removed from any other source of general employment and are, therefore, dependent on the employment levels at the installations, the purchaser of the property is given a Government indemnity in the event that employment levels fall too low. This indemnity extends for 15 years after the date of the enactment of this act. The indemnity obligation is contingent on the employment and population levels at the community falling below 90 percent of the present levels. The amount of the indemnity is the difference between present debt owed under a hypothetical 20-year mortgage at the average interest rate for that class of property in the community less the amount of the proposed sales price of the property. This method of calculating the amount due is equally applicable to those who have paid cash for the houses and those who have financed the purchase of their houses by a mortgage.

The Commission is authorized to transfer the utilities at the community to any qualified legal entity. In selecting the transferee, the Commission may consider not only the proposed sales price, but also the ability of the transferee to own and operate the utility and the general pattern of ownership of that utility in that State. The Commission may give the utility to the city, but otherwise must sell it either on a competitive bid or on a negotiated sale.

The Commission is also authorized to assist in the formation of the new city government and to make payments which will help the residents in that formation. Then the Commission is authorized to transfer to that city or any other entity legally authorized to receive the municipal installations. The Commission is essentially bound by a selection of the people in deciding which entity shall receive which installation.

The Commission is required to assist the governmental units at the community by payments which reflect the burdens thrown on that community both by the federally owned property in the community and by the Federal operations in the project area of the community. The assistance to be given shall normally be based on the difference between the costs of operating the governmental unit to which the assistance is being given and the revenues it receives. It is required to operate at a level such that it furnishes services equal to the services rendered by the first quartile of cities the same population size. This is the level of services that has already been established at the community by the Commission, especially in the schools. The tax rates which the community may charge in rendering the municipal services must not be below the average for the communities. The governmental entity receiving the assistance is required to maintain the statutory level of service for the area for which it operates.

In order to be sure that the Commission ends its participation in community operations, the President is authorized to redelegate the

functions placed on the Commission by the act. The Joint Committee retains its full statutory powers under this act and, in addition, is required to conduct a full review of the disposal activities every 3 years.

SECTION BY SECTION ANALYSIS

Section 11. Policy.—It is the policy of the United States that government ownership of the communities should be terminated as speedily as possible.

Section 12. Findings.—This section sets forth the findings by Congress which brings the provisions of the disposal legislation under the Constitution. The constitutional powers being exercised are the powers to provide for the common defense and security, to dispose of and make all needful rules and regulations respecting the territory or other property belonging to the United States, and to levy taxes and pay the debts to provide for the common defense and general welfare.

Section 13. Purposes.—The disposal program shall not impair the morale of the community. The United States will make contributions to the municipal governments for fiscal problems imposed on the communities by reason of their construction as defense installations, and because of the burdens imposed on the local governmental agencies by the United States. The bill also provides an opportunity for the residents of the communities to assume the obligations and privileges of local self-government, and encourages construction of new homes in the communities.

Section 21. Definitions.—Included in the terms defined is the word "community" which specifies the area at Oak Ridge, Tenn., or Richland, Wash., designated on certain maps filed in the principal office of the Commission. The term "municipal installation" is defined to include all of the usual local plans, such as streets, schools, and sewers, but it does not include utilities. The term "utility" means any electrical distribution system, public transportation system, or public communications system.

Section 31 authorizes the Commission to plat the land in each community in order to establish the boundary lines for the lots to be sold.

Section 32. Appraisals.—The Commission is instructed to secure appraisals to all property in the community which is to be sold. These appraisals are to be made by the Federal Housing Commissioner, or his designee. The Commission is directed to reimburse the Federal Housing Commissioner for the cost of the appraisals. The appraisals so made are to stand as the basis for the insurance of mortgages under the National Housing Act until the Federal Housing Commissioner finds that the appraisal values no longer represent the fair market value generally in the community. As originally presented to the committee, this section also provided for a Board of Review. Upon receiving the assurance of the Federal Housing Commissioner, as contained in his letter of July 22, (appendix II) that the standard practice of the Federal Housing Commissioner is to have a separate examination of an appraisal made whenever there is a complaint, this provision was deleted from the bill. The work of an appraiser is of professional status. To provide a review of such work would constitute a precedent which the Federal Housing Commissioner finds to be unwise. Since the whole purpose of the provision is to assure the people in the communities that they would

have an opportunity to obtain a reexamination of any appraisal, this purpose is accomplished with the assurance contained in the letter. Eliminating the provisions in the bill also eliminates the necessity for making payment of the costs of the reappraisal in advance, and also eliminates the restriction on the right to obtain a reappraisal.

Section 33. Basis of appraisal.—This section sets forth that the appraised value shall be the current fair market value of the Government's interest in the property. Many persons in both Oak Ridge and Richland were suggesting that the method of arriving at the current fair market value be specifically spelled out in the statute. In view of the fact that an appraiser's evaluation of property considers all of the factors which can affect the economic status of the property in the future, it was not thought right that any of the problems raised by the residents should be specifically written into the statute. Instead, it was thought preferable that the statutory basis for the appraisal be the fair market value and that the appraisers be reminded, in determining the fair market value, to take into consideration a number of factors, among which are:

- (1) The wartime construction of the houses;
- (2) The wartime construction of the utilities serving the housing;
- (3) The "monotony" effect of having many houses identical to each other in the same neighborhood; and
- (4) The one interesting nature of the community.

There was some suggestion that the appraisers be directed to appraise each building as though it were in a normal community. It was felt that this suggestion was wrong in that each peice of property can be appraised only in the light of its own conditions.

Section 34. Posting.—The Commission is required to post lists showing the appraised value of each property before offering such property for sale.

Section 35. Sales prices.—This provides that sales would be made to those persons who purchased residential property under a priority established pursuant to section 42, shall pay the appraised value of the property less a reduction of 15 percent, together with any other deductions which may be permitted. Sales of other property to priority purchasers are to be made at the appraised value less any other deductions permitted.

Section 36. Improvements.—In the sale of residential property an additional deduction is allowed for the amount by which the fair market value of the Government's interest in the property is increased as a result of improvements to the premises made by or at the expense of the purchaser. The only other improvement deduction which is permitted is for a junior tenant in a duplex house. He is permitted a credit on the purchase of any residential property of an amount equal to the increase in value in the Government's interest in the duplex in which he is living by reason of improvements he has made.

A 10 percent deduction from the appraised value is permitted to persons who desire to purchase the property without taking advantage of indemnity provisions.

Section 41. Classification of property.—The Commission is required to classify all real property at the community in order to insure reasonably similar treatment for reasonably similar property. The Commission may classify any other property at or in the vicinity of the community. This is to permit the Commission to start the steps

which might be needed to bring other property within the bounds of the community at any time, and to permit other industries to be brought to the communities.

Section 42—Priorities.—The Commission is required to establish a system of reasonable and fair priority rights by rule and regulation. The statute requires the priorities to be uniform in each class of property and to give such preference to those persons living in the community or who are connected with the atomic energy project community as the Commission finds necessary or desirable. The Commission must consider the desirability of retaining personnel in the community who are essential to the atomic energy program. It must minimize the dislocation of persons within the community. The Commission must seek expeditiously to accomplish the disposal program and must also consider the desirability of encouraging private firms to locate or remain in the community. It gives the occupant of a Government-owned single-family and the senior occupant of a duplex house at least 90 days in which to exercise the first right of priority. It is believed that generally the occupants would be able to make the financing arrangements within the 90 days. In the event, however, that the Commission found it necessary, it was given full authority to enlarge that period for such time as would be fair for the priority holders. In all other cases the Commission has the sole responsibility for setting the time within which the priority will be exercised after the property is once offered for sale.

Since the problem of retired personnel and former residents of the area has given rise to a small number of inequities the Commission is permitted to consider their needs also. Many families who had lived in the areas before they were condemned want to move back and have a right to buy a home there. Others want to obtain some of the property they owned before which has not been used by the Commission and does not seem likely to be needed for the purpose of the city in the community.

The priority must not impair any existing contract rights.

Section 43. Transferability.—This section prevents the transferring of priorities but it does permit a husband and wife to exercise a priority in their joint names. It also permits a religious organization to exercise a priority instead of the person who would be its rabbi, priest, or minister. If, as is especially the case in commercial property, several of the occupants of 1 building may want to assign their rights to 1 company which will then be the landlord for all, the priority holders who have an interest in 1 building may exercise their priorities to 1 assignee. This provision will also be of help in the four-family homes when they seek to form a cooperative to own those buildings. In addition the Commission is given permission to authorize such other transfers as it finds to be fair and equitable.

Section 51. Application.—The provisions of the chapter on sales of property for private use are to be put in effect at each community only when the Commission finds that there is a reasonable possibility that the Government-owned real property at the community can be disposed of in accordance with the provisions of this chapter. It appears that the Commission will require about 6 months to obtain the appraisals of the property and may require some time thereafter to be sure that it has the paperwork ready for the sales. This would mean it would probably be about three-fourths of a year before the actual

sales program at each community can be started. In addition, this time lapse will permit the Commission to see that as much as possible of the necessary financing is available from private sources. It will also permit the Commission to be sure that the proper machinery is established for taking care of the paperwork necessary for the large volume of sales.

One further advantage of this schedule is that it will permit the Congress to have a further look at the direction in which the disposal program is headed before the actual sales begin.

Section 52. Disposal of property.—The Commission is directed to offer for sale all the real property under lease from the Commission within the communities, if in the opinion of the Commission the property is appropriate for the use for which it is leased. The Commission may dispose of all other property within the community and may dispose of any other property outside of the community. However the Commission is given authority to remove those buildings which because of their type of construction, condition, or location, it believes are unsatisfactory. The Commission is authorized to sell the property without reference to any priority or preference contained in any other law.

Section 53. Sales.—The Commission is required to offer Government-owned property for sale to the priority holders by giving notice to those holders in such manner as the Commission prescribes. It shall identify the property and set the date on which the offer expires. Property which is not sold under the priority system is to be sold to the highest bidder. But the up-set price of all properties is the appraised value except for single-family and duplex houses in which the up-set price is 85 percent of the appraised value.

Church property may be disposed of by advertising and competitive bid or the negotiated sale if it is not sold under a priority right.

Section 53. Cash sales.—All sales are for cash except as especially provided for contract sales and Commission financing in the event that adequate private financing is not available.

Section 55. Form and provisions of instruments.—The deeds for the property are to be as simple as possible and shall contain such warranties and covenants of title as the Commission may deem appropriate. It is not expected that the Commission will provide any kind of a deed other than a warranty-type deed to the first priority holder except that the Commission may find it necessary to exclude from the warranty such items as easements for sewer and water pipes where the locations are not accurately known. The Commission may retain rights to dormitories or apartment houses which are sold to be able to designate the occupants of some of the properties. It would be expected that this would be one factor which would enter into the sale of the property and a negotiation of sale. Provision is made for the payment of municipal services rendered by the Commission until the date that the community takes over the operation of municipal functions. In order to be sure that zoning, building code and health regulations are complied with, the Commission is given authority to require compliance with those regulations in its deeds for a period up to within 1 year after the incorporation of the city.

Section 56. Occupancy by existing tenants.—In order to be sure that those living in the homes at the present time are given an opportunity

to find other housing if they do not want to buy the house in which they are presently living the Commission is directed to permit him to lease the property for 1 year from the date of the first offer. Since the occupant may find that he is unable for any reason to obtain the necessary financing this right to stay in the present home as a tenant is given to him to be exercised during a period in which he is given the right to buy the house under the first priority.

Section 57. Lots.—The Commission is authorized immediately to sell the single residence lots which have been leased upon competitive bid and which do not have a Government-owned building on them. The price for this sale is set in the valuation of the lot already agreed upon in the lease. The Commission is also authorized to offer other residential properties for sale, taking into consideration the zoning restrictions the new city will likely enact with respect to those lots. At both Richland and Oak Ridge there is an active planning and advisory board which while having no legal responsibilities still has prepared a master plan for the city. While the Commission of course has no assurance that that plan will be adopted by the city, still it can use that plan as a guide in disposing of any further single-residence lots.

Section 61. Contract purchase.—In order to permit those persons who are unable to raise the downpayment which might be needed for any mortgage—if the purchaser cannot raise the full purchase price in cash, the Commission is authorized to enter into a contract of sale with the purchaser. This would give the purchaser up to 3 years in which to accumulate the necessary financing for the downpayment.

Section 63. Commission financing.—If the Commission finds that there is not private financing on reasonable terms then it may accept mortgages in payment for the purchase of the property which are based upon the terms of the National Housing Act mortgages for properties of similar character.

Section 64. Commission indemnity.—For those purchasers of a single-family or duplex house who desire to take advantage of indemnity, the Commission will indemnify any purchaser for 15 years after the date of the act. The statutory indemnity is deemed to be incorporated by reference in all of the deeds to which it is applicable.

Section 65. Community employment and population.—The indemnity obligation arises if, for the 6 months previous the number of operating, maintenance, and administrative employees in the project area is less than 90 percent of the present figure and if the population in each community is less than 90 percent of the present population. The figure for the total number of operating, maintenance, and administrative employees in the project area is intended to cover all of the industrial-type operations either of the Commission or of any contractor or of any licensee or of any other industrial activity which is in the project area. Such industrial activity should be started on land outside of the community but made available for industry by the Commission under the terms of section 41 b. This is not meant to include the shopping and service area employees, since it is the industrial activity which will primarily govern the economic health of the areas. While the Commission has asked that this figure be set at 75 percent instead of the 90 percent there have been requests from some of the residents that it be set as high as 100 percent. After considering all of the problems involved 90 percent

was selected as the fairest percentage in the light of all of the problems involved.

Section 65. Amount of indemnity.—The amount of the indemnity is set at the amount which would have been unpaid under a mortgage entered into on the date of the execution of the original deed which was in the amount of the purchase price in the Commission for a 20-year period and for interest which is the average interest reported for the property. The indemnity was calculated this way in order to give equal protection to those persons who actually have mortgages and those persons who were able to pay cash for their homes or who have prepaid some of the mortgage. The original Commission proposal protected only those persons who had a mortgage and no one else.

Section 66. Conditions of indemnity.—The Commission's obligation to indemnify is also contingent upon its being notified at a time when the employment levels are less than those set forth in section 64; that the owner of the house is going to sell at a figure less than that arrived at by section 65. The Commission is given the authority to prescribe the manner of the sale and also authority to buy if it so desires.

Section 71. Authorization to transfer utilities.—The Commission is authorized to transfer such utilities to the authorized entities as will in its judgment enable the transferee adequately to meet the needs of the residents of the community.

Section 72. Date of transfer.—The Commission is directed to transfer the utilities as soon as possible but not later than 5 years after the date of the enactment of the act.

Section 73.—Entity receiving transfer.—If the transferee has the legal authority to receive and operate the utility the Commission may transfer the utility to the city, the State, and a political subdivision of the State or any other legal entity. In determining the transferee for any utilities the Commission is authorized to consider the pattern of ownership of comparable utilities in the State, the ability of the transferee to operate the utility, the probable sales price for the utility and the ability of the transferee to pay that price and any probable expense (which in the case of any governmental entity would include any possible future assistance to that entity under sec. 91) and the desires of the voters.

Section 74. Utilities transferable.—The utilities which are transferable under this chapter consist of the bus system at Oak Ridge, the electrical distribution system at both Oak Ridge and Richland, and the telephone system at Richland. It does not include property which the Commission needs for its own purposes.

Section 75. Charges for utilities transferred.—The Commission is authorized to give the utility to the city but must charge in selling the utility to any other transferee.

The bus problem at Oak Ridge is one which the Commission believes it may have difficulty in solving.

The telephone system at Oak Ridge is already owned by the Bell Telephone System and there is no concern with it. It is expected that the city of Oak Ridge will follow the pattern of cities in the Tennessee Valley area and establish a municipal electrical distribution system. The electrical distribution system at Richland has been spoken for by the city, by the public utility district for Benton County (which

includes Richland), and by the private utility company which operates generally in the State of Washington. All of these have agreed at the hearings at Richland in June of 1954 that they would be bound by the desires of the people of the city of Richland as expressed in an election. The telephone system in Richland has been a particularly knotty problem since the city desires to have the phone system for itself in order to provide revenues to help operate the city. The attorney general for the State of Washington has ruled that the city of Richland will not have the legal authority to receive the telephone system under present statutes. The telephone company which had the franchise in the area before it was partially condemned at the time of the acquisition of the real estate for the Manhattan Engineering District desires to reestablish itself in accordance with the rights given to it in its franchise.

The reason the Commission is authorized to give a utility to a city is that it may be in the best interests of the United States, if all other factors are equal, to give the utility to the city and permit the city to use the operating revenues as increased sources of revenues for the city. Such an arrangement would bring in revenues which would, to that extent, decrease the amount of assistance which would be required to be given to the city under the assistance sections.

Section 81. Assistance in organization.—The Commission is permitted to assist the citizens in the communities to prepare for the incorporation of cities in the communities and to help them in turning over the municipal installations and functions to the local governmental entities. The Commission is given authorization to help meet the expenses of the people in the establishment of the city government.

Section 82. Authorization to transfer municipal installations.—The Commission is authorized to transfer municipal installations which will permit the transferee to give adequate services to the residents of the community.

Section 83. Date of transfer.—The transfers may not be made later than 5 years after the date of the act.

Section 84. Entity receiving transfer.—Any governmental entity is authorized to receive municipal installation. In addition a private nonprofit organization is authorized to receive a hospital or a cemetery.

The Commission is to be bound essentially by the desires of the people in the community unless there is only one entity legally authorized to receive the municipal installation. The Commission is authorized to transfer all municipal installations except those which the Commission needs for its own use. Thus, where at Oak Ridge the water treatment plant serves both Commission plants and the community, the Commission is directed to retain that property. All of the municipal installations are directed to be turned over without charge.

By this chapter it is the hope that the residents of communities will receive the normal municipal plant within the normal governmental unit. Thus the city will take roads, water distribution, security, fire and police, while the school district will receive all of the schools and the plant associated with the schools. Either a hospital district or a nonprofit hospital will receive the hospital facilities of the community.

Section 91. Basis of assistance to cities and other State and local entities.—This section requires the Commission to make annual

assistance payments to any local governmental entity which has received a municipal installation. In determining the amount of the taxes the Commission is required to consider the approximate real property taxes it would pay on property within the community if the property were not exempt from taxation because of Federal ownership. It is also required to maintain municipal service at a level which will not impede the recruitment of personnel and is required to consider the problem peculiar to the Government because of its construction as a single-purpose national-defense installation under emergency conditions and the burdens imposed on the Government by reason of the Government operations in the project area. In an effort to give specific direction to these general purposes it is provided that the normal assistance is to be based upon the difference between the costs of operating the governmental unit on a par with the upper quartile of such units in the United States and the revenue received by that unit. However, in making charges for the purpose of this computation, the taxes to be charged by the governmental unit are not to be less than the average charge in the immediate vicinity of the community.

The Government has established both the atomic energy plants and the community at both Oak Ridge and Richland. It has decided that the geographical limits of the community shall extend only to the residential and commercial areas and not to the plant areas where the existence of plants outside of the communities and for which the communities were established place a large burden on the communities. If this had been a normal municipal development the citizens in the community could have voted to extend the community boundaries to include the industrial areas within the city. Even if at some future time these plants of the Federal Government should be incorporated within the city limits it would be unfair on the Federal Government to pay the tax equivalent based on the theory, which has already been approved by the Commission, that the Federal Government should pay taxes for these plants in the same rate as if they were privately owned. The valuation of these plants runs to many hundreds of millions of dollars, if not to billions of dollars. Therefore, the only fair principle to consider in arriving at the rate for the assistance is the principle of having the Federal Government pay for those burdens imposed on the city for which the city does not otherwise obtain adequate revenues.

Under normal industrial situations the plants would be paying taxes to the city which would normally carry a large part of the load. That the plants are owned by the Federal Government should not exempt the Federal Government from recognizing the burden which those plants necessarily impose on the local governments and in assisting the governments to the extent that there are not revenues available to meet those burdens. This principle has already been recognized in the Atomic Energy Act of 1954 in language which has been retained verbatim from the Atomic Energy Act of 1946. That language, in section 168, provides that "Such payments may be in amounts, at the times, and upon the terms the Commission deems appropriate, but the Commission shall be guided by the policy of not making payments in excess of the taxes which would have been payable for such property in the condition in which it was acquired, *except in cases where special burdens have been cast upon the State or*

local government by activity of the Commission, the Manhattan Engineering District, or their agents." [Emphasis added.]

The special burden which will be imposed on these communities is the burden of maintaining services which will attract the caliber of the personnel which are needed to maintain the atomic energy plants. The Commission, so far as is known to this committee, has failed to recognize that it has thrown special burdens on any local government, despite the wording in the present statute.

The Commission has proposed in its original draft as well as in its letter of July 22, 1955, that it abandon its responsibilities for these burdens and that it lay upon the shoulders of the employees it has brought into these plants the full cost of these responsibilities. It has established a high level of services, in its communities and especially in the school systems. Yet the Commission would hope to force the local residents at some time to assume full responsibility for these high levels of service regardless of the existence or nonexistence of other revenues from which these burdens can be met.

The tax rate for computing the revenues was stated at not less than the average tax rate for similar municipal installations in the area. The reason for this is obvious. If new inhabitants and new industries are to be attracted to the communities in order to help diversify the economic base of these communities, they must not be repelled at the start by a tax rate which, as has been computed by the Commission, will be substantially higher than the tax rates in the areas immediately around the communities. The imposition of such a higher tax rate will only serve to drive other people and industries away from the communities.

In order to meet the needs of those local governmental units which will have a sudden flood of work for which there are not adequate revenues, such as the recording of the deeds, the Commission is authorized to make additional payments to cover those costs for which the local governments do not receive adequate revenues. In addition the Commission is authorized to make special interim payments where there are tax losses or lapses, due to the inability of new governmental units to obtain tax funds the instant they are established.

Section 101. Transfer of functions.—The Commission is authorized to designate the duties and responsibilities placed on the Commission to other agencies of Government in order to get the Commission out of community operations just as fast as possible. These operations should be turned over to those governmental agencies which have the normal responsibilities in such cases.

Section 102. Review.—The Joint Committee is required to make a full review every three years of the activities under the disposal law.

Section 103. Joint Committee on Atomic Energy.—The Joint Committee retains the full authority given to it by the Atomic Energy Act of 1954.

Section 111. Powers of the Commission.—The Commission retains all of its powers under the Atomic Energy Act of 1954.

Section 112. Qualification to purchase.—This section permits Federal employees to buy property at the community.

Section 113. Contract forms.—This section provides that the contracts shall be as simple as possible and that the laws may contain provisions placing the United States on a par with private lenders under State antideficiency laws.

Section 114. Evidence.—This section provides that instruments issued under the terms of this law shall be conclusive evidence of compliance with this law.

Section 115. Administrative review.—This section provides for Commission review of actions under the law.

Section 116. Repossession.—The Commission is authorized to repossess any property in accordance with the terms of the contract or mortgage on that property.

Section 117. Net proceeds.—This section authorizes the Commission to turn over to the Treasury the net proceeds after payment of the expenses of operations under this law.

Section 118. Appropriations.—This section contains a general authorization section. It also provides appropriation for \$518,000 for construction at Oak Ridge and \$2,165,000 construction at Richland.

Section 119. Separability of provisions.—This section provides the usual separability clauses.

Section 201.—Makes necessary conforming changes to the National Housing Act.

Section 202.—Makes necessary conforming changes to Public Law 874.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill accompanying this report are shown as follows (new matter is printed in italics):

(Entire bill is new law.)

APPENDIX I

UNITED STATES ATOMIC ENERGY COMMISSION, Washington 25, D. C., July 22, 1955.

DEAR SENATOR ANDERSON: In accordance with an oral request from Mr. Allardice, I am happy to furnish you with a statement of the Commission's views on the committee print of July 19, 1955, of a community disposal bill.

As you know, the Commission has been concerned for a long time with the problem of community disposal. We drafted legislation which was introduced at the 83d Congress as H. R. 8861 and S. 3324, and we submitted a revised draft which was introduced on April 26, 1955, as S. 1824 and H. R. 5845. That legislation was designed to carry out the recommendation of the President's budget message "that the Congress approve legislation to allow the residents of Oak Ridge, Tenn., and Richland, Wash., to purchase their homes and establish self-government, thus taking the Federal Government out of the business of owning and governing these communities."

It is the sincere desire of the Commission that legislation be enacted at this session of Congress which will lead to home ownership and self-government and which will bring to an end the unusual and undesirable arrangement under which the Federal Government through the Atomic Energy Commission owns and controls these two communities.

In our view a satisfactory bill is one which would carry out the objective stated in the President's budget message of "taking the Federal Government out of the business of owning and governing these communities." In particular, we should like to emphasize the following which the Commission believes are among the criteria which must be met by any effective disposal bill:

(a) The bill should avoid creating conditions which will impede achievement of the basic AEC programs;

(b) The bill should provide for the effective termination of AEC's responsibility for and participation in community matters; and

(c) The bill should accomplish its objectives without undue costs to the Federal Treasury.

We believe S. 1824 and H. R. 5845 provided equitable and effective provisions which met those criteria. The Commission would, however, be glad to support

modifications or alternative provisions which would be equally effective to carry out the basic objectives of the administration. Accordingly, we have reviewed, in the limited time available, the committee print of July 19 which is apparently designed to present an alternative to S. 1824 and H. R. 5845. Upon such review it is our conclusions that there is one feature of the committee print which appears fundamentally objectionable, and certain others which would appear to increase the cost of the program or impose administrative difficulties without compensating advantages. If these features were corrected we would not object to the substitution of the committee print for S. 1824 and H. R. 5845.

A. Provisions relating to contribution payments

AEC's principal objections to the committee print center about the provisions of chapter 9 relating to Federal financial assistance to local bodies. As drafted these provisions appear fundamentally objectionable in that (a) they fail to establish the principle of a definitive and complete withdrawal of AEC from participation in and responsibility in respect of local government; (b) they would impose continuing obligations on the Federal Treasury without limit in either amount or duration; and (c) they would provide on a permanent basis for special treatment for those two communities by requiring arbitrary adherence to fixed but dissimilar standards for services on the one hand and for taxation on the other hand.

In its operation of these two communities AEC has followed a course of instituting operating efficiencies and curtailing functions with a view to eliminating the need for a Federal subsidy. In the disposal bill which it presented to the Congress this year, AEC recommended a contribution formula calling for annual payments of fixed, declining dollar amounts. Such a formula would give the local entities assurance of specific amounts of payments and a substantial period of time within which to become self-supporting, while placing definite limits both on the amount of Federal payments and the duration of AEC's involvement in municipal affairs.

The provisions of chapter 9 of the committee print, on the other hand, would require continuing participation by AEC in community management since each year AEC would have to review and evaluate the level of municipal services and the amount of Federal financial assistance that would be required to support such services. AEC would be called upon each year to justify to the Appropriations Committees of Congress the Federal contribution required by the local entities to maintain the specified level of services. Thus, AEC would continue indefinitely to have a substantial responsibility for and participation in municipal affairs. The residents, on the other hand, would lack any definite assurance that any specific amount of Federal assistance would be forthcoming, thereby limiting community planning for operations and maintenance to a year-to-year basis and adversely affecting both the credit rating of the local bodies and their entitlement to State-shared revenues. Finally, any proposal to establish a system of Federal contributions which is without limit in either amount or duration would raise serious problems of overall Federal fiscal concern.

The provisions of section 91 appear intended to guarantee to the residents (1) revenues sufficient to support a level of services equal to that enjoyed by citizens in the upper quartile of cities throughout the United States of like population; and (2) a level of taxes or other charges comparable to that prevailing in other local entities in the immediate vicinity. Apparently, AEC would pick up the difference between these two. In short, under the bill AEC would guarantee the residents a high level of services for a low tax rate.

The first sentence of section 91d would appear to adopt a construction of section 168 of the Atomic Energy Act of 1954 which could give rise to an implication that other communities adjacent to AEC installations are entitled to a like guaranty of a high level of services and low taxes. We respectfully suggest that the construction of a prior act of Congress is not a proper legislative function.

The Commission feels that it would not be proper in this legislation to set up a permanent basis for contributions to these two communities which would afford them special treatment as compared with other federally impacted communities. The Federal Government has adopted various programs for assistance to communities suffering a Federal impact. Among these are provisions for assistance to education, such as that embodied in Public Law 874, 81st Congress. Another possible basis for governmentwide assistance to local communities which the Congress will doubtless have under consideration in the near future is reflected in the recommendation of the President's Commission on Intergovernmental Relations for a broad system of payments in lieu of taxes. In recognition of the peculiar fiscal problems of the communities, AEC has proposed the unusual step of donating \$80 million of properties to the communities and other local bodies,

as well as provisions guaranteeing specific amounts of Federal assistance for a limited, transitional period. But it is the Commission's view that after necessary provision is made for a transitional period, Oak Ridge and Richland should within a reasonable time be brought within the scope of whatever Federal programs are available now or in the future on a governmentwide basis for assistance to Federally impacted communities. This philosophy is also consistent with the basic objective of AEC to obtain effective termination within a specified period of its responsibilities for and participation in community matters.

AEC continues to believe that the proposal for municipal contributions embodied in S. 1824 and H. R. 5845 is sound and workable. However, we recognize that the assumptions as to costs and revenues on which AEC's plan is based do not reflect any actual experience of the communities involved. Accordingly, AEC would be willing to see a bill enacted which would provide for interim payments to each local entity for an interim period of several years based on the difference between the costs and revenues of such entities pending the development, by cooperative effort of the Commission and the residents, of data upon which a definitive formula could be developed which would place finite limits on both the amount and duration of AEC contributions and would call for termination within a specified period of AEC's responsibility for and participation in local governmental matters. I attach for the committee's consideration a draft of such a provision.

B. Other provisions which might increase costs or create administrative difficulties

In addition to the provisions of chapter 9 which we have discussed above, there are certain other provisions of the committee print which, we feel obligated to point out, would appear to increase the costs of the program or impose administrative difficulties.

1. *Credits against sale prices.*—Section 36a would provide for a credit to priority purchasers of single and duplex houses in an amount which, we were orally advised by Mr. George Norris, Jr., would be 15 percent of the appraised value, as compared with a 10-percent credit proposed by the Commission. In addition, section 37d would provide that persons who elect not to take advantage of the indemnity provisions provided in sections 63-66 would receive an additional credit of 10 percent. Since the appraised value of single and duplex houses to be sold is approximately \$66 million, each 5-percent increase in the credit afforded will decrease the proceeds of sale by approximately \$3,300,000. AEC, while recognizing the need for some credit as an incentive to purchase by priority purchasers, feels that 10 percent was adequate.

In addition, we would have concern lest the introduction of a 25-percent disparity between the price to priority purchasers and the fair market value would afford an inducement to speculation and profiteering which might tend to defeat the Commission's objective of minimizing disruptions in occupancy and could bring serious discredit to the entire disposal program.

Section 37a of the committee print would allow a betterment credit to priority purchasers of leased land on which there are located privately owned commercial buildings. In many such cases the United States has reversionary interest in the building upon expiration of the lease, which formed a part of the agreed consideration for the lease. The proposed credit would thus deny to the Government without apparent basis an existing element of value for which the Government had bargained in entering into the lease.

For example, if land had been leased in December 1951 for a term of 20 years, on which the lessee constructed a \$40,000 building, which would revert to the Government upon expiration of the lease, the building reversion would have a present value to the Government in December 1955 of approximately \$15,000. (This is based on a return to the Government of 3 percent compounded annually on the value of its interest in the building.) Thus, if the lessee purchased the Government's interest in December 1955, the provisions of section 37a would result in a loss to the Government and a financial windfall to the purchaser in the amount of approximately \$15,000 to which he would not be entitled under the agreed-upon provisions of the lease.

Time has not permitted analysis of all the Commission's commercial leases at Oak Ridge and Hanford to determine the total loss to the Government that would result, but it would be substantial.

Rights of first refusal.—Sections 53b and 53c would confer on occupants the right to meet the best price offered either on competitive bid or on other disposition. This right would be in addition to the successive priority rights conferred on such occupants as occupants, residents, and project-connected persons. AEC would fear that the availability of such a right of first refusal would

tend to depress bidding for housing once priorities had been exhausted and hence to reduce to an unpredictable extent both the sale price of each house sold and the number of houses which will be sold.

3. *Indemnity provisions.*—The committee print would appear substantially to increase the obligations of the United States under the proposed indemnity provisions (secs. 63–66). The bill drafted by AEC had provided that the indemnity obligation could be invoked in the event of a 25-percent decline from present employment levels at the AEC plants and laboratories. The committee print would make the indemnity applicable in the event of a 10-percent decline. A 10-percent decline could occur without a major curtailment of the AEC program either by normal fluctuation in levels of operation or by increases in operating efficiencies.

In AEC's view the indemnity should arise only in the event of a major curtailment of the program of a type which the AEC has no present basis for foreseeing. It should be an insurance against the unanticipated. Accordingly, we strongly recommend that a 25-percent decline be the test adopted.

The proposed provisions somewhat broaden the measure of the test of decreased employment by basing it on both operating, maintenance, and administrative employment in the project area (which we understand to mean such employees in industrial and research enterprises, whether or not from a part of the atomic-energy program) and on population. While this improvement is theoretically desirable as somewhat reducing the possible occasion for invoking the indemnity, it would be considerably more difficult to determine these figures with the frequency and precision required than was the case with the figures for atomic-energy employees on which the Atomic Energy Commission had based its provision. Administrative difficulty is also presented by the failure of section 65 to specify clearly the rate of interest to be applied.

Finally, the committee print would extend the indemnity to all purchasers of single and duplex houses. AEC feels such an indemnity necessary in the case of priority purchasers, since it wished to encourage and continue residents in the community and employees on the project. Since, however, the indemnity is a long-term, potentially burdensome obligation, AEC believes its availability should be limited to priority purchasers of single and duplex houses.

4. *Guaranty of performance.*—Section 56 would provide that in selling a house subject to the right of occupancy of the existing tenant the Commission shall guarantee the lessee's performance under the terms of the lease. This would require the Commission to police the properties to be sure that they are properly maintained and could render it liable for any nonpayment of rent by the occupant. Under these circumstances the Commission would have the duties and responsibilities, but not the rights and powers, of a landlord and it would find it preferable not to transfer title until the expiration of the occupancy period, thereby delaying disposal.

5. *Tax equivalent payments.*—Section 55c attempts to specify the tax rates which the Commission may use in determining its tax equivalent payments by reference to the average tax for such services in cities of comparable size. The determination of such average tax rates is attended with a number of difficulties and uncertainties which could be productive of litigation. In addition, the provision would require the Commission to review and revise the tax equivalent payments established in large numbers of outstanding leases. Finally, the standard of this section would appear to be inconsistent with the level of taxes sought to be established by section 91b (2). Since the provision for tax equivalent payments will be applicable only for a brief period pending transfer of municipal functions it is suggested that the bill not prescribe the rates for such tax equivalent payments.

C. Miscellaneous comments

1. *Authority to remove certain housing.*—Section 52a of the committee print would confirm the authority of the Commission to continue its present program of removing unrehabilitated flats and dormitories at Oak Ridge as promptly as can be done without excessive inconvenience to the occupants of this housing. AEC had proposed such confirmation in Mr. Strauss' letter to Congressman Dempsey of June 21, 1955.

2. *Sale of lots.*—Section 57a would provide for immediate sale of lots without awaiting appraisal of other properties. The Commission had planned to do this and is glad to have its authority to do so clarified. Section 57 would also provide that single residential lots leased by competitive bid which do not have a Government-owned building thereon would be sold at a price equal to the initial valuation of the lot as stated in the lease. This provision the Commission deems desirable

to relieve a special hardship situation which was discussed fully at the Oak Ridge hearings on June 10, 1955.

3. *Delegation of functions.*—Section 101 of the committee print would authorize the President to delegate to other agencies the duties and responsibilities placed on the Commission by the act as well as duties and responsibilities in respect of the operation of the communities. It would direct that the Commission retain no financing duties and responsibilities. It is assumed that the intent is to authorize delegation of any or all of the duties and responsibilities conferred by the act. While the Commission strongly desires to be relieved of as many of the burdens of the disposal program as is practicable, it feels that the programmatic responsibilities specifically placed on the Commission by other provisions of the bill are such that there will be a number of functions which the Commission must retain. This is inherent in a bill which is permissive rather than mandatory in character. In addition there will be numerous determinations required to be made under the bill which are so dependent on information contained in AEC's records and files that the transfer of the function of making such determinations to other agencies would be productive of unnecessary duplication of effort.

4. *Priorities.*—Section 43c would provide that two or more priority holders having a common interest in a building or location could assign their interest in a single assignee. If this provision is intended to permit unrestricted assignments to nonpriority holders, the Commission would find the provision objectionable as tending to invite sale of priority rights.

5. *Provisions relating to utilities.*—The committee print contains a chapter 7 relating to transfers of utility properties, section 73b of which establishes criteria which the Commission may consider in determining the transferee of any utility. The Commission's estimates of municipal costs and revenues have been based on the assumption that electrical utility revenues would be available to the new cities. The Commission does not construe section 73b as calling for any different disposition of the electrical distribution systems, but it would consider it helpful to include, among the criteria enumerated in section 73b, the effect of the transfer on the need of any entity for assistance payments under chapter 9.

We were advised orally by Mr. George Norris, Jr., that sections 32 and 38 of the committee print dated July 19, 1955, would be deleted. Accordingly, we have not commented on those sections. In the event the committee should decide to include either section in a bill we should like an opportunity to make known our views on them.

Time has not permitted clearance of this report with the Bureau of the Budget. We are concurrently transmitting a copy of this report to the Bureau and shall advise you of their comments as soon as they have been received.

Sincerely yours,

LEWIS STRAUSS, *Chairman.*

PROPOSED SUBSTITUTE FOR CHAPTER 9 OF COMMITTEE PRINT OF JULY 19, 1955

CHAPTER 9. LOCAL ASSISTANCE

SEC. 91. PAYMENTS IN LIEU OF TAXES.—For any tax year commencing subsequent to the date of transfer of any municipal facility at Oak Ridge (with respect to property at Oak Ridge) and at Richland (with respect to property at Richland), the Commission is directed to make, with respect to the interest of the United States in any real property directed to be disposed of by section 52 (a) of this Act, payments in lieu of property taxes or assessments for local improvements to the State or local entity having jurisdiction to collect such property taxes or assessments for local improvements. The amounts so paid shall approximate the real property taxes and assessments for local improvements which would be paid to the city, State, or political subdivision or agency thereof upon such property if it were not exempt from taxation by reason of Federal ownership: *Provided, however,* That any payment which becomes due under this subsection prior to the transfer of all municipal facilities at Oak Ridge (with respect to property at Oak Ridge) and at Richland (with respect to property at Richland) may be reduced by such amount as the Commission determines to be equitable, taking into consideration the municipal services then being performed by the Commission and the municipal services then being performed by such city, State, or political subdivision or agency thereof.

SEC. 92. CONTRIBUTIONS.—(a) PURPOSE.—In addition to the payments in lieu of taxes provided for in section 91, it is recognized that contribution payments toward the support of municipal services to be provided by local entities will be required for a reasonable period. Such payments should be on a definitive

basis which will provide for the orderly and reasonably prompt withdrawal of the Commission from participation in and assistance to local government. However, it is not feasible at this time to establish a definitive schedule of such payments. Accordingly it is the purpose of this section to provide for interim payments, and to establish procedures looking toward the future establishment of a definitive basis for contribution payments by the Atomic Energy Commission, which will contemplate the progressive reduction and eventual elimination of such payments.

(b) **INTERIM PAYMENTS.**—The Commission shall pay to each entity receiving a transfer of municipal facilities under chapter 8 (other than the transferee of a new hospital at Oak Ridge), for a period of three years beginning with the date of such transfer, an amount equal to the difference between (i) the reasonable costs to such entity of operating the facilities transferred to it and providing the services related to such facilities and (ii) the revenues receivable by such entity.

Such payments shall be made at such times as the Commission and the recipient shall mutually determine.

(c) **COOPERATION WITH THE RESIDENTS.**—The Commission and the residents of the communities are directed to cooperate in exploring facts relevant to the level of services which will not impede the recruitment and retention of personnel essential to the atomic energy program, the probable tax bases in the communities and available means to increase them, reasonable rates of taxes and other charges commensurate with the level of services to be provided, available sources of revenue to local entities, and other factors relevant to the determination of an appropriate definitive basis for contribution payments by the Atomic Energy Commission which will provide for the progressive reduction and eventual elimination of such payments.

(d) **RECOMMENDATION OF THE COMMISSION.**—Not less than 6 months prior to the expiration of such 3-year period as to any entity the Commission shall present to the Joint Committee on Atomic Energy its recommendation as to the need for any further contribution payments to such entity. If it recommends further contribution payments, it shall propose a definite schedule of such contribution payments which will provide for an orderly and reasonably prompt withdrawal of the Atomic Energy Commission from participation in and contribution toward local government.

(e) **INCLUSION IN BUDGET.**—The amounts of any proposed payments under subsection (c) hereof shall be included as separately identified items in the Commission's budget submission to Congress.

(f) **REPORTS AND INFORMATION.**—Any entity to which payments may be made under this section shall make such reports and give the Commission access to such information as the Commission shall reasonably require to enable it to make the determinations and recommendations called for by this section.

(g) **DEFINITION.**—"Revenues receivable" shall include all revenues of whatever nature and from whatever source, receivable for maintenance and operating purposes, including, without limitation, tax receipts, payments in lieu of taxes, grants and contributions, funds provided by the Atomic Energy Commission and other Federal, State, or local agencies, licenses, permits and other fees, fines and penalties, receipts from the sale or furnishing of other services and goods (other than sales of a nonrecurring nature), but shall not include payments under the act of September 30, 1950 (Public Law 874, Eighty-first Congress), as amended, nor electric or water utility revenues except to the extent that such utility revenues may lawfully and in accordance with good utility accounting practices be applied to general fund purposes. Any revenues received by the city or other newly established local entity at Oak Ridge or at Richland between the date of its incorporation or establishment and the date of transfer of municipal facilities to it, which have not been expended prior to such transfer, shall be credited against any payments required to be made to such city or other entity under subsection (b) of this section. In determining revenues receivable the Commission shall assume reasonable tax rates and other charges and normally diligent collection.

SEC. 93. AREA OF SERVICE.—The payments made pursuant to section 91 to transferees of municipal installations are in anticipation that the respective recipients of those payments furnish, or have furnished, for the community, the school, hospital, or other municipal services in respect of which the payments are made. Any such payment may be withheld, in whole or in part, if the Commission finds that the recipient is not furnishing such services for any part of the area so designated.

(Secs. 94 and 95 of the committee print would be deleted.)

APPENDIX II

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington 25, D. C., July 22, 1955.

HON. CLINTON P. ANDERSON,
Chairman, Joint Committee on Atomic Energy,
Washington 25, D. C.

DEAR SENATOR ANDERSON: Mr. George Norris, Jr., of your staff has requested the views of this Agency with respect to the July 21 committee print of a draft bill entitled "A bill to facilitate the establishment of local self-government at the communities of Oak Ridge, Tenn., and Richland, Wash., and to provide for the disposal of federally owned properties of such communities."

The provisions of the bill of particular interest to this Agency are those relating to the disposal of housing and other federally owned properties in the communities of Oak Ridge, Tenn., and Richland, Wash. This Agency favors the objectives of the legislation and has conferred from time to time with representatives of the Bureau of the Budget and the Atomic Energy Commission concerning the subject matter of the bill. Three portions of the bill bear directly upon the operations of the Housing Agency: (1) Sections 32 and 33 relating to appraisals by this Agency (on a reimbursable basis for the Atomic Energy Commission) of the property to be sold pursuant to the bill, (2) section 101 relating to the delegation of functions of the Commission to other agencies, and (3) section 201 relating to mortgage insurance under section 223 of the National Housing Act for properties being disposed of under the bill. This Agency has no objection to these provisions of the bill except as to the specific items indicated below.

Board of Review for Appraisals.—This Agency strongly recommends the deletion of the provisions of section 32 relating to a Board of Review. This section would provide for the Housing and Home Finance Administrator (or his designee) making the appraisals of the properties to be disposed of under the bill, and would require the Administrator to provide for a Board of Review to examine all such appraisals upon appeal. The establishment of this Board is unnecessary, would accomplish no desirable objective, would cause unnecessary administrative problems, and would set a harmful precedent for appeals from appraisals in connection with all FHA normal insurance operations, as well as other disposal programs.

The Board of Review procedure prescribed in the bill is unnecessary for the protection of the prospective home buyer, since the appraisal of the FHA will take into consideration the economic background and discernible future of the community, the kind and quality of community services available and other factors which influence value, the attributes of the various locations within the community and the several types of property within these neighborhoods and, finally, the design, and physical condition of each unit. The appraisals will be prepared by qualified technicians, expert in their field and will be reviewed and coordinated by staff technicians in the FHA local insuring office. In cases where complaints arise with respect to FHA appraisals or inspections of a property, the local insuring office in the normal course of business reviews and reexamines its work. This practice will apply in the case of these appraisals and will be done without additional cost to the petitioner. The proposed Board of Review, would therefore, serve no useful purpose, and the proposed Board of Review procedure would place an additional administrative burden and expense upon the Agency.

Delegation of functions.—Section 101 of the bill would authorize the President to delegate the functions conferred on the Atomic Energy Commission by the bill to such other agencies of the Government as are qualified to perform them. The section also provides "The Commission shall retain no financing duties and responsibilities." The Housing Agency strongly recommends the deletion, or appropriate modification, of this quoted language, because we understand it is intended to require that the Housing Agency perform all of those financing duties. The Agency has worked closely with representatives of the Commission and the Bureau of the Budget in developing the types of functions which the Agency can appropriately perform on behalf of the Commission. This includes not only the appraisal work specifically covered by the bill, but the servicing of mortgages executed in connection with the disposal of the properties pursuant to the bill. This would cover the bulk of the financing work under the bill. However, we believe it would not be desirable to require all "financing duties and responsibilities" of the Commission to be delegated to this Agency. This would include matters relating to the terms and execution of mortgages given by purchasers of properties under the bill, and would involve policy questions which should properly

be handled by the Commission and which seem to be appropriately conferred on the Commission by other provisions of the bill. It may also be pointed out that the quoted language is unnecessary for the purpose of authorizing such delegation of the Commission's functions under the bill as may be found to be desirable.

Technical corrections.—The term "Federal Housing Commissioner" should be substituted for "Housing and Home Finance Administrator" on page 10, line 11. The authority to insure mortgages under the National Housing Act is conferred on the Federal Housing Commissioner rather than the Housing and Home Finance Administrator.

The proviso beginning on page 37, line 22, should be stricken. This proviso, waiving preferences in existing laws, was apparently inserted in an earlier draft of the bill because of preference provisions in another statute which has since expired.

Clarification of downpayment requirement.—The Housing Agency recommends that the committee report, which we understand will soon be printed on the bill, make clear that the bill is not intended to change the downpayment requirements which would otherwise be applicable with respect to property covered by mortgages insured under the National Housing Act. It is our understanding that the bill is not intended to make such change. However, under the provisions of the National Housing Act, as it would be amended by the bill, it would technically be possible for the insured mortgage to be equal to the sales price of the property. This results from the fact that sections 35 and 36 would permit the sales price, under prescribed circumstances, to be substantially less than the appraised current fair market value of the property. A mortgage could comply with the loan to value ratio required by law and still equal the amount of the sales price under the bill. It is important that the bill not give a wrong impression of the intent of your committee in this regard, but that it be made clear that the maximum insurable mortgage amount be based upon sales price or appraised value whichever is lower.

Your staff has asked us to indicate whether the purchasers of residential properties being sold under the bill would be permitted to obtain FHA insurance assistance for repairs and improvements. These purchasers would be eligible for FHA title I home improvement loans and for the so-called open-end insured mortgage financing, where permitted by State law, to the same extent as owners of other residential properties throughout the country.

We have not yet had an opportunity to clear this letter with the Bureau of the Budget. As soon as we have received the views of the Bureau, we will advise you further.

Sincerely yours,

ALBERT M. COLB, *Administrator.*

The Atomic Energy Act of 1955 as amended included additional language for determining payments under Section 91 of the Act. The amended section follows:

A BILL to amend the Atomic Energy Community Act of 1955, as amended, to authorize the Atomic Energy Commission to make assistance payments to the cities of Oak Ridge, Tennessee, and Richland, Washington, and the Richland School District through June 30, 1979.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 91 of the Atomic Energy Community Act of 1955, as amended, is amended--

(1) by striking out subsection a. and inserting in lieu thereof:

"a. From the date of transfer of any municipal installations to a governmental or other entity at or for the community, the Commission shall, for a period of ten years, make annual assistance payments of just and reasonable sums to the State, county, or local entity having jurisdiction to collect property taxes or to the entity receiving the installation transferred hereunder: Provided however, That, with respect to the cities of Oak Ridge, Tennessee, and Richland, Washington, and the Richland School District, the Commission is authorized to make assistance payments of just and reasonable sums through June 30, 1979. In determining the amount and recipient of such payments, the Commission shall consider -

"(1) the approximate real property taxes and assessments for local improvements which would be paid to the governmental entity upon property within the community if such property were not exempt from taxation by reason of Federal ownership;

"(2) the maintaining of municipal services at a level which will not impede the recruitment or retention of personnel essential to the atomic energy program;

"(3) the fiscal problems peculiar to the governmental entity by reason of the construction at the community as a single-purpose national defense installation under emergency conditions;

"(4) the municipal services and other burdens imposed on the governmental or other entities at the community by the United States in its operations in the project area; and

"(5) the tax revenues and sources available to the governmental entity, its efforts and diligence in collections of taxes, assessment of property, and the efficiency of its operations."

(2) by striking out sub-section d. and inserting in lieu thereof:

d. With respect to any entity prior to the expiration of the authority of subsection a. the Commission shall present to the Joint Committee on Atomic Energy its recommendations as to the need for any further authority to make assistance payments."; and

(3) by adding the following new subsection
e. In exercising the authority of section 91 a. the Commission shall assure itself that the governmental or other entities receiving assistance hereunder utilize all reasonable, available means to achieve financial self-sufficiency to the end that assistance payments by the Commission may be reduced or terminated at the earliest practical time."

Sec. 2 Section 94 of the Atomic Energy Community Act of 1955, as amended, is amended to read as follows:

"sec. 94. Commission Contracts. -- The Commission is authorized, without regard to section 3679 of the Revised Statutes, to enter into a contract with any governmental or other entity to which payments are required or authorized to be made pursuant to section 91, obligating the Commission to make to such entity the payments directed or authorized to be made by section 91."

APPENDIX F

OAK RIDGE CONTRACT AND MODIFICATIONS 1 AND 2. PAYMENTS HISTORY FOR
OAK RIDGE, LOS ALAMOS, AND RICHLAND

Contract No. AT-(40-1)-2662

AEC-CITY OF OAK RIDGE CONTRACT
AND ADMINISTRATIVE POLICY STATEMENT
CONCERNING FINANCIAL ASSISTANCE

STATEMENT OF COMMISSION POLICY, and CONTRACT between the UNITED STATES OF AMERICA (referred to below as the "Government") acting by and through the UNITED STATES ATOMIC ENERGY COMMISSION (referred to herein as the "Commission"), and the CITY OF OAK RIDGE, a municipal corporation organized under the laws of the State of Tennessee (referred to below as the "City").

ARTICLE I - BASIS OF RELATIONSHIP

1. Assistance Directed by Law for Ten Years. The Atomic Energy Community Act of 1955 (P. L. 221, 84th Congress, 69 Stat. 471, 42 U. S. Code, Section 2301, et seq., as heretofore amended, referred to below as the "Act"), provides for transfers of municipal installations at Oak Ridge, Tennessee, and for annual assistance payments of just and reasonable sums for ten years to the local entity, with the Commission determining the amounts, times, and terms of such payments subject to provisions of the Act.
2. Continued Aid after Ten Years. Before the end of the ten-year period, the Commission will take action as called for by the Act, with respect to further contribution payments.
3. Purposes of this Document. After extensive consideration of Community needs, the provisions of the Act, and other pertinent facts by Commission and City representatives, the City and Commission desire to enter into a contract in accordance with Section 94 of the Act. The terms and conditions of this contract are included in Article III and Article V below. Also, the Commission is willing to identify administrative policy criteria which are expected to serve as further guides in determining the amounts of payments which would be just and reasonable. These criteria as presently identified are included in Article II and Article IV below.
4. Criteria Intent. In general, the intent of the criteria is to execute Commission responsibilities for facilitating the establishment of local self-government for the Oak Ridge Community, for making the annual assistance payments to the local government, and for efficiency and economy in the administration of the affairs and funds of the Government entrusted to the Commission. As indicated in the criteria,

CERTIFIED A TRUE COPY

BY Glenn Brown

it is expected that the City will always guide itself by the necessity for efficiency, economy, and prudence in all municipal activities and will recognize the provisions of the Act as both assurances of and limitations upon the amount of special Federal assistance which the Commission can furnish it. The assistance should enable municipal services at the level referred to in the Act (a) without substantial change in the effective charges against real estate for municipal services (except as effective real estate tax rates may change generally in other cities of the State), and (b) without substantial City deficits. The Commission does not intend to calculate the assistance on the basis of fixed, declining dollar amounts in the ten-year period.

The Commission will not exercise direction, supervision, or control over the personnel, curriculum, or program of instruction of the City's school system, nor will it undertake to so regulate the City's other municipal activities, including its tax rates and expenditures.

ARTICLE II - STATUTORY AND GENERAL CRITERIA

1. Criteria for and Scope of Assistance. The Act stipulates that ". . . the Commission shall, for a period of ten years, make annual assistance payments of just and reasonable sums . . . to the entity receiving the installation transferred hereunder In determining the amount and recipient of such payments, the Commission shall consider -

- (1) the approximate real property taxes and assessments for local improvements which would be paid to the governmental entity upon property within the community if such property were not exempt from taxation by reason of Federal ownership;
- (2) the maintaining of municipal services at a level which will not impede the recruitment or retention of personnel essential to the atomic energy program;
- (3) the fiscal problems peculiar to the governmental entity by reason of the construction at the community as a single purpose national defense installation under emergency conditions; and
- (4) the municipal services and other burdens imposed on the governmental or other entities at the community by the United States in its operations in the project area."

2. Use of Appropriate Federal Funds

2. As a more specific guide to be used for both communities referred to in the Act in determining the annual amounts deemed just and reasonable, general administrative policy criteria have been identified by the Commission as follows:

a. Provision within the Community by the City of an adequate level of services (generally considered to be those provided by AEC) and that AEC assistance would be restricted to these types of services although it is recognized that the cost of providing such services may vary from present levels.

II-2-b
b. Just and reasonable tax efforts by the City and due diligence by it in availing itself of State and other financial assistance.

II-2-c
c. Rates and charges for services that are comparable with those in comparable communities in the immediate vicinity.

d. Wage and salary scales will be as competitive with those prevailing in nearby communities as the requirement to recruit and retain essential personnel will permit. This is subject to a. above.

e. No assistance payment by AEC will be used to fund any reserve other than that specifically approved.

f. No support by AEC of funding for additional facilities or expansion of facilities except that AEC would take into account normal annual debt service requirements which may become necessary.

g. Provision of services because of any expansion by the City of the boundaries designated by AEC at the time of transfer (Minimum Geographic Area) would not be at the expense of the Federal Government.

ARTICLE III - CONTRACT PROVISIONS

1. Ten-Year Commitment. The Government hereby agrees to make to the City payments of just and reasonable amounts of financial assistance as directed to be made by Section 91 of the Act, without regard to Section 3679 of the Revised Statutes.

2. Use of Arithmetic Formula. Before arriving at its determinations of just and reasonable payments, the Commission will compute

three allowances annually as follows, as a part of its procedure for consideration of the matters which Subsection 91. a. of the Act requires the Commission to consider:

a. Allowance for Federal Property within Community. This allowance is intended to equal real property taxes and assessments for local improvements which would be paid to the City upon a reasonable valuation of property of the United States within the Oak Ridge Community if such property were not exempt from taxation. In general, such property will be taken into account notwithstanding the nonprofit and nonprivate character of activities in the atomic energy program conducted by and for the Commission. Any item which serves a local public or community service or is otherwise compensated for will be omitted from consideration, when within the following categories:

(1) Real property used or held primarily for any purpose for which real property owned by any private organization or citizen would be exempt from real property tax under the constitution or laws of the State of Tennessee, including (but not limited to) nonprofit hospital buildings.

(2) Real property used or held primarily for the rendition of service to or on behalf of the local public, including (but not limited to) post offices and other property used for purposes incidental to postal operations.

(3) Real property or such interest therein as may be taxable, or used as a measure of taxation, or with respect to which any payment expressly in lieu of taxes is paid to the City, under any provision of law other than the Act, including (but not limited to) property of the Tennessee Valley Authority.

(4) Office buildings and facilities which are an integral part of, or are used for purposes incidental to the use made of any properties described in Subsections (1), (2), or (3) above.

Such equitable valuation will then be multiplied by the City tax rate applicable to privately-owned property in the City during the same year, to fix the amount of this allowance for the respective year.

b. In-lieu-of-industrial Valuation Allowance. This allowance is intended to equal the approximate real property taxes which would be paid to the City upon the real property valuation to have been expected within the Community had it developed in a more normal manner and with privately-owned industrial and other properties in usual proportions being located in the Community.

This "in-lieu-of-industrial" valuation will be computed by the Commission each year by calculating the difference between the per capita real property valuation in the Oak Ridge Community (including that taken into account under subsection a. above) and the weighted average per capita real property valuation in other cities in the State of Tennessee having over 10,000 population (excluding the City of Oak Ridge), and then multiplying the amount of this difference by the number of residents within the Oak Ridge Community. Such valuation will then be multiplied by the City tax rate applicable to privately-owned property in the City during the same year, to fix the amount of this allowance for the respective year.

These calculations will be made as follows: (1) The total valuations in the other cities, and the ratios of assessment to fair market value, will be determined from the latest available report of the "Annual Survey of County, City and Town Government in Tennessee" (conducted by Tennessee Taxpayers' Association, Nashville). These valuations will be adjusted to equalize the effects of different ratios of assessments to fair market value, will be totalled, and will then be divided by the total number of residents of the other cities. Those cities having over 10,000 population, and the number of their residents, will be determined from the latest available report of population figures used by the State of Tennessee for distributing State-shared taxes, as reported annually in the Directory of Tennessee Municipal Officials (Municipal Technical Advisory Service, University of Tennessee, in cooperation with the Tennessee Municipal League). (2) The per capita real estate valuation in the Oak Ridge Community will be estimated annually after a similar adjustment to equalize it. The number of residents in the Community will be estimated, giving due consideration to the results of the Federal census and information supplied by the City or other pertinent data.

c. Allowance for Level of Service. This allowance is expected to aid in maintaining services (primarily educational) at a level which will not impede the recruitment or retention of personnel essential to the atomic energy program.

It will be computed by calculating the difference between the average annual cost per pupil based on average daily attendance (referred to below for convenience as the "ADA cost") for other cities in the State of Tennessee having over 10,000 population and separate school systems, and the average annual per pupil cost based on ADA for cities of the United States having from 25,000 to 1,000,000 population, and then multiplying the amount of this difference by the estimated average daily attendance, for the fiscal year ahead, of pupils in the City schools residing with a parent or regular guardian who is a resident within the limits of the Oak Ridge Community,

These calculations will be made as follows: (1) The Tennessee cities having over 10,000 population will be determined in the manner stated in the preceding subsection b. The cities in this group having separate school systems will be determined annually from the latest available Annual Statistical Report of the Department of Education, State of Tennessee. The total school operations costs in such cities of Tennessee (adjusted to include the same expenditures reported by the United States Department of Health, Education and Welfare) will be totalled, and then be divided by the total number of pupils in average daily attendance in such Tennessee cities for the same year, to arrive at the ADA costs. (2) The average ADA costs in cities of the United States will be derived by averaging (a) the average ADA school costs for the 25,000 to 100,000 population group, and (b) the average ADA school costs for the 100,000 to 1,000,000 population group, as shown by figures published annually by the DHEW. Each of these averages will be taken from DHEW reports so long as the averages are reported; if the averages are no longer reported, then these averages will be arrived at in the same manner provided for in the foregoing clause (1) for computing the average ADA costs for Tennessee, except as to the sources of the data used.

The calculation of this allowance will be made annually, based on the most recent costs and attendance figures published by these same sources, adjusted to reflect estimated costs and attendance at then current levels.

It is anticipated that Federal and State agencies reporting school information will eventually replace average daily attendance figures with average daily membership (ADM) figures. When the USDHEW and the Tennessee Department of Education alter their school data to the ADM base, the above computation will then be made in terms of the ADM. Also, should the published reports referred to above be discontinued, or be taken over by some other agency, the parties may mutually agree in writing to substitute the new reports if they afford substantially similar results, without termination in accordance with Section 4. below.

If for any year the City receives school operating funds under P. L. 874, 81st Congress (20 U.S.C., Sections 236, et seq.), as amended, or similar funds under other Federal law hereafter enacted, with respect to pupils residing within the MGA, the allowance referred to above will be reduced by the amount of such funds for the same year. Federal school lunch funds or similar aid provided nation-wide and to public schools generally will not be deductible.

3. Adjustments. After computation of the three allowances in accordance with the foregoing Section 2., the Commission will make an adjustment in the total to the extent required to arrive at an annual contribution amount which it deems appropriate under the Act. In evaluating the appropriateness of an adjustment and what would be a just and reasonable amount of assistance, it is the intent that consideration be given to Section 91 of the Act and to criteria referred to in Article IV below.

4. Termination and Renegotiation of Arithmetic Formula. Either party may terminate the foregoing Sections 2. and 3. with respect to a particular fiscal year and subsequent years by giving written notice of termination to the other party not later than six (6) months preceding the first day of that fiscal year. Upon such notice of termination, it is agreed that the parties will endeavor to negotiate a mutually agreeable new form of arithmetic formula to be used in place of the methods of computation stated in Section 2. However, the inability or failure of the parties to agree or delay in reaching an agreement is not intended to cause any interruption or delay in payments to the City and shall not interfere with the Commission's determinations as to payments of just and reasonable sums.

5. Interim Payments. In accordance with Section 91. b. (1) and (2) of the Act, the Commission will make special interim payments, to provide for special burdens or unavoidable tax loss or lapse, to the extent consistent with the criteria referred to in Article IV, until the City is receiving its normal taxes and performing its normal functions.

6. Aid in Organization. In accordance with Section 81 of the Act, the Commission will furnish financial and other assistance in organization as mutually agreed.

ARTICLE IV - POLICY CRITERIA AND PROCEDURE INTENDED FOR OAK RIDGE1. Periodic Review of Amount of Assistance, and Determination of Payments.

a. Annual Reviews. The methods of computations referred to in Section 2. of Article III were designed to reflect what would be a just and reasonable contribution for the first year of City operations with normal revenues and normal functions. It is evident, however, that changes are possible at any time in significant circumstances affecting municipal affairs nation-wide or in the State of Tennessee or in Oak Ridge alone with substantial effect upon the calculations of the allowances or upon the City's need for assistance; or the computation of allowances may be terminated or their total require adjustment to maintain just and reasonable amounts of assistance. Therefore, and as a part of its procedure for consideration of matters which Section 91 of the Act requires the Commission to consider, annual reviews of the City's requests for assistance (and the total of the allowances so long as Sub-section 2. of Article III is in effect) will be made for each City fiscal year before final determination of the amount of payment for that year, to permit continued assurance of assistance that is just and reasonable to both the City and the Government.

In making these reviews, the Commission intends to give due consideration to the City's requests for assistance payments, and to evaluate these in light of the criteria in Section 91 of the Act. Also, general administrative policy criteria have been identified as stated in Section 2. of Article II above and additional policy criteria, designed for consideration at Oak Ridge, have also been identified as a result of discussions between representatives of the City and the Commission and are stated in the following Subsections b. and c. It is known that these do not give recognition to all the possible significant changes that could occur during a ten-year period, and may in the future need some addition or other modification to support their usefulness as general guides for determining just and reasonable assistance. It is the Commission's intent that, before deciding upon such a change, it will give the City as much advance notice as may be feasible under the circumstances. The criteria do not and will not be expected to cover in detail every question or matter that may arise. In general, it is presently expected that these criteria will provide suitable general guidance throughout the ten-year period. The annual determination will be intended to reflect a just and reasonable sum, notwithstanding that the total of arithmetic formula computations may fall below or above that sum.

It is intended by the Commission and so understood by the City that nothing in this Article IV is intended or to be construed (a) as contrary to the Act, or (b) as constituting a contractual commitment of the City or of the Commission or United States, or (c) as other than a statement of AEC administrative policy and of procedures which at the date of this document appear appropriate and suitable for arriving at the determinations called for by Section 91 of the Act. The terms and conditions of the contract between the parties are stated in Articles III and V of this document.

It is also to be understood that since the Federal funds for making the assistance payments are to be derived from appropriations, the Commission will be following the budget, accounting, and appropriations procedures fixed by Federal law and regulations in obtaining the necessary funds on schedule.

b. Good Management Practices by City. It is expected that the City will utilize any occurring opportunities for keeping costs at reasonable levels, such as by increasing or maintaining the effectiveness or economy of municipal activities, curtailment of unnecessary extensions of services without material impairment of essentials or basic quality, consolidation or combination of City and County services or departments to avoid duplication or loss of revenue, or comparable measures.

However, it is not expected that municipal policy decisions will be made in such matters contrary to municipal practices generally recognized as being sound, merely for the purposes of enabling a reduction in the annual assistance. Also, the City is expected to have reasonable expenses due to its normal activities within the Minimum Geographic Area, such as costs for insurance, annual funding of pension costs covering future current services and other employee benefits, necessary nonroutine maintenance and minor capital improvements and equipment replacement chargeable for general fund purposes and for accounts related to schools, and, to the extent specifically approved by the Commission in this document or by some other writing, moderate amounts of annual set-asides for capital reserve or depreciation purposes for utilities. This amount, with respect to the electric distribution system, may be as much as the City considers feasible so long as such system contributes to the City general fund to the extent described in Subsection c.(2) of this Section; and this amount of reserve is hereby specifically approved. It is expected that approval of other reserves will be expressed in writing as needed from time to time in the future, in amounts consistent with Subsection c.(2) of this Section.

c. Practice that would be Considered Inequitable to Government.

It is not intended that the assistance should contribute to certain costs that the City might decide to incur. Neither is it intended that the assistance should make up for revenues reasonably available to the City but which it neglects or fails to obtain for itself. These kinds of matters which are presently foreseen as possible future occurrences are identified below. In some instances, further explanation is added to clarify the criteria. It is not intended that the annual assistance should provide for:

(1) Increases in level of municipal services (unless found necessary by the Commission to meet any new and now unforeseen requirements as to level of services, and expressly requested by the Commission in writing along with a statement of its intent to consider an addition to the financial assistance if requested by the City). Current levels of municipal services seem sufficient in general. No difficulties are being experienced in hiring or retaining staff at present wage and salary levels in Community operations. The Commission is not in position to contribute to added costs from the institution of higher wages and salaries in Community operations, unless higher costs may prove reasonably necessary in future years due to competitive conditions and in order to retain, recruit and replace required personnel without undue turnover in employment or hardship.

IV-1-C -
(2) [Neglect or failure of the City to make just and reasonable tax efforts or to exercise due diligence in availing itself of State and other non-Federal financial assistance and other revenues; for example, omitting or reducing other charges normally made such as for sewer service, auto registrations, etc. However, the City will not be expected to impose taxes or charges which would be demonstrably and substantially in excess of those prevailing from time to time in other cities in the State providing comparable services.] The City will be expected to exercise its best efforts to maintain the sewage disposal system on a self-sustaining basis, to have the electric distribution system contribute to the general fund to the full extent feasible under TVA requirements and State law, and to have the water distribution system (and any other revenue-producing system which may be acquired from other sources) contribute to the general fund on a basis permissible by law and reasonably consistent with municipal practices prevailing generally elsewhere.

- 11 -

(3) Neglect or failure of the City to provide municipal services for the Oak Ridge Community Area. The educational services are expected to be comparable in general with those now prevailing in Oak Ridge. Other municipal services are expected to be reasonably adequate in general, by approximate comparison with other cities in the State with comparable services.

(4) Development or improvement by the City of streets, utilities, or other improvements directly benefitting private property within the Minimum Geographic Area primarily at its own expense or contrary to municipal practices prevailing generally elsewhere. This is not intended to require practices not permitted by applicable law.

(5) Provision of municipal services because of any existing or future expansion of the City limits beyond the Minimum Geographic Area, unless the Commission finds that the City's revenues attributable to the incorporated area outside the MGA will probably approximate or exceed municipal costs due to such provision of services for the fiscal year. It is not intended that any substantial incremental costs due to such provision of services will be made up by the Commission, either by assistance payments or undue charges by the City for the services referred to in Section 2. of this Article. Any net revenue from the outside area may help to offset the City's total costs in providing services.

(6) Extension of any City functions, without request therefor by the Commission, into Federal atomic energy installations, security areas, and activities that have been intentionally isolated from the Community limits.

(7) According the Government and its management contractors or other agents less favorable treatment as to prices, terms and conditions for services not covered by the assistance payments (referred to in Section 2. of this Article), or (within the Community) less adequate performance of municipal services, than the treatment afforded any other person, entity or organization.

(8) The creation of a surplus or reserves, either for general fund, school or any other purposes, which taken together (but excluding proceeds from the sale of City or County bonds) are at any time in excess of \$150,000. This clause (8) does not apply to funds for the purposes of roads, water,

sewerage, electricity, or comparable systems not supported by real estate taxes (as to which, see Subsection (2) above).

(9) Nonconformance with general criteria referred to in Section 2. of Article II.

2. Services not Covered by Assistance Payments. Electricity, water, or other utility services customarily furnished by the City upon the basis of separate charges to the consumer or user, and (outside the Minimum Geographic Area) fire protection and other services which may be requested by the Commission for its property lying outside the MGA, will be arranged for separately and are not covered by the annual assistance payments.

3. Exchange of Data; Procedures.

a. Information to City. The Commission will endeavor to provide the City with any information becoming available which may prove helpful to the City in connection with the objectives.

b. Information from City. The Commission will have need for information as to City activities and affairs from time to time sufficient to keep it adequately informed with respect to the City's annual and future needs for financial assistance under the Act (to facilitate Commission compliance with the budget, accounting, and appropriations procedures fixed by Federal law and regulations), and to enable the Commission to keep the Congress fully and currently informed as to matters under the Act. The City will be expected to furnish such information reasonably requested by the Commission as soon as practical. Its efforts in advance planning and estimating should be of significant aid to the Commission in its preparation of its own budget estimates.

Such information includes, but is not limited to, routine or periodic operating and financial reports of the City, including statements of its financial position, operating statements, and application of funds statements. The annual financial report is to be certified by a Certified Public Accountant satisfactory to the Commission.

c. Annual Requests for Assistance. To aid the Commission in giving due consideration to the City's need for financial assistance, the City should file a request for assistance with the Commission annually and as far in advance of the City's fiscal year as practical.

- 13 -

The City's request should indicate (1) the amount deemed necessary and requested by the City for the fiscal year, with current budget information; (2) a summary explanation of the municipal services which the City is furnishing or having furnished, within the Minimum Geographic Area; and (3) any other information or views the City feels may be helpful. If it so elects, the City may also furnish its own estimates of the three computations in the arithmetic formula referred to in Section 2. of Article III, with the data used in support of such estimates.

To assure adequate consideration of the City's requirements for assistance, annual budget information referred to in (1) above will need to be in sufficient detail to enable the Commission to analyze the requirements for assistance in light of the specific criteria. To the extent that any such criterion may be pertinent, the information available to the Commission should pertain to the reasonableness of the expenditures proposed by the budget, the adequacy of the revenue estimates (with sources and purposes), the balances remaining from the previous year's operations (except for the initial year), a general review of the services to be performed and any major additions or expansions to facilities, the proposed relationships between various City funds, and a statement of the expense expected from provision of services due to expansion of City boundaries beyond the Minimum Geographic Area.

It is anticipated that the City Manager's proposed City budget for the fiscal year beginning July 1, 1960 and each subsequent year will be supplied the Commission not later than March 1, on which date it is required to be submitted to the City Council. Also, that commencing with the first year of City operations with normal revenues and normal functions, the Commission's proposed contribution amount (based upon the budget estimate stated in the Manager's proposal) will be supplied the City within 30 days after the Commission's receipt of the proposed budget and other information required; that the City's public budget hearings will be held and a City budget (including an appropriation ordinance and tax rate for the year) adopted not later than 60 days prior to the beginning of the fiscal year; that the Commission's contribution will be finally determined and made known to the City not later than 50 days prior to the first day of the fiscal year; and that the contribution amount proposed by the Commission (based on the Manager's proposed financial plan) will be adopted by the Commission if the Manager's proposed budget is adopted by the City Council. If the City Manager's budget is modified, the Commission may reconsider its proposed contribution amount and modify the same (if appropriate) with regard for the modifications made by the City Council in the budget and the basis therefor, to maintain

a just and reasonable contribution for the year. It is intended that, if any such modification is to be made by the Commission, the City will be advised of this in advance of the time when the City's real estate tax rate for the current year is fixed, if time permits, or as soon thereafter as possible.

Until the first year of City operations with normal revenues and normal functions, it is expected that the City's requirements for assistance will not be susceptible to sound forecasts. Accordingly, the determinations of annual assistance will need to be deferred until a later date in the fiscal year, with payments being made as stated in Subsection e. below.

d. Determinations.

(1) In arriving at its annual determinations as to the amount of the assistance to be provided at Federal expense, the Commission will consider: (i) proposed financial requirements of the City; (ii) pertinent provisions of the Act; (iii) the specific criteria, and (for the first normal year and thereafter, so long as it is in effect) the arithmetic formula; and (iv) facts pertinent to the foregoing.

(2) Before arriving at its final determination as to the annual assistance payment for any year, the Commission will consult with the City as to the payment which would be appropriate. The City may offer supplementary information, reasons, or other material in support of its request. The determination of any annual payment will be subject to administrative review or reconsideration, if requested by the City, as the Commission may prescribe.

e. Payment Dates. The annual assistance payment determined for each year will ordinarily be available from the Commission to the City in four quarterly installments as follows: ten per cent (10%) on July 1, ten per cent (10%) on October 1, forty per cent (40%) on January 1, and forty per cent (40%) on April 1. In its discretion and to aid the City in demonstrably unusual situations, the Commission will increase the percentages of the earlier installments for any year. However, until the City is receiving its normal revenues and performing its normal functions, payments are intended to be made on a monthly or quarterly basis to meet estimated cash requirements of the City in the amounts and at the times mutually agreed upon.

ARTICLE V - MISCELLANEOUS CONTRACT PROVISIONS

1. City Commitment. In consideration of the agreement by the Government, contained in Article III of this document, the City agrees that payment of financial assistance under the Act for any year shall constitute full satisfaction of any and all claims the City may have for taxes for the same year against the Commission's agents, including its management contractors, of any nature whatsoever, on, with respect to, or measured by, the value or use of Government-owned real or personal property of whatsoever nature or description which is utilized in carrying on activities of the Commission. The term "management contractors" means and includes companies and other organizations conducting activities under contract with and for the account of the Commission. It does not include individuals or organizations who lease property of the Government for private use in the conduct of their own affairs, or who otherwise utilize their own facilities, funds, property and independent discretion in the conduct of their normal business with incidental contracts for supplies, construction, or commercial services being made with the Commission or its management contractors.
2. Officials not to Benefit. No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of the contract contained in this document or to any benefit that may arise therefrom but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.
3. Examination of Records
 - a. The City agrees that the Commission and the Comptroller General of the United States or any of their duly authorized representatives shall have access to and the right to examine any directly pertinent books, documents, papers and records of the City involving transactions related to this contract until the expiration of three years after final payment under this contract unless the Commission authorizes their prior disposition.
 - b. Nothing in this contract shall be deemed to preclude an audit by the General Accounting Office of any transaction under this contract.
4. Assignment. Neither this contract nor any interest therein nor claim thereunder shall be assigned or transferred by the City, except as expressly authorized in writing by the Commission.
5. Covenant Against Contingent Fees. The City warrants that no person has been or will be employed or retained to solicit or secure this contract or any financial assistance hereunder upon an agreement or understanding for a commission, percentage, brokerage, or contingent

- 16 -

fee. For breach or violation of this warranty, the Government shall have the right to deduct from the financial assistance the full amount of such commission, percentage, brokerage, or contingent fee.

6. No Agency Implied. The provision of financial assistance is not intended to constitute the City an agent of the Government or Commission.

ARTICLE VI - DEFINITIONS

1. The term "Commission" includes any duly authorized representative thereof, and the term "City" includes any duly authorized representative thereof, as appropriate in the context.

2. The terms "Community" or "Oak Ridge Community" and "Minimum Geographic Area" or "MGA" mean that area at Oak Ridge, Tennessee, designated on a map on file at the principal office of the Commission, entitled "Minimum Geographic Area, Oak Ridge, Tennessee", bearing the legend "Boundary Line, Minimum Geographic Area, Oak Ridge, Tennessee", and marked "Approved, 21 April 1955, K. D. Nichols, General Manager", as defined in the Act.

IN WITNESS WHEREOF, the parties hereto have executed the contract herein set forth as of the 15th day of December, 1959, such action by the City being exercised pursuant to Ordinance No. 15 duly adopted pursuant to law.

UNITED STATES OF AMERICA

BY: UNITED STATES ATOMIC ENERGY COMMISSION

BY: /s/ T. A. Wolfe

TITLE: Deputy Manager
Oak Ridge Operations

CITY OF OAK RIDGE

BY: /s/ A. K. Bissell

TITLE: Mayor

WITNESSES:

/s/ Louisa F. Murphy

Oak Ridge, Tenn.
Address

/s/ Louisa Kent

161 Chestnut Lane
Oak Ridge, Tenn.
Address

SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, entered into this the 11 day of July, 1964, by and between the UNITED STATES OF AMERICA (hereinafter called the "Government"), represented by the UNITED STATES ATOMIC ENERGY COMMISSION (hereinafter called the "Commission"), and the CITY OF OAK RIDGE (hereinafter called the "City"), a municipal corporation organized under the laws of the State of Tennessee;

WITNESSETH THAT:

WHEREAS, pursuant to the Atomic Energy Community Act of 1955 (69 Stat. 471; 42 U.S.C. 2301, et seq.), referred to below as the "Act", Government ownership and management of the Community of Oak Ridge, Tennessee, has been terminated, and transfer of municipal installations, as defined in the Act, has been made to the City by the Commission; and

WHEREAS, Section 91 of the Act provides that the Commission shall, for a period of ten years from the date of transfer of municipal installations, make annual assistance payments of just and reasonable sums to the local entity receiving transferred municipal installations; and

WHEREAS, Section 94 of the Act authorizes the Commission, without regard to Section 3679 of the Revised Statutes, to enter into a contract with the City obligating the Commission to make the payments directed to be made by the provisions of Section 91 of the Act; and

WHEREAS, the Commission and the City entered into Contract No. AT-(40-1)-2662 on December 15, 1959, providing for financial assistance payments to the City under certain terms and conditions; and

WHEREAS, the Commission and the City desire to modify and revise the method of computing such annual payments;

NOW, THEREFORE, the Commission and the City mutually agree that the contract shall be, and the same is, hereby modified and amended, effective as of July 1, 1964, to read in its entirety as follows:

ARTICLE I - PAYMENTS

1. During the period beginning July 1, 1964, and ending as of June 30, 1969, the Commission shall make to the City annual assistance payments in the base amount of \$1,252,000.00 per annum; provided, that such base amount shall be increased or decreased, as the case may be,

for each assistance year by whatever per cent the City real property ad valorem tax rate is greater or less than the 1963 City ad valorem tax rate of \$1.24 per 100 dollars of assessed valuation. For purposes of this paragraph, an assistance year is defined as the fiscal year beginning on July 1 of the calendar year for which the tax rate on which the base amount is adjusted is effective.

2. Each annual assistance payment will be made in four quarterly installments of 10% on July 1, 10% on October 1, 40% on January 1, and 40% on April 1. The amounts and times of these installments may be varied by mutual agreement of the parties.

ARTICLE II - ADJUSTMENT OF PAYMENTS

1. The AEC assistance payments specified in Article I, above, may be adjusted by such amount as the Commission may determine to be appropriate, in its discretion, for the following causes:

a. Neglect or failure of the City to provide a level or standard of school and other municipal services comparable with the level or standard prevailing as of the date of this agreement.

b. Action by the City to reduce real property assessments generally.

c. Action by the City to finance major capital improvements through current general fund revenues rather than through the sale of long-term revenue bonds (where the use of such bonds is appropriate) or through the sale of long-term general obligation bonds pursuant to normal municipal practice.

d. Failure of the City to make just and reasonable tax collection efforts or to use due diligence in assessing new or increased property values and in requiring the payment of ad valorem taxes.

e. Increases in the ad valorem tax rate not commensurate with the proposed additional costs of services or acceptable projects requiring such increase, or conduct of City operations in an inefficient manner without appropriate action to correct the situation.

f. Receipt by the City of substantial increases in local revenue, in funds from State and county shared taxes, or from other State or Federal aid programs, without a corresponding reduction in the City ad valorem tax rate or adequate justification of its action not to reduce such ad valorem tax rate.

g. Recovery by the City of State or County school revenues for the Tennessee legislative biennium ending June 30, 1961, withheld by State and Anderson County authorities pursuant to Section 17 of the Tennessee General Education Act of 1959, or discontinuance of pending suits to recover such revenues without the concurrence of the Commission.

2. The amount of assistance determined under Article I may also be adjusted when the Commission, in its discretion, determines that additional assistance is required to enable the City to maintain school and other municipal services at a level which will not impede the recruitment or retention of personnel essential to the atomic energy program.

3. Adjustments pursuant to the foregoing paragraphs may be made without formal modification of this contract.

ARTICLE III - GENERAL PROVISIONS

1. Any payment made to the City in anticipation that the City will furnish for the City the school and other municipal services in respect of which the payment is made. Any such payment may be withheld in whole or in part if the Commission finds that the City is not furnishing such services in the City of Oak Ridge.

2. Payment of the amounts provided for herein for any year shall constitute full satisfaction of any and all claims the City may have for the same year against the Commission and its management contractors for taxes of any nature whatsoever, on, with respect to, or measured by, the value or use of Government-owned real or personal property of whatsoever nature or description which is utilized in carrying on activities of the Commission. The term "management contractors" means and includes companies and other organizations conducting operations, research, or construction activities for the Commission in Government-owned facilities utilizing advances of Government funds, and under the general supervision and control of the Commission. It does not include individuals or organizations who lease property of the Government for private use in the conduct of their own affairs, or who otherwise utilize their own facilities, funds, property, and independent discretion in the conduct of their normal business with incidental contracts for supplies, construction, or commercial services being made with the Commission or its management contractors.

3. The City will furnish to the Commission not later than March 1 of each calendar year a complete report of the City's proposed budget of receipts and expenditures for the fiscal year next beginning

after said March 1. The City will also certify to the Commission within seven days after said rate is fixed the real property ad valorem tax rate of the City which is effective for each calendar year during the term of this agreement. The Commission will advise the City not later than April 15 of each year, or within 10 days after notification of the amount of said tax rate, if subsequent to April 15, the amount of any adjustment in the annual assistance payment which the Commission may determine to be appropriate under the provisions of Article II hereof. The City will furnish to the Commission annually a copy of the annual financial report of the City as certified by a Certified Public Accountant.

4. No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of the contract contained in this document or to any benefit that may arise therefrom but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

5. a. The City agrees that the Commission and the Comptroller General of the United States or any of their duly authorized representatives shall have access to and the right to examine any directly pertinent books, documents, papers and records of the City involving transactions related to this contract until the expiration of three years after final payment under this contract unless the Commission authorizes their prior disposition.

b. Nothing in this contract shall be deemed to preclude an audit by the General Accounting Office of any transaction under this contract.

6. Neither this contract nor any interest therein nor claim thereunder shall be assigned or transferred by the City, except as expressly authorized in writing by the Commission.

7. The City warrants that no person has been or will be employed or retained to solicit or secure this contract or any financial assistance hereunder upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee. For breach or violation of this warranty, the Government shall have the right to deduct from the financial assistance the full amount of such commission, percentage, brokerage, or contingent fee.

8. The provision of financial assistance is not intended to constitute the City an agent of the Government or Commission.

9. The term "Contracting Officer" means the person executing this contract on behalf of the Government and includes his successors or any duly authorized representative of any such person.

10. The term "Commission" means the United States Atomic Energy Commission or any duly authorized representative thereof, including the Contracting Officer, except for the purpose of deciding an appeal under the Article entitled "Disputes".

11. The term "City" includes any duly authorized representative thereof, as appropriate in the context.

ARTICLE IV - DISPUTES

1. Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the City. The decision of the Contracting Officer shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the City mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Commission. The decision of the Commission or its duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this article, the City shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the City shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

2. This "Disputes" article does not preclude consideration of law questions in connection with decisions provided for in Paragraph 1., above; Provided, that nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

IN WITNESS WHEREOF, the parties have executed this contract as of the date first above written, such action by the City being exercised pursuant to Resolution No. 12-143-63, dated December 5, 1963, duly adopted pursuant to law.

UNITED STATES OF AMERICA

BY: UNITED STATES ATOMIC ENERGY COMMISSION

BY: /s/ S. R. Sapirie

TITLE: _____

WITNESSES:

/s/ Fred C. Peitzsch

Oak Ridge, Tenn.
(Address)

/s/ Carleton E. McMullin

Oak Ridge, Tenn.
(Address)

CITY OF OAK RIDGE

BY: /s/ Robert A. McNeese

TITLE: Mayor

Attest = /s/ Louise E. Murphy
City Clerk

Contract No. AT-(40-1)-2662
CITY OF OAK RIDGE
Modification No. 2

SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, entered into the 17th day of February, 1969, by and between the UNITED STATES OF AMERICA (hereinafter called the "Government"), represented by the UNITED STATES ATOMIC ENERGY COMMISSION (hereinafter called the "Commission"), and the CITY OF OAK RIDGE (hereinafter called the "City"), a municipal corporation organized under the laws of the State of Tennessee;

WITNESSETH THAT:

WHEREAS, pursuant to the Atomic Energy Community Act of 1955 (69 Stat. 471; 42 U.S.C. 2301, et seq.) referred to below as the "Act", Government ownership and management of the Community of Oak Ridge, Tennessee, has been terminated, and transfer of municipal installations, as defined in the Act, has been made to the City by the Commission; and

WHEREAS, pursuant to Sections 91 and 94 of said Act as they existed prior to 1967, the Commission and the City entered into Contract No. AT-(40-1)-2662 on December 15, 1959, providing for financial assistance payments to the City under certain terms and conditions and have subsequently, on February 18, 1964, amended such contract by Modification No. 1 thereto; and

WHEREAS, amendments to the Act made by Public Law 90-190, December 14, 1967 (81 Stat. 575), authorize continuation of financial assistance under the Act as amended and authorize a contract therefor extending until June 30, 1979, and the parties hereto desire to provide for such extended period;

NOW, THEREFORE, the Commission and the City mutually agree that the contract shall be, and the same is, hereby modified and amended in the following particulars, but in no others:

1. In ARTICLE I - PAYMENTS, the date "June 30, 1969" appearing in Section 1 is changed to "June 30, 1979".

CERTIFIED TRUE COPY

BY Alice Brown

- 2 -

2. In ARTICLE II - ADJUSTMENT OF PAYMENTS, paragraph g. of Section 1 is deleted and the following is inserted in its stead:

"g. Failure of the City to utilize all reasonable available means to achieve financial self-sufficiency."

3. In ARTICLE II - ADJUSTMENT OF PAYMENTS, Section 3 thereof is designated Section 4 and a new Section 3 is inserted as follows:

"3. The amount of assistance determined under Article I may also be adjusted when the Commission, in its discretion, but after notice to and consultation with the City, determines that funds available to the City from all reasonable sources (including United States Government funds other than those under this agreement) are in such amount as to constitute a degree of financial self-sufficiency which can be treated as a basis for reduction in or termination of the assistance payment, in accordance with Section 91 e of the Act."

4. The text of Section 2 of ARTICLE III - GENERAL PROVISIONS is deleted and the word "Reserved" is inserted in lieu thereof.

IN WITNESS WHEREOF, the parties have executed this Supplemental Agreement as of the date first above written.

UNITED STATES OF AMERICA

BY: UNITED STATES ATOMIC ENERGY
COMMISSION

BY: /s/ E. A. Wende

LIBERTY LEASING

OAK RIDGE OPERATIONS

(Contracting Officer)

CITY OF OAK RIDGE

BY: /s/ J. K. Bissell

TITLE: Mayor

UNCLASS. - ED

PROGRAM SUPPORT/COMMUNITY OPERATIONS PROGRAM BACKUP-continued

AEC ASSISTANCE PAYMENTS TO LOS ALAMOS
Under Public Law 84-221*

Fiscal Year (Actual)	Hospital	Schools	County	Total
1964.....	\$ 65	\$ 0	\$ 0	\$ 65
1965.....	109	0	0	109
1966.....	8	0 ^{1/}	0	8
1967.....	29	3,087 ^{2/}	0	3,116
1968.....	0	1,836	1,034	2,870
1969.....	0	1,925	1,236	3,161
1970.....	0	2,122	1,071	3,193
1971.....	0	1,593	800	2,393
1972.....	0	2,089	1,161	3,250
1973.....	0	2,440	1,200	3,640
1974.....	0	2,424	1,610	4,034
Subtotal - Actual.....	\$ 211	\$17,516	\$ 8,112	\$25,839
(Estimated)				
1975.....	\$ 0	\$ 3,050 ^{2/}	\$ 1,700	\$ 4,750
1976.....	0	3,408	1,400	4,808
Transition Budget.....	0	847	350	1,197
Grand Total - Estimated.....	\$ 211	\$24,821	\$11,562	\$36,594

* Atomic Energy Community Act of 1955, as amended.

1/ Includes assistance for construction of new facilities \$1,295,000.

2/ Includes \$600,000 in each year (FY 1975, 1976) estimated to be required to provide equivalent funds to those provided by the Department of Health, Education, and Welfare under P.L. 81-874 because of uncertainty of P.L. 81-874 funding.

UNCLASSIFIED

PWS/C-4

UNCLASSIFIED

PROGRAM SUPPORT/COMMUNITY OPERATIONS PROGRAM BACKUP-continued

ASSISTANCE PAYMENTS TO OAK RIDGE - UNDER PUBLIC LAW 84-221**
(In Thousands Except for Footnotes)

FISCAL YEAR (Actual)	CITY OF OAK RIDGE ^{1/}
1957.....	\$ 0
1958.....	0
1959.....	0
1960.....	1,247 (1/2 yr.)*
1961.....	2,472*
1962.....	1,239
1963.....	1,229
1964.....	1,230
1965.....	1,252
1966.....	1,302
1967.....	1,373
1968.....	1,474
1969.....	1,525
1970.....	1,474
1971.....	1,535
1972.....	1,433 ^{2/}
1973.....	1,037
1974.....	1,239
1974.....	1,323
Subtotal - Actual.....	\$20,910
 (Estimated)	
1975.....	\$ 2,060 ^{3/}
1976.....	2,097
Transition Budget.....	522
GRAND TOTAL - Estimated.....	\$25,589

** Atomic Energy Community Act of 1955, as amended.

1/ Payments to the City include schools. (About \$1.8 million in 1960 and 1961 represent AEC payments required due to withholding by State of State aid and County Taxes under the "Oak Ridge Rider." \$1.8 million assumes \$0.6 million was withheld in FY 1960--for one-half year local operation--plus \$1.2 million for FY 1961.) Oak Ridge donated working capital for the hospital at time of transfer; therefore, no amounts are shown as assistance payments to the hospital.

2/ Oak Ridge obtained Federal impacted school financial assistance from the Department of Health, Education, and Welfare (DHEW) under P.L. 81-874 starting in FY 1971.

3/ Includes \$600,000 in each year (FY 1975, 1976) estimated to be required to provide equivalent funds to those provided by DHEW under P.L. 81-874 because of uncertainty of P.L. 81-874 funding.

UNCLASSIFIED

PMS/C-6

UNCLASSIFIED

PROGRAM SUPPORT/COMMUNITY OPERATIONS PROGRAM BACKUP-continued

ASSISTANCE PAYMENTS TO RICHLAND - UNDER PUBLIC LAW 91-221**
(in thousands except for footnotes)

FISCAL YEAR (Actual)	ACTIVITY					Total \$1
	Hospital	City	Operating	Schools Interest & Bond Redemption	Total Schools	
1957	\$ 24.1/	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24.4
1958	203	0	1,034	0	0	203
1959	674	0	814	0	1,034	1,138
1960	49	464	814	0	0	1,338
1961	71	288	539	0	539	1,898
1962	0	347	664	26	670	1,017
1963	0	315	592	24	616	913
1964	138.2/	335.2/	943.2/	23	966.2/	1,439.2/
1965	0	278	627	25	652	930
1966	0	267	655	24	679	946
1967	0	335	635	23	658	993
1968	0	219	718	24	740	964
1969	0	219	718	21	740	964
1970	0	586	4,002.2/4/	0	4,000	4,588
1971	0	0	3,713.2/	0	3,713	3,713
1972	210	0	330	0	330	540
1973	0	0	0	0	0	350
1974	0	0	0	0	0	0
Subtotal - Actual	\$ 1,021.2/	\$ 3,640.2/	\$ 16,351.2/	\$ 190,000	\$ 16,541.2/	\$ 21,302.2/
(Estimated)						
1975	\$ 0	\$ 0	\$ 400.2/	\$ 0	\$ 400.2/	\$ 400.2/
1976	0	0	400.2/	0	400.2/	400.2/
Transition Budget	0	0	100	0	100.2/	100
GRAND TOTAL - Estimated	\$ 1,021.2/	\$ 3,640.2/	\$ 17,121	\$ 190	\$ 17,441.2/	\$ 22,102.2/

** Atomic Energy Community Act of 1955, as amended.

- 1/ Includes \$90,000 for building rehabilitation and \$70,000 for necessary working capital in lieu of transferring accounts receivable.
- 2/ Includes funds for replacement heating plants. On completion of new Federal building, AEC's central steam plant (which supplied steam at commercial rates to: the hospital, two schools, and certain municipal facilities) was closed down and razed. In anticipation of closing, and in accordance with agreements at time of transfer of assets to various entities, AEC paid the following amounts for construction of substitute heating facilities: MADISON METHODIST HOSPITAL - \$138,000; RICHLAND SCHOOL DISTRICT - \$317,940; CITY OF RICHLAND - \$50,300 -- TOTAL - \$505,940.
- 3/ "Special Payments of \$10,740,000 made for Richland District Plant Improvement Program from following sources: (1) Local and State Funds - \$2,458,000; (2) Interest - \$550,000; (3) Sale of School Property - \$12,000; (4) AEC - \$7,713,000.
- 4/ Richland School District started to receive operating assistance from the Department of Health, Education, and Welfare (DHEW) under P.L. 91-874 in FY 1970.
- 5/ Estimated to be required to provide equivalent funds to those paid by DHEW under P.L. 91-874.

UNCLASSIFIED

PMS/C-8

Financial Assistance Determination and
Payments to the City of Oak Ridge

<u>Fiscal Year</u>	<u>Financial Assistance Determination</u> ^{a/}	<u>AEC Payments</u>	<u>P.L. 874 Payments</u>
1960	\$1,247,000	\$1,247,000	
1961	2,472,106	2,472,106	
1962	1,238,740	1,238,740	
1963	1,228,740	1,228,740	
1964	1,230,000	1,230,000	
1965	1,252,000	1,252,000	
1966	1,302,480	1,302,480	
1967	1,373,160	1,373,160	
1968	1,474,130	1,474,130	
1969	1,524,613	1,524,613	
1970	1,534,710	1,534,710	
1971	1,701,305	1,433,333	\$267,972
1972	1,771,984	1,036,766	735,218
1973	1,787,129	1,239,449	547,680
1974	1,927,479	1,323,176	604,303
1975	1,976,946	1,422,030	554,916

^{a/} Provided for under Atomic Energy Community Act of 1955, Public Law 84-221, as amended.

APPENDIX G

PROJECTED LEVELS OF URANIUM ENRICHMENT PRODUCTION



Ridge Brown

UNITED STATES
ATOMIC ENERGY COMMISSION

JAN 15 1975

OAK RIDGE OPERATIONS
P. O. BOX E
OAK RIDGE, TENNESSEE 37830

AREA CODE 615
TELEPHONE 483-8611

January 14, 1975

Mr. Eugene L. Joyce
Attorney
Joyce, Anderson, Wood & Meredith
Town Hall Building
Oak Ridge, Tennessee 37830

Dear Gene:

I am pleased to enclose the estimated uranium enrichment production for the Oak Ridge Gaseous Diffusion Plant through Fiscal Year 1982 in response to your letter of December 31.

Please note that these numbers are estimated based on our best current projections. The price is the average price for separative work under fixed-commitment contracts based on a charge of \$42.10 and escalated two percent every six months beginning July 1. You will note that the table reflects a transition quarter. This comes from the budget reform act which changes the fiscal year period.

Trust this will be helpful.

Sincerely,

Wayne Range

Wayne Range
Assistant to Manager

Enclosure:



ESTIMATED
PROJECTED LEVEL OF URANIUM ENRICHMENT
PRODUCTION AT ORGDP

<u>FY</u>	<u>Separative Work (Millions of SWU)</u>	<u>Price \$/kg</u>	<u>Value (\$ Millions)</u>
75	3.2	39.45	126
76	3.9	43.40	169
TQ ^{1/}	1.2	44.75	54
77	4.8	45.65	219
78	5.2	47.55	247
79	5.8	49.55	287
80	6.4	51.60	330
81	6.8	53.75	366
82	6.8	55.95	380

^{1/} Transition Quarter: July 1, 1976 - September 30, 1976.

CHAPTER 4AEC'S ASSUMPTIONS IN ARRIVINGAT THE PROPOSED PRICE OF \$28.70

AEC's proposed criteria has led to the development of a new charge for enrichment services of \$28.70--an increase of \$2.70--a unit of separative work. The proposed new unit price was computed on the basis of a conceptual plant and assuming a capital structure of 50-percent debt and 50-percent equity with an interest rate on debt of 7 percent, and a posttax return on equity of 12 percent.

The current charge of separative work--\$26 a unit--represents about 8 percent of the total cost of nuclear power, or 0.5 mills a kilowatt hour. According to AEC, the proposed charge of \$28.70--an increase of about 10 percent over the current charge--results in an increase of 0.05 mills a kilowatt hour, which is less than 1 percent of the total cost of nuclear power.

The assumptions used in AEC's computation of the price for separative work are significant because a change in any one of a number of the assumptions could result in a significantly different unit price. For example, a change in the debt-equity ratio from 50-50 to 70-30 with all other assumptions remaining the same would result in a price of separative work of \$26.10, or \$2.60 below the proposed price. A debt-equity ratio of 30-70 would increase the price by \$2.90 to \$31.60 (See apps. V and VI for the range in prices which can be obtained depending on the commercial financial structure used.)

The unit price of separative work is more sensitive to some of the assumptions than others. Also, the stability of some of the items is affected by economic conditions and trends much more than others.

A comparison of the cost components of the original \$26 unit price, a possible price of \$28 based on existing criteria, and the proposed \$28.70 price based on the proposed criteria follows.

Source:

22
HEARINGS
Before the
JOINT COMMITTEE ON ATOMIC ENERGY
CONGRESS OF THE UNITED STATES
Ninety-First Congress
Second Session
on
URANIUM ENRICHMENT PRICING CRITERIA
June 16 and 17, 1970

	Existing unit price of \$26 (note a)	Possible price of \$28 on existing criteria (note b)	Unit price of \$28.70 under proposed criteria (note c)
Power	\$10.91	\$12.35	\$10.82
All other operating costs	3.86	3.90	1.82
Depreciation	3.65	4.80	4.02
Interest on debt at 7%	-	-	2.16
Carrying charge on uranium inventory	-	-	.80
Government interest on investment	4.08	3.35	-
State and local taxes, etc.	-	-	1.60
Allowance for Federal income taxes	-	-	3.73
Return on equity at 12%	-	-	3.73
Contingency	<u>3.50</u>	<u>3.60</u>	-
Total	<u>\$26.00</u>	<u>\$28.00</u>	<u>\$28.70</u>

^a Based on projected Government costs in existing plants over a campaign of FY 1966 through FY 1975; interest on investment including preproduction inventories at 5%; plus a 15% contingency.

^b Based on 1970 projected Government costs on existing plants over a campaign of FY 1971 through FY 1980; interest on investment including preproduction inventories at 5%; plus a 15% contingency.

^c Based on estimates of average costs in a new plant with an 8,750,000 separative work unit capacity; a 25-year plant life; and assuming commercial operations with 50-50 debt-equity financing; 7% interest on debt; 12% return on equity; and payments of Federal, State, and local taxes.

FINANCIAL GROUND RULES

In an attempt to implement the President's announcement of operating the uranium enrichment facilities in a manner which approaches more closely a commercial enterprise, AEC developed a set of financial ground rules to establish a basis for determining a unit price for separative work. The assumptions which, in our opinion, are the most critical in terms of sensitivity and stability are discussed below.

Debt-equity ratios

AEC used a ratio of 50-percent debt and 50-percent equity as reasonable for the conceptual plant. Since the enriching enterprise is not directly comparable to any particular segment of commercial industry, substantial judgment is involved in establishing an acceptable and reasonable ratio.

FIGURE 4

BASIC ELEMENTS OF UNIT CHARGE
FOR ENRICHING SERVICES

<u>COST CATEGORY</u>	<u>S/SWU</u>
POWER	13.00
OTHER OPERATING	2.95
AMORTIZED CAPITAL	7.25
INTEREST ON PREPRODUCTION	2.25
FEED PROVIDED BY AEC	5.85
<u>SUBTOTAL</u>	31.30
CONTINGENCY (15%)	4.70 ✓
<u>UNIT CHARGE</u>	\$36.00/SWU

Costs and unit charge are developed for the
10 year campaign period FY 1971 - FY 1980.

UNITED STATES
ATOMIC ENERGY COMMISSION

OAK RIDGE OPERATIONS
P. O. BOX 5
OAK RIDGE, TENNESSEE 37830

OFFICE OF
TELEPHONE SERVICE

July 13, 1973

Mr. Eugene L. Joyce
Attorney at Law
Joyce, Anderson, Wood & Meredith
Town Hall Building
Oak Ridge, Tennessee 37830

Dear Gene:

I think your idea of a conversation line on the amount of energy being exported from Oak Ridge is a good one, and I had our "think tank" guys work up some figures. They have done a lot of qualifying, but for our use, without qualifications, it goes something like this.

1. The amount of uranium expected to be shipped from ORGDP this year would provide nearly four times the amount of electricity to be used by New York City. Or, it could supply the electrical energy requirements for New York, Houston, Baltimore, Boston, Dallas, Los Angeles, New Orleans, Philadelphia and Washington, D. C.
2. Another comparison is that the amount to be shipped from ORGDP this year would be sufficient to provide 10.4 percent of the total amount of power to be used in the Nation this year.
3. Following is a table showing the expected increase yearly through 1978 of what percent of national electrical energy use shipments from ORGDP could furnish (national use is escalated seven percent per year):

<u>Calendar Year</u>	<u>% of U. S. Total</u>
1973	10.4
1974	15.9
1975	18.9
1976	19.2
1977	16.3
1978	20.6

Mr. Eugene L. Joyce

-2-

July 13, 1973

We will be working up some additional figures covering all three plants to feed into some of the speeches and other informational materials.

Sincerely,

Wayne Range
Assistant to the Manager

APPENDIX H

TENNESSEE VALLEY AUTHORITY ACT: SECTION 13

TENNESSEE VALLEY AUTHORITY Section 13 of the act provides the procedure by which the T.V.A. makes payments to state and local governments for holdings and activities within the boundaries of the state and local governments. The provisions of this section follows:

Sec. 13. In order to render financial assistance to those States and local governments in which the power operations of the Corporation are carried on and in which the Corporation has acquired properties previously subject to State and local taxation, the board is authorized and directed to pay to said States, and the counties therein, for each fiscal year, beginning July 1, 1940, the following percentages of the gross proceeds derived from the sale of power by the Corporation for the preceding fiscal year as herinafter provided, together with such additional amounts as may be payable pursuant to the provisions hereinafter set forth, said payments to constitute a charge against the power operations of the Corporation: For the fiscal year (beginning July 1) 1940, 10 per centum; 1941, 9 per centum; 1945, 6½ per centum; 1946, 6 per centum; 1947, 5½ per centum; 1948 and each fiscal year thereafter, 5 per centum. "Gross proceeds", as used in this section, is defined as the total gross proceeds derived by the Corporation from the sale of power for the preceding fiscal year, excluding power used by the Corporation or sold or delivered to any other department or agency of the Government of the United States for any purpose other than the resale thereof. The payments herein authorized are in lieu of taxation, and the Corporation, its property, franchises and income, are hereby expressly exempted from taxation in any manner or form by any State, county, municipality, or any subdivision or district thereof.

The payment for each fiscal year shall be appointed among said States in the following manner: One-half of said payment shall

be apportioned by paying to each State the percentage thereof which the gross proceeds of the power sales by the Corporation within said State during the preceding fiscal year bears to the total gross proceeds from all power sales by the Corporation during the preceding fiscal year; the remaining one-half of said payment shall be apportioned by paying to each State the percentage thereof which the book value of the power property held by the Corporation within said State at the end of the preceding fiscal year bears to the total book value of all such property held by the Corporation on the same date. The book value of power property shall include that portion of the investment allocated or estimated to be allocable to power: Provided, That the minimum annual payment to each State (including payments to counties therein) shall not be less than an amount equal to the two-year average of the State and local ad valorem property taxes levied against power property purchased and operated by the Corporation in said State and against that portion of reservoir lands related to dams constructed by or on behalf of the United States Government and held or operated by the Corporation and allocated or estimated to be allocable to power. The said two-year average shall be calculated for the last two tax years during which said property was privately owned: Provided further, That the minimum annual payment to each State in which the Corporation owns and operates power property (including payments to counties therein) shall not be less than \$10,000 in any case: Provided further, That the corporation shall pay directly to the respective counties the two year average of county ad valorem property taxes (including taxes levied by taxing districts within the respective counties) upon power property and reservoir lands allocable to power, determined as above provided, and all payments to any such county within a State shall be deducted from the payment otherwise due to such State under the provisions of this section. The determination of the board of the amounts due hereunder to the respective States and counties shall be final.

The payments above provided shall in each case be made to the State or county in equal monthly installments beginning not later than July 31, 1940.

Nothing herein shall be construed to limit the authority of the Corporation in its contracts for the sale of power to municipalities to permit or provide for the resale of power at rates which may include an amount to cover tax-equivalent payments to the municipality in lieu of State county, and municipal taxes upon any distribution system or property owned by the municipality, to any agency thereof, conditioned upon a proper distribution by the municipality of any amounts collected by it in lieu of State or county taxes upon any such distribution system or property; it being the intention of Congress that either the municipality of the State in which the municipality is situated shall provide for the proper distribution to the State and county of any portion of tax equivalent so collected by the municipality in lieu of State or county taxes upon any such distribution system or property.

The Corporation shall, not later than January 1, 1945, submit to the Congress a report on the operation of the provisions of this section, including a statement of the distribution to the various States and counties hereunder; the effect of the operation of the provisions of this section on State and local finances; an appraisal of the benefits of the program of the Corporation to the States and counties receiving payments hereunder, and the effect of such benefits in increasing taxable values within such States and counties; and such other data, information, and recommendations as may be pertinent to future legislation. [48 Stat.66, as amended by 54 Stat. 626-627, 16 U.S.C. sec 8311.]

PAYMENTS TO STATES AND COUNTIES UNDER THE PROVISION
OF SECTION 13 OF THE TVA ACT.

In order to develop some understanding of the procedures by which the TVA makes payments in lieu of taxes, the Information Office of the Tennessee Valley Authority developed a report setting forth the constraints under which payments are made to the states and the counties. The report (1972) contained the following information:

TVA POWER: PAYMENTS IN LIEU OF TAXES

TVA makes payments in lieu of taxes on its power properties and operations even though it is not subject to taxation in the usual sense by state or local governments. This unique arrangement is provided for in the TVA Act. Except for fixed yearly payments to the states of Arizona and Nevada by the Boulder Canyon Project (Hoover Dam), TVA is the only Federal agency which makes payments in lieu of taxes to state and local governments on account of its power activities.

TVA sells power directly to about 200 customers. As of July 1, 1972, these included 110 municipal electric systems and 50 rural electric cooperatives. The rest are industries and Federal agencies which are served directly by TVA because their power requirements are very large or unusual.

To serve these bulk power customers, TVA owns and operates power properties consisting almost entirely of generating plants and high-voltage transmission facilities. Most of these properties are located in open country well outside urban or built-up areas.

The ownership and operation of the region's electric distribution facilities are in the hands of the 160 local distribution systems. These systems sell TVA power at retail rates to nearly two and one quarter million ultimate customers. They pay state and local taxes or make payments in lieu of taxes which are even larger in total amount than the TVA payments.

Description of TVA Payments in Lieu of Taxes

Section 13 of the TVA Act provides for TVA to pay annually to states and counties 5 percent of its gross revenues from sale of power in the preceding fiscal year, excluding revenue from power sold to Federal agencies. The annual payments grow as power revenues grow, and they have increased substantially in recent years. The 1972 payments of \$25,726,228. was more than double the \$11,890,033. paid five years earlier, in 1967.

Future payments will continue to grow as revenues from the sale of power increase. The 1973 payment of about \$27,300,000. will still be more than double the 1968 payment, five years previously.

One-half of the annual payment is divided among the states in the same proportion that the investment in TVA's power property in each state relates to the total investment in TVA's power property; the remaining half is divided in the same proportion that TVA's power revenues in each state relate to TVA's total power revenues.

The TVA Act provides that TVA's payments to the respective states and their counties for any year shall not be less than the higher of (1) the average property taxes levied by each state, and its municipalities, counties, and districts on purchased power property and on the portion of TVA reservoir lands allocated to power for the last two years such properties were in private ownership, or (2) \$10,000. Payments in the eight states where TVA power properties are located exceed these minimums by a substantial margin except in Illinois, where the \$10,000. minimum prevails.

The Act also specifies how the total payments within a state is to be divided between the state and local units. TVA pays directly to counties amounts equivalent to the former county and district taxes paid on properties which were taxed as power facilities at the time TVA acquired them, reservoir lands allocable to power, and underground coal reserves acquired for power use. These payments are deducted from the amount otherwise payable to the state in which the counties are located. Tax replacement payments to counties have been relatively stable for a number of years, so most of the substantial increase in TVA's payments have gone to the state governments. The annual payments are made in monthly installments.

Five of the states to which TVA makes payments redistribute to local units of government all or a portion of these funds in accordance with state laws. North Carolina redistributes all that it receives. Kentucky, Mississippi, and Tennessee redistribute sizable amounts to both county and municipal governments. Beginning with fiscal year 1973, Georgia also will redistribute all it receives to county and municipal governments. Alabama, Illinois, and Virginia make no redistribution.

The TVA Act does not provide for any tax replacement payments for non-power properties purchased by TVA, such as the portion of reservoir lands allocated to flood control, navigation, and other nonpower purposes.

Taxes and Payments in Lieu of Taxes by Power Distributors

Municipally owned electric systems usually are exempt from taxation, as such, but TVA has been guided by the principle that municipal systems should pay their fair share of the cost of government. For this reason, TVA's wholesale power contracts with municipalities provide for payments in lieu of taxes by municipal electric systems. These contracts permit the owning municipalities to take amounts in lieu of taxes from their electric systems within a generous maximum level designed to accommodate payments generally approximating state and local taxes such systems would pay if privately owned. These levels are determined under formulas reflecting any state law controlling the amount and distribution of tax equivalent payments or in the absence of such laws the formulas reflect local property assessing and taxing practice.

The maximum tax equivalent for municipalities is generally determined by applying the prevailing property tax rates for the state, city, county and other taxing districts to the net book value (original cost less depreciation) of the electric systems' properties in the respective taxing jurisdictions. The maximum tax equivalent is offset by the amount of any direct tax imposed by any taxing jurisdiction of the electric system.

Major changes in the property tax structures of Kentucky and Tennessee have led to the enactment of special tax equivalent statutes in these states, and wholesale power contract amendments were developed to facilitate the operation of such statutory requirements. In both states the laws provide for separate calculations of property and nonproperty tax equivalents, plus "floors" to ensure that continuing payments do not decline from previous amounts. In Kentucky the electric system tax equivalent is required by law to be divided among all state and local governmental units concerned. The law in Tennessee also provides a basis by which the owning municipality will share the total equivalent with other taxing jurisdictions. Some owning municipalities in Tennessee, however, are exempt from the sharing provisions due to private acts of the legislature and special agreements between the owning municipality and the other taxing jurisdictions. The amount and distribution of payments in lieu of taxes for the four major cities in Tennessee are covered by separate

private acts. Because electric cooperatives are not public enterprises, they are subject to the same taxes applicable to privately owned electric utilities unless treated otherwise by state law. The taxation of rural electric cooperatives varies among the Valley states. In Alabama, North Carolina, and Virginia they are subject to most of the state and local taxes applicable to private electric utilities; in Kentucky, Tennessee and Georgia they are required to pay property taxes only; in Mississippi they are nearly tax-exempt. In general, rural electric cooperatives pay less tax per dollar of investment (or per dollar of revenue) than private utilities because their assessments for ad valorem taxation reflect the fact that their rural properties with lower customer densities have less earning capability.

Amount and Distribution of Payments

In addition to the \$25,726,228. paid by TVA in fiscal year 1972, the municipal and cooperative electric systems distributing TVA power paid \$27,796,587. in state and local governments for fiscal year 1972 totaled \$53,522,815.

The combined payments were, on the average, 6.8 percent of the electric bills paid by all users of TVA electricity, except the Federal Government. State and local taxes paid by the 12 private electric utility companies serving the surrounding areas ranged from 2.9 to 9.7 percent of their customers' power bills, and averaged 7.4 percent. The taxes used in this comparison do not include sales taxes imposed directly on power users, which are applied in several of the states where TVA power is distributed as well as in some other states served by private utilities.

Attached Tables and Chart

Details of TVA's F.Y. 1972 payments to states and counties are set out in Tables V D1 and V D2. Table V D3 shows the Tax Loss and Tax Replacement amount for Roane County in Fiscal Year 1973.

The chart shows for the past 20 years the trend of state and local tax payments by TVA distributors of TVA power in comparison with all privately owned electric utilities in the U.S. Over the last 20 years such tax payments by the TVA -area public power systems have been going up at the rate of over 10 percent per year, while state and local taxes paid by all private electric companies in the U.S. have been increasing at a rate less than 9 percent a year.

Table V-D1

TENNESSEE VALLEY AUTHORITY

Payments in Lieu of Taxes to States and Counties
Fiscal Year Ending June 30, 1972

<u>State</u>	<u>Total Payments</u>	<u>Payments to States</u>	<u>Payments to Counties</u>
Alabama	\$ 5,783,596	\$ 5,744,219	\$ 39,377
Georgia	262,955	209,203	53,752
Illinois	10,000	7,693	2,307
Kentucky	3,307,704	3,267,791	39,913
Mississippi	1,091,424	1,056,827	34,597
North Carolina	242,382	235,082	7,300
Tennessee	14,940,602	13,996,175	944,427
Virginia	87,565	85,985	1,580
Total	<u>\$25,726,228</u>	<u>\$24,602,975</u>	<u>\$1,123,253</u>

Table V-D2

TVA FUNDS PAID TO COUNTIES--FISCAL YEAR 1972

(Shows direct TVA payments and state redistribution but not distributor payments. Does not include amounts of TVA payment redistributed to cities and towns by some of the states.)

	Direct	Redistr.		Direct	Redistr.
<u>Alabama</u>			<u>Kentucky (cont.)</u>		
Cherokee	\$ 313		McCreary	\$ -	\$ 4,510
Colbert	3,948		Metcalfe	6	17,425
DeKalb	1,181		Monroe	-	7,056
Franklin	685		Muhlenberg	-	788,588
Jackson	4,953		Ohio	-	1,045
Lauderdale	5,581		Russell	-	3,282
Lawrence	2,889		Simpson	402	5,043
Limestone	4,117		Todd	3,798	42,049
Madison	5,510		Trigg	1,087	115,729
Marshall	6,648		Union	3,428	85,143
Morgan	3,552		Warren	4,269	41,475
Total	\$39,377		Wayne	-	10,620
			Webster	608	9,260
<u>Georgia</u>			Whitley	-	1,148
Fannin	\$53,075		Total	\$39,913	\$2,269,358
Towns	440				
Union	237		<u>Mississippi</u>		
Total	\$53,752		Alcorn	\$ 4,347	\$ 15,154
			Attala	-	67
<u>Illinois</u>			Benton	-	7,710
Franklin	\$ 2,307		Calhoun	-	7,337
			Chickasaw	1,409	27,441
<u>Kentucky</u>			Choctaw	778	20,878
Allen	\$ 25	\$ 3,514	Clay	5,160	133,703
Ballard	-	1,519	DeSoto	-	18,112
Barren	557	10,851	Itawamba	158	34,380
Bell	139	6,122	Kemper	-	4,157
Butler	-	17,247	Lafayette	-	26,886
Caldwell	153	6,793	Leake	-	3,429
Calloway	3,883	41,670	Lee	5,190	57,250
Carlisle	-	2,991	Lowndes	4,351	45,446
Christian	3,028	37,895	Marshall	-	41,674
Clay	1,227	4,577	Monroe	2,304	76,447
Clinton	-	4,381	Neshoba	1,172	39,382
Cumberland	-	7,839	Noxubee	497	9,771
Edmonson	14	988	Oktibbeha	2,606	44,346
Fulton	277	1,942	Panola	-	16,110
Graves	4,704	18,107	Pontotoc	-	12,653
Grayson	-	611	Prentiss	1,334	16,261
Harlan	23	160	Quitman	-	67
Hart	-	3,462	Scott	-	1,255
Henderson	168	2,688	Tallahatchie	-	316
Hickman	339	6,613	Tippah	430	7,433
Knox	-	3,191	Tishomingo	2,476	38,997
Leslie	1,428	3,948	Union	203	29,431
Livingston	383	86,206	Webster	717	6,332
Logan	6,195	39,616	Winston	1,465	33,160
Lyon	523	111,579	Yalobusha	-	1,753
Marshall	2,609	143,777	Total	\$34,597	\$777,338
McCracken	640	568,698			

TABLE V-D2 Cont'd

<u>N. Carolina</u>			<u>Tennessee (cont.)</u>		
	<u>Direct</u>	<u>Redistr.</u>		<u>Direct</u>	<u>Redistr.</u>
Avery	\$ 297	\$ 3,173	Lauderdale	\$ 1,046	\$ -
Cherokee	1,731	65,878	Lawrence	2,301	345
Clay	986	16,946	Lewis	11,067	1,581
Graham	494	67,616	Lincoln	3,397	2,318
Haywood	-	98	Loudon	20,704	105,754
Jackson	-	6	Madison	1,902	1,227
Macon	-	18	Marion	83,432	27,663
Swain	3,792	73,292	Marshall	7,944	-
Total	\$ 7,300	\$227,027	Mauzy	10,502	7,487
			McMinn	40,971	10,469
			McNairy	2,506	-
<u>Tennessee</u>			Meigs	3,711	36,973
Anderson	\$ 18,695	\$ 78,251	Monroe	24,553	91,853
Bedford	5,530	2,597	Montgomery	763	549
Benton	7,098	57,072	Moore	1,378	546
Bledsoe	15,985	-	Morgan	3,802	217
Blount	12,042	33,267	Obion	401	40
Bradley	32,204	1,360	Perry	3,562	25,334
Campbell	20,284	33,645	Polk	111,343	114,423
Cannon	7,175	3,426	Putnam	1,287	280
Carroll	12	37	Rhea	6,341	89,908
Carter	34,148	2,134	Roane	20,796	152,538
Claiborne	1,976	16,270	Robertson	651	258
Cocke	7,039	36,597	Rutherford	15,188	13,434
Coffee	2,699	523	Scott	90	-
Crockett	180	-	Sequatchie	7,375	149
Cumberland	1,035	17	Sevier	8,959	1,451
Davidson	10,175	33,570	Shelby	39,791	77,309
Decatur	10,013	30,237	Smith	2,503	948
DeKalb	107	-	Stewart	1,747	79,501
Dickson	1,357	38	Sullivan	15,842	18,044
Dyer	206	-	Sumner	692	5,505
Franklin	9,376	16,646	Tipton	1,486	-
Gibson	113	-	Unicoi	493	-
Giles	2,142	958	Union	4,595	69,448
Grainger	5,623	60,425	Van Buren	9,069	4,307
Greene	20,586	4,976	Warren	37,011	12,631
Grundy	5,209	-	Washington	13,016	18,558
Hamblen	2,837	30,669	Wayne	19,197	563
Hamilton	38,419	77,942	Weakley	1,012	148
Hancock	143	-	White	32,849	-
Hardin	7,023	24,429	Williamson	5,410	7,431
Hawkins	4,567	58,574	Wilson	7,091	9,167
Haywood	1,250	-	Total	\$944,427	\$1,943,334
Henderson	2,685	1,352			
Henry	4,949	53,399	<u>Virginia</u>		
Hickman	13,062	2,162	Washington	\$ 1,580	-
Houston	1,046	12,792			
Humphreys	11,265	86,591	Total TVA direct		\$1,123,253
Jefferson	16,707	92,727	Total redistributed		5,217,057
Johnson	2,430	19,876	Grand Total		\$6,340,310
Knox	19,259	82,418			

TABLE V D2-A

TAX EQUIVALENT PAYMENTS MADE BY MUNICIPALLY-OWNED ELECTRIC
DISTRIBUTION SYSTEMS IN TENNESSEE FOR THE YEAR ENDED JUNE 30, 1972

DISTRIBUTOR	PAID TO CITIES	PAID TO COUNTIES	DISTRIBUTOR	PAID TO CITIES	PAID TO COUNTIES
Alcoa	105,000		Loudon	45,333	
Athens	186,046		Maryville	121,316	
Benton County		18,000	McMinnville	110,796	18,628
Bolivan	70,897	18,964	Memphis	1,722,083	
Bristol	217,998	63,290	Milan	78,645	10,799
Brownsville	36,962	9,240	Morristown	136,025	39,491
Carroll County	17,560	104,721	Mt. Pleasant	25,261	7,334
Chattanooga	1,310,544	1,809,608	Murfreesboro	166,491	48,336
Clarksville	169,400	1,500	Nashville	989,115	3,999,977
Cleveland	259,505		Newbern	7,777	2,258
Clinton	121,799	64,394	Newport	116,250	33,750
Columbia	152,528	44,282	Oak Ridge	178,025	51,685
Cookeville	102,641		Paris	156,699	45,493
Covington	46,470		Pulaski	99,840	28,896
Dayton	114,493		Ripley	49,497	10,030
Dickson	96,288	27,954	Rockwood	152,049	
Dyersburg	103,624	15,000	Sevierville	40,769	
Elizabethton	99,887	27,509	Shelbyville	103,976	30,187
Erwin	54,612	15,855	Smithville	6,975	2,025
Etowah	49,380		Somerville	7,195	2,089
Fayetteville	42,770	12,417	Sparta	13,834	4,017
Gallatin	71,203	17,801	Springfield	52,239	
Greenville	244,598	71,012	Sweetwater	39,562	
Harriman	172,400		Trenton	36,276	4,031
Humboldt	63,669	7,074	Tullahoma	100,422	8,142
Jackson	298,685	74,671	Union City	73,169	2,949
Jellico	28,200	1,310	Weakley County	45,120	99,876
Johnson City	417,306	121,153	Winchester	29,760	8,640
Knoxville	1,369,428	683,315	Total	11,388,801	7,767,134
Lafollette	80,000				
Lawrenceburg	146,422	42,509			
Lebanon	88,012	7,801			
Lenoir City	176,716				
Lewisburg	38,310	11,123			
Lexington	130,949	37,998			

TABLE V-D3

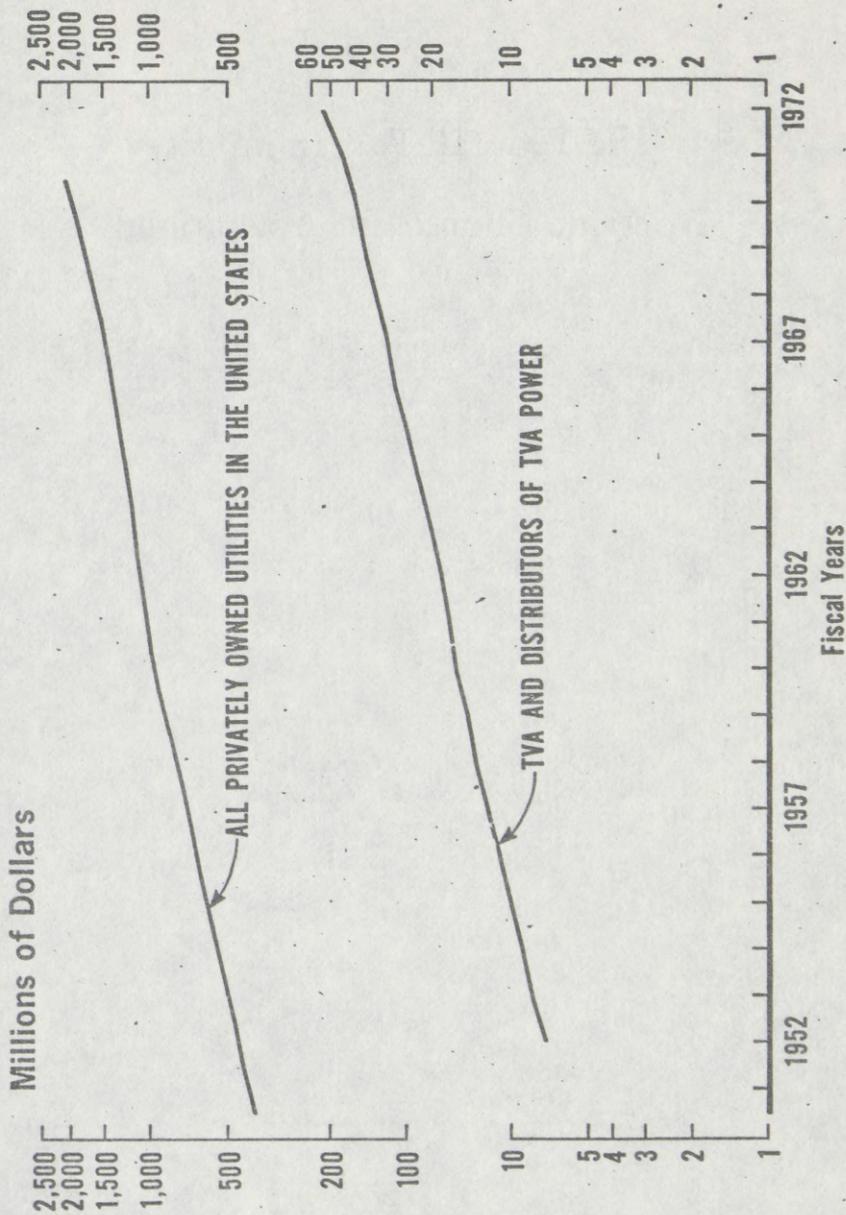
ROANE COUNTY, TENNESSEE
TAX LOSS AND TAX REPLACEMENT
FISCAL YEAR 1973

Type of TVA Property	100% Former Taxes	Tax Replacements By			Excess Replacement Over Former Taxes
		TVA	State	Total	
Reservoir Lands:					
Melton Hill	\$ 111	\$ 39 (35%)	\$ 421	\$ 460	\$ 349
Watts Bar	27,244	11,442 (42%)	139,752	151,201	123,957
Total	27,355	11,481	140,180	151,661	124,306
Power Property:					
Kingston Gen. Plant Site	NA	0	10,472	10,472	-
Purchased from TEPCO	9,300	9,300 (100%)	1,901	11,201	1,901
Total	9,300	9,300	12,373	21,673	1,901
GRAND TOTAL	\$36,655	\$20,781	\$152,553	\$173,334	\$126,207*

NA - Not available.

* Excludes former taxes and replacements on Kingston Generating Plant Site.

GROWTH IN STATE AND LOCAL TAXES



APPENDIX I

FEDERAL TAX IMMUNITY DOCTRINE

The Federal Tax Immunity
Doctrine Should Be Abandoned

Prepared by
Eugene L. Joyce

The United States do not and cannot hold property, as a Monarch may, for private or personal purposes.

United States Supreme Court
1886

INDEX

Transmittal Letter	7
Introductory Information	9
Brief: The Tax Immunity Doctrine Should be Abandoned	11
Summary of Supreme Court Case Allowing Federal Government to Tax State Owned Whiskey Stores	19
Material Reflecting Magnitude of Tax Exempt Uranium Separation Work	22
Excerpts from Miscellaneous Supreme Court Decisions	24
AEC Letter Citing Authority to Currently Pay Local Payment in Lieu of Taxes and Taxes from Enrichment Fees	28

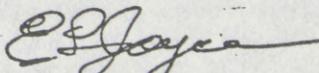
TRANSMITTAL LETTER

As a member of the Oak Ridge Community from its inception, I have been deeply interested in the unusual problem which has continued to plague the City and County governments of this one-industry area for many years. The difficult task of providing a permanent source of tax revenues from the presently tax-exempt atomic energy installations around which this area's economy is built. We have been receiving from the Atomic Energy Commission an annual payment denominated as an in lieu of tax payment. The annual amount paid to the counties can vary from year to year and rests in the discretion of the Commission. Past efforts to correct this potentially untenable economic situation have been through administrative and political channels.

The idea has persisted that governmentally owned property is immune from taxation by a state or its division by the express language of the Federal Constitution. The fact is that the Constitution does not prohibit taxation of the Federal Government by the State Government; rather, the doctrine of governmental immunity is a creation of the Supreme Court of the United States in a decision rendered in 1819. (School segregation and old reapportionment are examples of court-made law of another era.) As a creature of the Court, the Court can and should destroy it as it has done with other archaic court made decisions rendered in a different century with entirely different economic, political, and social considerations.

To aid in the understanding of this problem, I have made a legal review of the checkered efforts of the Federal government to immunize itself from local taxation and at the same time extend the area wherein it taxes state and local governments. Particular attention is given to the government's questionable right to tax immunity when operating a business which could or would normally be owned by private enterprise.

I hope this document will shed light upon the fascinating legal and historical aspects of this situation.



Eugene L. Joyce

GENERAL INTRODUCTORY INFORMATION

First, allow me to review briefly the position in which the citizens of this area have found themselves. The Federal Government owns over 60,000 acres of land in Roane and Anderson Counties, together with three, billion-dollar industrial plants; all of this property is tax-exempt. And, although there is a provision for payments in lieu of taxes on federal property to be made by the Atomic Energy Commission (42 USC 1809 (b)), such payments are made in the sole discretion of the Commission and represent only a small portion of the revenues that the City of Oak Ridge and the two county governments would receive if the property were subject to local taxation. For example, last year AEC's payment to Roane County amounted to a bare \$70,000, whereas in 1974 \$250,000 was paid to the county — only for this one year and only as a result of intense political pressure. It is also crucially important to note that these payments are supported by *no* authorizing legislation whatsoever; this lack of any assured basis for estimating future revenues creates a most untenable situation for local-government budget planners. The government operations at Oak Ridge involve over 16,000 people, with the concomitant burdens on local government of public education, road maintenance, and law enforcement; yet the city and county governments are powerless to impose taxes on the substantial local federal properties so as to alleviate the burdens of government-employed population.

As a result of this extensive tax-immune federal property, the property taxation borne by Oak Ridgers represents the highest city rate in the State of Tennessee, and the property tax rates imposed on citizens respectively. The costs associated with the government's ownership of these atomic installations (which certainly serve national purposes) should not be borne by the local taxpayers alone but should be made a national responsibility through state and local taxation of the federal contractors' operations and the federal property when involved for private purposes.

This is especially true when the K-25 Gaseous Diffusion Plant is operated like a private business concern.¹ This multi-billion dollar installation, owned and operated for the Federal Government as sort of a "grist mill", enriching and processing privately-owned uranium for customers throughout the world.²

The inequities created by this antiquated tax immunity doctrine are most evident in the case of the federal atomic energy installations in Oak Ridge,

¹ On November 10, 1969 the White House made a news release concerning this subject saying in part:

"The President announced today that he has asked the Atomic Energy Commission to operate its uranium enrichment facilities . . . in a manner which approaches more closely a commercial enterprise . . . although these facilities were originally for national defense purposes, national needs for enriched uranium are now largely commercial."

² The plant is operated for the government by a private corporation at a guaranteed annual corporate profit of millions.

discussed in detail above. Therefore, it seems clear that, given the hard facts of the Roane and Anderson counties situation, the inadequacies and difficulties of this court-created tax-immunity doctrine, and the present conservative make-up of the U.S. Supreme Court bench, there is truly no better time than the present for challenging the broad tax doctrine developed from *M'ulloch* and thereby requiring the Federal Government to bear the tax burdens that it should carry in its attempt virtually to socialize the uranium-enrichment industry.

If the Gaseous Diffusion Plant were subject to local taxation, the tax payment would come from the proceeds of the sale of enriched uranium—not from the Federal taxpayers. This would result in:

- A. Relieving the Federal Treasury of upwards of \$1 million now paid to local governments.
- B. Obviate the necessity of expensive administrative machinery set up to monitor budgets of local governments.
- C. Allow local governments to, at last, achieve fiscal independence and terminate time consuming negotiations with local and Washington officials.

As indicated in a letter dated January 19, 1971, the AEC has the authority to use enriching fees to pay local taxes under two different federal statutes, but they are apparently unwilling to exercise this authority except for token payments. (see Appendix V for full text of AEC authority)

A CASE FOR ABANDONING THE TAX IMMUNITY DOCTRINE

I. INTRODUCTION

The Federal Government is completely protected from state and local government taxation through the doctrine of implied constitutional immunity. This doctrine is "implied" because there is *no express provision* in the Constitution of the United States which authorizes such protection; instead, it is from the opinions of the Supreme Court of the United States that the doctrine has developed. The question of immunity first came up in 1819 — 155 years ago — in the case of *M'Culloch v. Maryland*.¹ Ever since this landmark decision, the Supreme Court has depended almost exclusively upon the *M'Culloch* case to develop the broad principle that the Federal Government (as well as its properties, functions, and "instrumentalities") is immune from taxation by state and local governments.

But, from 1819 to the present, the doctrine of tax immunity has been a growing source of difficulties and inconsistencies in litigation involving the state and federal governments: the Supreme Court has vacillated and even reversed itself repeatedly, and several members of the current Supreme Court bench have finally recommended that the doctrine be abolished.

When the origin, development, and current problems of the tax immunity doctrine are carefully examined, it becomes clear that there are compelling reasons to finally abandon the broad doctrine of implied immunity from taxation developed from the 1819 case of *M'Culloch v. Maryland*.

II. SPURIOUS ORIGIN OF THE DOCTRINE

Although the *M'Culloch* case has been used through the years to stand for the idea that the states may not tax the Federal Government *in any way*, a careful reading of the decision made by Chief Justice Marshall in *M'Culloch* shows that such a broad holding was clearly *not* his intention. In *M'Culloch* the Supreme Court held that a Maryland tax which directly *discriminated* against a federal bank was unconstitutional. However, as Justice Marshall pointed out, the opinion was not meant to apply to any tax imposed on the real property of the bank "*in common with* the other real property within the State," nor did the decision apply to a tax levied on the "interest which the citizens of Maryland may hold in [the bank], *in common with* other property of the same description throughout the States"² (emphasis added). What this means is that the *M'Culloch* decision was not meant to apply to taxes imposed uniformly throughout a state, but only to those levied against a single federal institution in an effort to discriminate against and thereby destroy it.

In fact, the Supreme Court never held that a nondiscriminatory tax was unconstitutional during Marshall's time on the bench. And when the Court did

hold a nondiscriminatory tax on a national bank invalid (80 years after *M'Culloch*) in the case of *Owensboro National Bank v. Owensboro* (1899),³ no clear reasons were given for broadening the holding of *M'Culloch* to include such taxes; the Court merely cited Justice Marshall's words in the earlier case and proceeded from there. Indeed, one member of the present Supreme Court has flatly stated that "one might view *Owensboro*, in holding a nondiscriminatory tax invalid, as simply incorrect."⁴

The most famous (and perhaps the most misunderstood) words in *M'Culloch v. Maryland* are that "the power to tax involves the power to destroy."⁵ Justice Marshall used these words in an effort to clarify the idea that, in a dual system of government, federal immunity from discriminatory state taxation is necessary to protect the supremacy of the national government. However, Marshall's "flourish of rhetoric"⁶ has received severe criticism through the years. In 1928, for example, Justice Holmes said:

But this Court which so often has defeated the attempt to tax in certain ways can defeat an attempt to discriminate or otherwise go too far without wholly abolishing the power to tax. The power to tax is not the power to destroy while this Court sits.⁷

Ten years later, Justice Frankfurter noted that the valid arguments in *M'Culloch* "have been distorted by sterile refinements . . . [which] derived authority from an unfortunate remark in Marshall's opinion."⁸

In later cases, the Court began to limit the immunity doctrine and to narrow its interpretation of *M'Culloch*. Several critics of the tax immunity doctrine have called persuasively for the limitation of *M'Culloch* to cases of discriminatory taxation;⁹ one writer has flatly stated that "[i]n the absence of discrimination, it is difficult to perceive how a tax could, in fact, result in the invasion of federal sovereignty."¹⁰ And as recently as 1968, several members of the U.S. Supreme Court have joined in the view that "the language and holdings of later cases go well beyond [this] limited view" of *M'Culloch*; it was their conclusion that such a limitation of the *M'Culloch* case "would seem preferable . . . to interpreting [that decision] as flatly prohibiting all forms of state taxation . . ."¹¹ Thus it becomes clear that the broad doctrine of federal immunity from all forms of state and local taxation finds neither an express authorization in the U.S. Constitution nor any legitimate origin in the decisions of *M'Culloch v. Maryland* or in the cases that have followed.

III. UNSTEADY DEVELOPMENT AND INCONSISTENT APPLICATION OF THE DOCTRINE

From Marshall's day until the late 1930's the Supreme Court greatly expanded the constitutional tax immunity doctrine, extending protection to nearly everyone and everything that touched the Federal Government: among those immunized were federal securities, salaries, property, bonds, income of lessees of federal property, persons dealing with the Federal Government, and employees of federal instrumentalities.¹² The Court also extended mutual (or

"reciprocal") immunity to the states in order to protect their governments from destruction by federal taxation.¹³ However, this period of expansion abruptly ended in 1937 when the Court rendered the first in a series of decisions which began to severely limit and in some instances reverse the over-extended immunities. The Court allowed a state sales tax to be levied on purchases made by a government contractor, then allowed taxation of salaries of both state and federal employees.¹⁴ From this time on, the Court progressively narrowed the range of tax immunities, fully realizing that it was in effect reversing itself. In *New York v. United States* (1946),¹⁵ Justice Frankfurter stated:

In the older cases, the emphasis was on immunity from taxation. The whole tendency of recent cases reveals a shift in emphasis to that of limitation upon immunity. They also indicate an awareness of the limited role of courts in assessing the relative weight of the factors upon which immunity is based.¹⁶

This "tendency" has continued to the present; indeed, it was "the wisdom of that trend" that led members of the 1968 Supreme Court to recommend a "rejection of the constitutional argument" for immunity of federal instrumentalities in *First Agricultural National Bank v. State Tax Commission*.¹⁷

The rather haphazard development of the tax immunity doctrine was accompanied by an equally troubled line of cases involving mutual or reciprocal immunities of the state and federal governments, as limited by the so-called "doctrine of functions." In the 1871 case of *Collector v. Day*,¹⁸ the Court introduced the idea that "the States, within the limits of their ['reserved'] powers . . . are as independent of the general government as that government within its sphere is independent of the States";¹⁹ therefore, the immunity of states from federal taxation was, by virtue of this decision, to be considered mutual, or reciprocal, to the tax immunity of the Federal Government.

However, any true mutuality was short-lived at best, for in 1905, the Court developed the "doctrine of functions" to support the sustaining of a federal license tax on a state-operated liquor business. The rationale of *South Carolina v. U.S.*²⁰ was that when a state government operates a business which is "of a private nature, that business is not withdrawn from the taxing power of the nation."²¹ Thus when agents of the State of South Carolina, acting under statutory authority, began to buy and sell liquor as agents of the state, these agents were forced to pay a federal license tax levied by the internal revenue system of the U.S. Government. However, in the years after the decision in *South Carolina v. U.S.*, the Court steadfastly refused to hold that the *Federal Government* or its agents must be mutually or reciprocally liable to state taxation if they became involved in essentially "private" business, because the Court refused to recognize that any functions of the national government could be private or proprietary. For this reason, the Court's holding in the *South Carolina* case often became a source of difficulties and inconsistencies in later Supreme Court decisions.*

*Because of the fundamental importance of this state-owned whiskey store case, it is summarized in greater detail in the appendix herein.

The refusal of the Supreme Court to apply the doctrine of functions to the Federal Government is not a persuasive argument in light of the many varied and continually expanding functions of the government today. As an example, one may consider the role of the Federal Government in the gradual establishment of the uranium enrichment enterprise owned and operated by the Federal Government as a sort of the "Grist Mill", enriching and processing *privately*-owned uranium for customers throughout the world.** Thus what once represented a valid "means for carrying into execution" the governmental power of providing for the national nuclear defense has gradually evolved into an instrumentality whose functions are in no manner governmental, despite the original authorization of Congress.

Therefore, if the United States Supreme Court, in 1905, could authorize the Federal Government to tax South Carolina's proprietary interest in its state-owned whiskey business (and later, could authorize similar taxation in 22 other states), then why, in 1974, should the State of Tennessee be prevented — by an 1819 Court decision — from placing a *nondiscriminatory* tax on the Federal Government's proprietary interest in this billion-dollar uranium enrichment plant, in which 100% of the hundred-million-dollar annual production is sold at a handsome profit to electric utility customers? It is important to recognize that to urge the application of the doctrine of functions to the Federal Government is *not* to advocate taxation of post offices, army camps, or federal courthouses, national parks etc. but rather to rectify the glaring inequities involved in allowing *federal* taxation of *state*-operated proprietary functions, while prohibiting *state* taxation of those *federal* functions which clearly are *private* or proprietary in nature.

But more than such difficulties involved in the Supreme Court's non-mutual or non-reciprocal application of the doctrine of functions are the sterile, artificial distinctions the Court has found it necessary to make in order to apply the doctrine at all. In the 1946 case of *New York v. U.S.*,²³ Justice Frankfurter strongly criticized the doctrine:

To rest the federal taxing power on what is "normally" conducted by private enterprise in contradiction to the "usual" governmental functions is too shifting a basis for determining constitutional power and too entangled in expediency to serve as a dependable legal criterion. The essential nature of the problem cannot be hidden by an attempt to separate manifestations of indivisible governmental powers.²⁴

Therefore, in view of the Supreme Court's uncertain development of implied governmental immunity from taxation, together with its confusing and inconsistent application of the concept of mutuality or reciprocity of immunities, it is clear that there are compelling reasons for the Court's abandonment of its self-created doctrine of tax immunity.

**The Gaseous Diffusion Plant is operated by a private contractor at a guaranteed corporate profit of millions of dollars annually.

IV. CURRENT INADEQUACY OF THE TAX IMMUNITY DOCTRINE

Beyond the abstract legal considerations which would dictate judicial sanction of state taxation of federally-operated business activities and properties lie more urgent, practical reasons for overruling *M'ulloch v. Maryland*. First, it should be remembered that in 1819 — 40 years before the Civil War, 43 years before the abolition of slavery, 48 years before the purchase of Alaska, 50 years before compulsory public schools, 55 years before the telephone, 60 years before the invention of the incandescent light bulb, 80 years before the development of the automobile — the Union as Justice Marshall saw it was radically different from the United States of 1974. There were only 22 states in the nation, and the population was 9.6 million. Moreover, the annual revenues of the Federal Government comprised a mere \$25 million — (Nashville's current annual budget is \$215 million) The War of 1812 had just ended, and the American fiscal situation was desperate; many of the state banks had closed, and the national bank had been revived by Madison in an attempt to stabilize the faltering American currency.

Therefore, Justice Marshall's arguments in 1819 in favor of immunity for the newly-formed, weak Federal Government from taxation by the 22 comparatively strong states might have presented adequate reason for his "reading" of a tax immunity clause into the Constitution. However, should such an expedient interpretation of the Constitution continue to prevail more than 150 years later, when its effect is to immunize the now-powerful Federal Government from taxation by states so weak that they have become dependent on the national government for support through such drastic measures as "Revenue Sharing," wherein the Federal Government uses its taxing powers in order to collect money for distribution among the faltering state governments?

One aspect alone of the power and extent of the Federal Government in 1974 — its property holdings — presents a striking contrast to its situation in 1819. It has been estimated that perhaps one-quarter of the land area of the United States is now held by the national government. Obviously, such a large segment of tax-exempt property represents a significant reduction in the property tax base available to many communities. It is true that "[i]f Federal properties represented a reasonably uniform proportion of taxable property in each of the thousands of local taxing units throughout the country, no urgent problem would arise out of the immunity of Federal property to local taxation."²⁵ However, according to a 1955 government study commission report,

Federal holdings are very unevenly distributed. Areawise, 11 States have within their boundaries more than four-fifths of the federally owned lands; each of 5 States has less than 1 percent . . . [and] the effects of the uneven distribution of Federal properties are, no doubt, compounded when consideration is given to the scattered locations among local government areas of highly developed Federal industrial plants with their valuable machinery, equipment, and inventories of goods.²⁶

In the face of this situation, a minority part of the committee report stated that "industrial and commercial installations owned but not directly operated by the Federal Government should be subjected to direct taxation under the generally applicable property tax laws of the States and local governments."²⁷ The primary reason given for this position is that "where properties serve national or broad regional purposes, it is fitting that local costs associated with property ownership be a national and not a local cost."²⁸

In no instance are such inequities of the tax immunity situation perhaps more evident than in the case of the atomic energy installations in Oak Ridge, Tennessee. The Federal Government owns over 60,000 acres of land in Roane and Anderson Counties, together with three, billion-dollar industrial plants; all of this property is tax-exempt. Moreover, although there is provision for payments in lieu of taxes on federal property to be made by the Atomic Energy Commission [42 U.S.C. 1809 (b)], such payments are made in the sole discretion of the Commission and represent only a small portion of the revenues that the City of Oak Ridge and the two county governments would receive if the property were subject to local taxation. The government operations at Oak Ridge involve over 16,000 people, with the concomitant burdens on local government of public education, road and street maintenance, and law enforcement; yet the city and county governments are powerless to impose taxes on the substantial local federal properties so as to alleviate the burdens of government-employed population. Consequently, the taxpayers of the City of Oak Ridge bear the highest rate of property taxation in the State of Tennessee, and the tax rates imposed on citizens of Anderson and Roane Counties rank first and third highest in the State, respectively. The costs associated with the government's ownership of these atomic energy installations (which certainly serve national purposes) should not be borne solely by the local taxpayers but should be made a national responsibility through state and local taxation of the federal property involved. Such glaring inequities would be greatly alleviated or perhaps rectified if the implied doctrine of governmental tax immunity were abandoned.

IV. CONCLUSION

In considering judicial abandonment of the tax immunity doctrine, the U.S. Supreme Court cannot ignore certain crucial facts. First, there is no express provision in the U.S. Constitution affording to the Federal Government immunity from state and local taxation. Second, the doctrine is a court-created one with an ill-defined origin and an inconsistent, vacillating development; thus, once created by the courts, the doctrine should and must be abolished by the courts. Third, the historical situation which led to the alleged creation of the tax immunity doctrine in 1819 is today, completely reversed; the doctrine is therefore obsolete and inadequate to deal with the current revenue problems facing the nation's state and local governments. Finally, according to the Constitution itself,

the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively or to the people (U.S. Const. Amend.X).

Our founding fathers, by this clear mandate established "States Rights". No nine men should have the right to by pass its directive by a series of expedient decisions. In light of this, it may be concluded that the Supreme Court would be wise to finally abandon its self-created doctrine of implied governmental immunity from taxation in favor of a more appropriate and presently relevant interpretation of the written words of the Constitution of the United States.

Finally, in 1974 are we not better served by the actual words of the Constitution, which provide that all powers not granted to the Federal Government be reserved to the States, rather than be slaves to an archaic 1819 Supreme Court interpretation of the Constitution conferring an "implied" immunity on the Federal Government from state taxation?

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4. *First Agricultural National Bank v. State Tax Commission*, 392 U.S. 339 at 351, 20 L.Ed.2d 1138, 88 S.Ct. 2173 (1968) (dissenting opinion).
5. *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316 at 431.
6. *Graves v. New York ex rel. O'Keefe*, 306 U.S. 466 at 488, 489, 83 L.Ed. 927, 59 S.Ct. 595 (1939) (concurring opinion).
7. *Panhandle Oil Co. v. Mississippi ex rel. Knox*, 277 U.S. 218, 72 L.Ed. 857, 48 S.Ct. 45 (dissenting opinion).
8. *Graves v. New York ex rel. O'Keefe*, 306 U.S. 466 at 488, 489, 83 L.Ed. 927, 59 S.Ct. 595 (1939) (concurring opinion).
9. *Note: Tax Immunity and Taxation of National Banks: One Hundred and Fifty Year After McCulloch v. Maryland*, 1969 U.Ill.L.F. 224(1969); *Pierce, Tax Immunity Should Not Mean Tax Inequity*, 1959 Wis.L.Rev. 173 (1959). See also Powell, *The Waning of Intergovernmental Tax Immunities*, 58 Harv.L.Rev. 633 (1945).
10. *Pierce*, *supra* note 9, at 177.
11. *First Agricultural National Bank v. State Tax Commission*, 392 U.S. 339 at 351 (not 4), 20 L.Ed.2d 1138, 88 S.Ct. 2173 (dissenting opinion).
12. *Weston v. City Council of Charleston*, 27 U.S. (2 Pet.) 449, 7 L.Ed. 481 (1829); *Dobbins v. Commissioners of Erie County*, 41 U.S. (16 Pet.) 435, 10 L.Ed. 102 (1842); *Van Brocklin v. Tennessee*, (*Van Brocklin v. Anderson*), 117 U.S. 151, 29 L.Ed. 845, 6 S.Ct. 670 (1886); *Pollock v. Farmers' Loan and Trust Co.*, 157 U.S. 429, 1 S.Ct. 673 (1895); *Gillespie v. Oklahoma*, 257 U.S. 501, 42 S.Ct. 171 (1922); *Panhandle Oil Co. v. Mississippi ex rel. Knox*, 277 U.S. 218, 72 L.Ed. 857, 48 S.Ct. 451 (1928); *New York ex rel. Rogers v. Graves*, 299 U.S. 401, 57 S.Ct. 269 (1937), respectively.
13. *Collector v. Day*, 78 U.S. (11 Wall.) 113, 20 L.Ed. 122 (1871).
14. *James v. Dravo Contracting Co.*, 302 U.S. 134, 82 L.Ed. 155, 58 S.Ct. 208.
15. 326 U.S. 572, 90 L.Ed. 326, 66 S.Ct. 310.
16. *Id.* at 581.
17. 392 U.S. 339, 20 L.Ed.2d 1138, 88 S.Ct. 2173 (dissenting opinion).

18. *Collector v. Day*, 78 U.S. (11 Wall.) 113, 20 L.Ed. 122. U.S. Const. Amend. X: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."
19. *Id.* at 126.
20. 199 U.S. 437, 50 L.Ed. 261, 26 S.Ct. 110.
21. *Id.* at 463.
22. Rakestraw, *The Reciprocal Rule of Governmental Tax Immunity - A Legal Myth*, 11 Fed.B.J. 3 at 34, 3 Okla.L.Rev. 131 (1950).
23. 326 U.S. 572, 90 L.Ed. 326, 66 S.Ct. 310.
24. *Id.* at 580.
25. STUDY COMMISSION ON PAYMENTS IN LIEU OF TAXES AND SHARED REVENUES, PAYMENTS IN LIEU OF TAXES AND SHARED REVENUES (1955), p. 24.
26. *Id.*
27. *Id.* at 171.
28. *Id.* at 171, 172.

APPENDIX I

BRIEF

STATE OF SOUTH CAROLINA vs. UNITED STATES
decided December 4, 1905 by U.S. Supreme Court

Note to Readers:

This case (decided 86 years after McCulloch vs. Maryland), has been briefed in some detail and inserted here because of its importance to our theory which is:

If the Federal Government is allowed by the Supreme Court to tax private business aspects of State Governments, the States and local governments in turn must be legally able to tax Federal operations that are private in nature.

Facts:

South Carolina established by statute dispensaries of wholesale and retail liquor under the control and ownership of the State government. The dispensers of the liquor were required to apply for a license by the Internal Revenue Service. All profits received from the sale of the liquor were divided with one-half of the profits going to the State Treasury. The Federal Government contended that it had a right to collect a license tax on the persons who were dispensing the liquor. The tax was paid and South Carolina initiated action to recover the amount paid. The claims court held that the tax was a proper one.

Question:

Can the Federal Government levy and collect a tax on a State owned agency or does such tax result in an infringement on the power of the State?

Held:

The tax was proper and did not infringe upon the exercise of the state power because the State was not engaged in the exercise of any governmental function, but rather, was engaging in a private capacity.

Reasons:

In discussing the difference between the express powers and the reserved powers, the Court noted the following citing Mr. Justice Nelson in the case of the *Collector vs. Day*:

It is admitted that there is no express provision in the Constitution that prohibits the general government from taxing the means and instrumentalities of States, nor is there any prohibiting the States from taxing the means and instrumentalities of that government. In both cases exemption rests upon necessary implication and is upheld by the great law of self preservation . . .

The Court acknowledged that the control of the disposition and sale of liquor was a legitimate exercise of the power by the State of South Carolina and further noted that the power is expressly reserved to the States. The theory expressed, however, was that the States would, in order to avoid payment of any revenue tax, eventually "nationalize" all property and businesses within the State.

The Court noted that there is something of a conflict between the full power of the nation with respect to taxation and the exemption of the State from Federal taxation with respect to its property and the discharge of its governmental function. The problem presented was where to draw the line. The Court looked to the intent of the framers of the Constitution and noted that the fear was the fear of a strong central government, not strong state government. The following quotation appears significant:

Moreover, at the time of the adoption of the Constitution, there probably was not one person in the Country who seriously contemplated the possibility of government, whether State or National, ever descending from its primitive plain of a body politic to take up the work of the individual or body corporate Certain it is that if the possibility of the government usurping the ordinary business of individuals, driving them out of the market, . . . the Constitution would not have been adopted, or an inhibition of such power would have been placed among Madison's amendments.

The basic idea put forth in this opinion was the fear of expansion of the States in the various private areas to the point that the central government would have been destroyed because there would be no source of revenue. The Court noted that in the framework of the framing of the Constitution "the government was no competitor, nor did it assume to carry on any business which ordinarily is carried on by individuals."

The Court further stated:

" . . . The exemption of State agencies and instrumentalities from national taxation is limited to those which are of a strictly governmental character, and does not extend to those which are used by the state in the carrying on of an ordinary private business."

Citing from the case of *Lloyd vs. New York*, the court quoted:

"The corporation of the City of New York possesses two kinds of powers, one governmental and public, and, to the extent they are held and exercised, is clothed with sovereignty; the other private, and, to the extent they are held and exercised, is a legal individual. The former are given and used for public purposes, the latter for private purposes. While in the exercise of the former, the corporation is a municipal government; and while in the exercise of the latter, is a corporation, legal individual."

and from the case of *Western Savings Fund Society vs. Philadelphia*, the U.S. Supreme Court quoted with approval:

"If the grant was for the purposes of private advantage and emolument, though the public may drive a common benefit therefrom, the corporation is to be regarded as a private company. It stands on the same footing as would any individual or body of persons upon whom the like special franchises had been conferred."

"It is reasonable to hold that, while the former may do nothing by taxation in any form to prevent the full discharge by the latter of its governmental functions, yet, whenever a state engages in a business which is of a private nature, that business is not withdrawn from the taxing power of the nation."

Author's Comment:

In 1819 the Supreme Court "read into" the constitution the implied power to prohibit a state from taxing a federal bank. Yet, in 1905 the Supreme Court allowed (still allows) the federal government to tax a state-owned whiskey business in South Carolina. (Twenty-two states now have state-owned stores which are Federally taxed.)

In 1905, the Supreme Court held that states can be taxed by the federal government "whenever a state engages in business which is of a private nature". Isn't it time then, in 1974, for the State of Tennessee to be allowed to tax the federal government's uranium enrichment business when its total output is used by the electric utility industry?

APPENDIX II

**MATERIAL REFLECTING THE MAGNITUDE
OF TAX EXEMPT URANIUM SEPARATION WORK
AT OAK RIDGE, TENNESSEE**

The magnitude of the Oak Ridge Uranium Enrichment operation is reflected in a letter from the Atomic Energy Commission to the author dated July 13, 1973, which states in part:

1. The amount of uranium expected to be shipped from Oak Ridge Gaseous Diffusion Plant (ORGDP) this year would provide nearly four times the amount of electricity to be used by New York City. Or, it could supply the electrical energy requirements for New York, Houston, Baltimore, Boston, Dallas, Los Angeles, New Orleans, Philadelphia and Washington, D.C.
2. Another comparison is that the amount to be shipped from ORGDP this year would be sufficient to provide 10.4 percent of the total amount of power to be used in the Nation this year.
3. Following is a table showing the expected increase yearly through 1978 of what percent of national electrical energy use shipments from ORGDP could furnish (national use is escalated seven percent per year):

Calendar Year	% of U. S. Total
1973	10.4
1974	15.9
1975	18.9
1976	19.2
1977	16.3
1978	20.6

APPENDIX III

MISCELLANEOUS DATA SHEET

Tax Rates

In 1974 Oak Ridge has the highest effective city tax rate in the state.

Anderson County has the highest effective county tax rate in the state.

Roane County is 1 cent from having the second highest effective county tax rate in the state.

AEC Assistance

AEC assistance to Los Alamos County New Mexico is \$278.80 per citizen.

AEC assistance to Anderson County (including Oak Ridge) is \$32.83 per citizen.

AEC assistance to Roane County (excluding Oak Ridge) is \$2.30 per citizen.

Property Taxes

ORGDP is devoted 100% to production for domestic and foreign utilities.

This "commercial" plant has a book value of \$249 million. (source-AEC), but is current appraisal is closer to \$2 billion.

Without federal tax immunity AEC would pay local governments a minimum of \$9 million in property taxes. (source - Tennessee Taxpayers Association) - It should be emphasized, however, that the counties are only asking for approximately \$1 million annually.

In Lieu Taxes

AEC estimates average receipts in enrichment fees at ORGDP to be \$186 million annually over the next seven years. (\$42/SWU)

TVA would pay over \$9 million to state and local governments in lieu of taxes (5%), if they operated the plant under TVA's federal charter.

AEC Payments

Current annual payments by AEC are as follows: (except for single year 1974)

Oak Ridge	- \$1.9 million
Roane County	- \$ 69 thousand
Anderson County	- \$ 70 thousand

At one time prior to incorporation, the Federal Government paid \$18 million annually to operate Oak Ridge. Today, after workers purchased their war-built homes for \$40 million from the AEC, the Commission now gets the same or better service from the City of Oak Ridge and Roane and Anderson Counties for approximately \$2.5 million payment in lieu of taxes - a savings to the United States of \$16 million annually.

APPENDIX IV

Authors Note:

This section contains excerpts from miscellaneous Supreme Court decisions which reflect the strong trend toward our position.

You will note strong dissents in cases in which a majority of the Court upheld the immunity doctrine and, more important, in many cases that they have progressively whittled away at immunity from all sides.

This is, historically, a climate that makes it ripe for an extremely strong case — like ours — to make new law.

It should be noted that in many cases the most conservative elements of the Court have agreed with the philosophy of our position: Justice Frankfurter in the old Court as the outstanding example; and currently the very conservative Justice White, who is still on the Court, wrote the opinion in the Boyd case which holds that Carbide is subject to taxation.

MISCELLANEOUS STATEMENTS FROM
U.S. SUPREME COURT OPINIONS

“The United States do not and cannot hold property, as a monarch may, for private or personal purposes.”

— *Van Brocklin v. Tennessee* (1885).

“Such a limited view of the tax immunity cases would, of course, require a re-evaluation of the validity of the doctrine of intergovernmental tax immunities — a doctrine which does not rest upon any specific provisions of the Constitution but rather upon this Court’s concepts of federalism.”

— dissenting opinion, *First Agricultural National Bank v. State Tax Commission* (1968).

“Given that congressional power to confer immunity, there is little reason for this Court to cling to the view that the Constitution itself makes federal instrumentalities immune from state taxation in the absence of authorizing legislation. The disparate kinds of instrumentalities and forms of state taxation create difficulties for ad hoc resolution of the immunity issue by this Court based only upon abstract concepts of federalism.”

— dissenting opinion, *First Agricultural National Bank v. State Tax Commission* (1968).

“I might also add that I am a bit mystified that under the Court’s decisions in this field the Federal Government in practical effect must pay a state tax in dealing with its contractors who pass the tax on to the Government, . . . but that

a national bank, a private profit-making corporation, is constitutionally immune from state taxation."

— Marshall's dissenting opinion, *First Agricultural National Bank v. State Tax Commission* (1968).

"...from the facts in this record it is incredible to conclude that the use of government-owned property was for the sole benefit of the Government.

— *United States v. Boyd* (1964).

"We cannot conclude that Carbide and Ferguson, both cost-plus contractors for profit, have been so incorporated into the government structure as to become instrumentalities of the United States and thus enjoy governmental immunity."

— *United States v. Boyd* (1964).

"It still remains true, as it has from the beginning, that a tax may be invalid even though it does not fall directly on the United State if it operates so as to discriminate against the Government or those with whom it deals. Cf. *M'ulloch v. Maryland*, 4 Wheat. 316."

— *Borg-Warner* case (1958).

"Those using exempt property are required to pay no greater tax than that placed on private owners or passed on by them to their business lessees. In the absence of such equalization the lessees of tax-exempt property might well be given a distinct economic preference over their neighboring competitors, as well as escaping their fair share of local tax responsibility."

— *Borg-Warner* case (1958).

"Constitutional immunity from state taxation does not rest on such insubstantial formalities as whether the party using Government property is formally designated a 'lessee.' Otherwise immunity could be conferred by a simple stroke of the draftman's pen. The vital thing under the Michigan statute, and we think permissibly so, is that Continental was using the property in connection with its own commercial activities."

— *Continental* case (1958).

"We see no essential difference so far as constitutional tax immunity is concerned between taxing a person for using property he possesses and taxing him for possessing property he uses when in both instances he uses the property for his own private ends."

— *Murray* case (1958).

"We find nothing in the Constitution which compels us to strike down these state taxes. There was no discrimination against the Federal Government, its property or those with whom it does business. There was no crippling obstruction of any of the Government's functions, no sinister effort to hamstring its power, not even the slightest interference with its property.

— *Murray* case (1958).

"The United States, today, is engaged in vast and complicated operations in business field, and important purchasing, financial, and contract transactions with private enterprise. The Constitution does not extend sovereign exemption from state taxation to corporations or individuals, contracting with the United States, merely because their activities are useful to the Government."

— *Esso case* (1952).

"The phrase (the power to tax is the power to destroy) was seized upon as the basis of a broad doctrine of intergovernmental immunity . . . to press a juristic principle designed for the practical affairs of government of abstract extremes is neither sound logic or good sense . . . What he said may not have been irrelevant in its setting. But Chief Justice Marshall (in 1819) spoke at a time when social complexities did not so clearly reveal as now the practical limitations of a rhetorical absolute."

— *New York v. United States* (1945).

"In the older cases, the emphasis was on immunity from taxation. The whole tendency of recent cases reveals a shift in emphasis to that of limitation upon immunity. They also indicate an awareness of the limited role of courts in assessing the relative weight of the factors upon which immunity is based."

— *New York v. United States* (1945) (concurring opinion).

"As pointed out in the opinion in the King & Boozer Case, by concession of the Government and on authority, the Constitution, without implementation by congressional legislation, does not prohibit a tax upon Government contractors because its burden is passed on economically by the terms of the contract or otherwise as a part of the construction cost to the Government."

— *Curry v. United States* (1941).

"Each state is subject only to the limitations prescribed by the Constitution, and within its own territory is otherwise supreme. Its internal affairs are matters of its own discretion. The Constitution provides that 'the United States shall guarantee to every state in this Union a republican form of government.' Art. 4, § 4. That expresses the full limit of national control over the internal affairs of a state."

— *South Carolina v. United States* (1905).

"The framers of the Constitution were not anticipating that a state would attempt to monopolize any business heretofore carried on by individuals."

— *South Carolina v. United States* (1905):

Authors Note:

With the present "strict constructionist" conservative Supreme Court, one must recognize that the above statements would be very persuasive — particularly since the U.S. Constitution contains *no* provision immunizing the Federal

Government. On the other hand, states (and their local arms of government) have the following specific constitutional provision to support their right to tax without Federal encumbrance:

the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively or to the people (U.S. Const. Amend. X).

APPENDIX V

Authors Note: The following letter from the AEC reflects that the AEC, if they so choose, now have the authority to make payments from uranium enrichment fees under both federal statutes that pertain to this area.

January 19, 1971

Honorable Joe E. Magill
County Judge
Anderson County
Clinton, Tennessee 37716

Dear Judge Magill:

This is in response to your letter of December 2, 1970, to Congressman Joe L. Evins, enclosing a *Knoxville News-Sentinel* clipping (November 26, 1970) concerning the Atomic Energy Commission's toll enrichment services. Your letter also discussed your understanding of a \$1.00 allowance in the enrichment charge to cover "local taxes". Mr. Evins has requested that we provide you with information on these matters.

The present enrichment charge of \$26 per unit of separative work was established in 1967 pursuant to formally established criteria which specified that the AEC charge would be based on the recovery of all appropriate costs of the enriching service. *Included in these costs are all taxes actually paid by the Commission's contractors relating to the enriching services, a pro rata portion of the payments in lieu of taxes to Roane County and a pro rata portion of the financial assistance payments to the City of Oak Ridge.* (Italic added)

In August, 1970, the Commission established revised criteria. The principal change made was to provide that the charge for enriching would be developed on the basis of a conceptual, privately-owned, new plant using advanced technology, rather than the actual costs incurred in the existing plants. On this basis, the Commission set a charge of \$28.70 which included a specific allowance for local taxes to which such a conceptual private company would be liable; this charge will go into effect on February 22, 1971. Therefore, the composition of the \$28.70 charge cannot be directly related to the actual costs of operation of the existing plants. In presenting the revised criteria and the \$28.70 charge to the Joint Committee on Atomic Energy in June, 1970, the Commission stated that an updated charge computed on the basis of the original criteria would be very nearly the same. However, such updated charge would include only the provision for actual "local tax" payments as in the case of the charge set in 1967.

Under new legislation enacted by the Congress and signed by the President on

December 19, 1970, it is required that the enriching charge be based on recovery of the Government's appropriate costs over a reasonable period of time. Pursuant to this legislation, the Commission has submitted a further revision of its criteria to the Joint Committee on Atomic Energy and, on the basis of current cost estimates, determined that the charge for enriching services should be further increased to \$32. Upon formal establishment of the new uranium enrichment services criteria, the Commission will announce this higher charge by publication in the Federal Register, to go into effect 180 days after such publication. Again, the \$32 charge includes provision for recovery of only the actual state and local taxes currently paid by the Commission's contractors, a pro rata portion of the payment in lieu of taxes to Roane County and a pro rata portion of the financial assistance payments to the City of Oak Ridge. It does not include any allowance for hypothetical taxes.

However, it should be noted that the inclusion in the AEC charge of an amount for local taxes, whether related to an estimate of taxes which a private enterprise might pay or to an estimate of taxes or payments in lieu of taxes paid by the AEC or its contractors, would not in any way provide authority for AEC payments to state or local governments out of revenues derived from such charges. Authority for the use of such funds for any purpose is derived from Federal legislation and is subject also to annual Congressional authorization and appropriation in connection with the AEC budget. Within this context, we perceive no basis for an AEC payment to local governments, *except for the payments authorized by Section 168 of the Atomic Energy Act of 1954, as amended, Section 91 of the Atomic Energy Community Act of 1955,* as amended, and those elements of the enriching activities that come within existing state and local taxing authority.* (Italics added)

If further information on these matters is desired, we are sure Mr. S. R. Sapirie, Manager, Oak Ridge Operations Office, will be glad to supply it and also discuss the subject with you.

Sincerely,
R. E. Hollingsworth
General Manager

cc: Congressman Evins

* also known as PL 221

APPENDIX J

SECTION 168 OF THE ATOMIC ENERGY ACT

The Atomic Energy Act of 1954 provides the basic rationale for the making payments In Lieu Of Taxes.

The Act Provides:

Sec. 168. PAYMENTS IN LIEU OF TAXES.--

In order to render financial assistance to those states and localities in which the activities of the Commission are carried on, and in which the Commission has acquired property previously subject to State and local taxation, the Commission is authorized to make payments to State and local governments in lieu of property taxes. Such payments may be in the amounts, at the times, and upon the terms the Commission deems appropriate, but the Commission shall be guided by the policy of not making payments in excess of the taxes which would have been payable for such property in the condition in which it was acquired, except in cases where special burdens have been cast on the State or local government by activities of the Commission, the Manhattan Engineer District or their agents. In any such case, any benefit accruing to the State or local government by reason of such activities shall be considered in determining the amount of the payment.

APPENDIX 5

THE CURRENT FISCAL POSITION OF STATE AND LOCAL GOVERNMENTS

A Survey of
48 State Governments and 140 Local Governments

Prepared for the Use of the
Subcommittee on Urban Affairs

of the

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

May 6, 1975

THE CURRENT FISCAL POSITION OF
STATE AND LOCAL GOVERNMENTS:

A Survey of 48 State Governments and 140 Local Governments

INTRODUCTION

In recent years, the state and local government sector of the economy, has become increasingly important, both as an employer and a provider of goods and services. Since 1967, total employment in the state and local government sector has grown 28 percent, a rate of growth significantly above that for the remainder of the economy (14.8 percent rate of growth in employment for all other sectors and 6.1 percent rate of growth in employment by the Federal Government). In the same period, state and local government purchases of goods and services have increased, as a percentage of Gross National Product, from 11.3 percent in 1967 to 13.7 percent in 1974. These sharp increases in activity have necessitated a more careful examination of the impact of national economic trends on the fiscal position of state and local governments, and conversely, of the impact of state and local government budget actions on national economic policy.

Unfortunately, the only data which might be used to analyze these important issues is too dated to be of value to the current economic situation or too aggregated to even differentiate between state and local governments. Consequently, the Subcommittee for Urban Affairs has undertaken an extensive survey of the state and local government fiscal situation. The survey was initiated through formal written responses but was accomplished primarily through extensive telephone followup, both to expand the sample and to clarify certain issues. Responses have been received from 48 state governments and from 140 local governments (43 governments with populations in excess of 500,000, 23 governments between 250,000 and 500,000 population

22 governments from 100,000 to 250,000 population and 52 with populations of less than 100,000) including the vast majority of cities and counties with populations in excess of 500,000 persons. The 140 governments had combined expenditures of \$31 billion, approximately 40 percent of all local government expenditures.

The survey was designed to address two basic and interrelated issues. First, it was to assess the impact of the current economic situation on state and local finances and, to the greatest extent possible, quantify the budget adjustments that the recession has necessitated. Second, the survey was designed to evaluate the potential destabilizing impact of these budget actions on the Federal government's efforts to stimulate an economic recovery.

This report, based exclusively on the results of the survey, is divided into three sections. The first describes the budget actions that state governments have had to undertake in response to the recession's impact on their budgets. It analyzes adjustments that have been or will be made by the 48 state governments in revenues, expenditures, government employment, and capital construction. It also estimates the changes that have occurred in the unencumbered surpluses (the surplus in general funds carried from one fiscal year to the next) that most states carried into their current fiscal years. Finally, this section delineates the statutory or constitutional provisions in each state concerning the legality of deficit spending.

The second sections describes the budget actions taken by the 140 local governments in order to keep their budgets at or near balance. Included in this section is an analysis of adjustments that have occurred

in revenues, expenditures, capital construction, employment, and unencumbered surpluses.

The third section summarizes the impact of the recession on the combined state and local government sector and attempts to measure the impact of state and local government budget actions on the national economy. Unfortunately, some of the budget adjustments undertaken by state and local governments have occurred so recently that it was impossible to quantify the effects of these actions (i.e. if a hiring freeze had recently been imposed it was very difficult to quantify the number of positions effected). In other cases, inevitable difficulties were encountered in obtaining comparable data on state and local government financial positions. The wide range of budget and accounting practices, the variety of beginning dates for their fiscal years, the comparability of annual and biennial budgets, and in some cases, the quality of data available have all been taken into account and adjusted for, whenever possible. The result is a reasonably precise picture of the impact of the current economic situation on state and local governments and the effect that their budget actions will have on the economy.

STATE GOVERNMENTS

Unencumbered Surpluses: Most states finish their fiscal years with surpluses remaining in their general fund accounts after all revenues have been collected and all expenditures have been made. These unencumbered surpluses are carried over into the ensuing fiscal year and can be appropriated for expenditures in that fiscal year. More often, however, these surpluses are used as a contingency fund, spent to keep the budget in balance if revenues fall short of expectations or expenditures exceed expectations. This contingency fund is essential to minimize the austerity measures necessary to keep the budget in balance (all states have some prohibitions against deficit spending) in the event that economic conditions deteriorate subsequent to the preparation of the budget. Shifts in the size of the unencumbered surplus are a good indication of the relative fiscal position of the states from one year to the next.

The survey of 48 states indicated that 12 had increased or anticipated an increase in the size of their unencumbered surplus from the beginning of FY 1975 (July 1, 1974) to the beginning of FY 1976. Two states had their unencumbered surpluses stay virtually constant and 34 states showed declines in the size of their unencumbered surpluses. This means that 34 states were drawing down their unencumbered surpluses in order to keep their budgets in balance.

The 46 states that reported data for July 1, 1974 and July 1, 1975 showed a combined unencumbered surplus of \$6.5 billion on July 1,

1974 and will show a combined surplus of \$3.9 billion on July 1, 1975. The states drew down approximately 40 percent of the unencumbered surpluses during the course of FY 1975. The size of the surplus as a percentage of the states' budgets has declined from approximately seven percent in FY 1975 to approximately four percent in FY 1976.

A more careful examination indicates an interesting pattern. The 13 states (Oklahoma, Texas, Louisiana, West Virginia, Ohio, Utah, Indiana, New Mexico, Alabama, Arkansas, Montana, Wyoming and Tennessee) that had a per capita energy input above the national average* (the major energy producing states) had a combined unencumbered surplus of \$2.1 billion entering FY 1975 and an estimated surplus of \$1.8 billion on July 1, 1975. This \$1.8 billion surplus will be approximately eight percent of the combined budgets of the energy states. Thus the energy states experienced a 14-percent decline in the size of their unencumbered surplus, compared to a 52-percent decline for all other states. Seven of the 13 states experienced an increase in their unencumbered surplus and one state showed no change.

A similar pattern exists in the states that derive a large percentage of their income from agriculture. Of the eight states (Iowa, Minnesota, North Dakota, South Dakota, Wisconsin, Kansas, Nebraska, Idaho) that are significant agricultural producers, three experienced increases in the size of their unencumbered surplus and one stayed

*Source: "Fuel and Energy Data, United States by States and Regions, 1972," U.S. Department of Interior.

approximately constant. The eight states had a combined surplus of \$1.1 billion entering FY 1975, which will be reduced to an estimated \$.8 billion by July 1, 1975, a decline of approximately 28 percent. Nevertheless, this \$800 million surplus constitutes approximately nine percent of the combined budgets of the agriculture states. Unlike the energy states, however, the agricultural states can expect to significantly deplete their unencumbered surpluses, since farm prices have declined and farm incomes have dropped.

Once the energy and agricultural states are removed, the remaining 25 states showed a decline in their unencumbered surplus from \$3.3 billion on July 1, 1974 to an estimated \$1.3 billion on July 1, 1975, a decline of more than 60 percent. This surplus of \$1.3 billion is less than two percent of the budgets of these states. Moreover, if two states (California and Illinois) are omitted, the remaining 23 states entered the year with combined surpluses of \$2.4 billion. This combined surplus is expected to be reduced to \$265 million by the end of FY 1975, a decline of almost 90 percent. These 23 states will have a combined surplus of approximately one-half percent of their budgets.

Finally, the 20 states that had unemployment rates equal to or in excess of the national average (Oregon, Washington, Delaware, Pennsylvania, West Virginia, Florida, Georgia, North Carolina, South Carolina, Connecticut, Maine, Massachusetts, Rhode Island, Vermont, New Jersey, New York, Indiana, Michigan, California and Nevada) experienced a combined reduction in their unencumbered surplus from

\$2.6 billion to \$.8 billion, a decline of almost 70 percent. If the two high unemployment energy states are removed (West Virginia and Indiana), the decline is even more precipitous, from \$2.3 billion to \$.4 billion, or 83 percent. This surplus is less than one percent of the combined budgets of all high unemployment states.

In summary, while the aggregate unencumbered surplus for all states is still significant, the surplus is concentrated in the resource rich, agriculturally dependent and low unemployment states. The states that have unemployment rates in excess of the national average (from here on referred to as high unemployment states) have virtually depleted their unencumbered surpluses, and undoubtedly will be forced to undertake major austerity measures to keep their budgets in balance in the current and the next fiscal years.

Revenues: Twenty states have adopted or will adopt tax increases for next fiscal year. The total value of these tax increases is approximately \$2.1 billion. Four states will adopt tax reductions with a total value of approximately \$50 million.

Seventeen of the 48 states will adopt general fund tax increases and five will adopt increases in the gasoline tax to be dedicated to their highway trust funds (two states proposed both highway fund and general fund increases). The total value of the general fund increases will be approximately \$1.9 billion and the value of the highway fund increases will be approximately \$200 million. All of the tax reductions will occur in the general fund.

Ten of the 18 high unemployment non-energy states will enact tax increases in the upcoming fiscal year. The total value of these tax increases by the high unemployment states will be \$1.8 billion, or approximately 3.5 percent of the combined budgets of the high unemployment states. The majority of these tax increases will be in business taxes, sales taxes, occupational privilege taxes, and other minor taxes. Less than 40 percent of the \$1.8 billion in tax increases will be in the income tax.

Four of the 13 energy states will adopt tax increases and two will initiate tax reductions. The total value of the tax increases will be slightly over \$100 million, with over 80 percent of the new revenue coming from oil and coal severance taxes. The total value of the tax reductions is approximately \$45 million. The \$60-million net tax increase is less than one-quarter-of-one-percent of the combined budgets of the energy states.

Four of the agricultural states will adopt tax increases for the next fiscal year and two will reduce taxes marginally. The total value of the tax increases will be approximately \$170 million, with close to 80 percent of the increase occurring in fuel taxes which are dedicated to the highway fund. The total value of the two tax reductions is approximately \$5 million. The net tax increase of approximately \$165 million is less than two percent of the combined budgets of the agricultural states.

In summary, net tax increases of approximately two percent of

the combined state budgets can be expected in the upcoming year. The tax increases will be in a wide variety of levies, with less than 40 percent being income tax increases. The tax increases will be concentrated in the high unemployment states, where tax increases will average about 3.5 percent of the combined high unemployment state budgets. The tax increases will go as high as 15 percent of the budget in states that are particularly hard hit by the recession.

Expenditures: Many states were forced to cut current levels of services during the current fiscal year and for the upcoming fiscal year, in order to keep their budgets in balance without enacting significant tax increases or, in some cases, even with tax increases. Twenty-two states have been forced to cut services, thus reducing actual expenditures or limiting growth in expenditures necessary to provide current levels of services. Two states are increasing current levels of services by a total of approximately \$100 million. The net total value of the cuts in current services by state governments is approximately \$1.8 billion.

Most states have made reductions in state operations and personnel first, with only a few states reducing the level of state assistance to local governments. Cuts occurred most commonly in highway maintenance and servicing (affected by the slow growth rate in gasoline tax revenues), capital projects funded from general funds, salaries and personnel, and welfare and other social services, particularly mental health and corrections. Expenditures for higher education also

seem to be subject to particular scrutiny.

Once again, the high unemployment states have been forced to make the most severe cutbacks in levels of services. Fourteen of the 18 high unemployment, non-energy states have undertaken reductions in current levels of services. The total value of the reductions in services by the 14 states was almost \$1.6 billion, or approximately three percent of their combined budgets. None of the high unemployment states increased services.

Among the agricultural states, only one (a state that is less dependent on agricultural income) has had to undertake reductions in current levels of services. The reduction was approximately \$100 million and affected shared revenues with local governments, mental health and corrections. One agricultural state enacted a new program of property tax relief which will increase expenditures by about \$20 million.

Four of the 13 energy-producing states have reduced services, while one has greatly increased levels of service. The total value of the service reductions is approximately \$100 million, with the major declines in service levels occurring in the highway program as a result of declining gasoline tax revenues. The total value of the service increases in the one state that expanded services was approximately \$80 million.

In summary, a net \$1.9-billion reduction in current levels of services is occurring in order to maintain balanced state budgets.

These service cutbacks are occurring in all types of programs, with social service and highway programs most significantly affected. Approximately 85 percent of the service cutbacks are occurring in the 18 high unemployment states, although these states make up only 50 percent of total state expenditures.

Employment: The cuts in service levels discussed above have had a significant impact on the anticipated number of state government employees. Twenty-three of the 48 states have put into effect complete or limited hiring freezes, or have eliminated positions completely. Of the 23 states that have reduced expenditures for personnel, only 15 were able to specify the number of positions affected. (In most cases where specific information was unavailable, the hiring freeze was too recent to have had a measurable effect. In a couple of cases, the information requested was simply not available.) Approximately 29,000 positions were eliminated or left vacant in the 15 states.

While 13 of the 18 high unemployment states had some form of personnel reduction, the reductions were not limited to the high unemployment states. Nine of the 18 high unemployment states could quantify the number of positions affected, accounting for 18,500 vacancies, or about 65 percent of the identified vacancies. Four of the energy states and two of the farm states have undertaken some form of personnel reduction, with four states able to identify 9,000 vacancies.

In summary, reductions in personnel, although concentrated in the high unemployment states, seem to be more evenly distributed among

low and high unemployment states than tax increases and cuts in current services. One possible explanation for this phenomena is that high unemployment rates undermine the effectiveness of work force reductions through attrition, because employees are reluctant to leave relatively safe positions in state government.

Capital Construction: Possibly the easiest budget adjustment that state governments can make to balance their budgets is to delay, or even cancel, capital construction. Twenty-five states have delayed some capital projects (delays were defined as postponements of one fiscal year or more) although few were able to quantify the dollar amounts involved. The states that could quantify the adjustments delayed \$160 million worth of projects, generally 15 to 20 percent of their capital budgets.

The delays occurred in all types of states, regardless of their financial position. Thirteen of 18 high unemployment states, three of eight farm states, and five of 13 energy states delayed projects. Most commonly delayed were highway projects, once again due to the reduction in the rate of increase of gasoline tax revenues. Several states had eliminated new highway construction completely, limiting highway activity to essential maintenance.

While half the states were delaying capital construction, seven states were accelerating the rate of expenditure on capital facilities. This was done to stimulate the economy of their states and also to take advantage of what were perceived as reduced construction

costs.

In summary, while over half of the states surveyed indicated that economic conditions had forced them to delay capital construction, few were able to identify the precise dollar value of projects delayed. At least \$160 million worth of projects has already been delayed by the states, but probably as much as \$400 million worth of projects may be delayed by the end of FY 1976. These delays will be partially offset by states that accelerate projects to stimulate construction activity and to take advantage of low costs.

Deficit Spending: Of the 48 states surveyed, 35 have specific constitutional provisions forbidding deficit spending. These prohibitions most commonly require the governor to present a balanced budget, the legislature to enact a balanced budget and the governor to keep the budget in balance throughout the year. In effect, new appropriations must be accompanied by new revenue-raising legislation.

Five other states have constitutional provisions that limit the size of the deficit to a once significant, but now miniscule amount. These five-state constitutions limit the deficit to somewhere between \$250 thousand and \$2 million, depending upon the state.

One state constitution limits the deficit to one year, requiring that a surplus budget be enacted in any year that follows a deficit budget.

Four states have statutory provisions that require the presentation and enactment of a balanced budget.

In three states deficit spending is legal, although one has

a strong tradition of balanced budgets.

In summary, at most, four states can undertake meaningful deficit spending without a statutory or constitutional change.

LOCAL GOVERNMENTS

Unencumbered Surpluses: Unencumbered surpluses are much less significant for local government budgets than for state governments. Local governments tend to operate as near to a balanced budget as possible, with surpluses generally returned to citizens through tax reductions or service improvements.

Nevertheless, 122 of the 140 local governments surveyed entered the current fiscal year with a combined surplus of approximately \$340 million, or slightly above one percent of their total budgets. This surplus is being totally depleted and is expected to be a deficit of approximately \$40 million by July 1, 1975. Of these 122 governments, 82 are drawing down their surpluses in the course of the current fiscal year. Seventeen will experience little change in the size of their unencumbered surplus and 23 will add to their surpluses during the course of the year.

The most significant deterioration in the size of the unencumbered surplus occurred in large jurisdictions with high unemployment (unemployment rates above the national average). Fifteen of the 21 high unemployment jurisdictions with populations in excess of 500,000 reported accurate data on the size of their unencumbered surplus. All 15 of these jurisdictions (combined budget of \$17.8 billion) reduced

their surpluses during the course of the fiscal year. They entered the fiscal year with a combined surplus of \$89 million and project a combined deficit of \$183 million by July 1, 1975. By contrast, the 17 (17 out of 22 reported accurate data) large jurisdictions (combined budgets of \$4.9 billion) with unemployment rates below the national average entered the fiscal year with a combined surplus of \$80 million and project a surplus of \$53 million on July 1, 1975. Eleven of these jurisdictions are drawing down their surpluses during the course of the fiscal year, two expect no change, and four expect their surpluses to increase.

A similar situation prevails among jurisdictions with populations between 250,000 and 500,000. The nine high unemployment jurisdictions (combined budget of \$1.1 billion) entered the current fiscal year with a combined surplus of \$10 million and expect a combined deficit of \$34 million by July 1, 1975. Seven of these jurisdictions expect the size of their unencumbered surplus to decline, while one will remain constant and one will actually increase.

By contrast, 14 jurisdictions with populations of 250,000 to 500,000, without severe unemployment problems (combined budget of \$1.5 billion), entered the fiscal year with an \$89 million unencumbered surplus and expect that to be reduced to \$66 million by July 1, 1975. Eight of these jurisdictions will draw down surpluses during the course of the fiscal year, three will experience no change and three will experience increases in their surpluses.

The six jurisdictions with populations between 100,000 and

250,000 and severe unemployment problems (combined budget of \$440 million) all will experience reductions in their unencumbered surpluses. Their combined unencumbered surplus was \$9 million at the inception of the fiscal year, but it will decline to \$1.5 million by the end of the fiscal year. The sixteen low unemployment jurisdictions with populations between 100,000 and 250,000 (combined budget of \$800 million) will experience a slight increase in their combined unencumbered surplus from \$40 million to \$43 million. Seven of these jurisdictions will experience a decline in their surplus, four will remain approximately constant and five will increase their surpluses. The slight increase in the size of the unencumbered surplus for these jurisdictions is primarily due to significantly increased surpluses for two local governments located in coal production areas.

Finally, 45 small jurisdictions (population less than 100,000) reported a decline in combined unencumbered surplus from \$24 million on July 1, 1974 to \$16 million on July 1, 1975 (their combined budget is approximately \$600 million). Twenty-eight jurisdictions will experience some decline in their unencumbered surplus, seven will experience little change and ten anticipate increases.

In summary, while unencumbered surpluses are not nearly as prevalent among local governments as among state governments, there has been a significant deterioration in the size of local government unencumbered surpluses. The aggregate decline in unencumbered surplus for the 122 jurisdictions reporting data was \$380 million, turning a \$340-million surplus into a \$40-million deficit. The most significant

deterioration occurred in the high unemployment jurisdictions with populations in excess of 250,000. These 24 jurisdictions will experience, without further adjustments in revenues and expenditures, a deficit of \$220 million on July 1, 1975, after entering the fiscal year with a \$99-million unencumbered surplus.

Revenues: Fifty-two communities reported that significant increases in the tax rate have been enacted or will be required to keep their budgets in balance. The total value of the tax increases was \$850 million or approximately 2.7 percent of the combined budget of all 140 communities. Five communities enacted reductions in tax rates. The total value of the tax reductions was only \$8 million, or less than .05 percent of the combined budgets of the 140 communities.

The tax increases occurred in both large and small communities, as well as in high and low unemployment jurisdictions. Twelve of the 21 high unemployment large jurisdictions (500,000+) enacted tax increases, amounting to 3.6 percent of the combined budget of the 21 communities. The total value of these tax increases was approximately \$740 million. Eight of 22 low unemployment large jurisdictions enacted tax increases, amounting to .9 percent of the combined budget of the 22 communities. The total value of these tax increases was approximately \$50 million.

Three of the nine high unemployment jurisdictions with populations between 250,000 and 500,000 will increase taxes in the current or upcoming fiscal year. The total amount of new revenues raised will be \$20 million, or approximately two percent of the combined budget of the high unemployment jurisdictions with 250,000 to 500,000 population.

Three of 15 low unemployment local governments in this population group raised taxes. The amount of new revenue raised is expected to be \$10 million, or approximately .6 percent of their combined budget.

For communities with populations of 100,000 to 250,000, two out of six high unemployment jurisdictions increased their tax rate. These tax increases will raise \$6 million in new revenue, or approximately 1.4 percent of the combined budget of the six communities. Only two of 16 low unemployment communities in this population group raised taxes. The total value of these changes in their tax rates was \$2.6 million or less than .4 percent of the combined budget of these 16 communities.

Significant tax increases also occurred in the smaller communities (less than 100,000 population). Twenty-two of 52 small jurisdictions have already or will enact tax increases in the current or upcoming fiscal year. The total value of these tax increases is approximately \$15 million, or over two percent of the combined budget of the 52 small communities. The high percentage of tax increases among small jurisdictions is probably attributable to the fact that most small jurisdictions operate with virtually balanced budgets and little room to cut personnel or expenditures without seriously reducing services. Unanticipated revenue shortfalls or expenditure increases will thus necessitate tax increases in these communities.

In summary, 52 of the 140 jurisdictions surveyed are increasing their taxes above existing rates by a total of \$850 million. This

increase was approximately 2.7 percent of the combined budget for all 140 jurisdictions. The tax increases occurred primarily in the large jurisdictions (500,000 or more population) with high unemployment rates, where tax rate increases amounted to 3.6 percent of these jurisdictions' total budgets. Without the high unemployment large jurisdictions, all other governments enacted tax increases amounting to 1.2 percent of their combined budget. Smaller jurisdictions (100,000 or less) also enacted significant tax increases, approximately two percent of their total budgets.

The sample of 140 local governments includes approximately 40 percent of all local government revenues and expenditures. Governments raising approximately \$50 billion from their own sources were not included in the survey. Their tax increases must be estimated based on the results of the sample. However, since the survey is heavily biased toward jurisdictions with populations in excess of 500,000, which seem to have a higher propensity to raise revenues, it would be inappropriate to assume that all local jurisdictions will increase their taxes by approximately 2.7 percent of their budgets (as the governments in this survey did). It is much more accurate to estimate the tax increases (as a percentage of their budgets) by jurisdictions with populations below 500,000 in the survey and to apply this percentage to the remaining \$50 billion of revenue raised in unsurveyed jurisdictions. When this is done, tax increases by the remaining jurisdictions can be estimated.

The jurisdictions surveyed with populations below 500,000

raised revenues by approximately 1.3 percent of their total budgets. If this percentage is then multiplied by the \$50 billion in revenues raised by local governments not covered by the survey, an estimate of approximately \$650 million in increased taxes is obtained. When the \$650 million in tax increases in unsurveyed governments is added to the \$850 million in tax increases undertaken by the surveyed jurisdictions, an estimate of \$1.5 billion in tax increases by all local governments is derived. This estimate is probably conservative as it does not attempt to account for the high percentage of unsurveyed local governments that are smaller than 100,000 population and thus have a higher-than-average propensity to increase taxes.

Expenditures: Expenditure reductions by the surveyed local governments followed almost exactly the same pattern as revenue adjustments. Fifty-six of the 140 surveyed governments reported that significant cuts had been made in current service levels. The total value of the expenditure cuts is \$855 million, or approximately 2.7 percent of the combined budget of the 140 communities.

Eleven of the 21 large jurisdictions (500,000+ population) with high unemployment have been forced to reduce service levels to keep their budgets in balance. The total value of these service cuts is \$745 million, or approximately 3.6 percent of the combined budget for the 21 communities. Nine of the 22 low unemployment large jurisdictions have reduced current service levels. The total value of these reductions is \$45 million, or approximately .8 percent of the combined budget of the 22 jurisdictions. For large jurisdictions, the service

cuts enacted by high unemployment jurisdictions are 4.5 times larger than the service cuts enacted by low unemployment jurisdictions. (Comparison is of the dollar size of the reductions, as a percentage of the respective budgets.)

Six of the nine high unemployment jurisdictions with populations between 250,000 and 500,000 have undertaken significant service cutbacks. The total amount of the expenditure reductions is \$30 million, approximately 2.8 percent of the combined expenditures of the nine jurisdictions. On the other hand, seven out of 15 low unemployment jurisdictions in this population group have been forced to undertake expenditure adjustments. These reductions amount to a total of \$15 million, approximately .9 percent of total expenditures by the 16 jurisdictions.

For communities with populations between 100,000 and 250,000, five of the six high unemployment communities have cut current service levels. The total value of these reductions is \$14 million, or 3.2 percent of the combined expenditures of the six jurisdictions. By contrast, only four of the 16 low unemployment jurisdictions in this population group have embarked on expenditure reduction programs. The total value of these reductions is less than \$1 million, or approximately .1 percent of the total expenditures of the 16 communities.

Among smaller jurisdictions, only 14 of 52 governments have reduced services below current levels. The total amount of expenditure reduction by small communities in the survey is \$4.8 million, or approximately .7 percent of the total expenditures of the surveyed

small communities. The comparatively low use of expenditure cuts by small communities tends to confirm the hypothesis that these communities react to deteriorating economic situations with tax increases, not service cuts.

The reductions occurred in a wide variety of services with waste removal, social service programs, fire protection and street maintenance making up the bulk of the expenditure reductions. Most of service reductions were accomplished through personnel reductions.

In summary, 56 of the 140 jurisdictions surveyed have undertaken significant cuts in current service levels. For all the jurisdictions surveyed, the expenditure reductions are 2.7 percent of their total expenditures, about \$850 million in reductions. Once again, the expenditure reductions were concentrated in the high unemployment governments, with reductions often being more than four times as large (as a percentage of their budgets) as those in low unemployment areas. Smaller jurisdictions in the survey (less than 100,000) exhibited a reluctance to reduce service levels, cutting services by an amount equal to only .7 percent of their total expenditures.

In order to estimate the total value of service reductions by unsurveyed jurisdictions, the large governments (larger than 500,000 population) have been removed and the service reductions as a percentage of their combined expenditures are calculated. The surveyed governments with populations below 500,000 reduced expenditures through service cutbacks by 1.1 percent of their total expenditures. When this average expenditure reduction is applied to the unsurveyed

\$50 billion in expenditures, an additional \$550 million in service cutbacks is estimated. When this \$550 million in reductions for unsurveyed governments is combined with the \$850-million reduction in expenditures by surveyed governments, a total of \$1.4 billion in service reductions is obtained. This estimate is probably a slight overestimation, in the same manner that additional revenues were underestimated, because no adjustment was made for the low number of expenditure cutbacks undertaken by small jurisdictions.

Employment: Since local governments are more labor intensive than state governments, expenditure cutbacks are more likely to be accomplished through personnel reductions. In fact, 52,000 positions were affected by hiring freezes, layoffs, and reductions in the work week initiated by some of the surveyed local governments. All together, 48 of the surveyed local governments have taken some action to reduce employee requirements.

Once again, the reductions have been greatest in the high unemployment areas. Fourteen of 21 large jurisdictions (500,000+) with high unemployment are eliminating employee positions. The number of positions affected is 44,800, or approximately 2.2 positions per million dollars of budgeted expenditure by the 22 jurisdictions. By contrast, only six of 22 large jurisdictions with low unemployment are eliminating positions, and only at a rate equal to .5 positions per million dollars of budgeted expenditures.

A similar pattern exists for governments with populations between 250,000 and 500,000. Eight of nine high unemployment jurisdictions

in this population group reduced the total number of employee positions. All together, 2,900 positions were affected, or 2.6 positions per million dollars of budgeted expenditure. Only seven of 15 low unemployment jurisdictions in this population group reduced employment, and, even then, only by .4 positions per million dollars of budgeted expenditure.

Smaller jurisdictions (250,000 people or less), in keeping with their reluctance or inability to reduce expenditures, are eliminating approximately 500 positions, or .3 positions per million dollars of budgeted expenditure. Only 13 of 74 jurisdictions smaller than 250,000 persons reduced employment levels at all.

In summary, 48 of the 140 surveyed governments are reducing manpower levels by a total of 52,000 positions, or 1.67 positions per million dollars of budgeted expenditure. Once again, reductions are concentrated in the large high unemployment jurisdictions that have had to undertake significant service cutbacks.

In translating the sample into a meaningful measure of employment reductions by all local governments, the number of positions eliminated by surveyed local governments (500,000 people or less) per million dollars of budgeted expenditure (.9 positions) must be multiplied by the total expenditures (in millions of dollars) made by unsurveyed governments (\$50,000 million). This results in an estimate of 45,000 positions eliminated by the unsurveyed local government. When this is added to the 52,000 positions being eliminated by surveyed governments, a total of almost 100,000 positions will be eliminated by

local governments that are experiencing financial difficulties. This projection is probably a slight over-estimation because smaller local governments (a large percentage of unsurveyed governments are small) have a lower propensity to eliminate personnel positions. On the other hand, the 100,000-person reduction does not truly reflect the impact of the recession on employment by local governments. Principally, it does not measure the growth in employment that would have occurred had the recession not intervened.

It should be pointed out that this estimate of 100,000 positions eliminated does not necessarily portend a decline in total local government employment. Some growth in employment in fiscally healthy communities may well offset the declines in employment in financially troubled jurisdictions. Some substitution of CETA employees for eliminated positions may also have an impact on total employment in the local government sector.

Capital Construction: Delays and cancellations of capital construction are probably the most common and least disruptive adjustment, in the short run, that a local government can undertake to keep its budget in balance. The immediate impact on the residents of a jurisdiction (aside from construction and related workers) is certainly not as conspicuous as a tax increase or service reduction.

Seventy-one of the 140 surveyed governments have initiated delays or cancellations in capital construction. These adjustments have occurred about equally in all jurisdictions - high unemployment and low unemployment, large and small.

In many cases, particularly in those jurisdictions where capital projects are financed through the general fund rather than through bonds, the delays and cancellations constitute a significant portion, or even all, of the capital budget. The delays have been caused by unavailability of general funds, inability to bond, transfer of revenue sharing funds from capital to operating accounts and escalating construction costs. The delays have occurred in all types of projects with street, recreation, public facility (i.e. police and fire stations, city hall, courthouse, etc.) and school construction constituting the bulk of the cancelled or delayed projects.

Unfortunately, most surveyed local governments were unable to provide specific information about the dollar cost of the construction projects that they were forced to delay. Consequently, while a significant number of jurisdictions have consciously delayed or cancelled capital projects, it is impossible to assess the magnitude of these adjustments.

SUMMARY AND CONCLUSIONS

State Governments: The survey of 48 states clearly indicates that the current economic situation has had a significant impact on the state government fiscal situation. In aggregate, the 48 state governments surveyed began Fiscal Year 1975 with a combined surplus of \$6.5 billion, approximately seven percent of their total expenditures. This surplus will be reduced to \$3.9 billion at the end of FY 1975, still four percent of total state expenditures.

Despite this significant aggregate surplus, 20 states will enact tax increases in 1975. Seventeen states will enact general fund tax increases and five will enact increases in fuel taxes, which will be dedicated to their highway funds (two states will enact both highway and general fund tax increases). The total value of these tax increases will be \$2.1 billion, or approximately two percent of the aggregate state budget. The tax increases will be slightly offset by \$50 million in tax reductions that will be undertaken by four states.

Significant budget adjustments will also be made in expenditures. Twenty-two states will be forced to reduce current levels of service in order to keep their budgets in balance. The total value of these expenditure reductions is \$1.9 billion, again approximately two percent of the aggregate state budget. Only two states expect to expand upon current service levels, increasing expenditures above normal rates of growth by approximately \$100 million.

The paradox of large surpluses accompanied by significant tax rate increases and service cuts is easily explained by more careful

examination of the fiscal position of individual state governments. Specifically, the energy-producing and farm states possess a large percentage of the unencumbered surpluses, while the high unemployment states (unemployment rates above the national average) are responsible for the vast majority of tax increases and service cuts. Clearly, there is a significant mismatch of available resources and fiscal needs.

The 13 energy-producing states entered the current fiscal year with a combined surplus of \$2.1 billion. This surplus is expected to be reduced by 14 percent to \$1.8 billion by the end of the fiscal year. Despite this slight reduction, the unencumbered surplus will still be eight percent of the total budget for the energy states. The existence of significant surpluses, combined with large increases in energy related revenues, has left the energy states in a very strong financial position. Only four energy states will enact tax increases while two will enact tax reductions. The increase in revenues will be about \$100 million, 80 percent from coal and oil levies, while the value of the tax reductions is about \$45 million. The \$55-million net tax increase is only .24 percent of total budget of the energy states. Similarly, only four energy states reduced services by a total of \$100 million, while one increased services by \$80 million, a net reduction of only \$20 million, or only .09 percent of the energy states' budgets. The 13 energy states will undertake deflationary budget adjustments equal to only .33 percent of their total budgets.

The eight states heavily dependent on agricultural income are in almost as solid a financial condition. These eight states entered

the fiscal year with an unencumbered surplus of \$1.1 billion. This surplus will be reduced by 28 percent to \$.8 billion by the end of FY 1975, but will still constitute nine percent of the combined budget of the agricultural states. Unlike the energy states, however, the agricultural states will partially deplete their surpluses, since farm prices have declined and farm incomes are dropping. Four agricultural states will increase taxes by a total of \$170 million (80 percent in fuel taxes) while two will marginally reduce taxes by \$5 million. The \$165-million net tax increase is 1.8 percent of the combined budget of the agricultural states. One agricultural state will reduce services by about \$100 million, while another will increase current service levels by \$20 million. The \$80-million net decline in services is .9 percent of the agricultural state budgets. The combination of tax increases and service reductions is only 2.7 percent of the combined budget for all agricultural states.

By contrast, the 18 states with unemployment rates equal to or above the national average are experiencing severe financial problems. These states entered the fiscal year with a combined surplus of \$2.3 billion, which will be reduced 83 percent to \$.4 billion by the end of the fiscal year. The \$.4 billion surplus is only .75 percent of the combined budget of all high unemployment states, hardly an adequate cushion in present economic circumstances. Ten of these states will enact \$1.8 billion in tax increases, approximately 3.5 percent of their total budgets. In addition, 14 states will reduce current services by \$1.6 billion, a reduction equal to three percent of the combined budget

of the high unemployment states. The combination of tax increases and expenditure cuts is equal to 6.5 percent of the combined budget for all high unemployment states.

Local Governments: Unencumbered surpluses are much less prevalent among local governments, since they have more stable revenue bases and tend to operate with their budgets closer to balance. Nevertheless, 122 of the 140 governments surveyed entered the Fiscal Year with a combined surplus of \$340 million, slightly more than one percent of their total budgets. This surplus has been totally depleted and is expected to be a deficit of \$40 million by the end of the fiscal year. Consequently, many local governments, without surpluses, will be forced to reduce services or to increase taxes in order to maintain a balanced budget. Local governments will enact an estimated \$1.5 billion in new taxes and will reduce expenditures by approximately \$1.4 billion. The \$2.9 billion in deflationary budget adjustments is approximately 3.5 percent of the combined budget for all local governments.

Once again, the high unemployment governments are responsible for the vast majority of budget adjustments. Forty-seven percent of the high unemployment local governments that were surveyed will enact tax increases amounting to 3.5 percent of their combined budget. Sixty-one percent of the high unemployment jurisdictions will reduce current services by an amount equal to 3.6 percent of the combined budget for high unemployment jurisdictions. Thus the high unemployment local governments will make budget adjustments equal to 7.1 percent of their budgets.

By contrast, only 25 percent of the low unemployment jurisdictions will enact tax increases amounting to .7 percent of the combined budget for low unemployment jurisdictions. Similarly, only 38 percent of the low unemployment governments will make reductions in service equal to .7 percent of the combined budget for all low unemployment local governments. Thus the low unemployment local governments will make adjustments equal to 1.4 percent of their budgets. The low unemployment jurisdictions will make one-fifth of the budget adjustments that high unemployment jurisdictions make (measured as a percentage of their respective budgets).

The size of the jurisdiction is also an important consideration in evaluating local government budget adjustments, although size significantly affects only the manner of adjustment rather than the magnitude of adjustment. Specifically, smaller cities (population of 100,000 or less) were much more likely to enact tax increases than they were likely to reduce expenditures. Seventy-five percent of the budget adjustments by these governments were made through tax increases. Larger jurisdictions showed an equal propensity to affect both revenues and expenditures.

Combined State and Local Government Sector: The combined state and local government sector can be expected to enact \$3.6 billion in tax increases and \$3.3 billion in reductions in expenditures from current service levels. The resulting \$6.9 billion in tax and expenditure adjustments represents an average 3.5 percent adjustment for the

total state and local government sector. However, the vast majority of budget adjustments will occur in the high unemployment state and local governments. These governments will often be forced to make adjustments that amount to seven or eight percent of their total operating budgets.

Typically, significant expenditure reductions will be accompanied by layoffs, hiring freezes, reduced work hours and other methods designed to reduce the personnel costs of the affected government. These adjustments are already occurring in high unemployment state and local governments. Approximately half of the state governments have imposed some form of work force limitation, affecting, in aggregate, 35,000 to 45,000 positions. Almost 40 percent of the local governments have reduced or limited personnel, affecting a total of almost 100,000. The total number of positions eliminated or left vacant in the state and local government sector is thus between 135,000 and 145,000. However, the elimination of 140,000 positions understates the impact of the recession on state and local government employment. While this estimate does include positions that were eliminated or left vacant, it does not attempt to ascertain the impact of the recession on the normal expansion of employment in response to increased service demands. This growth has undoubtedly been eliminated in most high unemployment governments and is probably limited in the majority of jurisdictions.

In addition to adjustments in operating budgets, most state and local governments have made some adjustment in their capital budgets. Typically, projects have been delayed, or even cancelled in order to

reduce borrowing costs or to facilitate the shift of capital funds to operating accounts. Smaller jurisdictions that fund capital projects out of operating accounts are probably the most severely affected. Unfortunately, only a limited number of jurisdictions were able to quantify the total value of capital projects affected by delays or cancellations. Conservative estimates based on those jurisdictions that could identify projects indicate that \$600 million to \$1 billion worth of projects will be delayed or cancelled in the upcoming year.

These deflationary adjustments in state and local government operating and capital funds will combine to remove \$7.5 to \$8 billion from the economy. While a small percentage of these adjustments may well be regarded as much needed improvements in government efficiency, the magnitude of the adjustments and their concentration in the high unemployment jurisdictions indicates that considerable hardship will be imposed upon the affected jurisdictions.



